NEW MEXICO MORTGAGE FINANCE AUTHORITY

Board Meeting
Albuquerque International Balloon Museum - 9201 Balloon Museum Dr. NE
Wednesday, August 17, 2016 at 9:30 a.m.

Agenda

Chair Convenes Meeting
➤ Roll Call (Jay Czar)
➤ Approval of Agenda – Board Action
➤ Approval of 7/20/16 Board Meeting Minutes – Board Action

Board Action Items

Finance Committee
1 Fair Housing & Lending Internal Audit (Jessica Bundy, REDW) YES
2 Restatement of MFA’s 401(k) and 457(b) Retirement Plans (Karen Kahn, Modrall Law Firm & Joshua Allison, Sheehan & Sheehan/MFA Board Counsel)
   ▪ Ratification of 401(k) Plan & Approval of Administrative Policy YES
   ▪ Approval of 457(b) Plan & Administrative Policy YES
3 Employee Manual Revisions-Retirement Plans (Dolores Deer) YES
4 Areas of Statistically Demonstrated Need for 2017 QAP (Susan Biernacki and Heather Abramowski) YES
5 6/30/16 Quarterly Financial Statement Review (Gina Hickman) YES
6 6/30/16 Quarterly Investment Review (Kathy Keeler) YES
7 Extension of TBA Administrative Services Contract (Kathy Keeler) YES
8 RFP for Single Family and Multifamily Underwriter Services (Kathy Keeler) YES

Contracted Services/Credit Committee
9 Legal Services as Bond Counsel Professional Services Agreement Extension (Kathy Keeler) YES
10 Substantial Amendment to Consolidated Plan and 2016 Action Plan (Izzy Hernandez) YES
11 Linkages Sole Source Awards (Gina Bell) YES

Other Board Items
12 (Staff is available for questions)
   ▪ Staff Action Requiring Notice to Board
   ▪ Strategic Plan-Quarterly Update Q3 (Dashboard)

Monthly Reports
13 (Staff is available for questions)
   ▪ Communications Department Reports

Quarterly Reports
14 (Staff is available for questions)
   ▪ Quarterly Board Report

Announcements and Adjournment

Confirmation of Upcoming Board Meetings
➤ August 17-18, 2016 – Board Retreat (Albuquerque International Balloon Museum)
➤ September 21, 2016- Wednesday - 9:30 a.m. (MFA Board Room)
➤ October 19, 2016- Wednesday - 9:30 a.m. (MFA Board Room)
➤ November 16, 2016 - Wednesday - 9:30 a.m. (MFA Board Room)
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➢ Approval of Agenda – Board Action
➢ Approval of 7/20/16 Board Meeting Minutes – Board Action

Board Action Items

Finance Committee

1 Fair Housing & Lending Internal Audit (Jessica Bundy, REDW) - REDW performed internal audit procedures over MFA’s processes for complying with the Department of Housing and Urban Development’s Fair Housing and Fair Lending requirements. REDW will present their internal audit report for approval.

2 Restatement of MFA’s 401(k) and 457(b) Retirement Plans (Karen Kahn, Modrall Law Firm & Joshua Allison, Sheehan & Sheehan/MFA Board Counsel)
   ▪ Ratification of 401(k) Plan & Approval of Administrative Policy - The Board is being asked to take the following actions with respect to MFA’s 401(k) Plan: 1) Ratification of MFA’s 401(k) Adoption Agreement and Basic Plan Document (together, the “Plan”), dated January 1, 2016 and which were previously approved by Executive Director Jay Czar on April 28, 2016; 2) Approval of the Administrative Policy on True-Up; and 3) Approval of the Formal Record of Action concerning the Plan.
   ▪ Approval of 457(b) Plan & Administrative Policy - The Board is being asked to take the following actions with respect to MFA’s 457(b) Plan: 1) Approval of MFA’s 457(b) Adoption Agreement and Basic Plan Document (together, the “Plan”), dated January 1, 2016; 2) Approval of the Administrative Policy on Eligibility; and 3) Approval of the Formal Record of Action concerning the Plan.

3 Employee Manual Revisions-Retirement Plans (Dolores Deer) - The request for the 401(k) and 457(b) Employee Manual revisions is the result of MFA’s 401(k) and 457(b) Basic Plan Documents being restated. The Employee Manual may have additional revisions, which will be reviewed at calendar year end and presented to the Board in January 2017.

4 Areas of Statistically Demonstrated Need for 2017 QAP (Susan Biernacki and Heather Abramowski) - Staff recommends approval of the attached Selection Methodology and the attached 2017 list of Areas of Statistically Demonstrated Need. Upon approval, the 2017 QAP will be updated to include the 2017 Tier 1 and Tier 2 counties.

5 6/30/16 Quarterly Financial Statement Review (Gina Hickman) – ongoing.

6 6/30/16 Quarterly Investment Review (Kathy Keeler) – ongoing.

7 Extension of TBA Administrative Services Contract (Kathy Keeler) - Hilltop Securities has satisfactorily assisted MFA with funding its Single Family Mortgage Program. The funding mechanism utilized by Hilltop Securities has allowed MFA to maintain competitive mortgage rates as compared with the local market. Staff is requesting that the Board exercise the second and final one-year contract extension with Hilltop Securities under the same terms and conditions.

8 RFP for Single Family and Multifamily Underwriter Services (Kathy Keeler) - MFA issued a Request for Proposal to Provide Single Family Housing Bond Underwriting Services in November 2012. The contract was awarded to J.P. Morgan as Lead Underwriter with RBC Capital Markets serving as Co-Manager for a period of two years with the possibility of three, one-year extensions under the same terms and conditions. MFA’s Board exercised the second of three extensions in February, 2016. However, since that time, staff has become aware of other financing techniques that could benefit MFA that are not being offered by our current underwriting team. In addition, MFA does not have multifamily housing program underwriters under contract and the Request for Proposals to Provide Underwriting Services for Single Family and Multifamily Housing Programs (the “RFP”) has been revised to include multifamily housing program underwriters. Responses to the RFP will be due on or before September 29, 2016 and recommendations for award will be presented at the November Board meeting. The term of the contract begins the date the Board approves the award and ends November 30, 2019 with two subsequent one-year extensions at the option of the Board. Staff recommends approval of the Request for Proposals to Provide Underwriting Services for Single Family and Multifamily Housing Programs.
Contracted Services/Credit Committee

9 Legal Services as Bond Counsel Professional Services Agreement Extension (Kathy Keeler) - Ballard Spahr has satisfactorily provided Bond Counsel services to MFA for the last four years under the current Professional Services Agreement (“PSA”). Staff is requesting that the Board exercise the second and final one-year contract extension to extend the PSA under the same terms and conditions until September 19, 2017.

10 Substantial Amendment to Consolidated Plan and 2016 Action Plan (Izzy Hernandez) - Staff has developed and is seeking approval of a Substantial Amendment to the 2015-2019 Consolidated Plan and the 2016 Action Plan. The changes encompassed in the Substantial Amendment include the allocation of $3 million to MFA for the National Housing Trust Fund, as well as increases to the maximum amount of HOME funds to $1,000,000 per project for CHDOs/$800,000 for non-CHDOs.

11 Linkages Sole Source Awards (Gina Bell) - Linkages is a permanent supportive housing voucher program for persons with a severe mental illness who are homeless or precariously housed. The program is funded by the state through the Behavioral Health Purchasing Collaborative and the Statewide Entity, Optum Health New Mexico. Staff recommends that procurement for the Linkages Program 2016-2017 be conducted as limited source procurement for the seven (7) existing Housing Providers, with awards subject to availability of funding from the State of New Mexico.

Other Board Items

12 (Staff is available for questions)
- Staff Action Requiring Notice to Board
- Strategic Plan-Quarterly Update Q3 (Dashboard)

Monthly Reports

13 (Staff is available for questions)
- Communications Department Reports

Quarterly Reports

14 (Staff is available for questions)
- Quarterly Board Report

Announcements and Adjournment

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- October 19, 2016- Wednesday - 9:30 a.m. (MFA Board Room)
- November 16, 2016 - Wednesday - 9:30 a.m. (MFA Board Room)
Minutes
NEW MEXICO MORTGAGE FINANCE AUTHORITY  
Board Meeting  
344 4th St. SW, Albuquerque, NM  
Wednesday, July 20, 2016 at 9:30 a.m.

Chair Dennis Burt convened the meeting on July 20, 2016 at 9:35 a.m. Secretary Jay Czar called the roll. Members present: Chair Dennis Burt, Angel Reyes, Vincent Torres (Designee for Lieutenant Governor John Sanchez), Sally Malavé (Designee for Attorney General Hector Balderas), Treasurer Tim Eichenberg and Randy McMillan (via conference call). Absent: Steven Smith. Czar informed the Board that everyone had been informed about today’s meeting in accordance with the New Mexico Open Meetings Act.

Chair Burt welcomed everyone to today’s meeting and went over voting instructions for members participating via conference call.

Approval of Agenda - Board Action. Motion to approve the July 20, 2016 Board agenda as presented: Malavé. Second: Torres. Vote: 6-0.

Approval of 6/15/16 Board Meeting Minutes – Board Action. Motion to approve the June 15, 2016 Board Meeting Minutes as presented: Reyes. Second: Malavé. Vote: 5-0. (Treasurer Eichenberg abstained stating he was not present at last month’s meeting).

Employee Introductions: Patrick Ortiz, Lead Housing Program Analyst introduced the following new employees from the Asset Management Department; Amanda Aragon, Housing Programs Analyst and Samantha Vigil, Housing Programs Analyst. Dan Puccetti, Director of Housing Development introduced Heather Abramowski, Program Manager – Housing Development Department.

Izzy Hernandez, Deputy Director of Programs informed the board that this is Dan Puccetti’s last week and final board meeting, stating he was retiring after 9 ½ years with MFA. He spoke of all the accomplishments Dan had made during his employment and thanked him for his contributions.

Chair Burt welcomed the new employees and thanked Dan for his years of service.

Contracted Services/Credit Services

1 Rio Vista Apartments - Housing Trust Fund Loan Request (Michael Scott and Daniel Puccetti). Puccetti began by introducing the developers of the Rio Vista Apartments, present at today’s meeting; Linda Bridge and Dan Foster from Albuquerque Housing Authority. Scott informed the board that this loan request is a Housing Trust Fund request in the amount of $500k and was recommended for approval by the Housing Trust Fund advisory committee. It is a request from Rio Vista Apartments which are located in Albuquerque. It is a request for acquisition and rehabilitation of 75 rental units, all of which will be targeted to families earning at or below 50% of the area median income (AMI). The request is in the amount of $1,875,000. The terms of the loan are: Construction only – 24 months; rate 3% per annum, and no fee. Motion to approve Rio Vista Apartments – Housing Trust Fund Loan Request as presented: Malavé. Second: Reyes. Vote: 4-2 (Eichenberg & McMillan). (See attachment A)

2 Rio Vista Apartments – Primero Loan Request (Michael Scott and Daniel Puccetti). Scott informed the board that this loan request for Rio Vista Apartments is a Primero loan request in the amount of $1mm. The terms of the loan are: Construction only 24 months, interest rate of 2.5% per annum, and a 1.0% fee. The details are the same as the Housing Trust Fund loan discussed prior. Motion to approve Rio Vista Apartments – Primero Loan Request as presented: Reyes. Second: Malavé. Vote: 4-2 (Eichenberg & McMillan). (See Attachment B). After voting no on the proposal, Eichenberg disclosed that he represents the management company for this project, JL Gray, on unrelated matters; but that his relationship with JL Gray would not have impacted his “no” vote on this project in any case.
3 Eunice Workforce Housing – Governor’s Innovations in Housing Grant Request (Sabrina Su and Daniel Puccetti). Puccetti introduced the developers present at today’s meeting Chris Herbert, Caesar Morencio; Eastern Regional Housing Authority and Rose Garcia – Tierra del Sol Housing Corporation. Chris Herbert introduced additional members Frank Garrett; Pavilion construction, Architect – Alexander Dzurec and elected officials from Eunice; Mayor Matt White and City Manager Mark Moore. Su reminded the board that this loan had come before the board in March, stating that at that time it was not approved. She stated that since that time the project has been reconceived and is now a partnership between Tierra Del Sol Housing Corporation (TDS) and Eastern Regional Housing Authority (ERHA). They will be co-developers and owners of the project, as part of a planned long-term collaboration between the organizations to leverage each other’s strengths in order to better serve their communities. She informed the board that the building costs had been brought down to $199 from $216 from the budget presented in March. The grant in the amount of $696,006 will be used to develop 16 new units of rental housing in Eunice, NM, with the pro-rata portion of the units (i.e. five) designated for educational, safety, and health care workers, as well as active members of the armed forces. Motion to approve the Eunice Workforce Housing – Governor’s Innovations in Housing Grant Request as presented: Malavé. Second: Torres. Vote: 4-2 (Eichenberg & McMillan). (See Attachment C)

4 Eunice Workforce Housing – Housing Trust Fund Loan Request (Sabrina Su and Daniel Puccetti). Su stated that she had covered the details of this project in the prior item. This loan is a Housing Trust Fund loan and was recommended for approval by the Housing Trust Fund advisory committee, the request is in the amount of $702,187 for 31.5 years; Construction - 18 months converting to Permanent - 30 years, 3% per annum. Motion to approve the Eunice Workforce Housing – Housing Trust Fund Loan Request as presented: Reyes. Second: Malavé. Vote: 4-2 (Eichenberg & McMillan). (See Attachment D)

5 Hacienda Heights – Primero Loan Request (Homeownership Development Award) - Colonias Initiative (Michael Scott and Daniel Puccetti). Scott began by stating the Primero loan requests in the amount of $500k for Hacienda Heights is located in Vado. It is a Land acquisition and infrastructure development for 48 single family homes, 36 of which will be sold to families earning at or below 80% of the area median income (AMI). The terms are; Construction only – 60 months, 2.5% per annum, 1% fee. A Land Use Restriction Agreement (LURA) and/or owner deed restriction will be filed on the 48 lots and released on each lot when sold. Scott reviewed the Special Conditions. Motion to approve the Hacienda Heights – Primero Loan Request as presented: Eichenberg. Second: McMillan. Vote: 6-0. (See Attachment E)

6 National Housing Trust Fund Allocation Plan (Sabrina Su and Debbie Davis). Su began by informing the board the National Housing Trust Fund (NHTF) is a new source of federal funds under which MFA has been allocated $3 million. The NHTF allows up to 10% of funds to be used for administrative costs, up to 10% for homeownership activities, and the remaining funds for rental housing development, all of which will serve families earning no more than 30% of the Area Median Income. She further stated in accordance with HUD requirements, MFA published the draft NHTF Allocation Plan for public comment over a 30-day period, which began on June 1, 2016 and ended on July 1, 2016. MFA also held a public hearing on June 20, 2016 to solicit comments. Aside from MFA staff, one person representing the New Mexico Coalition to End Homelessness attended the public hearing and provided comments orally at the public hearing as well as in writing via e-mail. No other comments were received during the 30-day comment period. An Allocation Plan must be submitted to HUD by August 16, 2016. Su reviewed the Allocation Plan (Draft), which is located behind tab six and will become a part of the official board packet. She explained that in the event HUD requires changes to the Allocation Plan, staff will make the changes, resubmit to HUD, and notify the Board of the changes. Following HUD approval of the Allocation Plan, MFA will develop a NOFA that will provide greater detail on the application and selection process. The NOFA will be presented to the Board for approval. Motion to approve the National Housing Trust Fund Allocation Plan as presented: Reyes. Second: Torres. Vote: 6-0. (See Attachment F)
Other

7 2016 Series B Single Family Bond Resolution (Kathy Keeler). Keeler presented a bond resolution for the 2016 Series B bond issue. She explained staff is recommending the approval of the 2016 Series B Single Family Bond Resolution in the aggregate amount of not to exceed $25 million which is anticipated to refund the U.S. Treasury portion of one of the New Issue Bond Program (“NIBP”) bond issues. Keeler further explained that it is a very market sensitive transaction; looking at achieving a rate of 2.65% with a saving of approximately $400k. We are looking at closing at the end of August. However if the market does not cooperate, it will sit. The Trustee is Zions Bank. The underwriters on this bond transaction will be J.P. Morgan Securities LLC and RBC Capital Markets LLC. Keeler reviewed Exhibit A highlighting the bond maximum parameters as follows: Maturity Date not to exceed 9/1/2041, Principal Amount not to exceed $25mm, Interest Rate not to exceed 2.75% and Authority Contribution not to exceed $350k. Discussion ensued regarding Authority Contribution - Performance Contracts (no costs unless the bonds close). Motion to approve the 2016 Series B Single Family Bond Resolution: Torres. Second: Reyes. Vote: 6-0. (See Attachment L)

8 2016 Series C Single Family Bond Resolution (Kathy Keeler). Keeler presented a bond resolution for the 2016 Series C bond issue. She explained staff is recommending the approval of the 2016 Series C Single Family Bond Resolution in the aggregate amount of not to exceed $70 million which will be a combination of new money, and a refunding of two prior bond programs. Keeler further explained that staff is evaluating pricing in October and closing in November. The Trustee is Zions Bank. The underwriters on this bond transaction will be J.P. Morgan Securities LLC and RBC Capital Markets LLC. Keeler reviewed Exhibit A highlighting the bond maximum parameters as follows: Maturity Date not to exceed 9/1/2048, Principal Amount not to exceed $70mm, Interest Rate not to exceed 5% and Authority Contribution not to exceed $1.5mm. Motion to approve the 2016 Series C Single Family Bond Resolution: Reyes. Second: Torres. Vote: 6-0. (See Attachment M)

Other Board Items - Information Only

9 No questions were asked of staff.
   - Staff Action Requiring Notice to Board
   - Strategic Plan Dashboard

Monthly Reports - No Action Required

10 Member Reyes commented on the Financials.
   - 5/31/2016 Financial Statements – Reyes commended Jay, Gina and staff, stating all the year over year and budgeted comparisons and all the indicators are all positive trends. A great place to be and wanted to acknowledge that.
   - Communications Department Reports

Announcements and Adjournment - Chair Burt thanked member McMillan for taking timeout of his holiday to participate in the board meeting. Czar reminded the Board that next month’s meeting will be held on August 17, 2016 in conjunction with the MFA Board Retreat August 17-18, 2016 at the Albuquerque International Balloon Museum.

There being no further business the meeting was adjourned at 10:30 a.m.

Approved: August 17, 2016
Tab 1
# New Mexico Mortgage Finance Authority

**Finance/Operations Committee Meeting**

**Tuesday, August 9, 2016 at 1:30 p.m.**

To dial in to the conference call dial: MFA (Abbott Hall) all participant dial in

(641) 715-3276 Participant Access Code: 561172#  MFA only/Host Access Code: 561172*

<table>
<thead>
<tr>
<th>Agenda Item</th>
<th>COMMITTEE RECOMMENDED</th>
<th>BOARD ACTION REQUIRED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 FY2016 External Audit Entrance Conference (Laurie Tish, Partner; Amy Carter, Senior Manager; and Janna Skinner, In-Charge; Moss Adams)</td>
<td>3–0</td>
<td>YES</td>
</tr>
<tr>
<td>2 Fair Housing &amp; Lending Internal Audit (Jessica Bundy, REDW)</td>
<td>3–0</td>
<td>YES</td>
</tr>
<tr>
<td>3 Restatement of MFA’s 401(k) and 457(b) Retirement Plans (Karen Kahn, Modrall Law Firm &amp; Joshua Allison, Sheehan &amp; Sheehan/MFA Board Counsel)</td>
<td>3–0</td>
<td>YES</td>
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<tr>
<td>- Ratification of 401(k) Plan &amp; Approval of Administrative Policy</td>
<td>3–0</td>
<td>YES</td>
</tr>
<tr>
<td>- Approval of 457(b) Plan &amp; Administrative Policy</td>
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<tr>
<td>4 Employee Handbook Revisions-Retirement Plans (Yvonne Segovia)</td>
<td>3–0</td>
<td>YES</td>
</tr>
<tr>
<td>5 Areas of Statistically Demonstrated Need for 2017 QAP (Susan Biernacki and Heather Abramowski)</td>
<td>3–0</td>
<td>YES</td>
</tr>
<tr>
<td>6 6/30/16 Quarterly Financial Statement Review (Gina Hickman)</td>
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<td>3–0</td>
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<td>3–0</td>
<td>YES</td>
</tr>
</tbody>
</table>

Committee Members present:

- Steven Smith, Chair
- Dennis Burt
- Lieutenant Governor John Sanchez
- or Proxy Mark Van Dyke or Vincent Torres

[Signature: Secretary] 8/9/16
New Mexico Mortgage Finance Authority

Fair Housing and Fair Lending Internal Audit

Executive Summary

May 2016
New Mexico Mortgage Finance Authority
Fair Housing and Fair Lending Internal Audit

Executive Summary

New Mexico Mortgage Finance Authority
Board of Directors

We performed the internal audit services described below to assist New Mexico Mortgage Finance Authority (MFA) in evaluating compliance with Fair Housing and Fair Lending policies.

SUMMARY OF PROCEDURES

We performed a variety of procedures in order to test MFA’s processes for complying with the Department of Housing and Urban Development’s (HUD) Fair Housing and Fair Lending requirements. We interviewed MFA employees, obtained necessary HUD and MFA reports and compared them to current MFA practices for compliance with Fair Housing and Fair Lending requirements. We compared the Fair Housing complaint tracking process to MFA’s policy. We tested the approved 2015 Consolidated Annual Performance and Evaluation Report (CAPER) including the Fair Housing Impediments and Solutions and for each impediment we evaluated whether the action and accomplishment sufficiently addressed the impediment. Additionally, we tested the current process in place for notifying lenders of Fair Lending policies.

SUMMARY OF RESULTS

We found the following weaknesses in the process and consider them low risk:

<table>
<thead>
<tr>
<th>Testing Area</th>
<th>Observations Identified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair Housing – Analysis of Impediments</td>
<td>Two of six instances where appropriate actions and accomplishment counts for impediments did not correlate with the action plan in the CAPER.</td>
</tr>
<tr>
<td>Fair Housing – Analysis of Impediments</td>
<td>Two of six impediments in the CAPER did not have sufficient supporting documentation to verify the action plan was complete.</td>
</tr>
<tr>
<td>Fair Housing – Complaint Process</td>
<td>The Fair Housing Officer listed in the policy was not aware that they were designated with this title. In addition, a standard tracking process for complaints received was not place.</td>
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</tbody>
</table>
We also provided best practice recommendations to management.

* * * * *

Further detail of our purpose, objectives, scope, procedures, observations, and recommendations is included in the full internal audit report. In that report, management describes the corrective action being taken for the above observations.

Albuquerque, New Mexico
August 8, 2016
Tab 2
MEMORANDUM

TO: MFA Board of Directors

Through: Finance Committee – August 9, 2016

Through: N/A

FROM: Joshua A. Allison

DATE: August 3, 2016

SUBJECT: Ratification of Restated 401(k) Plan Documents

Recommendation:

The Board is asked to take the following actions with respect to MFA’s 401(k) plan:

1. Ratification of MFA’s 401(k) Adoption Agreement and Basic Plan Document (together, the “Plan”);

2. Approval of the Administrative Policy on True-Up; and

3. Approval of the Formal Record of Action concerning the Plan.

Background:

MFA’s 401(k) Plan is a grandfathered governmental plan. All plans that are stated on pre-approved documents are required to be restated every six years. MFA’s Plan was required to be restated by April 30, 2016 to comply with the Pension Protection Act. In the course of restating the Plan, MFA undertook an evaluation of the Plan documents and made certain revisions to those documents to ensure that they reflected the intent of the benefits provided to eligible MFA employees as provided in MFA’s Employee Manual. The Plan was in fact restated on the pre-approved form for governmental plans prior to the April 30, 2016 deadline.

Discussion:

MFA’s Plan is not typical. It is one of relatively few grandfathered governmental plans. Given the specific laws and regulations that may or may not apply to MFA’s grandfathered
governmental Plan, Sheehan & Sheehan retained, on behalf of MFA, the Modrall Law Firm to assist in restating the Plan.

Karen Kahn from Modrall worked with MFA staff and the Sheehan Firm to restate the Plan as required. She also assisted MFA in revising the Plan to comply with applicable regulations and to be consistent with MFA’s Employee Manual. Those revisions are explained in more detail in Karen Kahn’s August 3, 2016 memo, which is included in the packet of materials.

Also included in the packet of materials are the following documents:

1. New Mexico Mortgage Finance Authority 401(k) Plan Adoption Agreement, dated January 1, 2016 and executed by Jay Czar on April 28, 2016.


4. New Mexico Mortgage Finance Authority Formal Record of Action.

5. March 31, 2014 Department of Treasury Letter, which accepts the form of the pre-approved governmental plan.

Summary:

The Board is being asked to take the following actions with respect to MFA’s 401(k) Plan:

1. Ratification of MFA’s 401(k) Adoption Agreement and Basic Plan Document (together, the “Plan”), dated January 1, 2016 and which were previously approved by Executive Director Jay Czar on April 28, 2016;

2. Approval of the Administrative Policy on True-Up; and

3. Approval of the Formal Record of Action concerning the Plan.
Memorandum

To: New Mexico Mortgage Finance Authority
From: Karen Kahn
Date: August 3, 2016
Re: Summary of Changes to the 401(k) and 457(b) Retirement Plans

Changes to the 401(k) Plan

1) All defined contribution plans on pre-approved documents are required to be restated every six years. Thus the restatement was required even though substantively the changes in the law during the last six years, including the Pension Protection Act, were not significant for MFA.

2) The Plan was restated on a governmental plan document form that has been pre-approved by the IRS. As a governmental Plan, the Plan is not subject to ERISA, to the rules prohibiting discrimination in favor of highly compensated employees, to the participation rules, nor to the general tests required of plans, but it is subject to the limitation in the amount of contributions that can be made. The prior document was a generic 401(k) plan document that included these inapplicable provisions. The document that the Plan is now on is one drafted specifically for governmental entities.

3) Eligibility. This Plan document provides that all employees are eligible to participate in the 401(k) Plan except leased employees, interns, and term employees whose offer letter states that the individual will not be eligible for benefits. The Employee Manual has been revised to clarify that full-time term employee would only be eligible if his or her offer letter states the individual is eligible for benefits and to clarify that an employee working fewer than 20-hour a week would be eligible for the 401(k) unless the individual were an intern or term employee.

4) Matching Contributions are 5% of compensation so long as the Participant is deferring at least 3% of compensation. A Participant who “front-loads” his or her deferrals or chooses to defer a high percentage of compensation at some point during the year may hit the IRS deferral limit of $18,000 plus $6,000 catch-up (IRC Section 402(g) limit), without making a 3% deferral during each pay period. At any point in which the Participant ceases making deferrals (because he or she met this IRC Section 402(g) limit), the matching contribution ceases as that Participant is no
longer making the required 3% deferral during a particular pay period. Under the new Plan
Document, the Employer may choose to make a true-up, i.e., add the amount of the Matching
Contribution that would have been allocated to the Account if Compensation for the entire Plan
Year had been the basis of the contribution. (The true-up was not permitted under the old Plan
after the decision to make matching contributions on a per pay period basis.) By administrative
policy, MFA is choosing to make a true-up for those whose Matching Contribution ceases
because of meeting this 402(g) limit. The policy does not give a true-up to a Participant who
starts and stops his or her deferrals throughout the year, but only to those who cease deferrals
due to hitting maximum IRS limits on deferrals. The Employee Manual referred to making a
matching contribution based on an employee’s annual taxable compensation and that has now
been modified to refer to the true-up only for those who reach the IRS maximum.

5) Amount of Matching Contribution and Employer Non-Elective Contribution. Currently the Plan
gives a 5% Matching Contribution and an 11% Non-Elective Contribution. Instead of “hard-
wiring” that into the Plan Document, the new document provides that the amount of Matching
and Non-Elective Contributions will be a discretionary percentage determined by the Board.
Using “a discretionary amount” means that the Employer can change the amount of the
contribution if circumstances change and the Employer wishes to reduce the contribution or
change the percentage matched without the formality of a Plan Amendment. The Employee
Manual provides that MFA will make the 5% and 11% contributions.

6) Automatic Increasing Deferrals. The Employee Manual does not refer to MFA’s automatic
increase in deferrals although the Plan provides for an increase of 1% a year up to 8% of
compensation, unless the Participant affirmatively elects otherwise. This automatic increase
was in the old Plan and is in the new Document and will now be reflected in the Employee
Manual.

7) Definition of Compensation. The new document uses W-2 compensation without fringe
benefits and reimbursements and only includes compensation from the date of entry into the
Plan. The old Plan used IRC Section 415 compensation. These definitions of compensation are
quite similar and are not referred to in the Employee Manual.

8) To cover any conflicts between the Plan Documents and the Employee Manual due to
summarizing the Plan, the Employee Manual now has a provision stating that in case of conflict
between this Employee Manual or any summary of the Retirement Plans and the Plan
Documents, the Plan Documents will govern.
Changes to the 457(b) Plan

1) This document needed to be restated to ensure that all changes in the law are incorporated into the document.

2) Eligibility. The old Plan Document provided that anyone who maxed out (or intended to max out) their contributions to the 401(k) Plan was eligible to participate in the 457(b) Plan. The new Plan Document changes eligibility to anyone listed in the Appendix to the Plan. If MFA chooses to make an Employer contribution in the future there could be an issue as to who is eligible. To avoid inadvertent eligibility, we have drafted an Administrative Policy that provides that MFA will add to the Appendix as an eligible employee for the 457(b) Plan any employee who has in any prior year deferred the maximum deferral amount permitted for that employee under IRC Section 402(g) to the MFA 401(k) Plan and has requested to participate in the 457(b) Plan by completing a 457(b) Plan salary deferral form.

3) Distribution of Benefits. The old Plan Document provided that a terminated employee must take a distribution by the last day of the Plan Year after termination and that a deceased Participant must take a distribution within three months of the date of death. The new Plan Document provides additional time for terminated employees (regardless of when in the year the Participant terminates, he or she gets six months to take the distribution) and for the beneficiary of a deceased Participant (until the end of the next calendar year.)
NEW MEXICO MORTGAGE FINANCE AUTHORITY

401(k) PLAN

Basic Plan Document

January 1, 2016

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Lawyers
# NEW MEXICO MORTGAGE FINANCE AUTHORITY
## 401(k) PLAN
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ARTICLE I INTRODUCTION

Section 1.01 PLAN

This document ("Basic Plan Document"), its related Adoption Agreement and Trust are intended to qualify as a tax-exempt "Plan" under Code sections 401(a) and 501(a), respectively. The Plan is further intended to qualify as a governmental plan under Code section 414(d). The Employee Retirement Income Security Act (ERISA) shall not be applicable to this Plan, even if a prior version of this Plan inadvertently incorporated ERISA provisions.

Section 1.02 APPLICATION OF PLAN

Except as otherwise specifically provided herein, the provisions of this Plan shall apply to those individuals who are Eligible Employees of the Employer on or after the Effective Date. Except as otherwise specifically provided for herein, the rights and benefits, if any, of former Eligible Employees of the Employer whose employment terminated prior to the Effective Date, shall be determined under the provisions of the Plan, as in effect from time to time prior to that date.
ARTICLE 2 DEFINITIONS

"Account" means the balance of a Participant’s interest in the Trust Fund as of the applicable date as adjusted pursuant to Article 9. "Account" or "Accounts" shall include, to the extent provided in the Adoption Agreement, a Mandatory Employee Contribution Account, Mandatory After-tax Employee Contribution Account, Matching Contribution Account, Employer Contribution Account, Pension Contribution Account, Voluntary Contribution Account, Grandfathered 401(k) Contribution Account, Grandfathered Roth 401(k) Contribution Account, Rollover Contribution Account, Transfer Account and such other Account(s) or subaccount(s) as the Plan Administrator, in its discretion, deems appropriate.

"Adoption Agreement" means the document executed in conjunction with this Basic Plan Document that contains the optional features selected by the Plan Sponsor.

"Alternate Payee" means the person entitled to receive payment of benefits under the Plan pursuant to a Qualified Domestic Relations Order.

"Annual Addition" means the sum of the following amounts credited to a Participant’s Account for the Limitation Year:

(a) Employer contributions allocated to a Participant’s Account, including Mandatory Employee Contributions, Matching Contributions, Employer Contributions, and Pension Contributions;

(b) Voluntary Contributions and Grandfathered 401(k) Contributions;

(c) forfeitures;

(d) amounts allocated, after March 31, 1984, to an individual medical account, as defined in Code section 415(i)(2), which is part of a pension or annuity plan maintained by the Employer;

(e) amounts derived from contributions paid or accrued after December 31, 1985, in taxable years ending after such date, which are attributable to post-retirement medical benefits, allocated to the separate Account of a key employee, as defined in Code section 419A(d)(3), under a welfare benefit fund, as defined in Code section 419(e), maintained by the Employer; and

(f) allocations under a simplified employee pension plan.

Notwithstanding the foregoing, an Annual Addition shall not include a restorative payment within the meaning of IRS Revenue Ruling 2002-45 and any superseding guidance.

"Beneficiary" means the person(s) entitled to receive benefits, under Section 7.04 of the Plan, upon the Participant’s death.

"Catch-up Contribution" means the contribution described in Section 5.02(d).

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" means the committee that may be appointed by the Plan Sponsor pursuant to Section 11.01 to serve as Plan Administrator.

"Compensation" shall have the meaning set forth in the Adoption Agreement.

Compensation shall include other compensation paid by the later of: (a) 2-1/2 months after an Employee’s severance from employment with the Employer or (b) the end of the Limitation Year that includes the date of the Employee’s severance from employment with the Employer if: (1) the payment is regular compensation for services during the Participant’s regular working hours, or compensation for services outside the Participant’s regular working hours (e.g., overtime or shift differential), commissions, bonuses, or other similar payments; and (2) the payment would have been paid to the Participant prior to a severance from employment if the Participant had continued in employment with the Employer.
The exclusions from Compensation for payments after severance from employment do not apply to payments to a Participant who does not currently perform services for the Employer by reason of Qualified Military Service to the extent those payments do not exceed the amounts the Participant would have received if the individual had continued to perform services for the Employer rather than entering Qualified Military Service. To the extent selected in the Adoption Agreement and pursuant to Code section 414(u)(12), IRS Notice 2010-15 and any superseding guidance, differential wage payments shall be treated as Compensation.

To the extent provided in Section 4.03(d), Compensation shall include compensation paid to a Participant who is permanently and totally disabled.

Compensation must be determined without regard to any rules under Code section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code section 3401(a)(2)).

For any Plan Year, the annual compensation of each Participant taken into account in determining allocations for any Plan Year beginning after December 31, 2001, shall not exceed $200,000, as adjusted for cost-of-living increases in accordance with Code section 401(a)(17)(B). Annual compensation means Compensation during the Plan Year or such other consecutive 12-month period over which Compensation is otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

If a determination period consists of fewer than 12 months, the annual compensation limit is an amount equal to the otherwise applicable annual compensation limit multiplied by a fraction, the numerator of which is the number of months in the short determination period, and the denominator of which is 12.

"Disabled" or "Disability" shall have the meaning specified in the Adoption Agreement. The determination of Disability shall be made by the Plan Administrator.

"Domestic Partner" means, unless otherwise specified in the Adoption Agreement, a partner of the Participant if the Participant is in a civil union or similar relationship recognized under the laws of any state. A Participant may only have one Domestic Partner. A Participant may not have a Domestic Partner if the Participant is legally married to a person.

"Early Retirement Age" shall have the meaning set forth in the Adoption Agreement.

"Effective Date" shall have the meaning set forth in Section A.3 of the Adoption Agreement except as otherwise specified in the Plan or Adoption Agreement.

"Eligible Employee" means any Employee employed by the Employer, subject to the modifications and exclusions described in the Adoption Agreement.

"Employee" means any individual who is employed by the Employer. The term "Employee" includes any Leased Employee of the Employer. No Leased Employee may become a Participant hereunder unless he becomes an Eligible Employee. The term "Employee" shall not include a person who is classified by the Employer as an independent contractor or a person who is not treated as an employee for purposes of withholding federal employment taxes.

"Employer" means the Plan Sponsor and any other entity that has adopted the Plan with the approval of the Plan Sponsor.

"Employer Contribution" means a contribution made by the Employer that is allocated to a Participant’s Employer Contribution Account pursuant to Article 4.

"Employer Contribution Account" means so much of a Participant’s Account as consists of Employer Contributions (and corresponding earnings) made to the Plan.

"Employment Commencement Date" means the first date on which the Eligible Employee performs an Hour of Service.

"Excess Compensation" means the amount by which an Eligible Employee’s Compensation for a Plan Year exceeds the integration level described in the Adoption Agreement.
"Grandfathered 401(k) Contribution" means an employee contribution made to the Plan as a Pre-tax Grandfathered 401(k) Contribution or as a Grandfathered Roth 401(k) Contribution pursuant to Article 4 of the Plan.

NOTE: Code section 401(k)(4)(B)(ii) prohibits governmental employers from establishing new 401(k) plans. This provision does not apply to governmental 401(k) plans adopted before May 6, 1986.

"Grandfathered 401(k) Contribution Account" means so much of a Participant's Account as consists of a Participant's Grandfathered 401(k) Contributions (and corresponding earnings) made to the Plan. The Grandfathered 401(k) Contribution Account shall also include Catch-up Contributions described in Section 5.02(d) of the Plan.

"Grandfathered Roth 401(k) Contribution" means a Grandfathered 401(k) Contribution that is: (a) designated irrevocably by the Participant at the time of the cash or deferred election as a Grandfathered Roth 401(k) Contribution that is being made in lieu of all or a portion of the Pre-tax Grandfathered 401(k) Contributions the Participant is otherwise eligible to make under the Plan; and (b) treated by the Employer as includible in the Participant's income at the time the Participant would have received that amount in cash if the Participant had not made a cash or deferred election. Except as otherwise provided, Grandfathered Roth 401(k) Contributions shall be subject to the same conditions and limitations as apply to Grandfathered 401(k) Contributions.

"Grandfathered Roth 401(k) Contribution Account" means so much of a Participant's Account as consists of a Participant's Grandfathered Roth 401(k) Contributions (and corresponding earnings) made to the Plan. The Plan will maintain a record of the amount of Grandfathered Roth 401(k) Contributions in each Participant's Grandfathered Roth 401(k) Contribution Account.

"Hour of Service" means each hour for which an Employee is paid, or entitled to payment, for the performance of duties for the Employer. If the Employer maintains the plan of a predecessor employer, service with such employer will be treated as service for the Employer if elected in the Adoption Agreement.

Service with respect to Qualified Military Service shall be credited in accordance with Code section 414(u) and service shall also be determined to the extent required by the Family and Medical Leave Act of 1993.

"Investment Fiduciary" means the person(s) designated as such in the Adoption Agreement.

"Investment Funds" means the funds in which the Trust Fund is invested.

"Investment Manager" means the person(s) designated as such in the Adoption Agreement.

"In-Plan Roth Rollover Account" means so much of a Participant's Account as consists of a Participant's In-Plan Roth Rollover Contributions (and corresponding earnings) made to the Plan.

"In-Plan Roth Rollover Contribution" means an Employee contribution made to the Plan as a rollover from another Account in the Plan pursuant to Section 8.07.

"Leased Employee" means any person (other than an Employee of the Employer) who, pursuant to an agreement between the Employer and any other person ("leasing organization"), has performed services for the Employer (or for the Employer and related persons determined in accordance with Code section 414(n)(6) on a substantially full time basis for a period of at least one year, and such services are performed under primary direction or control by the Employer. Contributions or benefits provided to a Leased Employee by the leasing organization which are attributable to services performed for the Employer shall be treated as provided by the Employer. A person shall not be considered a Leased Employee if: such person is covered by a money purchase pension plan providing: (1) a nonintegrated employer contribution rate of at least 10% of compensation, as defined in Code section 415(c)(3), but including amounts contributed pursuant to a salary reduction agreement which are excludable from the employee's gross income under Code sections 125, 402(c)(3), 402(h), 403(b), 132(f) or 457; (2) immediate participation; and (3) full and immediate vesting.

"Limitation Year" means the year specified in the Adoption Agreement for purposes of determining Annual Additions limits pursuant to Article 5. All qualified plans maintained by the Employer must use the same Limitation Year. If the Limitation Year is amended to a different 12-consecutive month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.
"Mandatory After-tax Employee Contribution" means a mandatory Employee contribution made to the Plan on an after-tax basis. The term Mandatory After-tax Employee Contribution shall not include Grandfathered Roth 401(k) Contributions.

"Mandatory After-tax Employee Contribution Account" means so much of a Participant's Account as consists of Mandatory After-tax Employee Contributions (and corresponding earnings) made to the Plan.

"Mandatory Employee Contribution" means contributions picked up by the Employer as described in Code section 414(h), Revenue Rulings 81-35, 81-36, 87-10 and 2006-43.

(a) The Mandatory Employee Contributions are paid by the Employer in lieu of contributions by the Participant. The employing unit must take formal action to provide that the contributions on behalf of a specific class of employees of the employing unit, although designated as employee contributions, will be paid by the employing unit in lieu of employee contributions. A person duly authorized to take such action with respect to the employing unit must take such action. The action must apply only prospectively and be evidenced by a contemporaneous written document (e.g., minutes of a meeting, a resolution, or an ordinance).

(b) The Participant may not receive the contributed amounts directly instead of having them paid to the Plan and may not opt out of the Mandatory Employee Contributions. No cash or deferred election right (within the meaning of Code section 1.401(k)-1(a)(3)) with respect to designated Mandatory Employee Contributions applies.

"Mandatory Employee Contribution Account" means so much of a Participant's Account as consists of Mandatory Employee Contributions (and corresponding earnings) made to the Plan.

"Matched Employee Contribution" means Employee contributions specified in the Adoption Agreement.

"Matching Contribution" means an Employer Matching Contribution made to the Plan on behalf of the Participant pursuant to Article 4 of the Plan.

"Matching Contribution Account" means so much of a Participant's Account as consists of Matching Contributions (and corresponding earnings) made to the Plan.

"Non-Elective Contribution" means a contribution made by the Employer that is allocated to a Participant's Non-Elective Contribution Account pursuant to Article 4.

"Non-Elective Contribution Account" means so much of a Participant's Account as consists of Non-Elective Contributions (and corresponding earnings) made to the Plan.

"Normal Retirement Age" shall have the meaning set forth in the Adoption Agreement.

"Participant" means an Eligible Employee who participates in the Plan in accordance with Article 3.

"Pension Contribution" means a contribution made by the Employer that is allocated to a Participant's Pension Contribution Account pursuant to Article 4.

"Pension Contribution Account" means so much of a Participant's Account as consists of Pension Contributions (and corresponding earnings) made to the Plan.

"Plan Administrator" means the person(s) designated pursuant to the Adoption Agreement and Section 11.01.

"Plan Sponsor" means the entity described in the Adoption Agreement.

"Plan Year" means the 12-consecutive month period described in the Adoption Agreement.

"Post Severance Compensation" means amounts paid by the later of: (a) 2-1/2 months after an Employee's severance from employment with the Employer or (b) the end of the applicable Limitation Year/Plan Year that includes the date of severance from
employment with the Employer; and these amounts would have been included in the definition of Compensation if they were paid prior to the Participant's severance from employment with the Employer. However, the payment must be for (a) unused accrued bona fide sick, vacation, or other leave, but only if the Participant would have been able to use the leave if the Employee had continued in employment; or (b) received by a Participant pursuant to a nonqualified unfunded deferred compensation plan, but only if the payment would have been paid to the Participant at the same time if the Participant had continued in employment with the Employer and only to the extent that the payment is includible in the Participant's gross income.

"Post Year End Compensation" means amounts earned during a year but not paid during that year solely because of the timing of pay periods and pay dates if: (a) these amounts are paid during the first few weeks of the next year; (b) the amounts are included on a uniform and consistent basis with respect to all similarly situated Employees; and (c) no compensation is included in more than one year.

"Qualified Domestic Relations Order" means any judgment, decree, or order (including approval of a property settlement agreement) that constitutes a "qualified domestic relations order" according to Plan Administrator procedures.

"Qualified Military Service" means qualified military service as defined in Code section 414(a).

"Required Beginning Date" means April 1 of the calendar year following the later of the calendar year in which the Participant attains age 70-1/2 or the calendar year in which the Participant retires. The Adoption Agreement may provide that for all Participants: (a) the Required Beginning Date is April 1 of the calendar year following the calendar year in which the Participant attains age 70-1/2, or (b) the Participant may elect to begin receiving distributions at the date specified in the preceding sentence or the date specified in clause (a) of this sentence.

"Rollover Contribution" means an Employee contribution made to the Plan as a rollover from another eligible retirement plan or individual retirement account pursuant to Article 4 of the Plan.

"Rollover Contribution Account" means so much of a Participant's Account as consists of a Participant's Rollover Contributions (and corresponding earnings) made to the Plan.

"Section 415 Safe Harbor Option" means a definition of Compensation that:

(a) Includes all of the following:

(1) The Employee's wages, salaries, fees for professional services, and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Employer maintaining the Plan, to the extent that the amounts are includible in gross income (or to the extent amounts would have been received and includible in gross income but for an election under Code section 125(a), 132(f)(4), 402(c)(3), 402(b)(1)(B), 402(k), or 457(b)). These amounts include, but are not limited to, commissions paid to salespersons, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, and reimbursements or other expense allowances under a nonaccountable plan as described in Treas. Reg. section 1.62-2(c).

(2) Amounts described in Code section 104(a)(3), 105(a), or 105(h), but only to the extent that these amounts are includible in the gross income of the Employee.

(3) Amounts paid or reimbursed by the Employer for moving expenses incurred by an Employee, but only to the extent that at the time of the payment it is reasonable to believe that these amounts are not deductible by the Employee under Code section 217.

(4) The value of a nonstatutory option (which is an option other than a statutory option as defined in Treas. Reg. section 1.421-1(b)) granted to an Employee by the Employer, but only to the extent that the value of the option is includible in the gross income of the Employee for the taxable year in which granted.

(5) The amount includible in the gross income of an Employee upon making the election described in Code section 83(b).

(6) Amounts that are includible in the gross income of an Employee under the rules of Code section 409A or 457(f)(1)(A) or because the amounts are constructively received by the Employee.
(b) Excludes all of the following:

(1) Contributions (other than elective contributions described in Code section 402(c)(3), 408(k)(6), 408(p)(2)(A)(i), or 457(b)) made by the Employer to a plan of deferred compensation (including a simplified employee pension plan described in Code section 408(k) or a simple retirement account described in Code section 408(p), and whether or not qualified) to the extent that the contributions are not includible in the gross income of the Employee for the taxable year in which contributed. In addition, any distributions from a plan of deferred compensation (whether or not qualified) are not considered as compensation for Code section 415 purposes, regardless of whether such amounts are includible in the gross income of the Employee when distributed.

(2) Amounts realized from the exercise of a nonstatutory option (which is an option other than a statutory option as defined in Treas. Reg. section 1.421-1(b)), or when restricted stock or other property held by an Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture (see Code section 83 and regulations promulgated thereunder).

(3) Amounts realized from the sale, exchange, or other disposition of stock acquired under a statutory stock option (as defined in Treas. Reg. section 1.421-1(b)).

(4) Other amounts that receive special tax benefits, such as premiums for group-term life insurance (but only to the extent that the premiums are not includible in the gross income of the Employee and are not salary reduction amounts that are described in Code section 125).

(5) Other items of remuneration that are similar to any of the items listed in paragraphs (b)(1) through (b)(4) of this section.

"Statutory Compensation" shall have the meaning set forth in the Adoption Agreement.

Statutory Compensation must be determined without regard to any rules under Code section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code section 3401(a)(2)).

Statutory Compensation shall include any amount which is contributed by the Employer pursuant to a salary reduction agreement and which is not includible in the gross income of the Participant under Code sections 125, 402(c)(3), 402(h), 403(b), 132(f) or 457.

Statutory Compensation shall include other compensation paid by the later of: (a) 2-1/2 months after an Employee's severance from employment with the Employer or (b) the end of the Limitation Year that includes the date of the Employee's severance from employment with the Employer if: (1) the payment is regular compensation for services during the Participant's regular working hours, or compensation for services outside the Participant's regular working hours (e.g., overtime or shift differential), commissions, bonuses, or other similar payments; and (2) the payment would have been paid to the Participant prior to a severance from employment if the Participant had continued in employment with the Employer. The exclusions from Compensation for payments after severance from employment do not apply to payments to a Participant who does not currently perform services for the Employer by reason of Qualified Military Service to the extent those payments do not exceed the amounts the Participant would have received if the individual had continued to perform services for the Employer rather than entering Qualified Military Service. To the extent applicable, Statutory Compensation shall include compensation paid to a Participant who is permanently and totally disabled. Back pay (as defined in Treas. Reg. section 1.1415(c)-2(g)(8)) shall be treated as Statutory Compensation for the Limitation Year to which the back pay relates to the extent the back pay represents wages and compensation that would otherwise be included under this definition.

Notwithstanding any other provision hereof to the contrary, the annual Statutory Compensation of each Employee taken into account under the Plan for any Plan Year shall not exceed $200,000, (as adjusted under Code section 401(a)(17) for such year). If a Plan Year consists of fewer than 12 months, the applicable limitation under Code section 401(a)(17) will be multiplied by a fraction, the numerator of which is the number of months in such year, and the denominator of which is 12.

"Termination" and "Termination of Employment" means any absence from service that ends the employment of the Employee with the Employer.
"Transfer Account" means so much of a Participant's Account as consists of amounts transferred from another eligible retirement plan (and corresponding earnings) pursuant to Article 4 in a transaction that was not an eligible rollover distribution within the meaning of Code section 402.

"Trust" means the trust agreement specified in the Adoption Agreement. The Trust Agreement contained in the Basic Plan Document will be used unless otherwise specified in the Adoption Agreement.

"Trust Fund" means all of the assets of the Plan held by the Trustee pursuant to Article 10 or held by an insurance company.

"Trustee" means the person or persons designated by the Plan Sponsor to serve as the Trustee of the Trust Fund to the extent the assets of the Plan are not held solely by an insurance company. If the Trustee is a corporate Trustee the Trustee will be a directed Trustee unless otherwise indicated in a separate agreement. If the Trustee is an individual Trustee, the Trustee will be a discretionary Trustee unless otherwise indicated in a separate trust agreement.

"Valuation Date" has the meaning specified in the Adoption Agreement. Notwithstanding anything in the Adoption Agreement to the contrary and in the event that there is to be a distribution, transfer of assets and/or division of assets from the Plan, the Plan Administrator may in its sole discretion declare a special Valuation Date, but only for that portion of the Plan that is not daily-valued to protect the interests of Participants in the Plan or the Participant receiving the distribution.

"Voluntary Contribution" means an Employee contribution made to the Plan on an after-tax basis. The term Voluntary Contribution shall not include Grandfathered Roth 401(k) Contributions.

"Voluntary Contribution Account" means so much of a Participant's Account as consists of a Participant's Voluntary Contributions (and corresponding earnings) made to the Plan.
ARTICLE 3 PARTICIPATION

Section 3.01  MANDATORY EMPLOYEE CONTRIBUTIONS, VOLUNTARY CONTRIBUTIONS AND GRANDFATHERED 401(K) CONTRIBUTIONS

Each Eligible Employee as of the Effective Date who was eligible to participate in the Plan with respect to Mandatory Employee Contributions, Grandfathered 401(k) Contributions and Voluntary Contributions on or before the Effective Date shall be a Participant eligible to make Mandatory Employee Contributions, Grandfathered 401(k) Contributions, and Voluntary Contributions pursuant to Article 4 on the Effective Date. Each other Eligible Employee who was not a Participant in the Plan with respect to Mandatory Employee Contributions, Voluntary Contributions and Grandfathered 401(k) Contributions immediately prior to the Effective Date shall become a Participant eligible to make Mandatory Employee Contributions, Voluntary Contributions and Grandfathered 401(k) Contributions on the date specified in the Adoption Agreement; provided that he is an Eligible Employee on such date. Notwithstanding the foregoing, a Participant shall be eligible to make Mandatory Employee Contributions, Voluntary Contributions and Grandfathered 401(k) Contributions only to the extent such contributions are permitted in the Adoption Agreement.

NOTE: Code section 401(k)(4)(B)(ii) prohibits governmental employers from establishing new 401(k) plans. This provision does not apply to governmental 401(k) plans adopted before May 6, 1986.

Section 3.02  MATCHING CONTRIBUTIONS

Each Eligible Employee as of the Effective Date who was eligible to participate in the Plan with respect to Matching Contributions before the Effective Date shall be a Participant eligible to receive Matching Contributions pursuant to Article 4 on the Effective Date. Each other Eligible Employee who was not a Participant in the Plan with respect to Matching Contributions on the Effective Date shall become a Participant eligible to receive Matching Contributions on the date specified in the Adoption Agreement; provided that he is an Eligible Employee on such date. Notwithstanding the foregoing, a Participant shall be eligible to receive Matching Contributions only to the extent such contributions are permitted in the Adoption Agreement.

Section 3.03  EMPLOYER CONTRIBUTIONS

(a) Non-Elective Contributions. Each Eligible Employee as of the Effective Date who was eligible to participate in the Plan with respect to Non-Elective Contributions before the Effective Date shall be a Participant eligible to receive Non-Elective Contributions pursuant to Article 4 on the Effective Date. Each other Eligible Employee who was not a Participant in the Plan with respect to Non-Elective Contributions on the Effective Date shall become a Participant eligible to receive Non-Elective Contributions on the date specified in the Adoption Agreement; provided that he is an Eligible Employee on such date. Notwithstanding the foregoing, a Participant shall be eligible to receive Non-Elective Contributions only to the extent such contributions are permitted in the Adoption Agreement.

(b) Pension Contributions. Each Eligible Employee as of the Effective Date who was eligible to participate in the Plan with respect to Pension Contributions before the Effective Date shall be a Participant eligible to receive Pension Contributions pursuant to Article 4 on the Effective Date. Each other Eligible Employee who was not a Participant in the Plan with respect to Pension Contributions on the Effective Date shall become a Participant eligible to receive Pension Contributions on the date specified in the Adoption Agreement; provided that he is an Eligible Employee on such date. Notwithstanding the foregoing, a Participant shall be eligible to receive Pension Contributions only to the extent such contributions are permitted in the Adoption Agreement.

Section 3.04  TRANSFERS

If a change in job classification or a transfer results in an individual no longer qualifying as an Eligible Employee, such Employee shall cease to be a Participant for purposes of Article 4 (or shall not become eligible to become a Participant) as of the effective date of such change of job classification or transfer.

Section 3.05  TERMINATION AND REHIREs

If an Employee has a Termination of Employment, such Employee shall cease to be a Participant for purposes of Article 4 (or shall not become eligible to become a Participant; except as provided in Article 4) as of his Termination of Employment. An individual who has satisfied the applicable eligibility requirements set forth in Article 3, including passing an entry date, before his Termination date,
and who is subsequently reemployed by the Employer as an Eligible Employee, shall resume or become a Participant immediately upon his rehire date with respect to the contributions for which the eligibility requirements of this Article 3 have been satisfied to the extent provided by the Adoption Agreement. An individual who has not so qualified for participation on his Termination date, and who is subsequently reemployed by the Employer as an Eligible Employee, shall be eligible to participate as of the later of the effective date of such reemployment or the date the individual meets the eligibility requirements of this Article 3.

Section 3.06 LIMITATIONS ON EXCLUSIONS

(a) Eligibility Waiver. The Employer may waive any of the Eligibility requirements to participate in the Plan with respect to Employer Contributions for an Employee who does not otherwise satisfy such requirements.

(b) Modifications. The completion of a 'fill-in' blank in the Adoption Agreement shall not be considered to be a modification to the Volume Submitter document unless the language used to complete the 'fill-in' blank is contrary to the notes and guidelines that accompany the option. If a completed 'fill-in' blank violates/is contrary to the notes and guidelines that accompany the option, the language is a modification to the Volume Submitter document.

Section 3.07 PROCEDURES FOR ADMISSION

The Plan Administrator shall prescribe such forms and may require such data from Participants as are reasonably required to enroll a Participant in the Plan or to effectuate any Participant elections made pursuant to this Article 3.

Section 3.08 PARTICIPANTS RECEIVING DIFFERENTIAL MILITARY PAY

To the extent selected in the Adoption Agreement and pursuant to Code section 414(u)(1), IRS Notice 2010-15 and any superseding guidance, a Participant receiving differential wage payments (as defined in Code section 3401(h)(2)) shall be treated as an Employee of the Employer making the payment and the differential wage payments may be treated as Compensation under the Plan to the extent selected in the Adoption Agreement.
ARTICLE 4 CONTRIBUTIONS

Section 4.01  MANDATORY EMPLOYEE CONTRIBUTIONS, VOLUNTARY CONTRIBUTIONS AND GRANDFATHERED 401(k) CONTRIBUTIONS

NOTE: Code section 401(k)(4)(B)(i) prohibits governmental employers from establishing new 401(k) plans. This provision does not apply to governmental 401(k) plans adopted before May 6, 1986.

(a) Contributions. Subject to the limitations described in Article 5 and as provided in the Adoption Agreement, each Participant shall contribute to the Plan the amount of Mandatory After-tax Employee Contributions required by the Employer and may contribute Voluntary Contributions and/or Grandfathered 401(k) Contributions. Grandfathered 401(k) Contributions may only be made with respect to amounts that are compensation under Code section 415(c)(3) and must be made pursuant to this Section 4.01 in the form and manner prescribed by the Plan Administrator.

(b) Modifications. As of the date a Participant first meets the eligibility requirements of Section 3.01, he may elect to contribute to the Plan. Subsequent to that date, a Participant may elect to start, increase, reduce or totally suspend his elections pursuant to this Section 4.01, effective as of the dates specified in the Adoption Agreement.

(c) Procedures. A Participant shall make an election described in Subsection (b) in such form and manner as may be prescribed by procedures established by the Plan Administrator. Such procedures may include, but not be limited to: specifying that elections be made at such time in advance as the Plan Administrator may require, allowing a Participant to make a separate election as to any bonuses or other special pay, and/or requiring elections be made in a dollar amount or percentage of pay. A Participant's election regarding Grandfathered 401(k) Contributions may be made only with respect to an amount which the Participant could otherwise elect to receive in cash and which is not currently available to the Participant. The Plan Administrator may allow Participants to defer on Compensation actually received after Termination of Employment.

(d) Reduction in Elections. The Plan Administrator may reduce or totally suspend a Participant's election if the Plan Administrator determines that such election may cause the Plan to fail to satisfy any of the requirements of Article 5.

(e) Catch-up Contributions. If elected in the Adoption Agreement, all Participants who are eligible to make Grandfathered 401(k) Contributions under this Plan shall be eligible to make Catch-up Contributions pursuant to Section 5.02(d).

(f) Grandfathered Roth 401(k) Contributions. To the extent provided in the Adoption Agreement, Participants shall be eligible to irrevocably designate some or all of their Grandfathered 401(k) Contributions as either Pre-tax Grandfathered 401(k) Contributions or Grandfathered Roth 401(k) Contributions. However, the Plan Administrator may require a Participant to elect all of their Grandfathered 401(k) Contributions as either Pre-tax Grandfathered 401(k) Contributions or Grandfathered Roth 401(k) Contributions. All elections shall be subject to the same election procedures, limits on modifications and other terms and conditions on elections as specified in the Plan. If Grandfathered Roth 401(k) Contributions are not permitted, all Grandfathered 401(k) Contributions shall be designated as Pre-tax Grandfathered 401(k) Contributions.

(g) Automatic Enrollment. To the extent provided in the Adoption Agreement, upon the initial satisfaction of the eligibility requirements of Article 3 with respect to Grandfathered 401(k) Contributions (and at the effective date of the addition of an automatic enrollment feature for current Participants), an Eligible Employee described in the Adoption Agreement shall be deemed to have made a Grandfathered 401(k) Contribution election in the amount provided in the Adoption Agreement; provided however that:

1. In a reasonable period of time before the deemed election takes place the Eligible Employee shall receive a notice that explains the automatic Grandfathered 401(k) Contribution election, his Compensation reduction percentage and the individual's right to elect to have no such Grandfathered 401(k) Contributions made to the Plan or to alter the amount of those contributions, including the procedure for exercising that right and the timing for implementation of any such election. The Eligible Employee must have a reasonable opportunity to file an election to receive cash in lieu of Grandfathered 401(k) Contributions before such deemed election is made. If the Adoption Agreement indicates the Plan intends to be an eligible automatic contribution arrangement (EACA), the notice must meet the additional requirements below.
(A) The notice must be provided within a reasonable period before the beginning of each Plan Year or, in the Plan Year the Employee is first eligible to make a cash or deferred election (or first becomes covered under the automatic contribution arrangement as a result of a change in employment status), within a reasonable period before the Employee becomes a covered Employee. A notice satisfies the timing requirements of this paragraph only if it is provided sufficiently early so that the Employee has a reasonable period of time after receipt of the notice in order to make the election described under Treas. Reg. section 1.414(w)-1(e)(2).

(B) The notice must describe how contributions made under the arrangement will be invested in the absence of any investment election.

(C) The notice must describe the right to make a permissible withdrawal (as described in Section 4.01(g)(4)(B)), if applicable, and the procedures to elect such a withdrawal.

(2) Unless otherwise selected in the Adoption Agreement, if the Plan provides for Grandfathered Roth 401(k) Contributions, all Grandfathered 401(k) Contributions made under Subsection (g) shall be designated as Pre-tax Grandfathered 401(k) Contributions.

(3) Administrator Discretion. The Plan Administrator may, on a uniform basis, provide that a new initial period shall begin for an Employee who is terminated for a full Plan Year and is rehired in a subsequent Plan Year. The Plan Administrator may also, on a uniform basis, provide that an affirmative election expires at the end of each Plan Year and that the Employee must make a new affirmative election if he or she wants the prior rate of Grandfathered 401(k) Contribution to continue.

(4) Elections to End or Reduce Automatic Enrollment

(A) If the Adoption Agreement indicates the Plan is not an Eligible Automatic Contribution Arrangement (EACA) and the Plan Administrator elects to allow withdrawals, the Eligible Employee may file an election to receive cash in lieu of Grandfathered 401(k) Contributions at the time such deemed election is made or within the 60 day period thereafter. Upon an election to receive cash in lieu of Grandfathered 401(k) Contributions, the Participant shall not receive a refund of any Grandfathered 401(k) Contribution made. The Eligible Employee may make a subsequent affirmative election to make Grandfathered 401(k) Contributions at a later date that is effective as provided in Section 4.01(b).

(B) Eligible Automatic Contribution Arrangement (EACA). To the extent the Adoption Agreement indicates the Plan intends to be an eligible automatic contribution arrangement (EACA), if the Adoption Agreement allows for permissible withdrawals, an Employee for whom Grandfathered 401(k) Contributions have been automatically made may elect to withdraw all of the contributions made on his or her behalf including earnings thereon to the date of the withdrawal. This withdrawal right is available only if the withdrawal election is made within the earlier of 90 or the number of days specified in the Adoption Agreement after the date the first contribution is made under an EACA. Any Matching Contribution made with respect to the amount withdrawn (adjusted for allocable gains and losses) shall be forfeited. A withdrawal request will be treated as an affirmative election to stop having Grandfathered 401(k) Contributions made unless the Employee affirmatively elects otherwise.

(i) Election Period. The Plan Administrator may, on a uniform basis and non-discriminatory basis, require an election period shorter than 90 days, provided that such election period must be at least 30 days.

(ii) Treatment of Refunds. Grandfathered 401(k) Contributions refunded pursuant to this Subsection and any related Matching Contributions forfeited, shall be disregarded in determining limitations under Code section 402(g). Any amounts refunded under this Paragraph are not eligible rollover contributions.

(iii) Rehires. The Plan Administrator may, on a uniform, for an Employee who is terminated for a full Plan Year and is rehired in a subsequent Plan Year provide that such Employee be treated as a new hire.

(iv) Fees. The amount distributed may be reduced by fees pursuant to Treas. Reg. section 1.414(w)-1(e)(3)(ii).

(v) The provisions of this Subsection are subject to any requirements under Code section 414(w), the final Treasury Regulations issued February 24, 2009 and any corresponding guidance or regulations issued thereunder.
(h) Contribution and Allocation of Grandfathered 401(k) Contributions and Voluntary Contributions. The Employer shall contribute to the Plan with respect to each pay period an amount equal to the Grandfathered 401(k) Contributions and Voluntary Contributions of Participants for such pay period, as determined pursuant to the elections in force pursuant to this Section. There shall be directly and promptly allocated to the Grandfathered 401(k) Contribution Account, Grandfathered 401(k) Roth Contribution Account and Voluntary Contribution Account of each Participant the Grandfathered 401(k) Contributions and Voluntary Contributions, respectively, contributed by the Employer to the Plan by reason of any election in force with respect to that Participant.

(i) Participant. For purposes of this Section, "Participant" shall mean an Eligible Employee who has met the eligibility requirements of Article 3 with respect to Mandatory Employee Contributions, Voluntary Contributions and/or Grandfathered 401(k) Contributions.

Section 4.02 MATCHING CONTRIBUTIONS

(a) Amount of Matching Contributions. Subject to the limitations described in Article 5, the Employer shall contribute to the Plan an amount specified in the Adoption Agreement on behalf of each Participant who made a Matched Employee Contribution and who has completed any service requirements specified in the Adoption Agreement. Notwithstanding the foregoing, a Participant shall be eligible to receive an allocation of Matching Contributions only to the extent such contributions are permitted in the Adoption Agreement.

(b) Contribution and Allocation of Matching Contributions. Matching Contributions shall be made to the Plan and promptly allocated to the Matching Contribution Accounts of Participants who meet the requirements of Subsection (a) and in the amount determined pursuant to Subsection (a) as soon as administratively feasible after the end of the periods described in the Adoption Agreement. The Employer may make an additional Matching Contribution ("true up") on behalf of each Participant in the amount of the positive difference, if any, between the Matching Contributions that would have been allocated to his Account had such contributions been determined on the basis of Compensation and Matched Employee Contributions for the entire Plan Year and the Matching Contributions previously allocated to such Participant’s Account.

(c) Participant. For purposes of this Section, "Participant" shall mean an Eligible Employee who has met the eligibility requirements of Article 3 with respect to Matching Contributions.

Section 4.04 EMPLOYER CONTRIBUTIONS

(a) Amount.

(1) Non-Elective Contributions. Subject to the limitations described in Article 5, the Employer shall, to the extent specified in the Adoption Agreement, make Non-Elective Contributions to the Plan on behalf of each Participant who has completed any service requirements specified in the Adoption Agreement. Notwithstanding the foregoing, a Participant shall be eligible to receive an allocation of Non-Elective Contributions only to the extent such contributions are permitted in the Adoption Agreement.

(2) Pension Contributions. Subject to the limitations described in Article 5, the Employer shall make Pension Contributions to the Plan on behalf of each Participant who has completed any service requirements specified in the Adoption Agreement (to the extent not funded by forfeitures). Notwithstanding the foregoing, a Participant shall be eligible to receive an allocation of Pension Contributions only to the extent such contributions are permitted in the Adoption Agreement.

(b) Allocation of Employer Contributions.

(1) Allocation of Employer Contributions. Employer Contributions shall be allocated to the Employer Contribution Accounts of each Participant eligible to share in such allocations pursuant to Subsection (a)(1) in the manner described in the Adoption Agreement.

(2) Allocation of Pension Contributions. Pension Contributions shall be allocated to the Pension Contribution Accounts of each Participant eligible to share in such allocations pursuant to Subsection (a)(2) in the manner described in the Adoption Agreement.

(c) Participant. For purposes of this Section, "Participant" shall mean an Eligible Employee who has met the eligibility requirements of Article 3 with respect to Employer Contributions or Pension Contributions, as applicable.
(d) Disability. In addition to the foregoing, if the Adoption Agreement specifies that contributions described in this Section shall be allocated to Disabled Participants, a Participant who does not meet the requirements of Subsection (a) due to Disability shall be eligible to share in such contributions (including Disabled Participants that have Terminated Employment); provided that such Disability would also constitute a disability pursuant to Code section 22(c). The Employer shall allocate the applicable contributions on behalf of each such Disabled Participant on the basis of the Compensation each such Participant would have received for the Limitation Year if the Participant had been paid at the rate of Compensation paid immediately before suffering a Disability. Contributions allocated to Participants suffering a Disability pursuant to this Subsection shall be fully (100%) vested when made. Such allocations shall cease on the first to occur of the following:

(1) the last day of the Plan Year in which occurs the anniversary specified in the Adoption Agreement of the date the Plan Administrator determines that the Participant's Disability commenced;

(2) the date the Participant ceases to suffer from a Disability;

(3) the date the Participant refuses to submit to a periodic examination by the Employer or its agent to determine the existence of a Disability; or

(4) the date the Participant dies.

Section 4.04 Rollover Contributions

To the extent provided in the Adoption Agreement, the Plan Administrator may direct the Trustee to accept Rollover Contributions made in cash or other form acceptable to the Trustee. Rollover Contributions shall be allocated to the Participant's/Eligible Employee's (to the extent elected in the Adoption Agreement) Rollover Contribution Account. The Plan may accept the following Rollover Contributions to the extent allowed by the Plan Administrator in its sole discretion:

(a) A rollover from a plan qualified under Code section 401(a) or 403(a) if the contribution qualifies as a tax-free rollover as defined in Code section 402(c). If it is later determined that the amount received does not qualify as a tax-free rollover, the amount shall be refunded to the Eligible Employee.

(b) A rollover from a "Conduit Individual Retirement Account", as determined in accordance with procedures established by the Plan Administrator and only if the contribution qualifies as a tax-free rollover as defined in Code section 402(c). If it is later determined that the amount received does not qualify as a tax-free rollover, the amount shall be refunded to the Eligible Employee.

(c) A direct rollover of an eligible rollover distribution of after-tax employee contributions from a qualified plan described in Code section 401(a) or 403(a). The Plan shall separately account for amounts so transferred, including separately accounting for the portion of such contribution which is includible in gross income and the portion of such contribution which is not so includible.

(d) Any rollover of an eligible rollover distribution from an annuity contract described in Code section 403(b). The Plan shall separately account for after-tax amounts so transferred, including separately accounting for the portion of such contribution which is includible in gross income and the portion of such contribution which is not so includible.

(e) Any rollover of an eligible rollover distribution from an eligible plan under Code section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.

(f) Any rollover contribution of the portion of a distribution from an individual retirement account or annuity described in Code sections 408(a) or 408(b) that is eligible to be rolled over and would otherwise be includible in gross income.

(g) Any additional rollover contribution as may be permitted by applicable law.

Section 4.05 Transfers

The Trustee may be directed to accept a direct transfer of assets, made without the consent of the affected Employees, from the trustee of any other qualified plan described in Code section 401(a) to the extent permitted by the Code and the regulations and rulings
thereunder. In the event assets are transferred to the Plan pursuant to the foregoing sentence, the transferred assets shall be accounted for separately in the Transfer Account of the affected Employees to the extent necessary to preserve a more favorable vesting schedule or any other legally-protected benefits available to such Employees under the transferor plan. The Plan Administrator shall establish a vesting schedule for the Transfer Account, provided that such schedule is not less favorable than the vesting schedule under the transferor plan.

Section 4.06 MILITARY SERVICE

(a) In General. Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to Qualified Military Service shall be provided in accordance with Code section 414(u).

(b) Death or Disability During Qualified Military Service. To the extent provided in the Adoption Agreement, pursuant to Code section 414(u)(9), IRS Notice 2010-15 and any superseding guidance; a Participant who dies or becomes Disabled while performing Qualified Military Service will be treated as if he had been employed by the Employer on the day preceding death or Disability and terminated employment on the day of death or Disability and receive benefit accruals related to the period of Qualified Military Service as provided under Code section 414(u)(8), except as provided below:

(1) All Participants eligible for benefits under the Plan by reason of this Section shall be provided benefits on reasonably equivalent terms.

(2) For the purposes of applying Code section 414(u)(8), a Participant's Grandfathered 401(k) Contributions shall be determined based on the Participant's average actual contributions for:

(A) the 12-month period of service with the Employer immediately prior to Qualified Military Service, or

(B) if service with the Employer is less than such 12-month period, the actual length of continuous service with the Employer.

Section 4.07 ARRANGEMENTS ADOPTED BY MORE THAN ONE EMPLOYER

In General. This Section applies to arrangements adopted by more than one unrelated entity. Unrelated entities may participate in the Plan as described under Section 4.07(a) as a multiple employer plan within the meaning of ERISA section 3(2) and Code section 413(c) ("Multiple Employer Plan") or under Section 4.07(b) as an aggregated plan arrangement for multiple plans sharing a Master Adoption Agreement and who are not a Multiple Employer Plan ("Aggregated Plan Arrangement") only to the extent the unrelated entities are entities eligible to adopt a governmental plan as defined in Code section 414(d). The provisions of Section 4.07(c) shall apply to plans described under 4.07(a) or 4.07(b).

(a) Multiple Employer Plans. This Section shall apply if the Plan is a Multiple Employer Plan.

(1) Method of Adoption. The Plan Sponsor shall execute a Master Adoption Agreement and each Adopting Entity shall execute a joinder/participation agreement which contains only those Adoption Agreement provisions, if any, which may be overridden by an entity other than the Plan Sponsor. The execution of the joinder/participation agreement by an Adopting Entity shall constitute the adoption of the same plan as the Plan Sponsor and not the adoption of a separate plan for the Adopting Entity. An Adopting Entity may amend its joinder/participation agreement at any time with the approval of the Plan Sponsor. However, an Adopting Entity may not modify the definition of Plan Administrator, Limitation Year or Plan Sponsor. The Plan Sponsor and all Adopting Entities acknowledge that the Plan is a Multiple Employer Plan subject to the rules of Code section 413(c) and the regulations thereunder which are herein incorporated by reference. The Plan Sponsor and all Adopting Entities also acknowledge the specific annual reporting requirements, and different procedures for obtaining determination letters from the Internal Revenue Service regarding the qualified status of the Plan.

(2) Definitions. The following terms are modified as used in the Plan:

(A) "Adopting Entity" means an entity who executes a joinder/participation agreement.
(B) "Adoption Agreement" means the Adoption Agreement for the Plan Sponsor. For any Adopting Entity, Adoption Agreement means the Adoption Agreement as amended in that entity's joinder/participation agreement (as provided in Section 4.07(a)(1)).

(C) "Plan Sponsor" means the executor of the Master Adoption Agreement described in Section 4.07(a)(1).

(3) Application of Code section 413(c). The provisions of Code section 413(c) shall apply to the Plan and this Section shall be interpreted consistent with Code section 413(c) and any applicable guidance.

(A) Eligibility Service. Code section 410(a) shall be applied as if all Employees of each Employer who maintains the Plan were employed by a single Employer. An Employee who transfers employment between Adopting Entities and/or the Plan Sponsor shall not be considered to have a Termination of Employment.

(B) Exclusive Benefit. For purposes of Code section 401(a), in determining whether the Plan of an Employer is for the exclusive benefit of its Employees and their Beneficiaries all Participants shall be considered to be its Employees.

(C) Vesting. Code section 411 shall be applied as if all Employers who maintain the Plan constituted a single Employer, except that the application of any rules with respect to breaks in service shall be made under regulations prescribed by the Secretary of Labor.

(D) Funding. To the extent the Plan is subject to Code section 412, the provisions of Code sections 413(c)(4) and 413(c)(5) shall apply.

(4) Other Rules.

(A) Contributions and forfeitures arising hereunder must be restricted to Participants who are employed by the entity under which the forfeitures arose.

(B) Maximum Annual Additions. Except as provided in Tres. Reg. section 1.415(l)-1(g)(2)(1) (regarding aggregation of multiemployer plans with plans other than multiemployer plans), for purposes of applying Section 5.05, Annual Additions attributable to a Participant from all of the Employers maintaining the Plan must be taken into account. Furthermore, in applying the limitations of Section 5.05 with respect to a Participant, the total Statutory Compensation received by the Participant from all of the Employers maintaining the Plan is taken into account under the Plan, unless Tres. Reg. section 1.415-1(e) and any superseding guidance specifies otherwise.

(5) Each participating entity shall be jointly and severally liable for plan expenses.

(b) Aggregated Plan Arrangements. This Section shall apply if the Plan is an Aggregated Plan Arrangement.

(1) Method of Adoption. Each Adopting Entity shall execute a joinder/participation agreement in which the Adopting Entity adopts the Master Adoption Agreement. The joinder/participation agreement may also contain Adoption Agreement provisions, if any, which may be overridden by an Adopting Entity. However, an Adopting Entity may not modify the definition of Plan Administrator. The execution of the joinder/participation agreement by an Adopting Entity shall constitute the adoption of a separate plan for the Adopting Entity and not the adoption of the same plan as any other Adopting Entity. An Adopting Entity may amend its joinder/participation agreement at any time with the approval of the Plan Administrator. The Adopting Entity may choose to allow the Plan Administrator to amend the Master Adoption Agreement on its behalf.

(2) Definitions for purposes of this Subsection 4.07(b):

(A) "Adopting Entity" means an entity who adopts a joinder/participation agreement as its separate plan.

(B) "Master Adoption Agreement" means an Adoption Agreement that contains a complete set of responses to all possible Plan provisions.
Application of Code section 413(c). The provisions of Code section 413(c) shall not apply to the Plan. Each Adopting Entity's plan shall constitute a separate plan.

(c) Provisions that apply to Multiple Employer Plans and Aggregated Plan Arrangements.

(1) No Modification to Pre-Approved Language. The execution of a joinder/participation agreement shall not be considered a modification to the IRS pre-approved language of the Plan.

(2) Termination of Participation. If an Adopting Entity terminates its participation in the Plan (or is terminated by the Plan Administrator) the Plan Administrator may require the terminating entity to do any of the following:

(A) Successor Plan. Set up a successor plan unless the entity sponsors another eligible plan to receive a transfer of assets.

(B) Proof of Dissolution. In the event the Adopting Entity terminates its participation in the Plan by reason of ceasing business operations, the managing officials of such entity shall present the Plan Administrator articles of dissolution or other documentation as required by the Plan Administrator. Once acceptable documentation has been provided to the Plan Administrator, the Account balance of each affected Participant will be nonforfeitable and the affected Participant Accounts shall be distributed in a single lump sum payment unless otherwise required pursuant to Article 7.

(C) Hold Assets for Twelve Months. The Plan Administrator may hold the assets of Participants that are not otherwise eligible for distribution for a period of twelve months. Thereafter, provided the Adopting Entity has not setup a plan eligible to receive the assets, the Account balance of each affected Participant will be nonforfeitable and the affected Participant Accounts shall be distributed in a single lump sum payment unless otherwise required pursuant to Article 7.

(D) The determination of whether or not there is a termination, within the meaning of Code section 411(d)(3), is made solely by reference to the rules of Code sections 411(d)(3) and 413(c)(3).

(3) Fiduciary Act to Join the Plan. By executing a joinder/participation agreement, each Adopting Entity, acting as a fiduciary with respect to its current and future Employees, thereby ratifies and confirms the appointment of all parties to the Plan and all action taken to establish and maintain the Plan. The term parties to the Plan in the preceding sentence shall include, but not be limited to, the Plan Administrator, Trustee and Investment Fiduciary.

(4) Each Adopting Entity shall be jointly and severally liable for Plan expenses.

(5) Each Adopting Entity shall indemnify and hold harmless the Plan Administrator (and their delegates), any other Adopting Entities, any person serving as the Trustee and/or Investment Fiduciary from all claims, liabilities, losses, damages and expenses, including reasonable attorneys' fees and expenses for its failure to operate in accordance with the Plan or any intentional or negligent act or omission with respect to the Plan including but not limited to failure of oversight or appointment. The Plan Administrator may in its discretion utilize any IRS or DOL correction program and any fees or costs associated with such program are the responsibility of the offending Adopting Entity.

Section 4.08 DEEMED IRAs

(a) Applicability and Effective Date. This Section 4.08 shall apply only if the Adoption Agreement provides that Deemed IRAs are permitted. Effective for Plan Years beginning on or after the date specified in the Adoption Agreement, the Plan Administrator may permit a Participant to make voluntary Employee contributions to a traditional IRA established under Code section 408 or a Roth IRA established under Code section 408A. The Plan shall establish a separate Account or annuity for the designated IRA contributions of each Participant and any earnings properly allocable to the contributions, and maintain separate recordkeeping with respect to each such IRA.

(b) Reporting Duties. The Plan Administrator shall cause the trustee of a trust established pursuant to Subsection (d) or annuity contract issuer to comply with the reporting requirements of Code section 408(i) with respect to all IRAs that are established and maintained under the Plan.
(c) Voluntary Employee Contributions. For purposes of this Section, a voluntary Employee contribution means any contribution that is made by the Participant and which the Participant has designated, at or prior to the time of making the contribution, as a contribution to which this Section applies.

(d) IRAs established pursuant to this Section shall be held in a trust or an annuity separate from the Trust Fund established under the Plan to hold contributions other than deemed IRA contributions and shall satisfy the applicable requirements of Code sections 408 and 408A, which requirements are set forth in the Deemed IRA Addendum to the Adoption Agreement. The Deemed IRA Addendum shall be comprised of IRS Form 5305 or other applicable IRA document that contains model language or IRS-approved language. The language contained in the Deemed IRA Addendum shall be interpreted consistent with the provisions of this Plan. The addition of such Addendum shall not be considered a modification to the Volume Submitter document.
ARTICLE 5 LIMITATIONS ON CONTRIBUTIONS

Section 5.01 MAXIMUM AMOUNT OF ANNUAL ADDITIONS

(a) General Rule.

(1) One Plan. If the Participant does not participate in, and has never participated in another qualified plan maintained by the Employer or a welfare benefit fund, as defined in Code section 419(c), maintained by the Employer, or an individual medical account, as defined in Code section 415(l)(2), maintained by the Employer, or a simplified employee pension plan, as defined in Code section 408(k), maintained by the Employer, which provides an Annual Addition, the amount of Annual Additions which may be credited to the Participant's Account for any Limitation Year will not exceed the lesser of the maximum permissible amount specified in Section 5.01(b) or any other limitation contained in this Plan. If the Employer contribution that would otherwise be contributed or allocated to the Participant's Account would cause the Annual Additions for the Limitation Year to exceed such maximum permissible amount, the amount contributed or allocated will be reduced so that the Annual Additions for the Limitation Year will equal the maximum permissible amount.

(2) Multiple Plans. This Subsection 5.01(a)(2) applies if, in addition to this Plan, the Participant is covered under another qualified defined contribution plan maintained by the Employer, a welfare benefit fund maintained by the Employer, an individual medical account maintained by the Employer, or a simplified employee pension plan maintained by the Employer, that provides an Annual Addition during any Limitation Year. The Annual Additions which may be credited to a Participant's Account under this Plan for any such Limitation Year will not exceed the maximum permissible amount specified in Section 5.01(b) reduced by the Annual Additions credited to a Participant's account under the other qualified defined contribution plans, welfare benefit funds, individual medical accounts, and simplified employee pension plans for the same Limitation Year.

(b) Maximum Permissible Amount. For Limitation Years beginning on or after January 1, 2002, the maximum permissible amount is the lesser of:

(1) $40,000, as adjusted for increases in the cost-of-living under Code section 415(d); or

(2) 100% of the Participant's Statutory Compensation for the Limitation Year. The Compensation limit referred to in this Subsection (b)(2) shall not apply to any contribution for medical benefits after separation from service (within the meaning of Code sections 401(h) or 419A(f)(2)) which is otherwise treated as an Annual Addition. Notwithstanding the preceding sentence, Statutory Compensation for purposes of Section 5.01 for a Participant in a defined contribution plan who is permanently and totally disabled (as defined in Code section 22(e)(3)) is the Compensation such Participant would have received for the Limitation Year if the Participant had been paid at the rate of Compensation paid immediately before becoming permanently and totally disabled.

Prior to determining the Participant's actual Statutory Compensation for the Limitation Year, the Employer may determine the maximum permissible amount for a Participant on the basis of a reasonable estimation of the Participant's Statutory Compensation for the Limitation Year, uniformly determined for all Participants similarly situated. As soon as is administratively feasible after the end of the Limitation Year, the maximum permissible amount for the Limitation Year will be determined on the basis of the Participant's actual Statutory Compensation for the Limitation Year.

(c) Correction of Excess. If there is an allocation in excess of the Maximum Permissible Amount, the Plan Administrator shall correct such excess pursuant to the procedures outlined under Employee Plans Compliance Resolution System as described in Rev. Proc. 2013-12 and any superseding guidance.

Section 5.02 ANNUAL LIMITATION ON GRANDFATHERED 401(K) CONTRIBUTIONS

(a) Amount. Notwithstanding anything herein to the contrary, Grandfathered 401(k) Contributions made under this Plan, or elective deferrals made under any other qualified plan maintained by the Employer may not exceed, during any taxable year, the dollar limitation contained in Code section 402(g) in effect at the beginning of such taxable year. For purposes of this Section 5.02, elective deferrals shall mean qualified cash or deferred arrangements described in Code section 401(k), any salary reduction simplified employee pension plan described in Code section 408(k)(6), any SIMPLE IRA plan described in Code section 408(p) and any plan described under
Code section 501(c)(18), and any employer contributions made on the behalf of a participant for the purchase of an annuity contract under Code section 403(b) pursuant to a salary reduction agreement.

(b) Refund of Excess Grandfathered 401(k) Contributions. In the event that Grandfathered 401(k) Contributions under this Plan when added to a Participant's other elective deferrals under any other plan or arrangement (whether or not maintained by the employer) exceed the limit described in the preceding Subsection, the Plan Administrator shall distribute, by April 15 of the following calendar year, the excess amount of Grandfathered 401(k) Contributions plus income thereon.

A Participant's claim that the excess was caused by elective deferrals made under a plan or arrangement not maintained by the Employer shall be made in writing and shall be submitted to the Plan Administrator no later than the date specified by the Plan Administrator following the calendar year in which such deferrals occurred. If the Plan permits Grandfathered Roth 401(k) Contributions, the Plan Administrator shall determine the ordering rule for refunds of excess Grandfathered 401(k) Contributions. Such ordering rule may provide that the Participant may elect to have refunds made either from his Pre-tax Grandfathered 401(k) Contributions or Grandfathered Roth 401(k) Contributions or any combination thereof.

(c) Forfeiture of Matching Contributions Related to Excess Grandfathered 401(k) Contributions. In the event a Participant receives a distribution of excess Grandfathered 401(k) Contributions pursuant to Subsection (b), the Participant shall forfeit any Matching Contributions allocated to the Participant by reason of the distributed Grandfathered 401(k) Contributions. Grandfathered 401(k) Contributions not taken into account in determining Matching Contributions under Section 4.02 shall be treated as being reduced first. Amounts forfeited shall be used pursuant to Section 6.03(d).

(d) Catch-up Contributions. If elected in the Adoption Agreement, all Participants who are eligible to make Grandfathered 401(k) Contributions under this Plan shall be eligible to make Catch-up Contributions in accordance with, and subject to the limitations of, Code section 414(v). "Catch-up Contributions" are Grandfathered 401(k) Contributions made to the Plan that are in excess of an otherwise applicable plan limit and that are made by Participants who are aged 50 or over by the end of their taxable years. An otherwise applicable plan limit is a limit in the Plan that applies to Grandfathered 401(k) Contributions without regard to Catch-up Contributions, such as the limits on Annual Additions and the dollar limitation on Grandfathered 401(k) Contributions under Code section 402(g) (not counting Catch-up Contributions). Catch-up Contributions for a Participant for a taxable year may not exceed the dollar limit on Catch-up Contributions under Code section 414(v)(2)(B)(i) for the taxable year as adjusted for cost-of-living increases. Catch-up Contributions are not subject to the limits on Annual Additions.
ARTICLE 6 VESTING

Section 6.01 PARTICIPANT CONTRIBUTIONS

A Participant shall have a fully (100%) vested and nonforfeitable interest in his Voluntary Contribution Account, Mandatory Employee Contribution Account, Mandatory After-tax Employee Contribution Account, Grandfathered 401(k) Contribution Account, Grandfathered Roth 401(k) Contribution Account and Rollover Contribution Account.

Section 6.02 EMPLOYER CONTRIBUTIONS

The Participant's interest in his Matching Contribution Account, Employer Contribution Account and Pension Contribution Account shall vest based on his Years of Vesting Service in accordance with the terms of the Adoption Agreement.

Notwithstanding the foregoing, a Participant shall become fully (100%) vested upon his attainment of Normal Retirement Age while an Employee. In addition, the Adoption Agreement may provide that a Participant will become fully (100%) vested upon (a) his death while an Employee, (b) his suffering a Disability while an Employee, or (c) attaining his Early Retirement Age while an Employee. Effective January 1, 2007, if a Participant dies while performing Qualified Military Service, the survivors of the Participant are entitled to any additional benefits provided under the Plan as if the Participant had resumed and then terminated employment on account of death pursuant to Code section 401(a)(37). If Participants become fully (100%) vested upon death while an Employee, Participants shall also become fully (100%) vested upon death while performing Qualified Military Service.

A Participant's Transfer Account, if any, shall remain subject to the vesting schedule that applied to the Account immediately prior to the transfer.

Section 6.03 FORFEITURES

(a) Participants Receiving a Distribution. A Participant who receives a distribution of the value of the entire vested portion of his Account shall forfeit the nonvested portion of such Account according to the timeframes specified in the Adoption Agreement. For purposes of this Section, if the value of a Participant's vested Account balance is zero upon Termination, the Participant shall be deemed to have received a distribution of such vested Account.

(b) Participants Not Receiving a Distribution. The nonvested portion of the Account balance of a Participant who has a Termination of Employment and does not receive a complete distribution of the vested portion of his Account shall be forfeited according to the timeframes specified in the Adoption Agreement.

(c) Reemployment. A Participant that is reemployed after a period of severance may have nonvested Account balances restored to the extent specified in the Adoption Agreement.

(d) Disposition of Forfeitures. Amounts forfeited from a Participant's Account shall be used to restore forfeitures or reduce Employer contributions (or reallocate as Employer contributions) made pursuant to Article 4, or to pay reasonable Plan expenses to the extent specified in the Adoption Agreement.

(e) Vesting Following In-Service Withdrawals or Payment in Installments. If a distribution is made at a time when a Participant has a nonforfeitable right to less than 100% of his Account derived from Employer contributions and the Participant may increase the nonforfeitable percentage in the Account:

(1) A separate Account will be established for the Participant's interest in the Plan as of the time of the distribution, and

(2) At any relevant time the Participant's nonforfeitable portion of the separate Account will be equal to an amount ("X") determined by the formula:

\[ X = P(AB + (R \times D)) - (R \times D) \]
For purposes of applying the formula: P is the nonforfeitable percentage at the relevant time; AB is the Account balance at the relevant time; D is the amount of the distribution; and R is the ratio of the Account balance at the relevant time to the Account balance after distribution.
ARTICLE 7 DISTRIBUTIONS

Section 7.01 COMMENCEMENT OF DISTRIBUTIONS

(a) Early and Normal Retirement. A Participant, upon attainment of his Normal Retirement Age, shall be entitled to retire and to receive his Account as his benefit hereunder pursuant to Section 7.02. To the extent permitted in the Adoption Agreement, a Participant may, at any time after reaching his Early Retirement Age but before Termination, elect to have the Plan Administrator commence the distribution of his benefit pursuant to Section 7.02 by providing the Plan Administrator with a written election to that effect. Any such written election shall state the date upon which distribution of benefits is to commence and shall be effective upon delivery to the Plan Administrator.

(b) Late Retirement. If a Participant continues in the employ of the Employer beyond his Normal Retirement Age, his participation under the Plan shall continue, and his benefits under the Plan shall commence following his actual Termination of Employment pursuant to Section 7.02. To the extent permitted in the Adoption Agreement, a Participant may, at any time after reaching his Normal Retirement Age but before actual retirement, elect to have the Plan Administrator commence the distribution of his benefit pursuant to Section 7.02 by providing the Plan Administrator with a written election to that effect. Any such written election shall state the date upon which distribution of benefits is to commence and shall be effective upon delivery to the Plan Administrator.

(c) Disability Retirement. Except as may be otherwise provided in the Adoption Agreement, if a Participant becomes Disabled, he shall become entitled to receive his vested Account pursuant to Section 7.02 following the date he has a Termination of Employment.

(d) Death. If a Participant dies, either before or after his Termination of Employment, his Beneficiary designated pursuant to Section 7.04 shall become entitled to receive the Participant's vested Account pursuant to Section 7.02.

(e) Termination of Employment. A Participant shall become entitled to receive his vested Account pursuant to Section 7.02 following the date he has a Termination of Employment.

Section 7.02 TIMING AND FORM OF DISTRIBUTIONS

(a) Distribution for Reasons Other Than Death. Payment of a Participant's vested Account shall commence at such times and shall be payable in the form and at such times as specified in the Adoption Agreement. To the extent permitted in the Adoption Agreement, a Participant may elect to have the Plan Administrator apply his entire Account toward the purchase of an annuity contract. The terms of such annuity contract shall comply with the provisions of this Plan and any annuity contract shall be nontransferable and shall be distributed to the Participant.

The method of distribution shall be selected by the Participant on a form prescribed by the Plan Administrator. If no such selection is made by the Participant, payment shall be made in the form of a lump sum distribution unless the Adoption Agreement provides for different normal form of payment. No distribution shall be made if the Participant is rehired by the Employer before payments commence.

(b) Distribution on Account of Death.

(1) Before Distribution Has Begun. If the Participant dies before distribution of his Account begins, distribution of the Participant's entire Account shall be completed by the time and in the manner specified in the Adoption Agreement. To the extent permitted in the Adoption Agreement, payments may be made at least as rapidly as over the following periods:

(A) A complete distribution shall be made by December 31 of the calendar year containing the fifth anniversary of the Participant's death;

(B) Distributions may be made over the life or over a period certain not greater than the life expectancy of the Beneficiary commencing on or before December 31 of the calendar year immediately following the calendar year in which the Participant died; and/or
(C) If the Beneficiary is the Participant's surviving spouse, the date distributions are required to begin in accordance with Subparagraph (B) above shall not be earlier than the later of (i) December 31 of the calendar year immediately following the calendar year in which the Participant died and (ii) December 31 of the calendar year in which the Participant would have attained age 70-1/2.

If the Plan permits Participant elections under this Subsection (b)(1) and the Participant has not made an election as to form of payment by the time of his death, the Participant's Beneficiary must elect the method of distribution no later than the earlier of (1) December 31 of the calendar year in which distributions would be required to begin under this Section; or (2) December 31 of the calendar year which contains the fifth anniversary of the date of death of the Participant. If the Participant has no designated beneficiary, pursuant to applicable Treasury Regulations, or if the designated Beneficiary does not elect a method of distribution, distribution of the Participant's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

If the surviving spouse dies after the Participant, the provisions of this Subsection (b)(1), with the exception of Subparagraph (C) therein, shall be applied as if the surviving spouse were the Participant.

(2) After Distribution Has Begun. If the Participant dies after distribution of his Account has begun, the remaining portion of such Account will continue to be distributed at least as rapidly as the method of distribution being used prior to the Participant's death. If the Participant's Account was not being distributed in the form of an annuity at the time of his death: (i) distribution of the Participant's entire Account shall be completed by the time and in the manner specified in the Adoption Agreement; and (ii) the Beneficiary may elect to receive the Participant's remaining vested Account balance in a lump sum distribution. To the extent permitted in the Adoption Agreement, payments may be made at least as rapidly as over the following periods:

(A) A complete distribution shall be made by December 31 of the calendar year containing the fifth anniversary of the Participant's death; and/or

(B) Distributions shall continue to be distributed at least as rapidly as the method of distribution being used prior to the Participant's death.

The Beneficiary shall provide the Plan Administrator with the death notice or other sufficient documentation before any payments are made pursuant to this Subsection.

(c) Valuation Date. The distributable amount of a Participant's Account is the vested portion of his Account as of the Valuation Date coincident with or next preceding the date distribution is made to the Participant or Beneficiary as reduced by any subsequent distributions, withdrawals or loans.

(d) Ordering Rule. The Plan Administrator shall determine the ordering rule for distributions. Such ordering rule may provide that the Participant or Beneficiary may elect to have payments made first or last from his Grandfathered Roth 401(k) Contribution Account or Voluntary Contribution Account or in any combination of such Accounts and any other Account.

(e) Minimum Distribution Requirements. Distributions shall be made in a method that is in conformance with the requirements set forth in Section 7.03. Section 7.03 shall not be deemed to create a type of benefit (e.g., installment payments, lump sum within five years or immediate lump sum payment) to any class of Participants and Beneficiaries that is not otherwise permitted by the Plan.

Section 7.03 CASH-OUT OF SMALL BALANCES

(a) Vested Account Balance Does Not Exceed $5,000. Notwithstanding the foregoing, if involuntary cash-out is selected in the Adoption Agreement and the vested amount of an Account payable to a Participant or Beneficiary does not exceed $5,000 (or such lesser amount specified in the Adoption Agreement) at the time such individual becomes entitled to a distribution hereunder (or at any subsequent time established by the Plan Administrator to the extent provided in applicable Treasury Regulations), such vested Account shall be paid in a lump sum to the extent it is not subject to the automatic rollover provisions of Section 7.06(c) below.

(b) Vested Account Balance Exceeds $5,000. If the value of a Participant's vested Account balance exceeds $5,000 or such lesser amount as specified in the Adoption Agreement and the Account balance is immediately distributable, the Participant must consent to any distribution of such Account balance. Notwithstanding the foregoing and unless otherwise specified in the Adoption
Agreement, payments shall commence as of the Participant’s Required Beginning Date in the form of a lump sum or installment payments. The Participant’s consent shall be obtained in writing within the 180-day period ending on the first day of the first period for which an amount is paid as an annuity or any other form. The Plan Administrator shall notify the Participant of the right to defer any distribution until the date specified in the Adoption Agreement. Such notification shall include a general description of the material features, and an explanation of the relative values of, the optional forms of benefit available under the Plan, and shall be provided no less than 30 days and no more than 180-days prior to the first day of the first period for which an amount is paid as an annuity or any other form. Distribution may commence less than 30 days after the notice described in the preceding sentence is given, provided the Plan Administrator clearly informs the Participant that he has a right to a period of at least 30 days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option), and the Participant, after receiving the notice, affirmatively elects a distribution. In the event a Participant’s vested Account balance becomes distributable without consent pursuant to this Subsection (b), and the Participant fails to elect a form of distribution, the vested Account balance of such Participant shall be paid in a single sum.

(c) For purposes of this Section 7.03, the Participant’s vested Account balance shall not include amounts attributable to accumulated deductible Employee contributions within the meaning of Code section 72(o)(5)(B).

(d) Required Distributions and Plan Termination. Consent of the Participant shall not be required to the extent that a distribution is required to satisfy Code sections 401(a)(9) or 415. In addition, upon termination of this Plan the Participant’s Account balance shall be distributed to the Participant in a lump sum distribution. However, if the Employer maintains another defined contribution plan, then the Participant’s Account balance will be transferred, without the Participant’s consent, to the other plan if the Participant does not consent to an immediate distribution.

(e) Treatment of Rollovers. If elected in the Adoption Agreement, Rollovers shall be disregarded in determining the value of the Account balance for involuntary distributions. For purposes of this Section 7.03, the Participant’s vested Account balance shall not include that portion of the Account balance that is attributable to Rollover Contributions (and earnings allocable thereto) within the meaning of Code sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(c)(16).

Section 7.04 BENEFICIARY

(a) Beneficiary Designation Right. Beneficiaries may be designated according to the policies and procedures of the Plan Administrator or Employer and applicable law.

(b) No Designated Beneficiary. Unless otherwise provided in an Addendum to the Adoption Agreement, in the event that the Participant fails to designate a Beneficiary, or in the event that the Participant is predeceased by all designated primary and secondary Beneficiaries, the death benefit shall be payable to the Participant’s spouse or, if there is no spouse, to the Participant’s children in equal shares or, if there are no children to the Participant’s estate.

Section 7.05 MINIMUM DISTRIBUTION REQUIREMENTS

No distribution option may be selected by a Participant or Beneficiary under this Plan unless it satisfies a reasonable, good faith interpretation of the requirements of Code section 401(a)(9).

Section 7.06 DIRECT ROLLOVERS

(a) In General. This Section applies to distributions made after December 31, 2001. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee’s election under this part, a distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution that is equal to at least $500 (or such lesser amount as determined by the Plan Administrator) paid directly to an eligible retirement plan specified by the distributee in a direct rollover. If an eligible rollover distribution is less than $500 (or such lesser amount as determined by the Plan Administrator), a distributee may not make the election described in the preceding sentence to roll over a portion of the eligible rollover distribution. This Paragraph shall be subject to Code sections 401(a)(31) and 402(f); Treas. Reg. sections 1.401(a)(31)-1, 1.402(f)-2 and 1.401(k)-1(f); and IRS Notices 2005-5, 2008-30, 2009-69, and 2009-75.

Effective January 1, 2007, a non-spouse Beneficiary who is a designated Beneficiary within the meaning of Code section 401(a)(9)(E) may, after the death of the Participant, make a direct rollover of a distribution to an IRA established on behalf of the designated Beneficiary; provided the distributed amount satisfies all the requirements to be an eligible rollover distribution other than the
requirement that the distribution be made to the Participant or the Participant's spouse. Such direct rollovers shall be subject to the terms and conditions of IRS Notice 2007-7 and superseding guidance, including but not limited to the provision in Q&A-17 regarding required minimum distributions. Effective January 1, 2010, the distributions described in this Paragraph shall be subject to Code sections 401(a)(31), 402(f) and 3405(c).

(b) Definitions.

(1) Eligible Rollover Distribution. An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code section 401(a)(9); the portion of any other distribution(s) that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities); and any other distribution(s) that is reasonably expected to total less than $200 (or such lesser amount as determined by the Plan Administrator) during a year. For purposes of the $200 rule in the preceding sentence, a distribution from a Grandfathered Roth 401(k) Contribution Account and a distribution from other Accounts under the Plan are treated as made under separate plans.

A portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax Employee contributions which are not includable in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Code section 408(a) or (b), an annuity contract described in Code section 403(b), or to a qualified defined contribution plan described in Code section 401(a) or 403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

(2) Eligible Retirement Plan. An eligible retirement plan is an eligible plan under Code section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan, an individual retirement account described in Code section 408(a), individual retirement annuity described in Code section 408(b), an annuity plan described in Code section 403(a), an annuity contract described in Code section 403(b), or a qualified plan described in Code section 401(a), that accepts the distributee's eligible rollover distribution. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the Alternate Payee under a Qualified Domestic Relations Order.

If any portion of an eligible rollover distribution is attributable to payments or distributions from a Grandfathered Roth 401(k) Contribution Account, an eligible retirement plan shall only include another Roth elective ceferral account under an applicable retirement plan described in Code section 402A(e)(1) or to a Roth IRA described in Code section 408A and only to the extent the rollover is permitted under the rules of Code section 402(c). The Plan will not provide for a direct rollover (including an automatic rollover) for distributions from a Participant's Grandfathered Roth 401(k) Contribution Account if the amount of the distributions that are eligible rollover distributions are reasonably expected to total less than $200 (or such lesser amount as determined by the Plan Administrator) during a year. In addition, if elected by the Plan Administrator, any distribution from a Participant's Grandfathered Roth 401(k) Contribution Account is not taken into account in determining whether distributions from a Participant's other Accounts are reasonably expected to total less than $200 during a year. The provisions of this Section that allow a Participant to elect a direct rollover of only a portion of an eligible rollover distribution but only if the amount rolled over is at least $500 are applied by treating any amount distributed from the Participant's Grandfathered Roth 401(k) Contribution Account as a separate distribution from any amount distributed from the Participant's other Accounts in the Plan, even if the amounts are distributed at the same time.

(3) Distributee. A distributee includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the Alternate Payee under a Qualified Domestic Relations Order are distributees with regard to the interest of the spouse or former spouse.

(4) Direct Rollover. A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

(c) Automatic Rollovers. In the event of a mandatory distribution greater than $1,000 (or such lesser amount as determined by the Plan Administrator) in accordance with the provisions of Section 7.03(a), if the Participant does not elect to have such distribution paid directly to an eligible retirement plan specified by the Participant in a direct rollover or to receive the distribution directly
in accordance with Section 7.02, then the Plan Administrator will pay the distribution in a direct rollover to an individual retirement plan designated by the Plan Administrator. For purposes of determining whether a mandatory distribution is greater than $1,000, the portion of the Participant’s distribution attributable to any Rollover Contribution is included. Eligible rollover distributions from a Participant’s Grandfathered Roth 401(k) Contribution Account are separately taken into account in determining whether the total amount of the Participant’s Account balances under the Plan exceeds $1,000 for purposes of mandatory distributions from the Plan.

Section 7.07  MINOR OR LEGALLY INCOMPETENT PAYEE

If a distribution is to be made to an individual who is either a minor or legally incompetent, the Plan Administrator may direct that such distribution be paid to the legal guardian. If a distribution is to be made to such person and there is no legal guardian, the Plan Administrator may direct that payment be made to: (a) a parent, (b) a person holding a power of attorney; (c) a person authorized to act on behalf of such person under state law, or (d) the custodian for such person under the Uniform Transfer to Minors Act, if such is permitted by the laws of the state in which such minor resides. Such payment shall fully discharge the Trustee, Plan Administrator, Trust Fund, and the Employer from further liability on account thereof.

Section 7.08  MISSING PAYEE

If all or any portion of the distribution payable to a Participant or Beneficiary remains unpaid because the Plan Administrator has been unable to ascertain the whereabouts of the Participant or Beneficiary after making reasonable efforts to contact the Participant or Beneficiary (which may include, but not be limited to, sending a registered letter, return receipt requested, to the last known address of such Participant or Beneficiary; using the Social Security Administration letter forwarding service; and/or a commercial locating service) the Plan Administrator may use a reasonable method to remove the assets from the Plan that is consistent with the Code. Such methods may include, but not be limited to, (a) creating an individual retirement plan designated by the Plan Administrator; or (b) if, for a period of more than five years after such distribution becomes payable or six months after all attempts to locate the Participant or Beneficiary, the Plan Administrator is still unable to ascertain the whereabouts of the Participant or Beneficiary, the amount so distributable may be treated as a forfeiture under Article 6 hereof. Notwithstanding the foregoing, if a claim is subsequently made by the Participant or Beneficiary for the forfeited benefit pursuant to clause (b) of the preceding sentence, such benefit shall be reinstated without any credit or deduction for earnings and losses. Amounts forfeited from a Participant’s Account under this Section shall be used pursuant to Section 6.03.

Section 7.09  DISTRIBUTIONS UPON TERMINATION OF PLAN

Except as provided in Section 12.03, a Participant shall receive the balance of his Account in a lump sum payment upon termination of the Plan without the establishment of an alternative defined contribution plan (as described in Treas. Reg. section 1.401(k)-1(d)(4)) other than an employee stock ownership plan (as defined in Code section 4975(e) or Code section 409), a simplified employee pension plan (as defined in Code section 408(k)), a SIMPLE IRA Plan (defined in Code section 408(p)), a plan or contract that satisfies the requirements of Code section 403(b), or a plan that is described in Code section 457(b) or (f).

Section 7.10  QUALIFIED HEALTH INSURANCE PREMIUMS FOR RETIRED PUBLIC SAFETY OFFICERS

The Plan Administrator may allow retired public safety officers to elect to have distributions used to pay for qualified health insurance premiums as provided in Code section 402(l). Such distributions shall be subject to the terms and conditions of IRS Notice 2007-7 and any superseding guidance.

Section 7.11  SERVICE CREDIT TRANSFERS

If permitted by the Plan Administrator, a Participant may elect to have any portion of the Participant’s Account transferred to a defined benefit governmental plan provided the Participant is also a participant in the tax-qualified defined benefit governmental plan (as defined in Code section 414(d)) that provides for the acceptance of plan-to-plan transfers with respect to the Participant. A transfer under this Section may be made before the Participant has Terminated. A transfer may be made under this Section only if the transfer is either for the purchase of permissive service credit (as defined in Code section 415(n)(3)(A)) under the receiving defined benefit governmental plan or a repayment to which Code section 415 does not apply by reason of Code section 415(k)(3).
ARTICLE 8 IN-SERVICE DISTRIBUTIONS AND LOANS

Section 8.01 HARDSHIP

(a) Hardship. A Participant may receive a distribution on account of hardship from the Accounts specified in the Adoption Agreement. Notwithstanding anything in the Plan to the contrary, if the Adoption Agreement permits a hardship distribution from an Account, the amount available for a hardship distribution from such Account shall include any amounts grandfathered under Treas. Reg. section 1.401(k)-1(d)(3)(ii)(B). Unless otherwise specified in the Adoption Agreement, a Participant shall only be permitted to receive a hardship distribution pursuant to this Section 8.01 from Accounts that are fully (100%) vested.

(b) Hardship - Safe Harbor. If the Adoption Agreement provides that the Plan has adopted safe harbor criteria for hardship withdrawal or if the Adoption Agreement provides that the Plan is a prototype plan, the following shall apply:

(1) Immediate and Heavy Financial Need. A hardship distribution shall only be made upon the finding by the Plan Administrator of an immediate and heavy financial need where such Participant lacks other available resources. The following are the only financial needs considered immediate and heavy:

(A) Expenses for (or necessary to obtain) medical care that would be deductible under Code section 213(d) (determined without regard to whether the expenses exceed 7.5% of adjusted gross income) for the Employee, or the Employee's spouse, children, or dependents (as defined in Code section 152, and, for taxable years beginning on or after January 1, 2005, without regard to Code section 152(b)(1), (b)(2) and (d)(1)(B));

(B) Costs directly related to the purchase of a principal residence for the Employee (excluding mortgage payments);

(C) Payment of tuition, related educational fees, and room and board expenses, for up to the next 12 months of post-secondary education for the Employee, or the Employee's spouse, children, or dependents (as defined in Code section 152, and, for taxable years beginning on or after January 1, 2005, without regard to Code sections 152(b)(1), (b)(2) and (d)(1)(B));

(D) Payments necessary to prevent the eviction of the Employee from the Employee's principal residence or foreclosure on the mortgage on that residence;

(E) Payments for burial or funeral expenses for the Employee's deceased parent, spouse, children or dependents (as defined in Code section 152, and, for taxable years beginning on or after January 1, 2005, without regard to Code section 152(d)(1)(B));

(F) Expenses for the repair of damage to the Employee's principal residence that would qualify for the casualty deduction under Code section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income); and

(G) Other expenses as provided by the Commissioner as specified in Treas. Reg. section 1.401(k)-1(d)(3)(v).

(2) Amount Necessary to Satisfy Need. A distribution will be considered as necessary to satisfy an immediate and heavy financial need of the Participant only if:

(A) The distribution is not in excess of the amount of the immediate and heavy financial need (including amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution);

(B) The Participant has obtained all distributions, other than hardship distributions, and all nontaxable loans under all plans maintained by the Employer.

(C) All plans maintained by the Employer provide that the Participant's Grandfathered 401(k) Contributions (and after tax contributions) will be suspended for 6 months after the receipt of the hardship distribution; and
(c) Hardship - Non Safe Harbor. If the Adoption Agreement provides that the Plan has not adopted the safe harbor criteria for hardship for permitted Accounts, the following shall apply:

(1) Immediate and Heavy Financial Need. A hardship distribution shall only be made upon the finding by the Plan Administrator of an immediate and heavy financial need where such Participant lacks other available resources. Whether a Participant has an immediate and heavy financial need is to be determined based on all relevant facts and circumstances. The need to pay the funeral expenses of a family member would constitute an immediate and heavy financial need and a distribution made to a Participant for the purchase of a boat or television would not constitute a distribution made on account of an immediate and heavy financial need. A financial need may be immediate and heavy even if it was reasonably foreseeable or voluntarily incurred by the Participant.

(2) Amount Necessary to Satisfy Need. A distribution is not treated as necessary to satisfy an immediate and heavy financial need of a Participant to the extent the amount of the distribution is in excess of the amount required to relieve the financial need or to the extent the need may be satisfied from other resources that are reasonably available to the Participant. This determination generally is to be made on the basis of all relevant facts and circumstances. For purposes of this Subsection, the Participant's resources are deemed to include those assets of the Participant's spouse and minor children that are reasonably available to the Participant. A vacation home jointly owned (regardless of the nature of legal title) by the Participant and the Participant's spouse will be deemed a resource of the Participant. However, property held for the Participant's child under an irrevocable trust or under the Uniform Gifts to Minors Act is not treated as a resource of the Participant. The amount of an immediate and heavy financial need may include any amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution. A distribution generally may be treated as necessary to satisfy a financial need if the Employer relies upon the Participant's written representation, unless the Employer has actual knowledge to the contrary, that the need cannot reasonably be relieved:

(A) Through reimbursement or compensation by insurance or otherwise;
(B) By liquidation of the Participant's assets;
(C) By cessation of all Participant contributions under the Plan;
(D) By other currently available distributions (including distribution of ESOP dividends under Code section 404(k)) and nontaxable (at the time of the loan) loans, under plans maintained by the Employer or by any other employer, or
(E) By borrowing from commercial sources on reasonable commercial terms in an amount sufficient to satisfy the need.

For purposes of this Subsection, a need cannot reasonably be relieved by one of the actions listed above if the effect would be to increase the amount of the need. For example, the need for funds to purchase a principal residence cannot reasonably be relieved by a Plan loan if the loan would disqualify the Employee from obtaining other necessary financing.

Section 8.02 SPECIFIED AGE: SPECIFIED AGE AND SERVICE

(a) A Participant may receive a distribution on attainment of a specified age from the Accounts specified in the Adoption Agreement. Unless otherwise specified in the Adoption Agreement, a Participant shall only be permitted to receive a specified age distribution pursuant to this Section 8.02 from Accounts that are fully (100%) vested.

(b) A Participant may receive a distribution on attainment of a specified age and service from the Accounts specified in the Adoption Agreement. Unless otherwise specified in the Adoption Agreement, a Participant shall only be permitted to receive a specified age and service distribution pursuant to this Section 8.02 from Accounts that are fully (100%) vested.

Section 8.03 OTHER WITHDRAWALS

(a) After a Period Certain. To the extent provided in the Adoption Agreement, a Participant may receive a distribution from his Matching Contribution Account and his Non-Elective Contribution Account which has accumulated for at least twenty-four (24) months; and an individual who has been a Participant for five (5) or more Plan Years shall be entitled to receive a distribution of his Matching Contribution Account and Non-Elective Contribution Account regardless of the length of time the funds have accumulated.
Unless otherwise specified in the Adoption Agreement, a Participant shall only be permitted to receive a distribution pursuant to this Section 8.03(a) from Accounts that are fully (100%) vested.

(b) At Any Time. To the extent provided in the Adoption Agreement, a Participant may receive a distribution from his Voluntary Contribution Account and his Rollover Contribution Account at any time.

(c) Qualified Reserved Distributions. To the extent Qualified Reserved Distributions are provided for in the Adoption Agreement, as provided in Code section 72(t)(2)(G)(iii), Notice 2010-15 and any superseding guidance, the following shall apply:

(1) For purposes of Code section 401(k)(2)(B)(i) (distributions of Elective Deferrals), a Participant who is a member of the reserves who has been ordered or called to active duty for a period of more than 179 days or for an indefinite period may receive a distribution during such active duty period.

(d) Deemed Severance Distributions. To the extent Deemed Severance Distributions are provided for in the Adoption Agreement, as provided in Code section 414(u)(12)(B), Notice 2010-15 and any superseding guidance, the following shall apply:

(1) For purposes of Code section 401(k)(2)(B)(i)(I) (distributions of Elective Deferrals), a Participant performing service in the uniformed services while on active duty for a period of more than 30 days will be treated as having terminated from employment during any period the Participant is performing services described in Code section 3401(h)(2)(A).

(2) If a Participant elects to receive a distribution by reason of Subsection (d), the Participant may not make an Elective Deferral or Voluntary Contribution during the 6-month period beginning on the date of distribution.

Section 8.04 TRANSFER ACCOUNT

In addition to the foregoing a Participant may receive a distribution from his Transfer Account, to the extent applicable, as permitted under the terms of any plan from which funds in such Account were transferred to the extent that such optional forms of benefit must be preserved pursuant to Code section 411(d)(6) and to the extent permitted in the Adoption Agreement.

(c) Other. To the extent provided in the Adoption Agreement and permitted under applicable law, other in-service distributions are permitted.

Section 8.04 TRANSFER ACCOUNT

In addition to the foregoing a Participant may receive a distribution from his Transfer Account as permitted under the terms of any plan from which funds in such Account were transferred and to the extent permitted in the Adoption Agreement.

Section 8.05 RULES REGARDING IN-SERVICE DISTRIBUTIONS

(a) In General. This Section shall apply only to the extent that in-service withdrawals are otherwise permitted pursuant to this Article 8.

(b) Frequency and Amount of Withdrawals. The Plan Administrator may establish uniform procedures that include, but are not limited to, prescribing limitations on the frequency and minimum amount of withdrawals.

(c) Form of Withdrawals. Unless otherwise provided in the Adoption Agreement, all distributions of amounts withdrawn pursuant to this Article 8 shall be made in the form of a single sum as soon as practicable following the Valuation Date as of which such withdrawal is made. Unless otherwise provided in the Adoption Agreement, such distributions may be paid in cash or in-kind.

(d) Active Employment. Unless otherwise specified, only Employees shall be eligible to receive in-service distributions pursuant to this Article 8.

(e) Ordering Rule. The Plan Administrator shall determine the ordering rule for in-service distributions. Such ordering rule may provide that the Participant may elect to have payments made first or last from his Voluntary Contribution Account or in any combination of such Accounts and any other Account, to the extent permitted by the Adoption Agreement.
(f) Transfer Account. A Participant may receive a distribution from the vested portion of his Transfer Account only to the extent such Account was not transferred from a qualified plan subject to Code section 412, to the extent Section 8.02 applies.

Section 8.06 LOANS

(a) Eligible Participants. If allowed in the Adoption Agreement, a Participant may apply for a loan from the Plan and the provisions of Code section 72(p) and Treas. Reg. section 1.72(p)-1 shall apply to the Plan and are hereby incorporated by reference. The Plan Administrator may provide that a loan may only be granted for the purpose of enabling the Participant to meet a financial hardship or an unusual or special situation in his financial affairs. Loans shall only be granted pursuant to the terms of this Section to persons who the Plan Administrator determines have the ability to repay the loan.

(b) Maximum Loan Amount. No loan to any Participant can be made to the extent that such loan when added to the outstanding balance of all other loans to the Participant would exceed the lesser of:

(1) $50,000 reduced by the excess (if any) of the highest outstanding balance of loans during the one year period ending on the day before the loan is made, over the outstanding balance of loans from the Plan on the date the loan is made; or

(2) one-half the present value of the vested Account balance of the Participant or, if greater and so provided by the Plan Administrator, the total vested Account balance up to $10,000; provided that additional security is given to the extent such loan exceeds 50% of the vested Account balance.

For the purpose of the above limitation, all loans from all qualified plans of the Employer are aggregated.

(c) Loan Term and Amortization. Any loan shall by its terms require that repayment (principal and interest) be amortized in level payments, not less frequently than quarterly, over a period not extending beyond five years from the date of the loan. If so provided by the Plan Administrator, a loan term may extend beyond five years if the loan is used to acquire a dwelling unit which within a reasonable time (determined at the time the loan is made) will be used as the principal residence of the Participant.

(d) Minimum Loan Amount - Maximum Number of Loans. The Plan Administrator shall specify a minimum loan amount and the maximum number of loans outstanding at any one time.

(e) Security. All loans shall be secured by no more than one-half of the vested portion of the Participant’s Accounts (determined immediately after the origination of the loan) and such additional security as the Plan Administrator may deem necessary. All loans made to Participants under this Section are to be considered Trust Fund investments and shall be segregated as provided in Article 9 hereof unless the Plan Administrator provides otherwise.

(f) Repayment. Loans shall be repaid in accordance with the foregoing and the Plan Administrator may require as a condition to granting such loan that it be repaid through payroll deductions. Unless the loan note provides otherwise, the principal amount of the loan and accrued interest shall become immediately due and payable upon a Termination of Employment. Repayment may be suspended pursuant to Code section 414(u).

(g) Loan Fees. Fees properly chargeable in connection with a loan may be charged, in accordance with a policy established by the Plan Administrator, against the Account of the Participant to whom the loan is granted.

(h) Default. In the event of default, foreclosure on the note and attachment of security shall not occur until a distributable event occurs in the Plan.

(i) Loan Procedures. The Plan Administrator is authorized to adopt any administrative rules or procedures that it deems necessary or appropriate with respect to the granting and administering of loans under this Article 8.

(j) Ordering Rule. The Plan Administrator shall determine from which Accounts a Participant may receive a loan and the ordering rule for loans. Such ordering rule may provide that the Participant may elect to have loans made first or last from his Voluntary Contribution Account or Grandfathered Roth 401(k) Contribution Account or in any combination of such Accounts and any other Account to the extent permitted in the Adoption Agreement.
IN-PLAN ROTH ROLLOVERS

In-Plan Roth Rollovers. To the extent provided in the Adoption Agreement and to the extent permitted by Code section 402A(e) and Notice 2010-84, a distribution from the Plan other than from a Grandfathered Roth 401(k) Account that is an eligible rollover distribution (as defined in Code section 408A(e)) may be rolled over to a designated Roth Account maintained under this Plan for the benefit of the individual to whom the distribution is made. The Plan will maintain such records as are necessary for the proper reporting of In-Plan Roth Rollovers. If In-Plan Roth Rollovers are permitted for all distributions permitted under the Code and to the extent provided in the Adoption Agreement, In-Plan Roth Rollovers are permitted at the following times:

(a) Upon the attainment of the age specified in the Adoption Agreement except pre-tax Grandfathered 401(k) Contributions shall not be eligible for withdrawal until the Participant attains age 59-1/2.

(b) After-tax, Rollover and Voluntary Accounts can be converted to an In-Plan Roth Rollover Account at any time.

(c) From a Participant's Matching Contribution Account and/or Non-Elective Contribution Account after 5 years of Participation. In-service withdrawals are allowed from a Participant's Matching Contribution Account and/or Non-Elective Contribution Account on funds held for at least 2 years. Withdrawals after 5 years of Participation and/or 2 years of accumulation are only permitted from the Matching Contribution Account to the extent such Account has not been used to satisfy the requirements of Code sections 401(k)(12) or 401(k)(13) and/or 401(m)(11) or 401(m)(12) or to the extent such contributions has not been treated as Qualified Matching Contributions.

(d) Immediately after Termination of Employment.
ARTICLE 9 INVESTMENT AND VALUATION OF TRUST FUND

Section 9.01 INVESTMENT OF ASSETS

All existing assets of the Trust Fund and all future contributions shall be invested in accordance with the terms of this Article 9. All assets of the Trust Fund may be commingled for investment purposes with the assets of any retirement plan which is maintained by the Employer and which qualifies under Code section 401(a) and may be held as a single fund under one or more trust instruments; provided that the value of each plan’s assets can be determined at any time. The assets allocable to each such plan shall in no event be used for the benefit of Participants in the other plans.

Section 9.02 PARTICIPANT SELF-DIRECTION

(a) In General. To the extent provided for in the Adoption Agreement, the Plan Administrator may permit Participants to direct the investment of their Accounts pursuant to this Section 9.02. Any Participant self-direction shall be made pursuant to such uniform guidelines and procedures as the Plan Administrator may establish from time to time.

(b) Investment Elections. To the extent provided in Subsection (a), each Participant shall direct in the form and manner and at the time or times prescribed by the Plan Administrator the percentage of the applicable Accounts to be invested in one or more of the available Investment Funds, subject to such rules and limitations as the Plan Administrator may prescribe. After the death of the Participant, a Beneficiary shall be entitled to make investment elections as if the Beneficiary were the Participant. Notwithstanding the foregoing, the Plan Administrator may restrict investment transfers to the extent required to comply with applicable law.

(c) Loans. If the Adoption Agreement does not permit Participant self-direction, any assets that are held in the form of a Participant loan made pursuant to Article 8 shall be treated as a segregated investment unless otherwise provided by the Plan Administrator.

Section 9.03 INDIVIDUAL ACCOUNTS

To the extent provided in the Adoption Agreement, there shall be maintained on the books of the Plan with respect to each Participant, as applicable, a Mandatory Employee Contribution Account, Mandatory After-tax Employee Contribution Account, Matching Contribution Account, Employer Contribution Account, Pension Contribution Account, Voluntary Contribution Account, Grandfathered 401(k) Contribution Account, Grandfathered Roth 401(k) Contribution Account, Rollover Contribution Account, Transfer Account and any other Account established by the Plan Administrator. Each such Account shall separately reflect the Participant’s interest in the Trust Fund relating to such Account. A Participant’s interest in the Trust Fund shall be determined and accounted for based on his beneficial interest in such fund.

Section 9.04 ALLOCATION OF EARNINGS AND LOSSES

(a) Reinvestment. The dividends, capital gains distributions, and other earnings received on the Trust Fund shall be allocated to such fund and reinvested.

(b) Valuation. The assets of each Investment Fund shall be valued at their current fair market value as of each Valuation Date, and Accounts of each Participant with interests in that Investment Fund shall be credited with such Participant’s allocable share of the earnings and losses of each Investment Fund since the immediately preceding Valuation Date. Such allocation shall be done on the basis of such Participant’s interest in the applicable Investment Fund. For purposes of the allocation of investment earnings and losses, the Plan Administrator may adjust the value of interests of Investment Funds in Accounts as of the preceding Valuation Date to account for any contributions, distributions or withdrawals that occur after such preceding Valuation Date.

(c) Allocation to Individual Accounts. The Accounts of each Participant shall be adjusted as of each Valuation Date by: (1) reducing such Accounts by any distributions and withdrawals made therefrom since the preceding Valuation Date; (2) increasing or reducing such Accounts by the Participant’s share of earnings and losses and reasonable fees charged against such Accounts at the direction of the Plan Administrator; and (3) crediting such Accounts with any contributions made thereto since the preceding Valuation Date.
(d) Allocation of Expenses. The Plan Administrator may allocate all, none or any portion of the Plan’s expenses to Participant Accounts. Such methods may include, but not be limited to: (1) allocating expenses only to current or former Employees (or among any other classification(s) of Employees); (2) allocating expenses directly to individual Employees; (3) allocating expenses using the per capita or pro rata method; and (4) any combination of the foregoing.

(e) Valuation for Distribution. For the purposes of paying the amounts to be distributed to a Participant or Beneficiary pursuant to Articles 7 and 8, the value of the Participant’s interest shall be determined in accordance with the provisions of this Article as of the Valuation Date related to the date benefits are paid.

(f) No Rights Created by Allocation. An allocation of contributions or earnings to the separate Account of a Participant under this Article 9 shall not cause the Participant to have any right, title or interest in any assets of the Plan except at the time and under the terms and conditions expressly provided for in the Plan.

(g) Dividends and Credits. Any dividends or credits earned on insurance contracts will be allocated to the Participant’s Account for whose benefit the contract is held. No contract will be purchased under the Plan unless such contract or a separate definite written agreement between the Employer and the insurer provides that no value under contracts providing benefits under the Plan or credits determined by the insurer (on account of dividends, earnings, or other experience rating credits, or surrender or cancellation credits) with respect to such contracts may be paid or returned to the Employer or diverted to or used for other than the exclusive benefit of the Participants or their Beneficiaries. However, any contribution made by the Employer may be returned to the Employer pursuant to Article 10.

Section 9.05 VOTING RIGHTS

To the extent provided in the Adoption Agreement, a Participant and a Beneficiary of a deceased Participant shall have the right to direct the person designated by the Employer (for purposes of this Section the "Designee") as to the exercise of voting rights with respect to his allocable share of any investment in the Trust Fund that provides for such voting. An individual’s allocable share shall be determined in the discretion of the Plan Administrator. As soon as practicable prior to the occasion for the exercise of such voting rights, the Designee shall deliver or cause to be delivered, to each Participant and Beneficiary of a deceased Participant entitled to vote all notices, prospectuses, financial statements, proxies and proxy soliciting material relating to such investment allocated to the Participant’s Account. Instructions by Participants and Beneficiaries to the Designee shall be in such form and pursuant to such regulations as the Plan Administrator shall prescribe. Any such instructions shall remain in the strict confidence of the Designee. Any investments for which no instructions are received by the Designee within such time specified by notice and, unless otherwise required by applicable law, any shares which are not allocated to Participants’ Accounts shall be voted in the same proportion that the shares for which instructions are received are voted. With respect to fractional shares for which instructions are received by the Designee, the Designee shall aggregate all such fractional shares for which the same instructions are received into whole shares and shall vote such whole shares as instructed. Any remaining fractional shares shall be voted in the same proportion that the shares for which instructions are received are voted.

Section 9.06 LIFE INSURANCE

(a) Purchase of Life Insurance. To the extent provided in the Adoption Agreement, a Participant may request that a portion of his Account be invested in insurance on his life, and if the Plan Administrator, in its discretion, approves such request, it shall direct the Trustee to apply for and be the owner of any insurance contract purchased under the terms of this Section. The insurance contract(s) must provide that proceeds will be payable to the Trust; however, the Plan Administrator shall direct the Trustee to pay over all proceeds of the contract(s) to the Participant’s Beneficiary in accordance with the distribution provisions of this Plan. The form and type of contract purchased shall be determined by the Plan Administrator. The Plan Administrator may also establish rules that prohibit the purchase of life insurance where the annual premium is estimated to be less than a certain minimum amount.

(b) Maximum Insurance Amounts. The total premiums paid for a Participant’s ordinary life insurance shall be less than 50% of the aggregate Employer contributions allocated to such Participant’s Account. If term insurance or universal life insurance is purchased, the aggregate premiums shall not exceed 25% of aggregate Employer contributions allocated to the insured Participant’s Account. If both ordinary life insurance and either term insurance or universal life insurance is purchased for a Participant, the aggregate premiums for such term insurance and/or universal life insurance plus one-half of the total premiums for such ordinary life insurance shall not in the aggregate exceed 25% of the aggregate Employer contributions allocated to the insured Participant’s Account. However, the foregoing restrictions shall not apply to funds that may be withdrawn or distributed from the Plan in accordance with applicable law even if such withdrawals/distributions are not permitted under the terms of the Plan.
(c) Beneficiary. The Trust Fund shall be designated as the beneficiary to receive death benefits payable pursuant to the provisions of any life insurance policy purchased pursuant to this Section. Any death proceeds received by the Trust Fund shall be added to the deceased Participant's Account and distributed pursuant to Article 7 hereof. Under no circumstances shall the Trust Fund retain any part of the proceeds. In the event of any conflict between the terms of this Plan and the terms of any insurance contract purchased hereunder, the Plan provisions shall control.

(d) Conversion of Policies. If an insured Participant does not die prior to retirement, the Plan Administrator may direct the Trustee to: (1) convert the entire value of any such life insurance contract at or before retirement into cash to provide the retirement benefits set forth in Article 7 so that no portion of such value may be used to continue life insurance protection beyond retirement; or (2) distribute any such contract to the Participant. Nothing provided herein shall be construed to prohibit the purchase, sale, transfer or exchange of any individual life insurance contract which would otherwise be permitted under applicable prohibited transaction class exemptions.

(e) Distributions. Any distribution of an insurance policy or the proceeds of an insurance policy purchased pursuant to this Section shall be subject to the requirements of Article 7.
ARTICLE 10 TRUST FUND

Section 10.01 TRUST FUND

(a) Continuation of Trust Fund. A Trust is hereby established or continued under the Plan and the Trustee will maintain a trust account for the Plan and, as part thereof, Participants' Accounts for such individuals as the Employer shall from time to time give written notice to the Trustee are Participants in the Plan. The Trustee will accept and hold in the Trust Fund such contributions on behalf of Participants as it may receive from time to time from the Employer, including amounts transferred by any prior trustee of the Plan, and such earnings, income and appreciation as may accrue thereon; less losses, depreciation and payments made by the Trustee to carry out the purposes of the Plan. The Trust Fund shall be fully invested and reinvested in accordance with the applicable provisions of the Plan.

(b) Exclusive Benefit. All contributions made to the Plan are made for the exclusive benefit of the Participants and their Beneficiaries, and such contributions shall not be used for, nor diverted to, purposes other than for the exclusive benefit of the Participants and their Beneficiaries (including the costs of maintaining and administering the Plan and corresponding Trust).

(c) Return of Contributions. Notwithstanding any other provision of the Plan: (1) as contributions made prior to the receipt of an initial determination letter are conditional upon a favorable determination as to the qualified status of the Plan under Code section 401(a), if the Plan receives an adverse determination with respect to its initial qualification, then any such contribution may be returned to the Employer within one year after such determination, provided the application for determination is made by the time prescribed by law; (2) contributions made by the Employer based upon mistake of fact may be returned to the Employer within one year of such contribution; and (3) after all liabilities under the Plan have been satisfied, the remaining assets of the Trust shall be distributed to the Employer if such distribution does not contravene any provision of applicable law.

In the case of the return of a contribution due to mistake of fact, the amount that may be returned is the excess of the amount contributed over the amount that would have been contributed had there not been a mistake or disallowance. Earnings attributable to the excess contributions may not be returned to the Employer but losses attributable thereto must reduce the amount to be so returned. Any return of contribution or distribution of assets made by the Trustee pursuant to this Section shall be made only upon the direction of the Employer, which shall have exclusive responsibility for determining whether the conditions of such return or distribution have been satisfied and for the amount to be returned.

(d) Assets Not Held by Trustee. The Trustee shall not be responsible for any assets of the Plan that are held outside of the Trust Fund. The Trustee is expressly hereby relieved of any responsibility or liability for any losses resulting to the Plan arising from any acts or omissions on the part of any insurance company holding assets outside of the Trust Fund or other Code section 401(f) arrangement. The Trustee may require the Employer to serve as custodian for all promissory notes and related documents issued in connection with the Plan's Participant loan program and require the Employer to be responsible for the safekeeping of same.

(e) Group Trust. In the event that the Trust is a part of any group trust (within the meaning of Internal Revenue Service Revenue Rulings 81-100 and 2011-1): (1) participation in the Trust is limited to (i) individual retirement accounts which are exempt under Code section 408(e), (ii) pension and profit-sharing trusts which are exempt under Code section 501(a) by qualifying under Code section 401(a) and (iii) accounts under Code sections 403(b)(7), 403(b)(9) and governmental retiree benefit plans under Code section 401(a)(24) to the extent the requirements of Revenue Ruling 2011-1 are met; (2) no part of the corpus or income which equitably belongs to any individual retirement account or Employer's trust may be used for or diverted to any purposes other than for the exclusive benefit of the individual or the Employees, respectively, or their Beneficiaries who are entitled to benefits under such participating individual retirement account or Employer's trust; (3) no part of the equity or interest in the Trust Fund shall be subject to assignment by a participating individual retirement account or Employer's trust; and (4) the Trustee shall maintain separate accounts for each participating trust or individual retirement account.

Section 10.02 DUTIES OF THE TRUSTEE

(a) In General. The Trustee is not a party to, and has no duties or responsibilities under the Plan, other than those that may be expressly contained in this Article. The Trustee shall have no duties, responsibilities or liability with respect to the acts or omissions of any prior trustee. The Trustee shall discharge its assigned duties and responsibilities under this Article and the Plan with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
(b) Contributions. The Trustee agrees to accept contributions that are paid to it by the Employer (as well as Rollover Contributions and direct transfers from other eligible retirement plans) in accordance with the terms of this Article. Such contributions shall be in cash or in such other form that may be acceptable to the Trustee. In-kind contributions are permitted only in non-pension plans provided that the contribution is discretionary and unencumbered. The Trustee shall have no duty to determine or collect contributions under the Plan and shall have no responsibility for any property until it is received by the Trustee. The Employer shall have the sole duty and responsibility for the determination of the accuracy or sufficiency of the contributions to be made under the Plan, the transmittal of the same to the Trustee and compliance with any statute, regulation or rule applicable to contributions.

(c) Distributions. The Trustee shall make distributions out of the Trust Fund pursuant to instructions described in Section 10.05. The Trustee shall not have any responsibility or duty under this Article for determining that such are in accordance with the terms of the Plan and applicable law, including but not limited to, the amount, timing or method of payment and the identity of each person to whom such payments shall be made. The Trustee shall have no responsibility or duty to determine the tax effect of any payment or to see to the application of any payment. In making payments, the Employer acknowledges that the Trustee is acting as a paying agent and not as the payor, for tax information reporting and withholding purposes. In the event that any dispute shall arise as to the persons to whom payment or delivery of any assets shall be made by the Trustee, the Trustee may withhold such payment or delivery until such dispute shall have been settled by the parties concerned or shall have been determined by a court of competent jurisdiction.

(d) Records. The Trustee shall keep full and accurate accounts of all receipts, investments, disbursements and other transactions hereunder, including such specific records as may be agreed upon in writing between the Employer and the Trustee. All such accounts, books and records shall be open to inspection and audit at all reasonable times by any authorized representative of the Employer or the Plan Administrator. A Participant may examine only those individual account records pertaining directly to him.

(e) Accounting. The Trustee shall file with the Plan Administrator a written account of the administration of the Trust Fund showing all transactions effected by the Trustee to the period covered by the last preceding account and all property held at the end of the accounting period. The Trustee shall use its best effort to file such written account within ninety (90) days, but not later than one hundred twenty (120) days after the end of each Plan Year. Upon approval of such accounting by the Plan Administrator, neither the Employer nor the Plan Administrator shall be entitled to any further accounting by the Trustee. The Plan Administrator may approve such accounting by written notice of approval delivered to the Trustee or by failure to express objection to such accounting in writing delivered to the Trustee within six (6) months from the date on which the accounting is delivered to the Plan Administrator.

(f) Participant Eligibility. The Trustee shall not be required to determine the facts concerning the eligibility of any Participant to participate in the Plan, the amount of benefits payable to any Participant or Beneficiary under the Plan, or the date or method of payment or disbursement. The Trustee shall be fully entitled to rely in good faith solely upon the written advice and directions of the Plan Administrator as to any such question of fact.

(g) Indicia of Ownership. The Trustee shall not hold the indicia of ownership of any assets of the Trust Fund outside of the jurisdiction of the District Courts of the United States.

(h) Notice. The Trustee shall provide the Employer with advance notice of any legal actions the Trustee may take with respect to the Plan and Trust and shall promptly notify the Employer of any claim against the Plan and Trust.

(i) Other Fiduciaries. The Trustee shall not be responsible for the acts or omissions of any other persons.

Section 10.03 GENERAL INVESTMENT POWERS

In addition to all powers and authority under common law, statutory authority and other provisions of this Article, the Trustee shall have the following powers and authorities to be exercised in accordance with and subject to the provisions of Section 10.04 hereof:

(a) Invest and reinvest the Trust Fund in any property, real, personal or mixed, wherever situated, and whether situated, and whether or not productive of income or consisting of wasting assets, including, without limitation, common and preferred stock, bonds, notes, debentures, options, mutual funds, leaseholds, mortgages (including without limitation, any collective or part interest in any bond and mortgage or note and mortgage), certificates of deposit, and oil, mineral or gas properties, royalties, interests or rights (including equipment pertaining thereto), without being limited to the classes of property in which trustees are authorized by law or any rule of court to invest trust funds and without regard to the proportion any such property may bear to the entire amount of the Trust Fund;
(b) Hold property in nominee name, in bearer form, or in book entry form, in a clearinghouse corporation or in a depository, so long as the Trustee's records clearly indicate that the assets held are a part of the Trust Fund;

(c) Collect income payable to and distributions due to the Trust Fund and sign on behalf of the Trust any declarations, affidavits, certificates of ownership and other documents required to collect income and principal payments, including but not limited to, tax reclamations, rebates and other withheld amounts;

(d) To sell, exchange, convey, transfer, or grant options to purchase, or otherwise dispose of any securities or other property held by the Trustee. No person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity, expediency, or propriety of any such sale or other disposition;

(e) Pursuant to the terms of Section 10.06, to vote upon any stocks, bonds, or other securities; to give general or special proxies or powers of attorney with or without power of substitution; to exercise any conversion privileges, subscription rights or other options, and to make any payments incidental thereto; to oppose, or to consent to, or otherwise participate in, corporate reorganizations or other changes affecting corporate securities, and to delegate discretionary powers, and to pay any assessments or charges in connection therewith; and generally to exercise any of the powers of an owner with respect to stocks, bonds, securities, or other property;

(f) Take all action necessary to pay for authorized transactions or make authorized distributions, including exercising the power to borrow or raise monies from any lender, upon such terms and conditions as are necessary to settle such transactions or distributions;

(g) To keep such portion of the Trust Fund uninvested in cash or cash balances as the Trustee may, from time to time, deem to be in the best interests of the Plan, without liability for interest thereon;

(h) To accept and retain for such time as the Trustee may deem advisable any securities or other property received or acquired as Trustee hereunder, whether or not such securities or other property would normally be purchased as investments hereunder;

(i) To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein granted;

(j) To settle, compromise, or submit to arbitration any claims, debts, or damages due or owing to or from the Trust Fund, to commence or defend suits or legal or administrative proceedings, and to represent the Plan and/or Trust Fund in all suits and legal and administrative proceedings (arbitration shall not be permitted to the extent the claim involves a Participant);

(k) To invest in Treasury Bills and other forms of United States government obligations;

(l) To deposit cash in accounts in the banking department of the Trustee or an affiliated banking organization;

(m) To deposit monies in federally insured savings accounts or certificates of deposit in banks or savings and loan associations;

(n) To invest and reinvest all or any portion of the Trust Fund collectively with funds of other retirement plan trusts exempt from tax under Code section 501(a), including, without limitation, the power to invest collectively with such other funds through the medium of one or more common, collective or commingled trust funds which have been or may hereafter be operated by the Trustee, the instrument or instruments establishing such trust fund or funds, as amended from time to time, being made part of this Trust so long as any portion of the Trust Fund shall be invested through the medium thereof;

(o) To sell, either at public or private sale, option to sell, mortgage, lease for a term of years less than or continuing beyond the possible date of the termination of the Trust created hereunder, partition or exchange any real property which may from time to time constitute a portion of the Trust Fund, for such prices and upon such terms as it may deem best, and to make, execute and deliver to the purchasers thereof good and sufficient deeds of conveyance therefor and all assignments, transfers and other legal instruments, either necessary or convenient for the passing of the title and ownership thereof to the purchaser, free and discharged of all trusts and without liability on the part of such purchasers to see to the proper application of the purchase price;
(p) To repair, alter, improve or demolish any buildings which may be on any real estate forming part of the Trust Fund or to erect entirely new structures thereon;

(q) To renew, extend or participate in the renewal or extension of any mortgage, upon such terms as may be deemed advisable, and to agree to a reduction in the rate of interest on any mortgage or to any other modification or change in the terms of any mortgage or of any guarantee pertaining thereto, in any manner and to any extent that may be deemed advisable for the protection of the Trust Fund or the preservation of the value of the investment; to waive any default, whether in the performance of any covenant or condition of any mortgage or in the performance of any guarantee, or to enforce any such default in such manner and to such extent as may be deemed advisable; to exercise and enforce any and all rights of foreclosure, to bid on property in foreclosure, to take a deed in lieu of foreclosure with or without paying a consideration therefor, and in connection therewith to release the obligation on the bond or note secured by the mortgage; and to exercise and enforce in any action, suit or proceeding at law or in equity any rights or remedies in respect to any mortgage or guarantee;

(r) To purchase any authorized investment at a premium or at a discount;

(s) To purchase any annuity contract; and

(t) To do all such acts and exercise all such rights and privileges, although not specifically mentioned herein, as the Trustee may deem necessary to carry out the purposes of the Plan.

Section 10.04 OTHER INVESTMENT POWERS

(a) Requirement for Preapproval. The powers granted the Trustee under Section 10.33 shall be exercised by the Trustee upon the written direction from the Investment Fiduciary pursuant to Sections 10.05 and 10.06. Any written direction of the Investment Fiduciary may be of a continuing nature, but may be revoked in writing by the Investment Fiduciary at any time. The Trustee shall comply with any direction as promptly as possible, provided it does not contravene the terms of the Plan or the provision of any applicable law. The Investment Fiduciary, by written direction, may require the Trustee to obtain written approval of the Investment Fiduciary before exercising such of its powers as may be specified in such direction. Any such direction may be of a continuing nature or otherwise and may be revoked in writing by the Investment Fiduciary at any time. The Trustee shall not be responsible for any loss that may result from the failure or refusal of the Investment Fiduciary to give any such required direction or approval.

(b) Prohibited Transactions. The Trustee shall not engage in any prohibited transaction within the meaning of the Code.

(c) Legal Actions. The Trustee is authorized to execute all necessary receipts and releases and shall be under the duty to make efforts to collect such sums as may appear to be due (except contributions hereunder); provided, however, that the Trustee shall not be required to institute suit or maintain any litigation to collect the proceeds of any asset unless it has been indemnified to its satisfaction for counsel fees, costs, disbursements and all other expenses and liabilities to which it may in its judgment be subjected by such action. Notwithstanding anything to the contrary herein contained, the Trustee is authorized to compromise and adjust claims arising out of any asset held in the Trust Fund upon such terms and conditions as the Trustee may deem just, and the action so taken by the Trustee shall be binding and conclusive upon all persons interested in the Trust Fund.

(d) Retention of Advisors. The Trustee, with the consent of the Investment Fiduciary, may retain the services of investment advisors to invest and reinvest the assets of the Trust Fund, as well as employ such legal, actuarial, medical, accounting, clerical and other assistance as may be required in carrying out the provisions of the Plan. The Trustee may also appoint custodians, subcustodians or subtrustees as to part or all of the Trust Fund.

Section 10.05 INSTRUCTIONS

(a) Reliance on Instructions. Whenever the Trustee is permitted or required to act upon the directions or instructions of the Investment Fiduciary, Plan Administrator or Employer, the Trustee shall be entitled to act in good faith upon any written communication signed by any person or agent designated to act as or on behalf of the Investment Fiduciary, Plan Administrator or Employer. Such person or agent shall be so designated either under the provisions of the Plan or in writing by the Employer and their authority shall continue until revoked in writing. The Trustee shall incur no liability for failure to act in good faith on such person's or agent's instructions or orders without written communication, and the Trustee shall be fully protected in all actions taken in good faith in reliance upon any instructions, directions, certifications and communications believed to be genuine and to have been signed or communicated by the proper person.
(b) Designation of Agent.

(1) Plan Sponsor. The Plan Sponsor shall notify the Trustee in writing as to the appointment, removal or resignation of any person designated to act as or on behalf of the Investment Fiduciary, Plan Administrator or Plan Sponsor. After such notification, the Trustee shall be fully protected in acting in good faith upon the directions of, or dealing with, any person designated to act as or on behalf of the Investment Fiduciary, Plan Administrator or Plan Sponsor until it receives notice to the contrary. The Trustee shall have no duty to inquire into the qualifications of any person designated to act as or on behalf of the Investment Fiduciary, Plan Administrator or Plan Sponsor.

(2) Trustee. To the extent provided in the Adoption Agreement, if there is more than one Trustee, the Trustees may designate one or more of the Trustees to act on behalf of the Trustees. Such designated Trustee shall be authorized to take any and all actions and execute and deliver such documents as may be necessary or appropriate.

(c) Procedures. The Trustee may adopt such rules and procedures as it deems necessary, desirable, or appropriate including, but not limited to: (1) taking action with or without formal meetings; and (2) in the event that there is more than one Trustee, a procedure specifying whether action may be taken by a less than unanimous vote.

(d) Payment of Benefits. The Trustee shall pay benefits and expenses from the Trust Fund only upon the written direction of the Plan Administrator. The Trustee shall be fully entitled to rely in good faith on such directions furnished by the Plan Administrator, and shall be under no duty to ascertain whether the directions are in accordance with the provisions of the Plan.

Section 10.06 INVESTMENT OF THE FUND

(a) Investment Funds. The Investment Fiduciary shall have the exclusive authority and discretion to select the Investment Funds available for investment under the Plan. In making such selection, the Investment Fiduciary shall use the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Subject to the first sentence of Subsection (b) below, the available investments under the Plan shall be sufficiently diversified so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. The Investment Fiduciary shall notify the Trustee in writing of the selection of the Investment Funds currently available for investment under the Plan, and any changes thereto.

(b) Participant Self-Direction. To the extent permitted by the Plan Administrator and the Adoption Agreement pursuant to Section 9.02, each Participant shall have the right, in accordance with the provisions of the Plan, to direct the investment by the Trustee of all amounts allocated to the separate Accounts of the Participant under the Plan among any one or more of the available Investment Funds; provided, however, that during any transition period as may be determined by the Investment Fiduciary, the Investment Fiduciary may direct the investment of the Trustee into the Investment Funds available during such period with respect to which individual Participants' directions shall not have been made or shall not have been permitted to be made under the Plan. All investment directions by Participants shall be timely furnished to the Trustee by the Plan Administrator, except to the extent such directions are transmitted telephonically or otherwise by Participants directly to the Trustee or its delegate in accordance with rules and procedures established and approved by the Plan Administrator and communicated to the Trustee. In making any investment of the assets of the Fund, the Trustee shall be fully entitled to rely on such directions furnished to it by the Plan Administrator or by Participants in accordance with the Plan Administrator's approved rules and procedures, and shall be under no duty to make any inquiry or investigation with respect thereto. If the Trustee receives any contribution under the Plan that is not accompanied by instructions directing its investment, the Trustee shall notify the Plan Administrator of that fact, and the Trustee may, in its discretion, hold all or a portion of the contribution uninvested without liability for loss of income or appreciation pending receipt of proper investment directions.

(c) Investment Managers.

(1) Appointment of Investment Managers. The Investment Fiduciary may appoint one or more Investment Managers with respect to some or all of the assets of the Trust Fund. Any such Investment Manager shall acknowledge to the Investment Fiduciary in writing that it accepts such appointment. The Investment Fiduciary shall provide the Trustee with a copy of the written agreement (and any amendments thereto) between the Investment Fiduciary and the Investment Manager. The authority of the Investment Manager shall continue until the Investment Fiduciary rescinds the appointment or the Investment Manager has resigned.
(2) Separation of Duties. The assets with respect to which a particular Investment Manager has been appointed shall be specified by the Investment Fiduciary and shall be segregated in a separate account for the Investment Manager (the "Separate Account") and the Investment Manager shall have the power to direct the Trustee in every aspect of the investment of the assets of the Separate Account. The Trustee shall not be liable for the acts or omissions of an Investment Manager and shall have no liability or responsibility for acting pursuant to the direction of, or failing to act in the absence of, any direction from an Investment Manager, unless the Trustee knows that by such action or failure to act it would be itself committing a breach of fiduciary duty or participating in a breach of fiduciary duty by such Investment Manager.

(d) Proxies.

(1) Delivery of Information. The Trustee shall deliver, or cause to be delivered, to the Employer or Plan Administrator all notices, prospectuses, financial statements, proxies and proxy soliciting materials received by the Trustee relating to securities held by the Trust or, if applicable, deliver these materials to the appropriate Participant or the Beneficiary of a deceased Participant.

(2) Voting. The Trustee shall not vote any securities held by the Trust except in accordance with the written instructions of the Employer, the Investment Fiduciary, or to the extent provided in the Adoption Agreement, the Participant or the Beneficiary of the Participant, if the Participant is deceased. However, the Trustee may, in the absence of instructions, vote "present" for the sole purpose of allowing such shares to be counted for establishment of a quorum at a shareholders' meeting. The Trustee shall have no duty to solicit instructions from Participants, Beneficiaries, the Investment Fiduciary or the Employer.

(3) Investment Manager. To the extent not delegated to Participants pursuant to Subsection (b), the Investment Manager shall be responsible for making any proxy voting or tender offer decisions with respect to securities held in the Separate Account and the Investment Manager shall maintain a record of the reasons for the manner in which it voted proxies or responded to tender offers.

(c) Life Insurance. Any life insurance investment allowed under Article 9 shall be a permitted Investment Fund.

Section 10.07 COMPENSATION AND INDEMNIFICATION

(a) Compensation. The Trustee shall be entitled to reasonable compensation for its services as is mutually agreed upon with the Plan Sponsor; provided that such compensation does not result in a prohibited transaction within the meaning of the Code. If the Trustee and the Employer mutually agree that the Trustee may retain as additional compensation for its services any earnings resulting from the anticipated short-term investment of funds ("float") on Plan assets deposited in or transferred to a Trustee general or omnibus account, then the Trustee shall be authorized to retain such float; provided, that such agreement: (i) discloses the specific circumstances under which float will be earned and retained, (ii) in the case of float on distributions, discloses when the float period commences and ends, and (iii) discloses the rate of the float or the specific manner in which such rate will be determined. If approved by the Plan Administrator, the Trustee shall also be entitled to reimbursement for all direct expenses properly and actually incurred on behalf of the Plan. Such compensation or reimbursement shall be paid to the Trustee out of the Trust Fund unless paid directly by the Employer.

(b) Indemnification. Unless otherwise provided in an Addendum to the Adoption Agreement, each Employer shall indemnify and hold harmless the Trustee (and its delegates) from all claims, liabilities, losses, damages and expenses, including reasonable attorneys' fees and expenses, incurred by the Trustee in connection with its duties hereunder to the extent not covered by insurance, except when the same is due to the Trustee's own gross negligence, willful misconduct, lack of good faith, or breach of its fiduciary duties under the Plan.

Section 10.08 RESIGNATION AND REMOVAL

(a) Resignation. The Trustee may resign at any time by written notice to the Plan Sponsor which shall be effective 60 days after delivery unless prior thereto a successor Trustee assumes the responsibilities of Trustee hereunder.

(b) Removal. The Trustee may be removed by the Plan Sponsor at any time.

(c) Successor Trustee. The appointment of a successor Trustee hereunder shall be accomplished by and shall take effect upon the delivery to the resigning or removed Trustee, as the case may be, of written notice of the Plan Sponsor appointing such successor Trustee, and an acceptance in writing of the office of successor Trustee hereunder executed by the successor so appointed. Any successor
Trustee may be either a corporation authorized and empowered to exercise trust powers or one or more individuals. All of the provisions set forth herein with respect to the Trustee shall relate to each successor Trustee so appointed with the same force and effect as if such successor Trustee had been originally named herein as the Trustee hereunder. If within 45 days after notice of resignation shall have been given under the provisions of this Article a successor Trustee shall not have been appointed, the resigning Trustee or the Plan Sponsor may apply to any court of competent jurisdiction for the appointment of a successor Trustee.

(d) Transfer of Trust Fund. Upon the appointment of a successor Trustee, the resigning or removed Trustee shall transfer and deliver the Trust Fund to such successor Trustee, after reserving such reasonable amount as it shall deem necessary to provide for its expenses in the settlement of its account, the amount of any compensation due to it and any sums chargeable against the Trust Fund for which it may be liable. If the sums so reserved are not sufficient for such purposes, the resigning or removed Trustee shall be entitled to reimbursement for any deficiency from the Plan Sponsor.

Section 10.09 OTHER TRUST AGREEMENT

(a) General. This Section 10.09 shall apply only to the extent provided in the Adoption Agreement. If this Section applies, the terms of a separate trust agreement shall apply and Sections 9.05, 10.01 through 10.08 and Article 11 shall apply only to the extent that they are not superseded by the terms of the separate trust agreement. Other Sections of the Plan shall be construed in a manner compatible with the separate trust agreement.

(b) Trustee. The Trustee shall be the person(s) or entity listed in the separate trust agreement. The Trustee shall be obligated under the terms and conditions of the separate trust agreement as executed by the Trustee and the Plan Administrator or Sponsor.
ARTICLE 11 PLAN ADMINISTRATION

Section 11.01 PLAN ADMINISTRATOR

(a) Designation. The Plan Administrator shall be specified in the Adoption Agreement. In the absence of a designation in the Adoption Agreement, the Plan Sponsor shall be the Plan Administrator. If a Committee is designated as the Plan Administrator, the Committee shall consist of one or more individuals who may be Employees appointed by the Plan Sponsor and the Committee may elect a chairman and may adopt such rules and procedures as it deems desirable. The Committee may also take action with or without formal meetings and may authorize one or more individuals, who may or may not be members of the Committee, to execute documents in its behalf.

(b) Authority and Responsibility of the Plan Administrator. The Plan Administrator shall have total and complete discretionary power and authority:

1. to make factual determinations, to construe and interpret the provisions of the Plan, to correct defects and resolve ambiguities and inconsistencies therein and to supply omissions thereto. Any construction, interpretation or application of the Plan by the Plan Administrator shall be final, conclusive and binding;

2. to determine the amount, form or timing of benefits payable hereunder and the recipient thereof and to resolve any claim for benefits in accordance with this Article 11;

3. to determine the amount and manner of any allocations and/or benefit accruals hereunder, including whether the Plan maintains an ERISA Account;

4. to maintain and preserve records relating to Participants, former Participants, and their Beneficiaries and Alternate Payees;

5. to prepare and furnish to Participants, Beneficiaries and Alternate Payees all information and notices required under applicable law or the provisions of this Plan;

6. to prepare and file or publish with the Secretary of the Treasury, delegates and all other appropriate government officials all reports and other information required under law to be so filed or published;

7. to approve and enforce any loan hereunder including the repayment thereof;

8. to provide directions to the Trustee with respect to the purchase of life insurance (to the extent permitted in the Adoption Agreement), methods of benefit payment, valuations at dates other than regular Valuation Dates and on all other matters where called for in the Plan or requested by the Trustee;

9. to hire such professional assistants and consultants as it, in its sole discretion, deems necessary or advisable; and shall be entitled, to the extent permitted by law, to rely conclusively on all tables, valuations, certificates, opinions and reports which are furnished by same;

10. to determine all questions of the eligibility of Employees and of the status of rights of Participants, Beneficiaries and Alternate Payees;

11. to arrange for bonding, if required by law;

12. to adjust Accounts in order to correct errors or omissions;

13. to determine whether any domestic relations order constitutes a Qualified Domestic Relations Order and to take such action as the Plan Administrator deems appropriate in light of such domestic relations order;
(14) to retain records on elections and waivers by Participants, their spouses and their Beneficiaries and Alternate Payees;

(15) to supply such information to any person as may be required;

(16) to establish, revise from time to time, and communicate to the Trustee and/or the Investment Fiduciary and Investment Manager(s), a funding policy and method for the Plan; and

(17) to perform such other functions and duties as are set forth in the Plan that are not specifically given to the Investment Fiduciary or Trustee.

(c) Procedures. Unless otherwise provided in the Adoption Agreement and to the extent that the Adoption Agreement provides that the governing body of the Plan Sponsor adopts procedures for the Plan Administrator and the governing body of the Plan Sponsor fails to adopt such procedures, the Plan Administrator may adopt such rules and procedures as it deems necessary, desirable, or appropriate for the administration of the Plan. When making a determination or calculation, the Plan Administrator shall be entitled to rely upon information furnished to it. The Plan Administrator’s decisions shall be binding and conclusive as to all parties.

(d) Allocation of Duties and Responsibilities. The Plan Administrator and/or the Adoption Agreement may designate other persons to carry out any of the duties and responsibilities of the Plan Administrator.

Section 11.02 INVESTMENT FIDUCIARY

(a) Designation. In the absence of a designation, the Plan Sponsor shall be the Investment Fiduciary. The Investment Fiduciary may consist of a committee consisting of one or more individuals who may be Employees appointed by the Plan Sponsor. If a committee is appointed, the committee may elect a chairman and may adopt such rules and procedures as it deems desirable. The committee may take action with or without formal meetings and may authorize one or more individuals, who may or may not be members of the committee, to execute documents in its behalf.

(b) Authority and Responsibility of the Investment Fiduciary. The Investment Fiduciary shall have the following discretionary authority and responsibility:

(1) to manage the investment of the Trust Fund;

(2) to appoint one or more Investment Managers;

(3) to hire such professional assistants and consultants as it, in its sole discretion, deems necessary or advisable;

(4) to establish, revise from time to time, and communicate to the Trustee and/or Investment Manager(s), an investment policy for the Plan; and

(5) to supply such information to any person as may be required.

(c) Procedures. Unless otherwise provided in the Adoption Agreement and to the extent that the Adoption Agreement provides that the governing body of the Plan Sponsor adopts procedures for the Investment Fiduciary and the governing body of the Plan Sponsor fails to adopt such procedures, the Investment Fiduciary may adopt such rules and procedures as it deems necessary, desirable, or appropriate in furtherance of its duties hereunder. When making a determination or calculation, the Investment Fiduciary shall be entitled to rely upon information furnished to it. Except as otherwise provided in a separate trust agreement, the Investment Fiduciary’s decisions shall be binding and conclusive as to all parties.

Section 11.03 COMPENSATION OF PLAN ADMINISTRATOR AND INVESTMENT FIDUCIARY

The Plan Administrator and Investment Fiduciary shall be entitled to reasonable compensation for their services as is mutually agreed upon to the extent that such compensation would not constitute a prohibited transaction within the meaning of the Code.

Section 11.04 PLAN EXPENSES
All direct expenses of the Plan, Trustee, Plan Administrator and Investment Fiduciary or any other person in furtherance of their duties hereunder shall be paid or reimbursed by the Employer, and if not so paid or reimbursed, shall be proper charges to the Trust Fund and shall be paid therefrom.

Section 11.05  ALLOCATION OF FIDUCIARY RESPONSIBILITY

A Plan fiduciary shall have only those specific powers, duties, responsibilities and obligations as are explicitly given him under the Plan and Trust Agreement. It is intended that each fiduciary shall not be responsible for any act or failure to act of another fiduciary. A fiduciary may serve in more than one fiduciary capacity with respect to the Plan.

Section 11.06  INDEMNIFICATION

Unless otherwise provided in an Addendum to the Adoption Agreement, the Employer shall indemnify and hold harmless any person serving as the Investment Fiduciary and/or Plan Administrator (and their delegates) from all claims, liabilities, losses, damages and expenses, including reasonable attorneys' fees and expenses, incurred by such persons in connection with their duties hereunder to the extent not covered by insurance, except when the same is due to such person's own gross negligence, willful misconduct, lack of good faith, or breach of its fiduciary duties under this Plan.

Section 11.07  CLAIMS PROCEDURES

Claims procedures shall be established by the policies and procedures of the Plan Administrator and/or Employer and applicable law.

Section 11.08  WRITTEN COMMUNICATION

To the extent permitted by applicable Treasury Regulations and accepted by the Plan Administrator and, as applicable, the Trustee, all provisions of the Plan and Trust that require written notices and elections shall be interpreted to mean authorized electronic and telephonic notices and elections. Any notice made under the terms of the Plan may be made in any electronic or telephonic method.
ARTICLE 12 AMENDMENT, MERGER AND TERMINATION

Section 12.01 AMENDMENT

The provisions of the Plan may be amended at any time and from time to time by the Plan Sponsor, provided, however, that:

(a) Amendment by Volume Submitter Practitioner. The volume submitter practitioner may amend any part of the Plan on behalf of the adopting Employer for changes in the Code, regulations, revenue rulings, other statements published by the Internal Revenue Service, including model, sample or other required good faith amendments, but only if their adoption will not cause the Plan to be individually designed, and for corrections of prior plans.

The volume submitter practitioner will no longer have the authority to amend the Plan on behalf of any adopting Employer as of either: (1) the date the Internal Revenue Service requires the Employer to file Form 5300 as an individually designed plan as a result of an Employer amendment to the plan to incorporate a type of plan not allowable in the Volume Submitter program, as described in Rev. Proc. 2007-44 and Rev. Proc. 2011-49 and superseding guidance, or (2) as of the date the Plan is otherwise considered an individually designed plan due to the nature and extent of the amendments.

The volume submitter practitioner will maintain a record of the Employers that have adopted the Plan, and such sponsor/practitioner will make reasonable and diligent efforts to ensure that adopting Employers have actually received and are aware of all Plan amendments and that such Employers adopt new documents when necessary. In the event that the volume submitter practitioner licenses this document to a middleman who has not filed a letter in their own name as an identical adopter, such middleman will be responsible for duties described in the preceding sentence.

(b) The Plan Sponsor may: (1) change the choice of options in the Adoption Agreement; (2) add overriding language in the Adoption Agreement when such language is necessary to satisfy Code sections 415 or 416 because of the required aggregation of multiple plans; (3) amend administrative provisions of the Trust or custodial document, and the name of any pooled trust in which the Plan’s Trust will participate; (4) add certain sample or model amendments published by the Internal Revenue Service or other required good faith amendments which specifically provide that their adoption will not cause the Plan to be treated as individually designed; (5) add or change provisions permitted under the Plan and/or specify or change the effective date of a provision as permitted under the Plan and (6) adopt other amendments permitted under Revenue Procedure 2011-49 and any superseding guidance that do not cause the Plan to become individually designed (this would include, but not be limited to, situations where a closing agreement under the Audit Closing Agreement Program or a compliance statement under the Voluntary Correction Program has been issued with respect to the Employer’s plan with regard to the amendment).

(c) An amendment or restatement of the Plan may be made by any method including a formal record of action by the governing body of the Plan Sponsor or other written document and execution of such amendment or restatement may be made by written or electronic means.

Section 12.02 MERGER AND TRANSFER

(a) Merger. In the event of any merger or consolidation with, or transfer of assets or liabilities to, any other plan, each Participant shall have a benefit in the surviving or transferee plan (as if such plan were then terminated immediately after such merger, consolidation or transfer) that is equal to or greater than the benefit he would have had immediately before such merger, consolidation or transfer in the plan in which he was then a Participant had such plan been terminated at that time.

(b) Transfer. The Plan Administrator may direct the Trustee to accept assets and related liabilities from another qualified plan in a form acceptable to the Trustee; provided that the Trustee receives sufficient evidence that the transferor plan is a tax-qualified plan and further provided that the Trustee shall not be liable for any breach of duty or error in respect of the other qualified plan. The Plan Administrator may direct the Trustee to transfer assets and related liabilities to another qualified plan provided that it receives sufficient evidence that the transferee plan is a tax-qualified plan.

Section 12.03 TERMINATION
(a) It is the intention of the Plan Sponsor that this Plan will be permanent. However, the Plan Sponsor reserves the right to terminate the Plan at any time for any reason.

(b) Each entity constituting the Employer reserves the right to terminate its participation in this Plan. Each such entity constituting the Employer shall be deemed to terminate its participation in the Plan if: (1) it is a party to a merger in which it is not the surviving entity and the surviving entity is not an affiliate of another entity constituting the Employer; or (2) it sells all or substantially all of its assets to an entity that is not an affiliate of another entity constituting the Employer.

(c) Any termination of the Plan shall become effective as of the date designated by the Plan Sponsor. Except as expressly provided elsewhere in the Plan, prior to the satisfaction of all liabilities with respect to the benefits provided under this Plan, no termination shall cause any part of the funds or assets held to provide benefits under the Plan to be used other than for the benefit of Participants or to meet the administrative expenses of the Plan. In the event of the termination of the Plan the Account balance of each affected Participant will be nonforfeitable. In the event of a partial termination of the Plan the Account balance of each affected Participant will be nonforfeitable. In the event of a complete discontinuance of contributions under the Plan, the Account balance of each affected Participant will be nonforfeitable. Upon termination of the Plan, Participant Accounts shall be distributed in a single lump sum payment unless otherwise required pursuant to Article 7.
ARTICLE 13 MISCELLANEOUS

Section 13.01 NONALIENATION OF BENEFITS

(a) Except as provided in Section 13.01(b), the Trust Fund shall not be subject to any form of attachment, garnishment, sequestration or other actions of collection afforded creditors of the Employer, Participants or Beneficiaries under the Plan and all payments, benefits and rights shall be free from attachment, garnishment, trustee's process, or any other legal or equitable process available to any creditor of such Employer, Participant or Beneficiary. Except as provided in Section 14.01(b), no Participant or Beneficiary shall have the right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which he may expect to receive, contingently or otherwise, under the Plan, except the right to designate a Beneficiary. Any reference to a Participant or Beneficiary shall include an Alternate Payee or the Beneficiary of an Alternate Payee. Notwithstanding anything to the contrary, the Fund may be subject to attachment, garnishment, sequestration or other actions of collection afforded creditors of the Employer as permitted by applicable law.

(b) Notwithstanding the foregoing, the Trustee (to the extent permitted in a separate trust agreement) and/or Plan Administrator may:

1. Subject to Section 13.02 below, comply with the provisions and conditions of any Qualified Domestic Relations Order.
2. Comply with any federal tax levy made pursuant to Code section 6331.
3. Bring action to recover benefit overpayments.

Section 13.02 RIGHTS OF ALTERNATE PAYEES

(a) General. An Alternate Payee shall have no rights to a Participant's benefit and shall have no rights under this Plan other than those rights specifically granted to the Alternate Payee pursuant to a Qualified Domestic Relations Order that are consistent with this Section 13.02 provided the Adoption Agreement provides this Section applies to the Plan.

(b) Distribution. Notwithstanding any provision of the Plan to the contrary, the Plan Administrator may direct the Trustee to distribute all or a portion of a Participant's benefits under the Plan to an Alternate Payee in accordance with the terms and conditions of a Qualified Domestic Relations Order. The Plan hereby specifically permits and authorizes distribution of a Participant's benefits under the Plan to an Alternate Payee in accordance with a Qualified Domestic Relations Order prior to the date the Participant has a Termination of Employment, or prior to the date the Participant attains his earliest retirement age.

(c) Investment Funds. If the Qualified Domestic Relations Order does not specify the Participant's Accounts, or Investment Funds in which such Accounts are invested, from which amounts that are separately accounted for shall be paid to an Alternate Payee, such amounts shall be distributed, or segregated, from the Participant's Accounts, and the Investment Funds in which such Accounts are invested (excluding any amounts invested as a Participant loan), on a pro rata basis. A Qualified Domestic Relations Order may not provide for the assignment to an Alternate Payee of an amount that exceeds the balance of the Participant's vested Accounts after deduction of any outstanding loan.

(d) Default Rules. Unless a Qualified Domestic Relations Order provides to the contrary:

1. Death Benefits. An Alternate Payee shall have the right to designate a Beneficiary who shall receive benefits payable to an Alternate Payee which have not been distributed at the time of the Alternate Payee's death. If the Alternate Payee does not designate a Beneficiary, or if the Beneficiary predeceases the Alternate Payee, benefits payable to the Alternate Payee which have not been distributed shall be paid to the Alternate Payee's estate. Any death benefit payable to the Beneficiary of an Alternate Payee shall be paid in a single sum as soon as administratively practicable after the Alternate Payee's death.

2. Investment Direction. An Alternate Payee shall have the right to direct the investment of any portion of a Participant's Accounts payable to the Alternate Payee under such order in the same manner with respect to a Participant, which amounts shall be separately accounted for by the Trustee in the Alternate Payee's name.
(3) Voting Rights. An Alternate Payee shall have the right to direct the Trustee as to the exercise of voting rights in the same manner as provided with respect to a Participant.

(e) Withdrawals/Loans. An Alternate Payee shall not be permitted to make any withdrawals under Article 8 and shall not be permitted to make a loan from the separate Account established for the Alternate Payee pursuant to the Qualified Domestic Relations Order.

(f) Treatment as Spouse. A former spouse may be treated as the spouse or surviving spouse and a current spouse will not be treated as the spouse or surviving spouse to the extent provided under a Qualified Domestic Relations Order.

(g) Plan Procedures. The Plan Administrator shall be responsible for establishing reasonable procedures for determining whether any domestic relations order received with respect to the Plan qualifies as a Qualified Domestic Relations Order, and for administering distributions in accordance with the terms and conditions of such procedures and any Qualified Domestic Relations Order.

Section 13.03 NO RIGHT TO EMPLOYMENT

Nothing contained in this Plan shall be construed as a contract of employment between the Employer and the Participant, or as a right of any Employee to continue in the employment of the Employer, or as a limitation of the right of the Employer to discharge any of its Employees, with or without cause.

Section 13.04 NO RIGHT TO TRUST ASSETS

No Employee, Participant, former Participant, Beneficiary or Alternate Payee shall have any rights to, or interest in, any assets of the Trust upon Termination of Employment or otherwise, except as specifically provided under the Plan. All payments of benefits under the Plan shall be made solely out of the assets of the Trust.

Section 13.05 GOVERNING LAW

This Plan shall be construed in accordance with and governed by the laws of the state or commonwealth specified in the Adoption Agreement to the extent not preempted by applicable federal law.

Section 13.06 SEVERABILITY OF PROVISIONS

If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

Section 13.07 HEADINGS AND CAPTIONS

The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

Section 13.08 GENDER AND NUMBER

Except where otherwise clearly indicated by context, the masculine and the neuter shall include the feminine and the neuter, the singular shall include the plural, and vice-versa.

Section 13.09 DISASTER RELIEF

The Plan may grant temporary disaster relief in compliance with Code sections 1400M and 1400Q, and subsequent guidance and/or law, to the extent provided in a resolution by the Plan Sponsor. Such resolution by the Plan Sponsor may include, but is not limited to: (a) increasing the statutory limits on, delaying the repayment of, and/or waiving the adequate security requirement for Participants loans; (b) permitting qualified disaster distributions; and/or (c) permitting the re-contribution of prior disaster distributions by Participants.
NEW MEXICO MORTGAGE FINANCE AUTHORITY

401(k) PLAN

Adoption Agreement

January 1, 2016

Prepared by:
Modrall Sperling
500 Fourth Street
Suite 1000
Albuquerque, NM 87102

Modrall Sperling
Lawyers
# NEW MEXICO MORTGAGE FINANCE AUTHORITY
## 401(k) PLAN
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ADOPTION AGREEMENT #003
VOLUME SUBMITTER PROFIT SHARING GOVERNMENTAL PLAN

The undersigned adopting employer hereby adopts this Plan and its related Trust to the extent an outside trust is not used. The Plan and Trust are intended to qualify as a tax-exempt plan and trust under Code sections 401(a) and 501(a), respectively. The Plan is further intended to qualify as a governmental plan under Code section 414(d). The Plan shall consist of this Adoption Agreement, its related Basic Plan Document and any related Appendix and Addendum to the Adoption Agreement. Unless otherwise indicated, all Section references are to Sections in the Basic Plan Document.

NOTE: Code section 401(k)(4)(B)(ii) prohibits governmental employers from establishing new 401(k) plans. This provision does not apply to governmental 401(k) plans adopted before May 6, 1986.

EMPLOYER INFORMATION

NOTE: An amendment is not required to change the responses in items 1-10 below.

NOTE: The Plan Sponsor must be an entity that is eligible to adopt a governmental plan as defined in Code section 414(d).

1. Name of adopting employer (Plan Sponsor): New Mexico Mortgage Finance Authority
2. Address: 344 Fourth Street S.W.
3. City: Albuquerque
4. State: New Mexico
5. Zip: 87103
6. Phone number: 505-843-6880
7. Fax number: __________
8. Plan Sponsor EIN: 83-0222748
9. Plan Sponsor fiscal year end: September 30
10. State of organization of Plan Sponsor: New Mexico

PLAN INFORMATION

SECTION A. GENERAL INFORMATION

Plan Name/Effective Date

1. Plan Number: 001
2. Plan name:
   a. New Mexico Mortgage Finance Authority
   b. 401(k) Plan
   NOTE: A.1 is optional.
3. Effective Date
   a. Original effective date of Plan: June 1, 1978
   b. [X] This is a restatement of a previously-adopted plan. Effective date of Plan restatement: January 1, 2016
   NOTE: The date specified in A.3a for a new plan may not be earlier than the first day of the Plan Year during which the Plan is adopted by the Plan Sponsor.
   NOTE: If A.3b is not selected, the Effective Date of the terms of this document shall be the date specified in A.3a. If A.3b is selected, the Effective Date of the restatement shall be the date specified in A.3b. However if the Adoption Agreement states another specific effective date for any Plan provision, when a provision of the Plan states another effective date, such stated specific effective date shall apply as to that provision. The date specified in A.3b for an amended and
restated plan (including the initial PPA restatement) may not be earlier than the first day of the Plan Year during which the amended and restated Plan is adopted by the Plan Sponsor.

4. Plan Year
   a. Plan Year means each 12-consecutive month period ending on December 31 (e.g. December 31)
   b. [ ] The Plan has a short Plan Year. The short Plan Year begins _____ and ends _____

5. Limitation Year means:
   a. [ X ] Plan Year
   b. [ ] calendar year
   c. [ ] other: _____
   NOTE: If A.5c is selected, the Limitation Year must be a consecutive 12-month period.

6. Frozen Plan
   [ ] The Plan is frozen as to eligibility and benefits effective _____.
   NOTE: If A.6 is selected, no Eligible Employee shall become a Participant, no Participant shall be eligible to further participate in the Plan and no contributions shall accrue as of and after the date specified.

Plan Features

7. Employee Contributions (Section 4.01)
   a. Mandatory Employee Contributions (pick-up contributions) are permitted under the Plan:
      i. [ ] Yes, _____% of Compensation
      ii. [ ] Yes, salary schedule according to the chart below:

      | Salary Range | Mandatory Employee Contributions |
      |--------------|-------------------------------|
      | [ ] Yes, other fixed method: ____ |
      | iv. [ X ] No |
   b. Voluntary After-Tax Contributions are permitted:
      i. [ ] Yes
      ii. [ X ] No
      iii. [ ] Formerly Allowed
   c. Mandatory After-Tax Employee Contributions are permitted under the Plan:
      i. [ ] Yes, _____% of Compensation
      ii. [ ] Yes, salary schedule according to the chart below:

      | Salary Range | Mandatory After-Tax Employee Contributions |
      |--------------|-------------------------------------------|
      | iii. [ ] Yes, other fixed method: ____ |
      | iv. [ X ] No |
   d. [ X ] Grandfathered 401(k) Contributions adopted by the governmental entity before May 6, 1986 are permitted under the Plan
   e. [ ] Grandfathered Roth 401(k) Contributions are permitted under the Plan

   NOTE: If A.7a is "No", questions regarding Mandatory Employee Contributions are disregarded.
   NOTE: If other method (A.7a.iii or A.7c.iii) is selected, the method must be objectively determinable and may not be specified in a manner that is subject to Employer discretion.
   NOTE: The governmental entity adopting the 401(k) feature must be the same Employer as the Plan Sponsor within the meaning of Treas. Reg. section 1.410(b)-9. Code section 401(k)(4)(B)(ii) prohibits governmental employers from establishing new 401(k) plans. This provision does not apply to any 401(k) plan adopted before May 6, 1986.
   NOTE: A.7e only applies if A.7d is selected.

8. Matching Contributions
   Matching Contributions are permitted (Section 4.02): [ X ] Yes [ ] No
   NOTE: If A.8 is "No", questions regarding Matching Contributions are disregarded.

9. Non-Elective Contributions
   Non-Elective Contributions are permitted (Section 4.03): [ X ] Yes [ ] No
   NOTE: If "No", questions regarding Non-Elective Contributions are disregarded.
10. Plan Features Effective Dates
   a. [ ] There is a special effective date for one or more features specified in A.7 through A.9. The special effective date(s) which occur after the Effective Date specified in A.3 is/are: ______
   b. [ ] A previous plan amendment eliminated one or more of the features specified in A.7 through A.9. Specify any provisions that apply to the eliminated Plan features: ______

   NOTE: If A.10a is selected, indicate the feature (Mandatory Employee Contributions, Matching Contributions, etc.) and the effective date of the feature. The effective date must be after the Effective Date specified in A.3.

   NOTE: Mandatory Employee Contributions shall be effective as of the later of the date specified in A.10a or the execution of an amendment/restatement that first provides for Mandatory Employee Contributions.

Compensation

11. Compensation
   a. Definition of Compensation for purposes of allocating contributions:
      i. [ X ] W-2. Wages within the meaning of Code section 3401(a) and all other payments of compensation paid to an Employee by the Employer (in the course of the Employer's trade or business) for which the Employer is required to furnish the Employee a written statement under Code sections 6041(d), 6051(a)(3), and 6052.
      ii. [ ] Base Compensation. The basic annual rate of compensation in effect at the beginning of the period selected below (A.11b).
      iii. [ ] Withholding. Wages paid to an Employee by the Employer (in the course of the Employer's trade or business) within the meaning of Code section 3401(a) for the purposes of income tax withholding at the source.
      iv. [ ] Other: ______
   b. Compensation is determined over the period specified below ending with or within the Plan Year:
      i. [ X ] Plan Year
      ii. [ ] calendar year
      iii. [ ] Plan Sponsor Fiscal Year
      iv. [ ] Limitation Year
      v. [ ] Other 12-month period beginning on: ______ (enter month and day)
   c. [ X ] Include employee contributions in the definition of Compensation for the following purposes.
      i. [ X ] Matching Contributions
      ii. [ X ] Non-Elective Contributions
   d. [ ] Include deemed Code section 125 compensation in the definition of Compensation
   e. [ ] Include differential military pay (as defined in Code section 3401(h)(2)) in the definition of Compensation
   f. [ ] Include other pay (not otherwise included in A.11a): ______

   NOTE: If other (A.11a.iv) is selected, Compensation must be objectively determinable and may not be specified in a manner that is subject to Employer discretion.

   NOTE: A.11b must be "Plan Year" if the Plan is excluding compensation earned before entry (A.14 is Selected).

   NOTE: If "Plan Year" is not selected in A.11b, for new/rehired Employees whose date of hire is less than 12 months before the end of the 12-month period designated, Compensation will be determined over the Plan Year.

   NOTE: If employee contributions are included (A.11c is selected), Compensation shall also include any amount which is contributed by the Employer pursuant to a salary reduction agreement and which is not includable in the gross income of the Employee under Code sections 125, 402(e)(3), 402(h), 403(b), 122(f) or 457.

   NOTE: Employee contributions are always included in the definition of Compensation for purposes of Mandatory Employee Contributions and Grandfathered 401(k) Contributions.

   NOTE: If deemed Code section 125 compensation (A.11d) is selected, Compensation shall include any amounts not available to a Participant in cash in lieu of group health coverage because the Participant is unable to certify that he or she has other health coverage. An amount will be treated as an amount under Code section 125 only if the Employer does not request or collect information regarding the Participant's other health coverage as part of the enrollment process for the health plan. This option is meant to be interpreted consistent with Revenue Ruling 2002-27.

   NOTE: If A.11e is not selected and differential military pay exists, the payments will be included in Statutory Compensation.

   NOTE: If other pay (A.11f) is selected, A.11f should indicate for what purposes (e.g., Mandatory Employee Contributions, Matching, etc.) and which class of Participants the Compensation is included, must be objectively determinable and may not be specified in a manner that is subject to Employer discretion.
12. Post Severance Compensation
   [ X ] Include Post Severance Compensation (unused sick or vacation pay/nonqualified plan payments) in definition of Compensation for the following purposes:
   a. [ ] Mandatory Employee Contributions
   b. [ X ] Matching Contributions
   c. [ X ] Non-Elective Contributions
   d. [ X ] Grandfathered 401(k) Contributions

   NOTE: A.12 will also apply for purposes of Statutory Compensation.

13. Post Year End Compensation
   [ ] Determine Compensation using Post Year End Compensation

   NOTE: If selected, amounts earned during the current year and paid during the first few weeks of the next year will be included in current year Compensation.

   NOTE: A.13 will also apply for purposes of Statutory Compensation.

Compensation Exclusions

14. Pay Before Participation
   [ X ] Exclude pay earned before participation in the Plan from definition of Compensation for the following purposes:
   a. [ X ] Matching Contributions
   b. [ X ] Non-Elective Contributions

   NOTE: If selected, Compensation shall include only that compensation which is actually paid to the Participant during that part of the Plan Year the Participant is eligible to participate in the Plan. If not selected, Compensation shall include that compensation which is actually paid to the Participant during the period specified in A.11b.

15. Other Pay
   [ X ] Exclude other pay from definition of Compensation: fringe benefits and reimbursements for all contribution types

   NOTE: A.15 should indicate for what purposes (e.g., Mandatory Employee Contributions, Matching, etc.) and which class of Participants the Compensation is excluded.

   NOTE: The pay specified above must be objectively determinable and may not be specified in a manner that is subject to Employer discretion.

16. Statutory Compensation
   a. Definition of Statutory Compensation:
      i. [ X ] W-2. Wages within the meaning of Code section 3401(a) and all other payments of compensation paid to an Employee by the Employer (in the course of the Employer's trade or business) for which the Employer is required to furnish the Employee a written statement under Code sections 6041(d), 6051(a)(3), and 6052.
      ii. [ ] Withholding. Wages within the meaning of Code section 3401(a) for the purposes of income tax withholding at the source paid to the Employee by the Employer (in the course of the Employer's trade or business).
      iii. [ ] Section 415 Safe Harbor Option. As described in the definition of "Section 415 Safe Harbor Option" in Article 2 of the Basic Plan Document.
   b. [ ] Include deemed Code section 125 compensation in definition of Statutory Compensation:

   NOTE: See A.12 and A.13 to determine if Statutory Compensation will include Post Severance Compensation and/or be determined using Post Year End Compensation.

   NOTE: If A.11e is not selected and differential military pay exists, the payments will be included in Statutory Compensation.

Definitions

17. Disability
   Definition of Disability
   a. [ ] Under Code section 22(e). The Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. The permanence and degree of such impairment shall be supported by medical evidence.
b. [X] Under the Social Security Act. The determination by the Social Security Administration that the Participant is eligible to receive disability benefits under the Social Security Act.

c. [ ] Inability to engage in comparable occupation. The Participant suffers from a physical or mental impairment that results in his inability to engage in any occupation comparable to that in which the Participant was engaged at the time of his disability. The permanence and degree of such impairment shall be supported by medical evidence.

d. [ ] Pursuant to other Employer Disability Plan. The Participant is eligible to receive benefits under an Employer-sponsored disability plan.

e. [ ] Under uniform rules established by the Plan Administrator. The Participant is mentally or physically disabled under a written policy.

f. [ ] Other: __________

NOTE: If A.17f is selected, provide the definition of Disability. The definition provided must be objectively determinable and may not be specified in a manner that is subject to discretion.

18. Choice of Law/State Law

a. Name of state or commonwealth for choice of law (Section 13.05): New Mexico

b. Enter any state law provisions that apply to the Plan: Any applicable state laws.

NOTE: Only state law and regulations may be entered in A.18b. The Plan may not violate applicable state law.
SECTION B. ELIGIBILITY

Eligible Employee

1. The term "Eligible Employee" shall include:
   a. [ ] All Employees
   b. [ ] The following Employees: ______
   c. [X] All Employees except the following (select all that apply):
      i. [ ] Union Employees. Any Employee who is included in a unit of Employees covered by a collective bargaining agreement, if retirement benefits were the subject of good faith bargaining, and if the collective bargaining agreement does not provide for participation in this Plan.
      ii. [X] Leased Employees.
      iii. [ ] Non-Resident Aliens. Any Employee who is a non-resident alien who received no earned income (within the meaning of Code section 911(d)(2)) which constitutes income from services performed within the United States (within the meaning of Code section 861(a)(3)).
      iv. [X] Other Employees: 1) Interns and 2) Term Employees if that Term Employee is excluded from benefits in his or her offer letter

NOTE: See Section 3.06(a) for rules regarding excluded Employees.
NOTE: If B.1b is selected, describe the Employees and indicate for what purposes (e.g., Matching, etc.) the Employees are eligible. The definition provided must be objectively determinable and may not be specified in a manner that is subject to discretion. In order to meet the permanency requirement of Treas. Reg. section 1.401–1 (b)(2), a specific person or persons may be named by position/title but not given name; a finite group of individuals that cannot increase/change over time (such as those hired before a specific date) may not be used.
NOTE: If B.1.c.iv is selected, describe other excluded Employees from definition of Eligible Employee and indicate for what purposes (e.g., Matching, etc.) the Employees are excluded. The definition provided must be objectively determinable and may not be specified in a manner that is subject to discretion.

2. Opt-Out
   [ ] An Employee may irrevocably elect not to participate in the Plan.

NOTE: If the Plan provides for Mandatory Employee Contributions (A.7.a.iv is not selected), B.2 shall not apply to Mandatory Employee Contributions.

Eligibility Service Rules

3. Other Employer Service
   [ ] Count service with employers other than the Employer for eligibility purposes. List other employers and indicate for what purposes (e.g. Mandatory Employee Contributions, Matching, etc.) the service applies along with any limitations: ______

4. Special Participation Date
   a. [ ] Allow immediate participation for all Eligible Employees employed on a specific date. All Eligible Employees employed on ______ shall become eligible to participate in the Plan as of ______
   b. [ ] The Plan provides conditions or limitations on immediate participation: ______

NOTE: If B.4.b applies (B.4.a is selected) and is selected, describe the conditions or limitations and indicate for what purposes (e.g. Mandatory Employee Contributions, Matching, etc.) the conditions or limitations apply. The conditions/limitations must be objectively determinable and may not be specified in a manner that is subject to discretion.

Eligibility for Mandatory Employee Contributions/Voluntary Contributions/Grandfathered 401(k) Contributions

An Eligible Employee shall be eligible to receive/make Mandatory Employee Contributions/Voluntary Contributions/Mandatory After-tax Employee Contributions/Grandfathered 401(k) Contributions (if permitted pursuant to A.7) at the time specified in B.8 upon meeting the requirements of B.5 through B.7 (Section 3.01).
5. **Age Requirement for Employee Contributions**
Minimum age requirement for Mandatory Employee Contributions/Voluntary Contributions/Mandatory After-tax Employee Contributions/Grandfathered 401(k) Contributions: 19

6. **Service Requirement for Employee Contributions**
Minimum service requirement for Mandatory Employee Contributions/Voluntary Contributions/Mandatory After-tax Employee Contributions/Grandfathered 401(k) Contributions:
   a. [X] None
   b. [ ] Completion of ____ year(s) of eligibility service
   c. [ ] Completion of ____ Hours of Service in a ____ month period
   d. [ ] Completion of ____ Hours of Service within a 12-month period. The service requirement shall be deemed met at the time the specified number of Hours of Service are completed.
   e. [ ] Completion of ____ months of service
   f. [ ] Completion of ____ days of service
   g. [ ] Other: ______

*NOTE:* If B.6g is selected, the service requirements provided must be definitely determinable and may not be specified in a manner that is subject to discretion.

7. **Additional Requirements for Employee Contributions**
   [ ] Additional requirements, limitations, conditions or other modifications to B.5-6 (eligibility to make Mandatory Employee Contributions/Voluntary Contributions/Mandatory After-tax Employee Contributions/Grandfathered 401(k) Contributions) apply: ______

*NOTE:* The additional requirements provided must be objectively determinable and may not be specified in a manner that is subject to discretion.

8. **Entry Dates for Employee Contributions**
   a. Frequency of entry dates for Mandatory Employee Contributions/Voluntary Contributions/Mandatory After-tax Employee Contributions/Grandfathered 401(k) Contributions:
      i. [ ] immediate
      ii. [ ] first day of each calendar month
      iii. [X] first day of each Plan quarter
      iv. [ ] first day of the first month and seventh month of the Plan Year
      v. [ ] first day of the Plan Year
      vi. [ ] other: ______

   b. An Eligible Employee shall become a Participant eligible to make Mandatory Employee Contributions/Voluntary Contributions/Mandatory After-tax Employee Contributions/Grandfathered 401(k) Contributions on the entry date selected in B.8a that is:
      i. [X] coincident with or next following the date the requirements of B.5 through B.7 are met
      ii. [ ] next following the date the requirements of B.5 through B.7 are met

*NOTE:* If B.8a.i is selected, an Eligible Employee shall become a Participant eligible to make Mandatory Employee Contributions/Voluntary Contributions/Mandatory After-tax Employee Contributions/Grandfathered 401(k) Contributions immediately upon meeting the requirements of B.5 through B.7.

*NOTE:* If B.8a.vi is selected, the other entry date must be objectively determinable and may not be specified in a manner that is subject to discretion.

*NOTE:* B.8b is not applicable if B.8a.i or B.8a.vi (immediate entry/other) is selected.

**Eligibility for Matching Contributions**

9. **Eligibility for Matching Contributions (select one):**
   a. [X] Same as Mandatory Employee Contributions/Voluntary Contributions/Mandatory After-tax Employee Contributions/Grandfathered 401(k) Contributions. An Eligible Employee shall be eligible to receive an allocation of Matching Contributions at the time specified in B.8 upon meeting the requirements of B.5 through B.7
   b. [ ] Pursuant to options selected below. An Eligible Employee shall be eligible to receive an allocation of Matching Contributions at the time specified in B.13 upon meeting the requirements of B.13 through B.12

*NOTE:* If B.9a is selected, B.10 - B.13 shall be inapplicable.

*NOTE:* An Eligible Employee shall be eligible to receive an allocation of Matching Contributions only if permitted pursuant to A.8.
10. Age Requirement for Matching
Minimum age requirement for Matching Contributions: ______

11. Service Requirement for Matching
Minimum service requirement for Matching Contributions:

a. [ ] None
b. [ ] Completion of ______ year(s) of eligibility service
c. [ ] Completion of ______ Hours of Service in a ______ month period
d. [ ] Completion of ______ Hours of Service within a 12-month period. The service requirement shall be deemed met at the time the specified number of Hours of Service are completed.
e. [ ] Completion of ______ months of service
f. [ ] Completion of ______ days of service
g. [ ] Other: ______

NOTE: If B.11g is selected, the service requirements provided must be definitely determinable and may not be specified in a manner that is subject to discretion.

12. Additional Requirements for Matching Contributions
[ ] Additional requirements, limitations, conditions or other modifications to B.10-11 (eligibility to receive allocations of Matching Contributions) apply: ______

NOTE: The additional requirements provided must be objectively determinable and may not be specified in a manner that is subject to discretion.

13. Entry Dates for Matching Contributions

a. Frequency of entry dates for Matching Contributions:
   i. [ ] immediate
   ii. [ ] first day of each calendar month
   iii. [ ] first day of each Plan quarter
   iv. [ ] first day of the first month and seventh month of the Plan Year
   v. [ ] first day of the Plan Year
   vi. [ ] other: ______

b. An Eligible Employee shall become a Participant eligible to receive an allocation of Matching Contributions on the entry date selected in B.15a that is:
   i. [ ] coincident with or next following the date the requirements of B.10 through B.12 are met
   ii. [ ] next following the date the requirements of B.10 through B.12 are met
   iii. [ ] coincident with or immediately preceding the date the requirements of B.10 through B.12 are met
   iv. [ ] immediately preceding the date the requirements of B.10 through B.12 are met
   v. [ ] nearest to the date the requirements of B.10 through B.12 are met

NOTE: If immediate entry (B.13a.i) is selected, an Eligible Employee shall become a Participant eligible to receive an allocation of Matching Contributions immediately upon meeting the requirements of B.10 through B.12.

NOTE: If B.13a.vi is selected, the other entry date must be objectively determinable and may not be specified in a manner that is subject to discretion.

NOTE: B.13b is not applicable if immediate entry or other (B.13a.i or B.13a.vi) is selected.

Eligibility for Non-Elective Contributions

NOTE: The Non-Elective Contribution eligibility requirements may not be such that an Eligible Employee becomes a Participant only in the Plan Year in which the Employee terminates employment.

14. Eligibility for Non-Elective Contributions (select one):

a. [ X ] Same as Mandatory Employee Contributions/ Voluntary Contributions/Grandfathered 401(k) Contributions. An Eligible Employee shall be eligible to receive an allocation of Non-Elective Contributions at the time specified in B.8 upon meeting the requirements of B.5 through B.7

b. [ ] Same as Matching Contributions. An Eligible Employee shall be eligible to receive an allocation of Non-Elective Contributions at the time specified in B.13 upon meeting the requirements of B.10 through B.12

c. [ ] Pursuant to options selected below. An Eligible Employee shall be eligible to receive an allocation of Non-Elective Contributions at the time specified in B.18 upon meeting the requirements of B.15 through B.17

NOTE: If B.14a or B.14b is selected, B.15 - B.18 shall be inapplicable.
**SECTION B. ELIGIBILITY**

**NOTE:** An Eligible Employee shall be eligible to receive an allocation of Non-Elective Contributions only if permitted pursuant to A.9.

15. **Age Requirement for Non-Elective**
   Minimum age requirement for Non-Elective Contributions: ____________

16. **Service Requirement for Non-Elective**
   a. [ ] None
   b. [ ] Completion of _____ year(s) of eligibility service
   c. [ ] Completion of _____ Hours of Service in a _____ month period
   d. [ ] Completion of _____ Hours of Service within a 12-month period. The service requirement shall be deemed met at the time the specified number of Hours of Service are completed.
   e. [ ] Completion of _____ months of service
   f. [ ] Completion of _____ days of service
   g. [ ] Other: ____________

   **NOTE:** If B.6g is selected, the service requirements provided must be definitely determinable and may not be specified in a manner that is subject to discretion.

17. **Additional Requirements for Non-Elective**
   [ ] Additional requirements, limitations, conditions or other modifications to B.15-16 (eligibility to receive allocations of Non-Elective Contributions) apply: ____________

   **NOTE:** The additional requirements provided must be objectively determinable and may not be specified in a manner that is subject to discretion.

18. **Entry Dates for Non-Elective Contributions**
   a. Frequency of entry dates for Non-Elective Contributions:
      i. [ ] immediate
      ii. [ ] first day of each calendar month
      iii. [ ] first day of each Plan quarter
      iv. [ ] first day of the first month and seventh month of the Plan Year
      v. [ ] first day of the Plan Year
      vi. [ ] other: ____________
   b. An Eligible Employee shall become a Participant eligible to receive an allocation of Non-Elective Contributions on the entry date selected in B.16a that is:
      i. [ ] coincident with or next following the requirements of B.15 through B.17 are met
      ii. [ ] next following the requirements of B.15 through B.17 are met
      iii. [ ] coincident with or immediately preceding the requirements of B.15 through B.17 are met
      iv. [ ] immediately preceding the requirements of B.15 through B.17 are met
      v. [ ] nearest to the date the requirements of B.15 through B.17 are met

   **NOTE:** If immediate entry (B.18a.i) is selected, an Eligible Employee shall become a Participant eligible to receive an allocation of Non-Elective Contributions immediately upon meeting the requirements of B.15 through B.17.
   **NOTE:** If B.18a.vi is selected the other entry date must be objectively determinable and may not be specified in a manner that is subject to discretion.
   **NOTE:** B.18b is not applicable if immediate entry or other (B.18a.i or B.18a.vi) is selected.

**Transfers/Rehires**

19. **Transfers/Rehires**
   a. If an Employee either (1) upon rehire again qualifies as an Eligible Employee (2) or if not previously an Eligible Employee who due to a change in status becomes an Eligible Employee, he shall become a Participant with respect to the contributions for which the eligibility requirements have been satisfied (Section 3.04):
      i. [ ] as of the later of the effective date of such subsequent change of status or the date the Employee meets the eligibility requirements of this Article 3
      ii. [X ] on the entry date as of the later of the effective date of such subsequent change of status or the date the Employee meets the eligibility requirements of this Article 3
   b. An individual who has satisfied the applicable eligibility requirements set forth in Article 3 before his rehire date, and who is subsequently reemployed by the Employer as an Eligible Employee shall resume or become a Participant (Section 3.05):
i. [X] immediately upon his rehire date with respect to the contributions for which the eligibility requirements of this Article 3 have been satisfied

ii. [ ] on the entry date coincident with or next following his rehire date with respect to the contributions for which the eligibility requirements of this Article 3 have been satisfied
SECTION C. CONTRIBUTIONS

Voluntary Contributions/Grandfathered 401(k) Contributions

NOTE: If A.7b is "Yes" and/or A.7c is selected (Voluntary Contributions and/or Grandfathered 401(k) Contributions are permitted), an Eligible Employee who has met the requirements of B.5 through B.8 shall be eligible to make Voluntary Contributions/Grandfathered 401(k) Contributions to the Plan as follows (Section 4.01):

1. Minimum and Maximum Employee Contributions
   a. Voluntary Contributions
      i. Minimum Voluntary Contribution: _____
      ii. Maximum Voluntary Contribution: _____
      iii. Other limits on Voluntary Contributions apply: _____
   b. Grandfathered 401(k) Contributions
      i. [ ] Minimum Grandfathered 401(k) Contribution: 3% of Compensation
      ii. [ ] Minimum Grandfathered 401(k) Contribution: $_____ for the following period: _____
      iii. [ ] Maximum Grandfathered 401(k) Contribution: 100% of Compensation
      iv. [ ] Other limitations on Grandfathered 401(k) Contributions (specify): _____
   c. [ ] Allow Participants to make Catch-up Contributions in addition to Grandfathered 401(k) Contributions
      NOTE: C.1a.i, C.1b.i, C.1a.ii and C.1b.iii may not be more than 100% of Compensation.
      NOTE: If C.1a.iii and/or C.1b.iv is selected the requirements provided must be objectively determinable and may not be specified in a manner that is subject to discretion.
      NOTE: C.1b and C.1c shall not apply if A.7c is not selected (Grandfathered 401(k) Contributions are not permitted).

2. Modifications of Voluntary Contributions/Grandfathered 401(k) Contributions
   a. Participants modify/start/stop Grandfathered 401(k) Contributions/Voluntary Contribution elections:
      i. [ ] Each pay period
      ii. [ ] Monthly
      iii. [ ] Quarterly
      iv. [ ] Semiannual
      v. [ ] Annual
      vi. [ ] Pursuant to Plan Administrator procedures (at least once each calendar year)
   b. [ ] Participants may stop an election to contribute at any time.

Automatic Enrollment

3. Grandfathered 401(k) - Automatic Enrollment
   a. The Plan provides automatic enrollment (Section 4.01(g)) in the following manner:
      i. [ ] None
      ii. [ ] Specified amount. The initial amount of the automatic enrollment (as a percentage of pay): zero
      iii. [ ] Administrative policy. Automatic enrollment amounts shall be determined according to a written administrative policy
   b. [ ] The amount specified in C.3a shall increase in the following manner: 1% each January 1st on the "Change Date" until the percentage reaches 8%. However, the Participant's first Deferral Percentage increase will be on the first available Change Date that is at least 6 months flowing the date the Participant first defers Compensation, unless the Participant makes a Contrary Election.
   c. [ ] Delayed automatic enrollment. The traditional automatic enrollment will be deemed elected _______ after the initial satisfaction of the eligibility requirements of Article 3 with respect to Grandfathered 401(k) Contributions (and after effective date of the addition of an automatic enrollment feature for current Participants).
   d. Indicate who will be eligible to receive automatic contributions:
      i. [ ] Eligible Employees who have not made a Grandfathered 401(k) Contribution election
      ii. [ ] All Eligible Employees to the extent that no election was made or their Grandfathered 401(k) Contribution elections are less than the automatic enrollment amount
      iii. [ ] Other: None
e. If the Plan provides for automatic enrollment and Grandfathered Roth 401(k) Contributions are allowed to the Plan, select whether automatic contributions will be pre- or post-tax:
   i. [ ] Pre-tax. All Grandfathered 401(k) Contributions made under Section 4.01(g) shall be designated as Pre-tax Grandfathered 401(k) Contributions.
   ii. [ ] Post-tax. All Grandfathered 401(k) Contributions made under Section 4.01(g) shall be designated as Grandfathered Roth 401(k) Contributions.

NOTE: For example, if the automatic enrollment amount is 3% for the first year and increases by 1% per year for five years, insert "3%" in the first blank (C.3a.i) and "increase by 1% in the second through sixth year to a maximum of 8%" in the second blank (C.3b).

NOTE: The Plan must provide that the initial default contribution is a uniform percentage of compensation; although the percentage may vary based on years of service.

NOTE: If the Plan is on an EACA (C.4a is selected), the uniform percentage of compensation is determined after the aggregation/disaggregation rules in Treas. Reg. section 1.414(w)-1(b)(2)(iii), although the percentage may vary as permitted in Treas. Reg. section 1.414(w)-1(b)(2)(ii).

NOTE: C.3b is only applicable if C.3a.ii is selected.

NOTE: C.3c is only applicable if C.3a is selected. C.3c may contain a period of days (90 days, for example) or a specified date (first of the next calendar month, for example).

NOTE: C.3e only applies if A.7d is selected (Roth contributions are allowed to the Plan) and C.3a (automatic enrollment) is selected.

NOTE: If C.3d.iii is selected, the description must be objectively determinable and may not be specified in a manner that is subject to Employer discretion.

4. EACA
   a. [ ] The Plan intends to be an eligible automatic contribution arrangement (EACA) (Section 4.01(g)(5)(B))
   b. "Covered Employee" means:
      i. [ ] All Employees who make an affirmative election shall remain covered Employees within the meaning of Treas. Reg. section 1.414(w)-1(c)(3)
      ii. [ ] Only Eligible Employees who have not made a Grandfathered Roth 401(k) Contribution election

NOTE: C.4 only applies if C.3 (automatic enrollment) is selected.

NOTE: C.4b only applies if C.3 (automatic enrollment) is selected and C.4a is selected.

NOTE: Covered Employees must receive the notice described in Section 4.01(g)(1).

Matching - Allocation Service

NOTE: If A.8 is "Yes" (Matching Contributions are permitted), an Eligible Employee who has met the requirements of B.9 through B.13 and who has satisfied the following requirements shall be eligible to receive an allocation of Matching Contributions during the applicable Plan Year):

5. Allocation Service Requirements for Matching Contributions
   a. [ X ] None
   b. [ ] In order to share in the allocation of Matching Contributions, a Participant is required to complete at least the following number of Hours of Service in the applicable Plan Year ____
   c. [ ] In order to share in the allocation of Matching Contributions, a Participant is required to be employed by the Employer on the last day of Plan Year
   d. [ ] In order to share in the allocation of Matching Contributions, a Participant is required to be employed by the Employer on the last day of Plan Year or complete at least ____ Hours of Service in the applicable Plan Year

NOTE: C.5b and C.5c are inapplicable if C.5a or C.5d is selected.

6. Exceptions to Allocation Service Requirements for Matching Contributions
   a. Modify Hour of Service requirement and/or last day requirement for a Participant who Terminates employment with the Employer during the Plan Year due to:
      i. [ ] death
      ii. [ ] Disability
      iii. [ ] attainment of Normal Retirement Age
b. Any Hour of Service requirement and last day requirement shall be modified as follows:
   i. [ ] Waive both the Hour of Service requirement and last day requirement
   ii. [ ] Waive the Hour of Service requirement only
   iii. [ ] Waive last day requirement only

c. [ ] The following other modifications shall be made to the requirements specified in C.5-6b:

   **NOTE:** C.6 is only applicable if C.5b, C.5c or C.5d is selected.
   **NOTE:** C.6c may only be used to make minor changes to the requirements specified in C.5-6b and must be specified in a manner that is objectively determinable and may not be specified in a manner that is subject to discretion. For example, C.6c could be used to clarify that last day but not Hours of Service is waived for death while Hours of Service and last day are waived for Disability and attainment of Normal Retirement Age.

Matching Contribution - Formula

7. Matched Employee Contribution Inclusions
   The following contributions are Matched Employee Contributions:
   a. [ X ] Grandfathered 401(k) Contributions shall be included in the definition of Matched Employee Contributions
   b. [ X ] Include a Participant's Catch-up Contributions in the definition of Matched Employee Contributions
   c. [ ] Voluntary Contributions shall be included in the definition of Matched Employee Contributions
   d. [ ] Mandatory Employee Contributions shall be included in the definition of Matched Employee Contributions
   e. [ ] Mandatory After-tax Employee Contributions shall be included in the definition of Matched Employee Contributions
   f. [ ] Contributions made under the following 403(b) and/or 457(b) plan(s) of the Employer shall be included in the definition of Matched Employee Contributions:

   **NOTE:** If A.7b.i is not selected (Voluntary Contributions are not permitted), C.7c is not applicable; if A.7a.ii is selected (no Mandatory Employee Contributions), C.7d is not applicable; if A.7c.ii is selected (no Mandatory After-tax Employee Contributions), C.7e is not applicable, and if A.7d (Grandfathered 401(k) Contributions are not permitted) C.7a and C.7b are not applicable.

The Employer's Matching Contribution shall be allocated to eligible Participants who have met the requirements of B.9 through B.13 and C.5 through C.6 as follows (Section 4.02):

8. Matching Contribution Formula
   a. [ X ] A discretionary amount and allocation formula
   b. [ ] Discretionary rate. The Employer will contribute as a Matching Contribution an amount determined by the Employer of the Participant's Matched Employee Contributions that are not in excess of ________% of the Participant's Compensation.
   c. [ ] Fixed rate. The Employer will contribute as a Matching Contribution an amount equal to i. ______% of the Participant's Matched Employee Contributions that are not in excess of ii. ______% of the Participant's Compensation
   d. [ ] Years of service. See C.9 below
   e. [ ] Special schedule. Matching Contributions shall be made according to the following schedule:

   **NOTE:** If B.8e is selected, the other schedule must be objectively determinable and may not be specified in a manner that is subject to discretion.

9. Years of Service
   a. The Matching contribution will be made according to the schedule below:
      i. ______ Years of service ______% of Matched Employee Contributions
      ii. ______ Years of service ______% of Matched Employee Contributions
      iii. ______ Years of service ______% of Matched Employee Contributions
      iv. ______ Years of service ______% of Matched Employee Contributions
   b. [ ] Only Matched Employee Contributions that are not in excess of ______% of the Participant's Compensation shall be matched.
   c. In determining years of service in this C.9, the following service shall be used:
      i. [ ] Years of Eligibility Service
      ii. [ ] Years of Vesting Service
   d. Enter the number of Hours of Service necessary to earn a year of service described in C.9a: ______

   **NOTE:** C.9 is only applicable if C.8d is selected.
10. Maximum Allocations for Matching Contributions

Plan limits Matching Contributions to the following in each Plan Year:

a. [ ] Maximum percentage of Compensation: ______
b. [ ] Maximum dollar amount: ______
c. [ X ] Other: As set by the Board as part of the Matching Contribution formula
d. [ ] No Maximum

NOTE: If C.10c is selected the requirements provided must be objectively determinable and may not be specified in a manner that is subject to discretion.

11. Allocation Times for Matching Contributions

a. Fixed Matching Contributions are allocated to Participant Accounts at the following time(s):

i. [ ] End of Plan Year
ii. [ ] Semi-annually
iii. [ ] Quarterly
iv. [ ] Each calendar month
v. [ ] Each pay period
vi. [ ] At such times as may be determined by the Employer

b. Apply the dollar limit in C.10:

i. [ ] On a Plan Year basis only
ii. [ ] Pro rata as of each period specified in C.11a

NOTE: C.11 shall not apply if the Matching Contribution Formula is discretionary (C.8a is selected).

NOTE: Any service requirements specified in C.5 through C.6 shall be applied pro rata to the period selected in this C.11. Any last day rule specified in C.5 through C.6 shall be applied as of the end of each period selected in this C.11.

NOTE: C.11b shall only apply if a maximum dollar amount (D.10b or D.10c) is selected and end of Plan Year (C.11a.i) is not selected.

NOTE: If A.9 is "Yes" (Non-Elective Contributions are permitted), an Eligible Employee who has met the requirements of B.14 through B.18 and who has satisfied the following requirements shall be eligible to receive an allocation of Non-Elective Contributions during the applicable Plan Year.

12. Allocation Service Requirements for Non-Elective Contributions

a. [ X ] None

b. [ ] In order to share in the allocation of Non-Elective Contributions, a Participant is required to complete at least the following number of Hours of Service in the applicable Plan Year ______

c. [ ] In order to share in the allocation of Non-Elective Contributions, a Participant is required to be employed by the Employer on the last day of Plan Year

d. [ ] In order to share in the allocation of Non-Elective Contributions, a Participant is required to be employed by the Employer on the last day of Plan Year or complete at least ______ Hours of Service in the applicable Plan Year

NOTE: C.12b and C.12c are inapplicable if C.12a or C.12d is selected.

13. Exceptions to Allocation Service Requirements for Non-Elective Contributions

a. Modify Hour of Service requirement and/or last day requirement for a Participant who Terminates employment with the Employer during the Plan Year due to:

i. [ ] death
ii. [ ] Disability
iii. [ ] attainment of Normal Retirement Age

b. Any Hour of Service requirement and last day requirement shall be modified as follows:

i. [ ] Waive both the Hour of Service requirement and last day requirement
ii. [ ] Waive the Hour of Service requirement only
iii. [ ] Waive last day requirement only

c. [ ] The following other modifications shall be made to the requirements specified in C.12-13b: ______

NOTE: C.13 is only applicable if C.12b, C.12c or C.12d is selected.

NOTE: C.13c may only be used to make minor changes to the requirements specified in C.12-13b and must be specified in a manner that is objectively determinable and may not be specified in a manner that is subject to discretion. For example, C.13c could be used to clarify that last day but not Hours of Service is waived for death while Hours of Service and last day are waived for Disability and attainment of Normal Retirement Age.
Non-Elective Contributions - Formula

14. Amount of Non-Elective Contributions
   a. [X] Discretionary in an amount as determined by the Employer
   b. [ ] ______% of total Participant Compensation for the Plan Year
   c. [ ] $____ for the Plan Year
   d. [ ] Other: ______

15. Non-Elective allocation formula. The Non-Elective Contribution shall be allocated to eligible Participants who have met the requirements of B.14 through B.18 and C.12 through C.13 as follows (Section 4.03):
   a. [X] Pro rata. In the ratio that each Participant's Compensation bears to the Compensation of all eligible Participants.
   b. [ ] Points. See C.16.
   c. [ ] Fixed Amount. In an amount equal to the total Non-Elective Contribution divided by the number of Participants eligible to share in such contribution.
   d. [ ] Defined Groups. See C.17
   e. [ ] One Group per Participant. In an amount designated by the Employer to be allocated to each group. For purposes of this C.15c, there shall be one group created for each Participant eligible to receive allocations of Non-Elective Contributions. The contribution shall be allocated to each group in a manner determined by the Employer. The amount allocated to one group need not bear any relationship to amounts allocated to any other group. The Employer shall notify the Plan Administrator in writing of the amount of contributions allocated to each group.
   f. [ ] Other fixed formula: ______
      NOTE: If B.15f is selected, the other fixed formula must be objectively determinable and may not be specified in a manner that is subject to discretion.

16. Non-Elective Contribution - Points
   If C.15b is selected, the Non-Elective Contribution shall be allocated to eligible Participants who have met the requirements of B.14 through B.18 and C.12 through C.13 in the ratio that such Participant's points bears to the points of all eligible Participants.
   Each Participant shall receive to the extent provided in C.16a: (a) the points described in C.16d for each year of age he has attained (as of his birthday during such Plan Year), (b) the points described in C.16c for each Plan Year, including the current Plan Year, during which he was eligible to participate in the Plan after meeting the requirements of Article 3 (regardless of any service or last day requirement in Article 4) applicable to Non-Elective Contributions, and (c) the points described in C.16b for each $100 of Compensation he has earned for such Plan Year.
   a. Points will be computed on basis of:
      i. [ ] Age, Service and Compensation
      ii. [ ] Age and Service
      iii. [ ] Age and Compensation
      iv. [ ] Service and Compensation
      v. [ ] Age Only
      vi. [ ] Service Only
   b. Points awarded for $100 of Compensation: ______
   c. Points awarded for each year of participation: ______
   d. Points awarded for each year of age: ______
      NOTE: C.16b, C.16c and C.16d apply to the extent that C.16a provides points for Compensation, Years of Service and/or age, respectively.

17. Non-Elective Contribution - Defined Groups
   If C.15d is selected, the Non-Elective Contribution shall be allocated to eligible Participants who have met the requirements of B.14 through B.18 and C.12 through C.13 in an amount designated by the Employer to be allocated to each group described in C.17. The contribution for a group shall then be further allocated to the members of such group who are eligible to receive allocations of Non-Elective Contributions in the method as specified in C.17 for such group. The amount allocated to one group need not bear any relationship to amounts allocated to any other group. The Employer shall notify the Plan Administrator in writing of the amount of contributions allocated to each group.
   The groups and allocations shall be determined as follows:
   a. Group One: ________ An amount equal to:
      i. [ ] A percentage of Compensation ________
ii. [ ] A fixed dollar amount ________
iii. [ ] the greater of i. or ii.

NOTE: Groups must be defined in a manner that is objectively determined with no Employer discretion. Groups may not be designed so that the permanency requirement of Treas. Reg. section 1.401-1(b)(2) is violated.
NOTE: See Section 3.06 for rules regarding eligibility requirements.

18. Allocation of Non-Elective Contributions
   a. Non-Elective Contributions are allocated to Participant Accounts at the following time(s):
      i. [ ] End of Plan Year
      ii. [ ] Semi-annually
      iii. [ ] Quarterly
      iv. [ ] Each calendar month
      v. [X] Each pay period
   b. Minimum and Maximum Non-Elective Contributions
      i. [ ] Allocations of Non-Elective Contributions for a Participant shall be subject to a minimum amount: ______
      ii. [ ] Allocations of Non-Elective Contributions for a Participant shall be subject to a maximum amount: ______

NOTE: Any service requirements specified in C.12 through C.13 shall be applied pro rata to the period selected in this C.18a. Any last day rule specified in C.12 through C.13 shall be applied as of the end of each period selected in this C.18a.

19. Paid Time Off
   a. [ ] The Employer will contribute a Participant's unused paid time off (vacation and/or sick leave) as a Non-Elective Contribution to the Plan. Unused paid time off shall be contributed to the Plan:
      i. [ ] Each Plan Year
      ii. [ ] Upon Termination
   b. [ ] The following limitations/conditions shall apply: ______

NOTE: Any unused paid time off where the Participant has the right to request cash payment is not eligible for contribution to the Plan under this C.19.
NOTE: The unused paid time off contributions must be contributed by multiplication of the Participant's current daily rate of pay against the amount of accrued unpaid leave.
NOTE: Paid time off contributions must conform with Revenue Rulings 2009-31 and 2009-32.

20. Non-Elective Contributions - Disability
    [ ] Allocate Non-Elective Contributions to Disabled Participants who do not meet the allocation service requirements (Section 4.03(d)). Allocations to Disabled Participants end as of the earliest of: (i) the last day of the Plan Year in which occurs the ______ anniversary of the start of the Participant's Disability or (ii) such other time specified in Section 4.03(d).

NOTE: C.20 shall not be more than "tenth".
NOTE: Allocations under C.20 may occur after Termination.

21. Collective Bargaining Agreement
   a. [ ] In addition to the amount selected in C.15, in an amount necessary to meet the Employer's requirements under an applicable collective bargaining agreement.
   b. The collective bargaining allocations will offset other employer contribution allocations that would otherwise be made to a Participant:
      i. [ ] Yes - Non-Elective Contributions only
      ii. [ ] No
      iii. [ ] Other: ______

NOTE: C.14-18 (amount, timing, maximum and minimum Non-Elective Contributions) will not apply to collectively bargained contributions. Collectively bargained contribution allocation timing, maximums and minimums will be determined under the collective bargaining agreement unless otherwise specified in C.21b.

Other Contributions

22. Prevailing Wage
   a. [ ] In addition to any other Non-Elective Contributions, an amount necessary to meet the Employer's requirements under an applicable prevailing wage statute. The formula for allocating prevailing wage contributions shall be
specified in an Addendum to the Adoption Agreement. The addition of such Addendum shall not be considered a modification to the Volume Submitter document.

b. The prevailing wage contributions offset:
   i. [ ] None
   ii. [ ] The prevailing wage contributions will offset any other employer contribution allocations that would otherwise be made to a Participant.
   iii. [ ] Other: ______

NOTE: Depending upon the offset rule chosen, timing of allocations may need to be considered as contributions under prevailing wage are typically required to be made not less often than quarterly.

NOTE: The offset provided under C.22b.iii must be objectively determinable and may not be specified in a manner that is subject to Employer discretion

NOTE: C.22b is only applicable if C.22a is selected.

23. Rollovers
Rollover Contributions are permitted (Section 4.04):
   a. [ ] No
   b. [X] Yes - All Eligible Employees may make a Rollover Contribution even if not yet a Participant in the Plan
   c. [ ] Yes - Only active Participants may make a Rollover Contribution
   d. [ ] Yes - ______ Participants may make a Rollover Contribution

NOTE: The Plan Administrator has discretion under Section 4.05 to limit the types of Rollover Contributions accepted by the Plan and must use that discretion in a consistent manner.

24. Deemed IRAs
   [ ] The Plan may accept voluntary contributions to deemed IRAs (Section 4.08) effective: ______

NOTE: If C.24 is selected, see Section 4.08 for rules regarding deemed IRAs.

25. Death or Disability During Qualified Military Service
   [ ] For benefit accrual purposes, a Participant that dies or becomes Disabled while performing qualified military service will be treated as if he had been employed by the Employer on the day preceding death or Disability and terminated employment on the day of death or Disability pursuant to Code section 414(u)(9) (Section 6.02) effective: ______

NOTE: Effective date must be on or after January 1, 2007.

26. 415 Additional Language
   [ ] Additional language necessary to satisfy Code section 415 because of the required aggregation of multiple plans:
SECTION D. VESTING

Vesting Schedules

1. Matching Contribution Account
   Vesting Schedule for Matching Contributions:
   a. [ ] 100%
   b. [ ] _____ year cliff
   c. [ X ] Other:
      i. Other Match Schedule - less than 1 year: 0%
      ii. Other Match Schedule - 1 years but less than 2 years: 0%
      iii. Other Match Schedule - 2 years but less than 3 years: 20%
      iv. Other Match Schedule - 3 years but less than 4 years: 50%
      v. Other Match Schedule - 4 years but less than 5 years: 75%
      vi. Other Match Schedule - 5 years but less than 6 years: 100%
      vii. Other Match Schedule - 6 years but less than 7 years: 100%
      viii. Other Match Schedule - 7 years but less than 8 years: 100%
      ix. Other Match Schedule - 8 years but less than 9 years: 100%
      x. Other Match Schedule - 9 years but less than 10 years: 100%
      xi. Other Match Schedule - 10 years but less than 11 years: 100%
      xii. Other Match Schedule - 11 years but less than 12 years: 100%
      xiii. Other Match Schedule - 12 years but less than 13 years: 100%
      xiv. Other Match Schedule - 13 years but less than 14 years: 100%
      xv. Other Match Schedule - 14 years but less than 15 years: 100%
      xvi. Other Match Schedule - 15 years but less than 16 years: 100%
      xvii. Other Match Schedule - 16 years but less than 17 years: 100%
      xviii. Other Match Schedule - 17 years but less than 18 years: 100%
      xix. Other Match Schedule - 18 years but less than 19 years: 100%
      xx. Other Match Schedule - 19 years but less than 20 years: 100%
      xxi. Other Match Schedule - 20 years: 100%

NOTE: D.1 does not apply if the Plan does not provide for Matching Contributions (A.8 is "No").
NOTE: A cliff vesting schedule means no vesting is provided until the participant meets the number of years of vesting service provided in D.1b.
NOTE: D.1b and D.1c may not be completed with a cliff vesting schedule of more than 15. However, if substantially all Participants are qualified public safety employees within the meaning of Code section 72(t)/(10/B) the limit is increased to 20.
NOTE: D.1c may provide for a graded vesting schedule of up to 5 to 20 years.

2. Non-Elective
   a. [ ] 100%
   b. [ ] _____ year cliff
   c. [ X ] Other:
      i. Other Non-Elective Schedule - less than 1 year: 0%
      ii. Other Non-Elective Schedule - 1 years but less than 2 years: 0%
      iii. Other Non-Elective Schedule - 2 years but less than 3 years: 20%
      iv. Other Non-Elective Schedule - 3 years but less than 4 years: 50%
      v. Other Non-Elective Schedule - 4 years but less than 5 years: 75%
      vi. Other Non-Elective Schedule - 11 years but less than 12 years: 100%
      xii. Other Non-Elective Schedule - 12 years but less than 13 years: 100%
      xiii. Other Non-Elective Schedule - 13 years but less than 14 years: 100%
      xiv. Other Non-Elective Schedule - 14 years but less than 15 years: 100%
      xvi. Other Non-Elective Schedule - 15 years but less than 16 years: 100%
      xvii. Other Non-Elective Schedule - 16 years but less than 17 years: 100%
      xviii. Other Non-Elective Schedule - 17 years but less than 18 years: 100%
      xix. Other Non-Elective Schedule - 18 years but less than 19 years: 100%
      xx. Other Non-Elective Schedule - 19 years but less than 20 years: 100%
      xxi. Other Non-Elective Schedule - 20 years: 100%
5 years but less than 6 years: 100%
vi. Other Non-Elective Schedule -
6 years but less than 7 years: 100%
vi. Other Non-Elective Schedule -
7 years but less than 8 years: 100%
ix. Other Non-Elective Schedule -
8 years but less than 9 years: 100%
x. Other Non-Elective Schedule -
9 years but less than 10 years: 100%
xi. Other Non-Elective Schedule -
10 years but less than 11 years: 100%

NOTE: D.1 does not apply if the Plan does not provide for Non-Elective Contributions (A.9 is "No").

NOTE: A cliff vesting schedule means no vesting is provided until the participant meets the number of years of vesting service provided in D.2b.

NOTE: D.2b and D2c may not be completed with a cliff vesting schedule of more than 15. However, if substantially all Participants are qualified public safety employees within the meaning of Code section 72(t)(10)(B) the limit is increased to 20.

NOTE: D.2c may provide for a graded vesting schedule of up to 5 to 20 years.

3. Other Vesting Schedule
   [ ] The Plan has another vesting schedule:_____

   NOTE: The vesting schedule in D.3 is in addition to the vesting schedules in D.1. through D.2
   NOTE: The other vesting schedule must be definitely determinable and may not be specified in a manner that is subject to discretion.

Vesting Service Rules

   NOTE: If D.1a and D.2a are selected (or D.1 and/or D.2 do not apply) and D.3a is not selected, the remaining options in section D.4-8 are inapplicable.

4. Vesting Computation Period
   a. [X] Calendar year
   b. [ ] Plan Year
   c. [ ] The 12-consecutive month period commencing on the date the Employee first performs an Hour of Service; each subsequent 12-consecutive month period shall commence on the anniversary of such date
   d. [ ] Other:_____

   NOTE: D.4d must be based on creditable years of service.

5. Other Employer Service
   [ ] Count service with employers other than the Employer for vesting purposes. List other employers for which the service applies along with any limitations:_____

6. Vesting Exceptions
   a. [X] Death. Provide for full vesting for a Participant who Terminates employment with the Employer due to death while an Employee (Section 6.02)
   b. [X] Disability. Provide for full vesting for a Participant who Terminates employment with the Employer due to Disability while an Employee (Section 6.02)
   c. [ ] Early Retirement. Provide for 100% vesting upon the attainment of Early Retirement Age while an Employee (Section 6.02)

7. Vesting Exclusions
   a. [ ] Exclude Years of Vesting Service earned before age 18.
   b. [ ] Exclude Years of Vesting Service earned before the Employer maintained this Plan or a predecessor plan.

8. Vesting Forfeitures
   a. Upon termination, nonvested account balances shall be forfeited
      i. [ ] as soon as administratively feasible
ii. [X] other timeframe: Non-vested portion of Account balances will be forfeited on the earlier of the date of
distribution of the vested account balance or a five year break-in-service. For accounts that are zero vested,
there will be a deemed distribution upon termination

b. Upon receiving a distribution, the nonvested portion of the account shall be forfeited
i. [X] as soon as administratively feasible
ii. [ ] other timeframe: _____

NOTE: The other timeframes must be definitely determinable and may not be specified in a manner that is subject
to discretion.

9. Forfeitures and Re-employment
a. [X] forfeited account balances shall be restored and continue to vest (select any of the following if applicable)
i. [X] only if the period of severance was less than or equal to the following period Five consecutive Breaks in
   Service
ii. [ ] only to the extent the vested account balance was not distributed
iii. [ ] only to the extent the vested distributed account balance is restored to the Plan
b. [ ] forfeited account balances shall not be restored

10. Use of Forfeitures
Forfeitures will be used in the following manner (Articles 5 and 6):
a. [X] Any permissible method (restore forfeitures, reduce Non-Elective Contributions (or reallocate as Non-Elective
   Contributions) made pursuant to Article 4 or to pay Plan expenses)
b. [ ] Other: _____

NOTE: D.10b is limited to one or a combination of the options described in D.10a, D.10b may be used to further restrict
the uses of forfeiture and must be applied in a consistent manner.

[ ] Provide for special vesting provisions: _____

NOTE: The special vesting provisions must be definitely determinable and may not be specified in a manner that is
subject to discretion.
SECTION E. DISTRIBUTIONS

1. Normal Retirement
   Normal Retirement Age means:
   a. [X] Attainment of age 65
   b. [ ] Later of attainment of age _____ and the _____ anniversary of Plan participation.
   c. [ ] Other: _______

   NOTE: Effective Plan Years beginning on or after the later of (1) January 1, 2015 or (2) the close of the first regular legislative session of the legislative body with the authority to amend the Plan that begins on or after the date that is 3 months after the final regulations are published in the Federal Register, the definition of Normal Retirement Age must satisfy Treas. Reg. section 1.401(a)-1(b) pursuant to IRS Notice 2012-29.

2. Early Retirement
   Early Retirement Age means:
   a. [X] None. The Plan does not have an early retirement feature.
   b. [ ] Attainment of age _____.
   c. [ ] Later of attainment of age _____ and _____ service.
   d. [ ] Other: ______

3. Time of Payment (Other than Death)
   Distributions after Termination of Employment for reasons other than death shall commence (Section 7.02):
   a. [X] Immediate. As soon as administratively feasible with a final payment made consisting of any allocations occurring after such Termination of Employment
   b. [ ] End of Plan Year. As soon as administratively feasible after all contributions have been allocated relating to the Plan Year in which the Participant's Account balance becomes distributable
   c. [ ] Normal Retirement Age. When the Participant attains Normal Retirement Age.
   d. [ ] Other: ______

   NOTE: Any entry in E.3d must comply with Code section 401(a)(9), Section 7.02(e) and other requirements of Article 7.

4. Form of Payment (Other than Death)
   Medium of distribution from the Plan:
   a. [X] Cash only
   b. [ ] Cash or in-kind rollover to an individual retirement account sponsored by the following vendor: ______
   c. [ ] Other: ______

5. Default Form of Payment (Other than Death)
   a. Unless otherwise elected by the Participant, distributions shall be made in the form of:
      i. [X] Lump sum only
      ii. [ ] Other: ______
   b. In addition to the form described in E.5a, distributions from the Plan after Termination for reasons other than death may be made in the following forms (select all that apply):
      i. [X] Lump sum only
      ii. [ ] Lump sum payment or substantially equal annual, or more frequent installments over a period not to exceed the joint life expectancy of the Participant and his Beneficiary
      iii. [ ] Under a continuous right of withdrawal pursuant to which a Participant may withdraw such amounts at such times as he shall elect
      iv. [ ] Other: ______

   NOTE: Any entry in E.5a.ii and/or E.5b.iv must comply with Code section 401(a)(9), Section 7.02(e) and other requirements of Article 7.

6. Permit Distributions as an Annuity
   [ ] Permit distributions in the form of an annuity

   NOTE: If E.6 is selected, a Participant may elect to have the Plan Administrator apply his entire vested Account toward the purchase of an annuity contract, which shall be distributed to the Participant. The terms of such annuity contract shall comply with the provisions of this Plan and any annuity contract shall be nontransferable.
7. Payment upon Participant's Death
   Distributions on account of the death of the Participant shall be made in accordance with the following:
   a. [ ] Pay entire Account balance by end of fifth year for all Beneficiaries in accordance with Sections 7.02(b)(1)(A) and 7.02(b)(2)(A) only
   b. [ ] Pay entire Account balance no later than the 60th day following the end of Plan Year in which the Participant dies
   c. [ ] Allow extended payments for all Beneficiaries in accordance with Sections 7.02(b)(1)(A), (B) and (C) and 7.02(b)(2)(A) and (B)
   d. [ ] Pay entire Account balance by end of fifth year for Beneficiaries in accordance with Sections 7.02(b)(1)(A) and 7.02(b)(2)(A) and allow extended payments in accordance with Sections 7.02(b)(1)(B) and (C) and 7.02(b)(2)(B) only if the Participant's spouse is the Participant's sole primary Beneficiary
   e. [ ] Other: ______

   NOTE: Any entry in E.7e must comply with Code section 401(a)(9), Section 7.02(h) and other requirements of Article 7.

8. Beneficiaries
   a. Death benefits when there is no designated beneficiary:
      i. [ ] Standard according to Section 7.04(c)
      ii. [ ] Other: ______
   b. [ ] Revocation. A beneficiary designation to a spouse shall be automatically revoked upon the following circumstances: ______
   c. Domestic Partners are treated as a spouse under the terms of this Plan for purposes of death benefits to the extent applicable:
      i. [ ] No
      ii. [ ] Yes - limited to the following terms and conditions: ______
      iii. [ ] Yes
   d. [ ] The term "Domestic Partner" as defined in Article 2 is modified in the following manner: ______

   NOTE: If E.8a.ii (Other) is selected, death benefits when there is no designated beneficiary shall be provided pursuant to E.8a.ii. The death benefits described must be definitely determinable and may not be specified in a manner that is subject to discretion.

   NOTE: If E.8c.i is selected, E.8d does not apply.

   NOTE: If E.8d is selected, the modifications must be definitely determinable.

   NOTE: Domestic Partners shall not be treated as a spouse under the following Sections of the Plan: 7.02(h) (distribution upon death), 7.03 (minimum distributions) and 7.06 (direct rollovers).

   NOTE: If revocation is selected (E.8b) you may use this item to indicate automatic revocation upon divorce.

9. Cash Out
   a. [ ] Involuntary cash-out amount for purposes of Section 7.03: $5,000
   b. Involuntary cash-out of a terminated Participant’s Account balance when it exceeds the cash-out amount specified in E.9a is deferred under Section 7.03(b) until:
      i. [ ] Later of age 62 or Normal Retirement Age - payment made in a lump sum only
      ii. [ ] Required Beginning Date - Participant may elect payment in a lump sum or installments
      iii. [ ] Required Beginning Date - payment made in a lump sum only
   c. [ ] Exclude amounts attributable to Rollover Contributions in determining the value of the Participant's nonforfeitable account balance for purposes of the Plan's involuntary cash-out rules (Section 7.03).

   NOTE: E.9a has a $5,000 maximum, $5,000 will be entered unless otherwise specified.

   NOTE: If E.9a is not selected, E.9c does not apply.

   NOTE: If E.9a is less than $1,000, E.9c may not be selected.

10. Required Beginning Date
    Required Beginning Date for a Participant:
    a. [ ] Retirement. April 1 of the calendar year following the later of the calendar year in which the Participant: (a) attains age 70-1/2, or (b) retires
    b. [ ] Age 70-1/2. April 1 of the calendar year following the calendar year in which the Participant attains age 70-1/2
    c. [ ] Election. The option provided in E.10a; provided that a Participant may elect to commence distributions pursuant to either E.10a or E.10b
SECTION F. IN-SERVICE WITHDRAWALS

**NOTE:** See Section 8.06 for limits on in-service distributions.

**NOTE:** In-service withdrawal options are meant as enabling rules. If an in-service distribution is permitted under any option specified below, the in-service withdrawal is permissible.

1. Vesting Status for In-service Withdrawals
   select one
   [ ] In-service withdrawals otherwise permitted under Section F are allowed from Accounts that are partially vested
   [ X ] An Account must be fully vested for a Participant to receive an in-service withdrawal
   **NOTE:** The response to F.1 will be ignored if the Plan does not allow in-service withdrawals.
   **NOTE:** Withdrawals under F.2-7 are only permitted from the portion of a Participant's Accounts described in F.1 unless otherwise specified in F.8.

2. Normal/Early Retirement
   a. [ X ] Allow in-service distributions after attainment of Normal Retirement Age (Section 7.01(b)) from the following Accounts: All Accounts
   b. [ ] Allow in-service distributions after attainment of Early Retirement Age (Section 7.01(a)) from the following Accounts: ______
   **NOTE:** If the Normal Retirement Age and/or Early Retirement Age is less than age 59-1/2 and in-service is selected, Grandfathered 401(k) Contributions shall not be eligible for withdrawal until the Participant attains age 59-1/2.

3. Hardship
   Hardship withdrawals are allowed as follows (Section 8.01):
   a. [ ] None
   b. [ ] All Accounts.
   c. [ X ] Selected Accounts
      i. [ ] Mandatory Employee Contribution Account
      ii. [ ] Mandatory After-tax Employee Contribution Account
      iii. [ ] Matching Account
      iv. [ ] Non-Elective Contribution Account
      v. [ X ] Grandfathered 401(k) Contribution Account
      vi. [ ] Voluntary Contribution Account
      vii. [ ] Rollover Contribution Account
      viii. [ ] Transfer Account
      ix. [ ] Other: ______
   d. The criteria used in determining whether a Participant is entitled to receive a Hardship withdrawal:
      i. [ X ] Safe Harbor criteria set forth in Section 8.01(b)
      ii. [ ] Non Safe Harbor criteria set forth in Section 8.01(c)
   e. [ ] More flexible Hardship criteria applies to permitted Account(s)
      i. [ ] Use criteria specified in Section 8.01(c)
      ii. [ ] Use criteria specified in Section 8.01(c) with the following additional criteria and/or modifications: ______
   f. [ X ] Expand the Hardship criteria to include the Beneficiary of the Participant
   g. If a Participant may receive a Hardship withdrawal from his Grandfathered 401(k) Contribution Account, permit Hardship withdrawals from the Participant's Grandfathered Roth 401(k) Contribution Account subject to the same terms and conditions as apply to the Participant's Grandfathered 401(k) Contribution Account:
      i. [ ] Yes
      ii. [ ] Yes - only if the withdrawal from the Grandfathered Roth 401(k) Contribution Account qualifies as a "qualified distribution" within the meaning of Code section 402A(d)(2)
      iii. [ ] No
   h. [ ] Other limitations on Hardship withdrawals: ______
   **NOTE:** If F.3a is selected, F.3b through F.3h do not apply.
NOTE: F.3e only applies if Hardship withdrawals are permitted from Accounts not subject to Treas. Reg. 1.401(k)-1(d) (Accounts specified in F.3c(ii)-vi to the extent applicable and selected above). If F.3e is selected, the requirements of Section 8.01(b)(2) shall not apply, the amount of the hardship distribution may not exceed the Participant's vested interest under the applicable Account and the requirements of Revenue Ruling 71-224 and any superseding guidance shall apply.

NOTE: F.3f only applies if the Plan provides for in-service withdrawals on account of Hardship and uses the safe harbor criteria for Hardship determinations. If F.3f is selected, Hardship distributions may be made for a primary Beneficiary for expenses described in Treas. Reg. sections 1.401(k)-1(d)(3)(iii)(B)(i), (3), or (5) (relating to medical, tuition, and funeral expenses, respectively). A "primary Beneficiary" is an individual who is named as a Beneficiary under the Plan and has an unconditional right to all or a portion of the Participant's Account Balance upon the death of the Participant.

NOTE: F.3g only applies if A.7d is selected, (Grandfathered Roth 401(k) Contributions are permitted).

NOTE: Any limitations in F.3h (such as limits on the number of withdrawals per year or minimum amount of distributions) must be objectively determinable and may not be specified in a manner that is subject to Employer discretion.

4. Specified Age and Service
   a. In-service withdrawals are allowed on attainment of age _____ and _____ service (Section 8.02):
      i. [X] None
      ii. [ ] All Accounts
      iii. [ ] Selected Accounts
   b. If Selected Accounts is selected, specified age and service withdrawals may be made from the following Accounts:
      i. [ ] Mandatory Employee Contribution Account
      ii. [ ] Mandatory After-tax Employee Contribution Account
      iii. [ ] Matching Account
      iv. [ ] Non-Exclusive Contribution Account
      v. [ ] Grandfathered 401(k) Contribution Account
      vi. [ ] Voluntary Contribution Account
      vii. [ ] Rollover Contribution Account
      viii. [ ] Transfer Account
      ix. [ ] Other: ______
   c. If a Participant may receive a withdrawal upon the attainment of a specified age and service from his Grandfathered 401(k) Contribution Account, permit such withdrawals from the Participant's Grandfathered Roth 401(k) Contribution Account subject to the same terms and conditions as apply to the Participant's Grandfathered 401(k) Contribution Account:
      i. [ ] Yes
      ii. [ ] Yes - only if the withdrawal from the Grandfathered Roth 401(k) Contribution Account qualifies as a "qualified distribution" within the meaning of Code section 402A(d)(2)
      iii. [ ] No

NOTE: F.4b only applies if F.4a.iii is selected.
NOTE: If F.4a is less than age 59-1/2, Grandfathered 401(k) Contributions shall not be eligible for withdrawal until the Participant attains age 59-1/2.
NOTE: F.4c only applies if A.7d is selected, (Grandfathered Roth 401(k) Contributions are permitted) and F.4a.ii or F.4a.iii and F.4b.i is selected.

5. Specified Age
   a. In-service withdrawals are allowed on attainment of age 65 (Section 8.02):
      i. [ ] None
      ii. [X] All Accounts
      iii. [ ] Selected Accounts
   b. If Selected Accounts is selected, specified age withdrawals may be made from the following Accounts:
      i. [ ] Mandatory Employee Contribution Account
      ii. [ ] Mandatory After-tax Employee Contribution Account
      iii. [ ] Matching Account
      iv. [ ] Non-Exclusive Contribution Account
      v. [ ] Grandfathered 401(k) Contribution Account
      vi. [ ] Voluntary Contribution Account
vii. [ ] Rollover Contribution Account
viii. [ ] Transfer Account
ix. [ ] Other: __________
c. If a Participant may receive a withdrawal upon the attainment of a specified age from his Grandfathered 401(k) Contribution Account, permit such withdrawals from the Participant's Grandfathered Roth 401(k) Contribution Account subject to the same terms and conditions as apply to the Participant's Grandfathered 401(k) Contribution Account:
i. [ ] Yes
ii. [ ] Yes - only if the withdrawal from the Grandfathered Roth 401(k) Contribution Account qualifies as a "qualified distribution" within the meaning of Code section 402A(d)(2)
iii. [ ] No
NOTE: F.5b only applies if F.5a.iii is selected.
NOTE: If F.5a is less than age 59-1/2, Grandfathered 401(k) Contributions shall not be eligible for withdrawal until the Participant attains age 59-1/2.
NOTE: F.5c only applies if A.7d is selected, Grandfathered Roth 401(k) Contributions are permitted and F.5a.ii or F.5a.iii and F.5b.i is selected.

Other Withdrawals

6. Withdrawals After Period of Participation
a. [ ] Matching Contributions (Section 8.03(a)). In-service withdrawals are allowed from a Participant's Matching Contribution Account after ________ years of Participation
b. [ ] Non-Elective Contributions (Section 8.03(a)). In-service withdrawals are allowed from a Participant's Non-Elective Contribution Account after ________ years of Participation
NOTE: F.6a-b may not be less than five.

7. Withdrawals After Period of Accumulation
a. [ ] Matching Contributions (Section 8.03(a)). In-service withdrawals are allowed from a Participant's Matching Contribution Account on funds held for ________ years.
b. [ ] Non-Elective Contributions (Section 8.03(a)). In-service withdrawals are allowed from a Participant's Non-Elective Contribution Account on funds held for ________ years.
NOTE: F.7a-b may not be less than two.

8. At Any Time (Section 8.03(b))
In-service withdrawals are allowed from the following Accounts at any time:
a. [ ] Voluntary Contribution Account
b. [X] Rollover Contribution Account

9. Military Distributions
   [ ] Qualified Reservist Distributions are permitted (Section 8.03(c))
   [ ] Deemed Severance Distributions are permitted (Section 8.03(d))
NOTE: F.9 only applies to Grandfathered 401(k) Contributions.

10. Disability
    [ ] Allow distributions upon Disability.
    NOTE: If distributions upon Disability is selected, the Grandfathered 401(k) Contribution Accounts may not be distributed unless a severe disability equivalent to A.17a. has occurred. A severe disability equivalent to A.17a is as follows: the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. The permanence and degree of such impairment shall be supported by medical evidence.

11. Other (Section 8.03(d))
   [ ] Other in-service distributions are permitted as follows: ________
   NOTE: The other in-service distributions described must be definitely determinable and may not be specified in a manner that is subject to discretion.

12. Other Conditions/Limitations
    [ ] The following conditions, limitations and/or special rules apply to in-service withdrawals: ________
    NOTE: Unless otherwise specified, the limitations will apply to all in-service withdrawals (F.1 through F.10).
Grandfathered Roth 401(k) Contributions

13. Roth In-Plan Rollovers
   a. If the Plan allows for Grandfathered Roth 401(k) Contributions, In-Plan Roth Rollovers are permitted (Section 4.05(b)):
      i. [ ] No
      ii. [ ] Yes - only if the Plan otherwise allows for the distribution/in-service withdrawal
      iii. [ ] Yes - limitations and/or conditions apply: ______
      iv. [ ] Yes - all distributions/in-service withdrawals permitted under the Code even if not otherwise provided under the Plan and upon the attainment of age: ______
   b. [ ] In-Plan Roth Rollovers are permitted from partially vested accounts
   c. Enter the effective date of the In-Plan Roth Rollovers: ______ (must be after Sept. 27, 2010)
   d. Indicate method of preserving Code section 411(d)(6) protected benefits:
      i. [ ] Distributions from the In-Plan Roth Rollover Account are permitted at any time
      ii. [ ] Preserve existing distributions/in-service withdrawals rights for each Account
      iii. [ ] Other: ______

NOTE: To prevent terminated Employees from taking an In-Plan Roth Rollover or to limit In-Plan Roth Rollovers to a nondiscriminatory class, choose "limitations and/or conditions apply" and describe the circumstances under which Participants can take an In-Plan Roth Rollover.

NOTE: In-Plan Roth Rollovers may only be permitted for eligible distributions that are also eligible rollover distributions (as defined in Code section 402(c)(4)).

NOTE: Grandfathered 401(k) Contributions shall not be eligible for withdrawal until the Participant attains age 59-1/2 irrespective of the age entered under F.13a.iii or F.13a.iv.

Loans

14. Loans
   Loans are permitted:
   [ X ] Yes [ ] No

Permissible Withdrawals

15. Permissible Withdrawals
   [ ] Permissible withdrawals will be allowed, provided they are requested within ______ days after the date of the first contribution under an EACA

   NOTE: The timeframe for requesting a permissible withdrawal must be at least 30 and no more than 90 days. This provision is only applicable if C.4.a. is selected.
SECTION G. PLAN OPERATIONS

1. Permitted Investments
   a. [ ] Plan may invest in life insurance (Section 9.06)

2. Participant Self-Direction
   a. Specify the extent to which the Plan permits Participant self-direction (Section 9.02):
      i. [ X ] All Accounts
      ii. [ ] Some Accounts
      iii. [ ] None
   b. If Some Accounts is selected, a Participant may self-direct the following Accounts:
      i. [ ] Mandatory Employee Contribution Account
      ii. [ ] Mandatory After-tax Employee Contribution Account
      iii. [ ] Matching Account
      iv. [ ] Non-Elective Contribution Account
      v. [ ] Grandfathered 401(k) Contribution Account
      vi. [ ] Voluntary Contribution Account
      vii. [ ] Rollover Contribution Account
      viii. [ ] Transfer Account
      ix. [ ] Other: ______
   c. [ ] Participants may also establish individual brokerage accounts.
   d. [ ] Participants may exercise voting rights with respect to investments (Section 9.05)

     NOTE: If G.2a.iii (None) is selected, G.2b through G.2d do not apply.
     NOTE: G.2b only applies if G.2a.ii is selected.

3. Valuation Date
   Enter Valuation Date:
   a. [ ] Last day of Plan Year
   b. [ ] Last day of each Plan quarter
   c. [ ] Last day of each month
   d. [ X ] Each business day
   e. [ ] Other: ______ (Must be at least annually).

4. Plan Administration
   a. Designation of Plan Administrator (Section 11.01):
      i. [ X ] Plan Sponsor
      ii. [ ] Committee appointed by Plan Sponsor
      iii. [ ] Other: ______
   b. Establishment of procedures for the Plan Administrator and the investment fiduciary (Sections 11.01(c) and
      11.02(c)):
      i. [ X ] Plan Administrator and investment fiduciary adopt own procedures
      ii. [ ] Governing body of the Plan Sponsor sets procedures for Plan Administrator and investment fiduciary
   c. Type of indemnification for the Plan Administrator and investment fiduciary:
      i. [ X ] None - the Employer will not indemnify the Plan Administrator or the investment fiduciary
      ii. [ ] Standard according to Section 11.06
      iii. [ ] Provided pursuant to an outside agreement
   d. [ ] The following modifications shall be made to the duties of the applicable parties: ______

     NOTE: H.4d may be used to reallocate duties between the Plan Sponsor and the Plan Administrator. It may also be used
     to designate additional parties to perform specific Plan Administrator and/or Plan Sponsor duties.

5. Trust
   a. Use the Trust agreement contained in the Basic Plan Document
      i. [ X ] Yes
      ii. [ ] No
      iii. [ ] Yes, but only for the following assets/Accounts: ______; other assets/Accounts will use an outside Trust or
         an arrangement described in Code section 401(f).
      iv. [ ] Not Applicable - Assets are held solely by an arrangement described in Code section 401(f).
b. Trustee Type
   i. [X] Corporate. Trustee name and address: Wells Fargo Bank, N.A., 1525 West W.T. Harris Blvd., Charlotte, NC 28288
   ii. [ ] Individual. Trustee name(s): _____

c. Type of Trustee Indemnification:
   i. [ ] Standard according to Section 10.07(b)
   ii. [X] None

d. [X] The Trustees may designate one or more Trustees to act on behalf of all Trustees (Section 10.05(b)(2)).

NOTE: Section 10.09 of the Basic Plan Document shall apply to the extent assets are held in an outside trust agreement.

NOTE: If the Trust agreement contained in the Basic Plan Document applies, then Trustee signature(s) is/are not necessary on amendments if the amendment does not affect Trustee duties.

NOTE: If G.5a.iv is selected, G.5b – d shall not apply.

NOTE: If a separate trust agreement is to be used (G.5a.ii or G.5a.iii is selected), the items in G.1-5 shall apply only to the extent that they are not superseded by the terms of the separate trust agreement. Only the trust document(s) previously approved by the IRS may be utilized with this Plan and still rely on the Plan’s advisory letter.

NOTE: If G.5a.i or G.5a.iii (use Trust Agreement in Basic Plan Document) is selected and G.5c.ii (no indemnification) is selected, indemnification for the Trustee may be pursuant to an agreement that is not a part of the Plan.

NOTE: If G.5c.ii (no indemnification) Section 10.07(b) shall not apply and indemnification for the Trustee may be pursuant to an agreement that is not a part of the Plan.

6. Trust Administrative Modifications
a. [ ] The following modifications are made to the permitted investments under the Trust Fund: _____

b. [X] The following modifications are made to the duties of the Trustee, Investment Fiduciary or Investment Manager: The Investment Fiduciary will be Plan Sponsor. Wells Fargo Bank, N.A. shall act as a 3(21) fiduciary.

c. [ ] The following modifications are made to other administrative provisions of the Trust Fund: _____

NOTE: G.6 only applies if G.5a.i or G.5a.iii is selected (the Trust Agreement contained in the Basic Plan Document applies).

NOTE: The addition of language in G.6 cannot conflict with other provisions of the Plan and cannot cause the Plan to fail to qualify under Code section 401(a). Under no circumstances can a modification consist of: 1) removal or change to the prudent man rule, 2) addition of arbitration for Participant disputes, 3) addition of securities lending program, and 4) modification of the duties of the special trustee in Section 10.02(b) to determine and collect contributions under the Plan.

7. Qualified Domestic Relations Orders
   [X] Section 13.02 shall apply.

SECTION H. MISCELLANEOUS

Failure to properly fill out the Adoption Agreement may result in disqualification of the Plan.

The Plan shall consist of this Adoption Agreement #003, its related Basic Plan Document #P-03 and any related Appendix and Addendum to the Adoption Agreement.

The Plan is a volume submitter plan and is not a prototype plan.

The adopting Employer may rely on an advisory letter issued by the Internal Revenue Service as evidence that the Plan is qualified under Code section 401 only to the extent provided in Revenue Procedure 2011-49 and any superseding guidance. The Employer may not rely on the advisory letter in certain other circumstances or with respect to certain qualification requirements, which are specified in the advisory letter issued with respect to the Plan and in Revenue Procedure 2011-49 and any superseding guidance. In order to have reliance in such circumstances or with respect to such qualification requirements, application for a determination letter must be made to Employee Plans Determinations of the Internal Revenue Service. The practitioner will inform the adopting Employer of any amendments made to the Plan or of the discontinuance or abandonment of the Plan. The practitioner, CCH INCORPORATED, DBA fiwilliam.com may be contacted at 700 W. Virginia St., Suite 305, Milwaukee, WI 53204; 414-226-2442.
SECTION I. EXECUTION PAGE

NOTE: Code section 401(k)(4)(B)(ii) prohibits governmental employers from establishing new 401(k) plans. This provision does not apply to governmental 401(k) plans adopted before May 6, 1986.

The undersigned agree to be bound by the terms of this Adoption Agreement and Basic Plan Document and acknowledge receipt of same. The parties have caused this Plan to be executed this 28th day of April, 2016.

NEW MEXICO MORTGAGE FINANCE AUTHORITY:

Signature: [Signature]

Print Name: JAY J. Czar

Title/Position: Executive Director

TRUSTEE:

Wells Fargo Bank, N.A

Its: [Signature]
ADMINISTRATIVE POLICY FOR THE
NEW MEXICO MORTGAGE FINANCE AUTHORITY
401(k) PLAN

ADMINISTRATIVE POLICY REGARDING TRUE-UP

New Mexico Mortgage Finance Authority (the “Administrator”) adopts this administrative policy in conjunction with the New Mexico Mortgage Finance Authority 401(k) Plan (the “Plan”).

The Plan provides for Matching Contributions. MFA makes the contributions on a per payroll basis. The Plan gives the Employer discretion to true-up Matching Contributions. Therefore the Plan has decided to true-up as provided below:

For a Participant whose Salary Deferrals cease because of the deferral limits in Internal Revenue Code Section 402(g), the Plan will true-up his or her Matching Contributions. As chosen by the Employer this true-up can be made on a per payroll basis or at the end of the year.

Nothing in this Policy shall limit the Employer’s discretion regarding the amount and timing of Matching Contributions.

DATED: _________________, 2016.

NEW MEXICO MORTGAGE FINANCE AUTHORITY

By: __________________________

Plan Administrator

Y:\doc\client\87070\0001\PLAN\W2707113.DOCX
The following is a formal record of action taken by the governing body of New Mexico Mortgage Finance Authority (the “Company”).

With respect to the amendment and restatement of the New Mexico Mortgage Finance Authority 401(k) Plan (the “Plan”), the following resolutions are hereby adopted:

**RESOLVED**: That the adoption of the amended and restated Plan in the form attached hereto, is hereby ratified;

**RESOLVED FURTHER**: That the appropriate officers of the Company be, and they hereby are, authorized and directed to execute the Plan on behalf of the Company;

**RESOLVED FURTHER**: That Wells Fargo Bank, N.A is hereby retained as the Trustee of the Plan; and

**RESOLVED FURTHER**: That the officers of the Company be, and they hereby are, authorized and directed to take any and all actions and execute and deliver such documents as they may deem necessary, appropriate or convenient to effect the foregoing resolutions including, without limitation, causing to be prepared and filed such reports documents or other information as may be required under applicable law.

Dated this _______ day of _______________, 2016.

_________________________________
_________________________________
_________________________________
Plan Description: Volume Submitter Profit Sharing Plan
FFN: 315C0830003-003 Case: 201200254 EIN: 13-3504158
Letter Serial No: J599429a
Date of Submission: 03/30/2012

CCH INCORPORATED DBA FTWILLIAM COM
700 W. VIRGINIA STREET, SUITE 305
MILWAUKEE, WI 53204

Contact Person:
Janell Hayes
Telephone Number:
513-263-3602
In Reference To: TEGE:EP:7521
Date: 03/31/2014

Dear Applicant:

In our opinion, the form of the plan identified above is acceptable under section 401 of the Internal Revenue Code for use by employers for the benefit of their employees. This opinion relates only to the acceptability of the form of the plan under the Internal Revenue Code. It is not an opinion of the effect of other Federal or local statutes.

You must furnish a copy of this letter, a copy of the approved plan, and copies of any subsequent amendments to adopting employers if the practitioner is authorized to amend the plan on their behalf, to each employer who adopts this plan. Effective on or after 10/31/2011, interim amendments adopted by the practitioner on behalf of employers must provide the date of adoption by the practitioner.

This letter considers the changes in qualification requirements contained in the 2010 Cumulative List of Notice 2010-90, 2010-52 I.R.B. 909.

Our opinion on the acceptability of the form of the plan is not a ruling or determination as to whether an employer's plan qualifies under Code section 401(a). However, an employer that adopts this plan may rely on this letter with respect to the qualification of its plan under Code section 401(a), as provided for in Rev. Proc. 2011-49, 2011-44 I.R.B. 608, and outlined below. The terms of the plan must be followed in operation.

Except as provided below, our opinion does not apply with respect to the requirements of Code sections 401(a)(4), 401(l), 410(b), and 414(s). Our opinion does not apply for purposes of Code section 401(a)(10)(B) and section 401(a)(16) if an employer ever maintained another qualified plan for one or more employees who are covered by this plan. For this purpose, the employer will not be considered to have maintained another plan merely because the employer has maintained another defined contribution plan(s), provided such other plan(s) has been terminated prior to the effective date of this plan and no annual additions have been credited to the account of any participant under such other plan(s) as of any date within the limitation year of this plan. Also, for this purpose, an employer is considered as maintaining another plan, to the extent that the employer maintains a welfare benefit fund defined in Code section 419(e), which provides postretirement medical benefits allocated to separate accounts for key employees as defined in Code section 419A(e)(3), or an individual medical account as defined in Code section 415(l)(2), which is part of a pension or annuity plan maintained by the employer, or a simplified employee pension plan.

Our opinion does not apply for purposes of the requirement of section 1.401(a)-1(b)(2) of the regulations applicable to a money purchase plan or target benefit plan where the normal retirement age under the employer's plan is lower than age 62.
This is not a ruling or determination with respect to any language in the plan that reflects Section 3 of the Defense of Marriage Act, Pub. L. 104-199, 110 Stat. 2419 (DOMA) or U.S. v. Windsor, 133 S. Ct. 2675 (2013), which invalidated that section.

This letter is not a ruling with respect to the tax treatment to be accorded contributions which are picked up by the governmental employing unit within the meaning of section 414(h)(2) of the Internal Revenue Code.

Our opinion applies with respect to the requirements of Code section 410(b) if 100 percent of all nonexcludable employees benefit under the plan. Employers that elect a safe harbor allocation formula and a safe harbor compensation definition can also rely on any advisory letter with respect to the nondiscriminatory amounts requirement as to limits of section 401(a)(4). If this plan satisfies the CODA or otherwise provides for contributions subject to sections 401(k) and/or 401(m), the advisory letter can be relied on with respect to the form of the nondiscrimination test of 401(k)(3) and 401(m)(2) if the employer uses a safe harbor compensation definition. In the case of plans described in section 401(k)(12) or (13) and/or 401(m)(11) or (12), employers may also rely on the advisory letter with respect to whether the form of the plan satisfies the requirements of those sections unless the plan provides for the safe harbor contribution to be made under another plan.

The employer may request a determination (1) as to whether the plan, considered with all related qualified plans and, if appropriate, welfare benefit funds, individual medical benefit accounts, and simplified employee pension plans, satisfies the requirements of Code section 401(a)(16) as to limitations on benefits and contributions in Code section 415 and the requirements of Code section 401(a)(10)(B) as to the top-heavy plan requirements in Code section 416; (2) with respect to whether a money purchase or target benefit plan's normal retirement age which is earlier than age 62 satisfies the requirements of section 401(a)-1(b)(2) of the Income Tax Regulations; (3) that the plan is a multiple employer plan; (4) whether there has been a partial termination; and (5) to comply with public procedures of the Code (e.g., minimum funding waiver request). The employer may request a determination letter by filing an application with Employee Plans Determinations on Form 5307, with regard to item (1) above, and Form 5300, for items (2), (3), (4) and (5), without restating for the Cumulative List in effect when the application is filed.

If you, the volume submitter practitioner, have any questions concerning the IRS processing of this case, please call the above telephone number. This number is only for use of the practitioner. Individual participants and/or adopting employers with questions concerning the plan should contact the volume submitter practitioner. The plan's adoption agreement, if applicable, must include the practitioner's address and telephone number for inquiries by adopting employers.

If you write to the IRS regarding this plan, please provide your telephone number and the most convenient time for us to call in case we need more information. Whether you call or write, please refer to the Letter Serial Number and File Folder Number shown in the heading of this letter.

You should keep this letter as a permanent record. Please notify us if you modify or discontinue sponsorship of this plan.

Sincerely Yours,

[Signature]

Andrew E. Zuckerman
Director, Employee Plans Rulings and Agreements

Letter 4335
MEMORANDUM

TO: MFA Board of Directors

Through: Finance Committee – August 9, 2016

Through: N/A

FROM: Joshua A. Allison

DATE: August 3, 2016

SUBJECT: Approval of Restated 457(b) Plan Documents

Recommendation:

The Board is asked to take the following actions with respect to MFA’s 457(b) plan:

1. Approval of MFA’s 457(b) Adoption Agreement and Basic Plan Document (together, the “Plan”);

2. Approval of the Administrative Policy Regarding Eligibility; and

3. Approval of the Formal Record of Action concerning the Plan.

Background:

In addition to MFA’s 401(k) Plan, MFA also offers its employees who meet specific eligibility criteria to participate in MFA’s 457(b) Plan. As part of the regular review of the 401(k) plan documents, MFA also underwent a review of its 457(b) Plan to ensure that they accurately communicate MFA’s intention with respect to this benefit that is provided to its employees. The restated 457(b) Plan is being brought to the Board for approval.

Discussion:

As a governmental entity, MFA is eligible to sponsor a 457(b) Plan. Karen Kahn from Modrall also worked with MFA staff and the Sheehan Firm to restate the 457(b) Plan. She assisted MFA in restating the Plan on an updated form and to be consistent with MFA’s Employee Manual. Those revisions are explained in more detail in Karen Kahn’s August 3, 2016 memo, which is included in the packet of materials.
Also included in the packet of materials are the following documents:

1. New Mexico Mortgage Finance Authority 457(b) Plan Adoption Agreement, dated January 1, 2016.


3. Administrative Policy for the New Mexico Mortgage Finance Authority 457(b) Plan, Administrative Policy Regarding Eligibility.

4. New Mexico Mortgage Finance Authority Formal Record of Action.

**Summary:**

The Board is being asked to take the following actions with respect to MFA’s 457(b) Plan:

1. Approval of MFA’s 457(b) Adoption Agreement and Basic Plan Document (together, the “Plan”), dated January 1, 2016.

2. Approval of the Administrative Policy on Eligibility; and

3. Approval of the Formal Record of Action concerning the Plan.
To: New Mexico Mortgage Finance Authority  
From: Karen Kahn  
Date: August 3, 2016  
Re: Summary of Changes to the 401(k) and 457(b) Retirement Plans

Changes to the 401(k) Plan

1) All defined contribution plans on pre-approved documents are required to be restated every six years. Thus the restatement was required even though substantively the changes in the law during the last six years, including the Pension Protection Act, were not significant for MFA.

2) The Plan was restated on a governmental plan document form that has been pre-approved by the IRS. As a governmental Plan, the Plan is not subject to ERISA, to the rules prohibiting discrimination in favor of highly compensated employees, to the participation rules, nor to the general tests required of plans, but it is subject to the limitation in the amount of contributions that can be made. The prior document was a generic 401(k) plan document that included these inapplicable provisions. The document that the Plan is now on is one drafted specifically for governmental entities.

3) Eligibility. This Plan document provides that all employees are eligible to participate in the 401(k) Plan except leased employees, interns, and term employees whose offer letter states that the individual will not be eligible for benefits. The Employee Manual has been revised to clarify that full-time term employee would only be eligible if his or her offer letter states the individual is eligible for benefits and to clarify that an employee working fewer than 20-hour a week would be eligible for the 401(k) unless the individual were an intern or term employee.

4) Matching Contributions are 5% of compensation so long as the Participant is deferring at least 3% of compensation. A Participant who “front-loads” his or her deferrals or chooses to defer a high percentage of compensation at some point during the year may hit the IRS deferral limit of $18,000 plus $6,000 catch-up (IRC Section 402(g) limit), without making a 3% deferral during each pay period. At any point in which the Participant ceases making deferrals (because he or she met this IRC Section 402(g) limit), the matching contribution ceases as that Participant is no
longer making the required 3% deferral during a particular pay period. Under the new Plan Document, the Employer may choose to make a true-up, i.e., add the amount of the Matching Contribution that would have been allocated to the Account if Compensation for the entire Plan Year had been the basis of the contribution. (The true-up was not permitted under the old Plan after the decision to make matching contributions on a per pay period basis.) By administrative policy, MFA is choosing to make a true-up for those whose Matching Contribution ceases because of meeting this 402(g) limit. The policy does not give a true-up to a Participant who starts and stops his or her deferrals throughout the year, but only to those who cease deferrals due to hitting maximum IRS limits on deferrals. The Employee Manual referred to making a matching contribution based on an employee’s annual taxable compensation and that has now been modified to refer to the true-up only for those who reach the IRS maximum.

5) Amount of Matching Contribution and Employer Non-Elective Contribution. Currently the Plan gives a 5% Matching Contribution and an 11% Non-Elective Contribution. Instead of “hard-wiring” that into the Plan Document, the new document provides that the amount of Matching and Non-Elective Contributions will be a discretionary percentage determined by the Board. Using “a discretionary amount” means that the Employer can change the amount of the contribution if circumstances change and the Employer wishes to reduce the contribution or change the percentage matched without the formality of a Plan Amendment. The Employee Manual provides that MFA will make the 5% and 11% contributions.

6) Automatic Increasing Deferrals. The Employee Manual does not refer to MFA’s automatic increase in deferrals although the Plan provides for an increase of 1% a year up to 8% of compensation, unless the Participant affirmatively elects otherwise. This automatic increase was in the old Plan and is in the new Document and will now be reflected in the Employee Manual.

7) Definition of Compensation. The new document uses W-2 compensation without fringe benefits and reimbursements and only includes compensation from the date of entry into the Plan. The old Plan used IRC Section 415 compensation. These definitions of compensation are quite similar and are not referred to in the Employee Manual.

8) To cover any conflicts between the Plan Documents and the Employee Manual due to summarizing the Plan, the Employee Manual now has a provision stating that in case of conflict between this Employee Manual or any summary of the Retirement Plans and the Plan Documents, the Plan Documents will govern.
Changes to the 457(b) Plan

1) This document needed to be restated to ensure that all changes in the law are incorporated into the document.

2) Eligibility. The old Plan Document provided that anyone who maxed out (or intended to max out) their contributions to the 401(k) Plan was eligible to participate in the 457(b) Plan. The new Plan Document changes eligibility to anyone listed in the Appendix to the Plan. If MFA chooses to make an Employer contribution in the future there could be an issue as to who is eligible. To avoid inadvertent eligibility, we have drafted an Administrative Policy that provides that MFA will add to the Appendix as an eligible employee for the 457(b) Plan any employee who has in any prior year deferred the maximum deferral amount permitted for that employee under IRC Section 402(g) to the MFA 401(k) Plan and has requested to participate in the 457(b) Plan by completing a 457(b) Plan salary deferral form.

3) Distribution of Benefits. The old Plan Document provided that a terminated employee must take a distribution by the last day of the Plan Year after termination and that a deceased Participant must take a distribution within three months of the date of death. The new Plan Document provides additional time for terminated employees (regardless of when in the year the Participant terminates, he or she gets six months to take the distribution) and for the beneficiary of a deceased Participant (until the end of the next calendar year.)
NEW MEXICO MORTGAGE
FINANCE AUTHORITY

SECTION 457(b) PLAN

Basic Plan Document

January 1, 2016

Prepared by:
Modrall Sperling
500 Fourth Street
Suite 1000
Albuquerque, NM 87102
NEW MEXICO MORTGAGE FINANCE AUTHORITY
457(b) DEFERRED COMPENSATION PLAN
BASIC PLAN DOCUMENT
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INTRODUCTION

Section 1.01 PLAN

This document ("Basic Plan Document") and its related Adoption Agreement are intended to provide deferred compensation for Eligible Employees of the Company. This Plan is intended to constitute an "eligible deferred compensation plan" within the meaning of Code section 457(b) and, if the Plan is not a Governmental Plan, a top hat plan within the meaning of ERISA sections 201(2), 301(a)(3) and 401(a)(1). The provisions of this Plan are intended to comply with requirements of Code section 457 in form and operation and shall be interpreted in a manner consistent with such Code section and regulations or guidance promulgated pursuant thereto.

Section 1.02 APPLICATION OF PLAN

Except as otherwise specifically provided herein, the provisions of this Plan shall apply to those individuals who are Eligible Employees of the Company on or after the Effective Date. Except as otherwise specifically provided for herein, the rights and benefits, if any, of former Eligible Employees of the Company whose employment terminated prior to the Effective Date, shall be determined under the provisions of the Plan, as in effect from time to time prior to that date.
"Account" means the book entry account maintained with respect to each Participant pursuant to Article 5.

"Adoption Agreement" means the document executed in conjunction with this Basic Plan Document that contains the optional features selected by the Plan Sponsor.

"Beneficiary" means the person or persons designated by the Participant to receive distributions from the Participant's Account after the Participant's death. Upon enrollment, the Participant shall designate a Beneficiary to receive distributions from the Participant's Account in the event of the Participant's death. A Participant may change his or her designated Beneficiary at any time. A Participant may designate any person or persons as Beneficiaries. Unless otherwise provided in the Beneficiary designation form, each designated Beneficiary shall be entitled to equal shares of the benefits payable after the Participant's death. If the Participant fails to designate a Beneficiary, or if no designated Beneficiary survives the Participant for a period of fifteen (15) days, then the Participant's surviving spouse shall be the Beneficiary. If the Participant has no surviving spouse, or if the surviving spouse does not survive the Participant for a period of fifteen (15) days, then the estate of the Participant shall be the Beneficiary.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Company" means the Plan Sponsor and any other entity that has adopted the Plan with the approval of the Plan Sponsor.

"Compensation" shall have the meaning set forth in the Adoption Agreement. Compensation for an independent contractor shall include payment by the Company to the independent contractor. Effective for Plan Years beginning after December 31, 2008, Compensation shall include differential wage payments (as defined in Code section 3401(h)(2)) pursuant to Code section 414(u)(12), Notice 2010-5 and any superseding guidance.

"Deferral" means, the amount of Compensation deferred, whether by salary reduction or by employer contribution. The amount of Compensation deferred under the Plan is taken into account as an annual deferral in the taxable year of the Participant in which deferred, or, if later, the year in which the amount of Compensation deferred is no longer subject to a substantial risk of forfeiture. The term "Deferral" shall not include transfers and rollovers from another plan described in Article 5. To the extent provided in the Adoption Agreement, a Participant may also defer accumulated sick pay, accumulated vacation pay, and back pay.

If the amount of Compensation deferred under the Plan during a taxable year is not subject to a substantial risk of forfeiture, the amount taken into account as an annual deferral is not adjusted to reflect gain or loss allocable to the compensation deferred. If, however, the amount of Compensation deferred under the Plan during the taxable year is subject to a substantial risk of forfeiture, the amount of Compensation deferred that is taken into account as an annual deferral in the taxable year in which the substantial risk of forfeiture lapses must be adjusted to reflect gain or loss allocable to the Compensation deferred until the substantial risk of forfeiture lapses.

"Deferral Agreement" means the agreement between an Employer and a Participant, including any amendments thereto, which specifies the amount of Deferrals to be made by the Employee. Each Deferral Agreement or amendment thereto shall be made or confirmed in writing under procedures established by the Plan Administrator.

"Effective Date" shall have the meaning set forth in the Adoption Agreement.

"Eligible Deferred Compensation Plan" means a plan maintained by any employer that constitutes an "eligible deferred compensation plan" within the meaning of Code section 457 and that has at all relevant times included the deferral limitations set forth in section 457(b).

"Eligible Employee" means any Employee employed by or performing services for the Company, subject to the modifications and exclusions described in the Adoption Agreement. If the Plan is not a Governmental Plan, it
is intended that participation in the Plan be limited to a select group of management or highly compensated employees within the meaning of Title 1 of the Employee Retirement Income Security Act. If an individual is subsequently reclassified as, or determined to be, an Employee by a court, the Internal Revenue Service or any other governmental agency or authority, or if the Company is required to reclassify such individual an Employee as a result of such reclassification determination (including any reclassification by the Company in settlement of any claim or action relating to such individual's employment status), such individual shall not become an Eligible Employee by reason of such reclassification or determination.

An individual who becomes employed by the Employer in a transaction between the Employer and another entity that is a stock or asset acquisition, merger, or other similar transaction involving a change in the employer of the employees of the trade or business shall not become eligible to participate in the Plan until the Plan Sponsor specifically authorizes such participation.

"Employee" means (i) any individual who is employed by the Employer and (ii) any independent contractor who performs services for the Employer within the meaning of Treas. Reg. 1.457-(2)(e). Effective for Plan Years beginning after December 31, 2008, a Participant receiving differential wage payments (as defined in Code section 3401(h)(2)) shall be treated as an Employee of the Employer making the payment pursuant to Code section 414(u)(12), Notice 2010-5 and any superseding guidance.

"Employer" means the Company or any other employer required to be aggregated with the Company under Code sections 414(b), (c), (m) or (o); provided, however, that "Employer" shall not include any entity or unincorporated trade or business prior to the date on which such entity, trade or business satisfies the affiliation or control tests described above. An Employer is limited to an entity that is a State or a Tax-Exempt Entity. The term "Employer" does not include a church as defined in Code section 3121(w)(3)(A), a qualified church-controlled organization as defined in Code section 3121(w)(3)(B), or the Federal government or any agency or instrumentality thereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, all amendments thereto and all federal regulations promulgated pursuant thereto.

"Governmental Plan" means a Plan maintained by a State. The Plan shall be considered to be a Governmental Plan only to the extent provided in the Adoption Agreement.

"Includible Compensation" means, with respect to the taxable year, the Participant's compensation, as defined in Code section 415(c)(3). Includible Compensation shall be determined without regard to any community property laws.

"Normal Retirement Age" shall have the meaning set forth in the Adoption Agreement. For purposes of the special Code section 457 catch-up in Section 5.02(c), an entity sponsoring more than one eligible plan may not permit a Participant to have more than one Normal Retirement Age under the eligible plans it sponsors.

"Participant" means an Eligible Employee who participates in the Plan in accordance with Articles 3 and 4.

"Plan Administrator" means the person(s) designated pursuant to the Adoption Agreement and Section 7.01.

"Plan Sponsor" means the entity described in the Adoption Agreement.

"Plan Year" means the 12-consecutive month period described in the Adoption Agreement.

"Pre-tax Deferral" means Deferrals that are not includible in the Participant's gross income at the time deferred.

"Pre-tax Deferral Account" means so much of a Participant's Account as consists of a Participant's Pre-Tax Deferrals (and corresponding earnings) made to the Plan.
"Required Beginning Date" means April 1st of the calendar year following the calendar year of a Participant's attainment of age 70-1/2 or Termination, whichever is later.

"Roth Deferral" means an Deferral that is: (a) designated irrevocably by the Participant at the time of the cash or deferred election as a Roth Deferral that is being made in lieu of all or a portion of the Pre-tax Deferrals the Participant is otherwise eligible to make under the Plan; and (b) treated by the Company as includible in the Participant's income at the time the Participant would have received that amount in cash if the Participant had not made a cash or deferred election. Except as otherwise provided, Roth Deferrals shall be subject to the same conditions and limitations as apply to Deferrals.

"Roth Deferral Account" means so much of a Participant's Account as consists of a Participant's Roth Deferrals (and corresponding earnings) made to the Plan. The Plan will maintain a record of the amount of Roth Deferrals in each Participant's Roth Deferral Account.

"State" means a state (treating the District of Columbia as a state as provided under Code section 7701(a)(10)), a political subdivision of a state, and any agency or instrumentality of a state.

"Tax-Exempt Entity" means includes any organization exempt from tax under subtitle A of the Internal Revenue Code, except that a governmental unit (including an international governmental organization) is not a tax-exempt entity.

"Termination" and "Termination of Employment" means:

(a) Employee. The cessation of an Employee's active employment with an Employer.

(b) Independent Contractor. An independent contractor is considered to have a Termination upon the expiration of the contract (or in the case of more than one contract, all contracts) under which services are performed if the expiration constitutes a good-faith and complete termination of the contractual relationship.

"Trust Agreement" means in the case of a Governmental Plan, the written agreement (or declaration) made by and between the Employer and the Trustee under which the Trust Fund is maintained.

"Trust Fund" means in the case of a Governmental Plan, the trust fund or custodial account (to the extent permitted under Code section 457(g) and Treas. Reg. section 1.457-8) created under and subject to the Trust Agreement.

"Trustee" means in the case of a Governmental Plan, the trustee or custodian duly appointed and currently serving under the Trust Agreement. In the case of a Plan maintained by a Tax-Exempt Entity, the trustee duly appointed and currently serving under the grantor trust.

"Valuation Date" shall have the meaning set forth in the Adoption Agreement.
ARTICLE 3
PARTICIPATION

Section 3.01 PARTICIPATION

Each Eligible Employee as of the Effective Date who was eligible to participate in the Plan immediately prior to the Effective Date shall be a Participant eligible to participate in the Plan pursuant to Article 4 on the Effective Date. Each other Eligible Employee who was not a Participant in the Plan prior to the Effective Date shall become a Participant eligible to participate pursuant to Article 4 on the date specified in the Adoption Agreement; provided that he is an Eligible Employee on such date.

Section 3.02 TRANSFERS/TERMINATIONS

If a change in job classification, Termination or a transfer results in an individual no longer qualifying as an Eligible Employee, such Employee shall cease to be a Participant for purposes of Articles 4 and 5 (or shall not become eligible to become a Participant) as of the first day of the month immediately succeeding such change of job classification or transfer; or in the case of a Termination, the effective date of the Termination. Should such Employee again qualify as an Eligible Employee or if an Employee who was not previously an Eligible Employee becomes an Eligible Employee, he shall become a Participant on the first day of the month following the later of the effective date of such subsequent change of status or the date the Employee meets the eligibility requirements of this Article 3.

Section 3.03 PROCEDURES FOR ADMISSION

The Plan Administrator shall prescribe such forms and may require such data from Participants as are reasonably required to enroll a Participant in the Plan or to effectuate any Participant elections. The Plan Administrator may impose other limitations and/or conditions with respect to participation in the Plan on Eligible Employees who commence or recommence participation in the Plan pursuant to Section 3.02.
ARTICLE 4
ELECTIONS

Section 4.01 DEFERRAL ELECTIONS

This Section shall apply only to the extent that the Adoption Agreement permits Participant Deferrals.

(a) Compensation. A Deferral Agreement shall become effective no earlier than the later of the Effective Date or first day of the calendar month following the month in which the agreement is made. A new Employee may defer Compensation payable in the calendar month during which the Participant first becomes an Employee if an agreement providing for the Deferral is entered into on or before the first day on which the Participant performs services for the Employer.

(b) Roth Deferrals. If the Plan is a Governmental Plan and to the extent provided in the Adoption Agreement, Participants shall be eligible to irrevocably designate some or all of their Deferrals as either Pre-tax Deferrals or Roth Deferrals. All elections shall be subject to the same election procedures, limits on modifications and other terms and conditions on elections as specified in the Plan. If Roth Deferrals are not permitted, all Deferrals shall be designated as Pre-tax Deferrals.

(c) Sick, Vacation and Back Pay. To the extent provided in the Adoption Agreement, a Participant may also defer accumulated sick pay, accumulated vacation pay, and back pay. Such elections may be deferred for any calendar month only if an agreement providing for the Deferral is entered into before the beginning of the month in which the amounts would otherwise be paid or made available and the Participant is an Employee on the date the amounts would otherwise be paid or made available. For purposes of section 457, Compensation that would otherwise be paid for a payroll period that begins before severance from employment is treated as an amount that would otherwise be paid or made available before an Employee has a severance from employment.

Section 4.02 ELECTION PROCEDURES

Each Participant may execute elections pursuant to this Article 4 in the form and manner prescribed by the Plan Administrator. The Plan Administrator shall provide each Participant with the forms necessary to make such elections. Notwithstanding the foregoing, a Participant shall be eligible to make elections only to the extent such elections are permitted in the Adoption Agreement and relate to contributions and/or benefits for which the Participant has met the eligibility requirements of Article 3. The Adoption Agreement may provide additional conditions and/or limitations on Participant elections.
ARTICLE 5
ACCOUNTS/BENEFITS

Section 5.01  ESTABLISHMENT OF ACCOUNTS

(a) Accounts. The Plan Administrator shall establish and maintain a book entry account on behalf of each Participant to the extent necessary to account for benefits provided hereunder. Each such book entry account shall reflect the aggregate of Participant and/or Company contributions and investment experience attributable to each such book entry account based upon the investment experience/plan expenses described in Section 5.05 below. Each book entry account shall also reflect any reductions due to expense charges applied to, and distributions made from, each such account. If the Plan is not a Governmental Plan, such account(s) shall be simply an unsecured claim against the general assets of the Company and a Participant shall have no interest in such account, which is established merely as an accounting convenience. For purposes of this Subsection, "Participant" shall mean an Eligible Employee who has met the eligibility requirements of Article 3.

(b) Employer Contributions. To the extent provided in the Adoption Agreement, the Company may, in its sole discretion, make additional credits to the Account of any Participant either as matching or other non-elective contributions. Except as otherwise provided, any such additional credits shall be treated as Deferrals for all purposes of the Plan. Deferrals may be made for former Employees with respect to compensation described in §1.415(c)-2(e)(3)(ii) (relating to certain compensation paid within 2-1/2 months following severance from employment), compensation described in §1.415(c)-2(g)(4) (relating to compensation paid to Participants who are permanently and totally disabled), and compensation relating to qualified military service under section 414(u).

(c) Contribution to Trust Fund. If the Plan is a Governmental Plan, Deferrals by the Participant under the Plan shall be transferred to the Trust Fund within a period that is not longer than is reasonable for the proper administration of the Participant's Account. For this purpose, Deferrals shall be treated as contributed within a period that is not longer than is reasonable for the proper administration if the contribution is made to the Trust Fund within 15 business days following the end of the month in which the amount would otherwise have been paid to the Participant. Effective as provided in Internal Revenue Service Revenue Ruling 2011-1 (as modified by Revenue Service Notice 2012-6 and any superseding guidance), to the extent that the Plan's trust is a part of any group trust (within the meaning of Internal Revenue Service Revenue Rulings 81-100 and 2011-1), such group trust may invest in the accounts and plans described in Internal Revenue Service Revenue Ruling 2011-1; provided, that requirements of such ruling and superseding guidance are met.

(d) USERRA. An Employee whose employment is interrupted by qualified military service under Code section 414(u) or who is on a leave of absence for qualified military service under Code section 414(u) may elect to make additional Deferrals and receive allocations of Company contributions, if any, upon resumption of employment with the Employer equal to the maximum Deferrals that the Employee could have elected during that period (or received if Company contributions) if the Employee's employment with the Employer had continued (at the same level of Compensation) without the interruption or leave, reduced by the Deferrals, if any, actually made for the Employee during the period of the interruption or leave. This right applies for five years following the resumption of employment (or, if sooner, for a period equal to three times the period of the interruption or leave).

Section 5.02  LIMITATIONS

(a) General Limitation. Except as provided in Subsection (b) and (c), a Participant's Deferrals for a taxable year shall not exceed the lesser of:

1. $15,000 (or such greater dollar limit as may be in effect under Code section 457(e)); or
2. One hundred percent (100%) of the Participant's Includible Compensation for the calendar year.

(b) Age 50 Catch-Up. If the Plan is a Governmental Plan, a Participant who will attain age 50 or more by the end of the calendar year is permitted to elect an additional amount of Deferrals pursuant to Code section...
414(v), up to the maximum age 50 catch-up amount for the year. The maximum dollar amount of the age 50 catch-up Deferrals for a year is $5,000, adjusted for cost-of-living after 2006 to the extent provided under the Code. The Age 50 Catch-up described in this Subsection does not apply for any taxable year for which a higher limitation applies under the special Code section 457 catch-up under Section 5.02(c).

(c) Catch-up Limitation. If the applicable year is one of a Participant's last 3 calendar years ending before the year in which the Participant attains Normal Retirement Age and the amount determined under this Subsection (c) exceeds the amount computed under Subsection (a) and if a Governmental Plan Subsection (b), then the annual Deferral limit under this Section 5.02 shall be the lesser of:

(1) An amount equal to 2 times the Subsection (a)(1) applicable dollar amount for such year; or

(2) The sum of:

(A) An amount equal to (x) the aggregate Subsection (a) limit for the current year plus each prior calendar year beginning after December 31, 2001 during which the Participant was an Eligible Employee under the Plan, minus (y) the aggregate amount of Compensation that the Participant deferred under the Plan during such years, plus

(B) An amount equal to (x) the aggregate limit referred to in Code section 457(b)(2) for each prior calendar year beginning after December 31, 1978 and before January 1, 2002 during which the Participant was an Eligible Employee, minus (y) the aggregate contributions to Pre-2002 Coordination Plans for such years.

The amounts under this Subsection 5.02(c) shall be determined in accordance with Treas. Reg. section 1.457-4(c)(3).

(d) Participant Covered By More Than One Eligible Plan. If the Participant is or has been a participant in one or more other eligible plans within the meaning of section 457(b) of the Code, then this Plan and all such other plans shall be considered as one plan for purposes of applying the foregoing limitations of this Section 5.02. For this purpose, the Plan Administrator shall take into account any other such eligible plan maintained by the Employer and shall also take into account any other such eligible plan for which the Administrator receives from the Participant sufficient information concerning his or her participation in such other plan.

(e) Pre-Participation Years. In applying Subsection (c), a year shall be taken into account only if (i) the Participant was eligible to participate in the Plan during all or a portion of the year and (ii) Compensation deferred, if any, under the Plan during the year was subject to the basic annual limitation described in Subsection (a) or any other plan ceiling required by section 457(b) of the Code.

(f) Pre-2002 Coordination Plans. For purposes of Subsection (c)(2)(B)(y), "contributions to Pre-2002 Coordination Plans" means any employer contribution, salary reduction or elective contribution under any other eligible Code section 457(b) plan, or a salary reduction or elective contribution under any Code section 401(k) qualified cash or deferred arrangement, Code section 402(h)(1)(B) simplified employee pension (SARSEP), Code section 403(b) annuity contract, and Code section 408(p) simple retirement account, or under any plan for which a deduction is allowed because of a contribution to an organization described in section 501(c)(18) of the Code, including plans, arrangements or accounts maintained by the Employer or any employer for whom the Participant performed services. However, the contributions for any calendar year are only taken into account for purposes of Subsection (c)(2)(B)(y) to the extent that the total of such contributions does not exceed the aggregate limit referred to in section 457(b)(2) of the Code for that year.

(g) Disregard Excess Deferral. For purposes of Subsections (a), (b) and (c), an individual is treated as not having deferred compensation under a plan for a prior taxable year to the extent excess Deferrals under the Plan are distributed, as described in Subsection (h). To the extent that the combined deferrals for pre-2002 years exceeded the maximum deferral limitations, the amount is treated as an excess Deferral for those prior years.
(h) Correction of Excess Deferrals. If the annual Deferral on behalf of a Participant for any calendar year exceeds the limitations described above, or the annual Deferral on behalf of a Participant for any calendar year exceeds the limitations described above when combined with other amounts deferred by the Participant under another eligible deferred compensation plan under Code section 457(b) for which the Participant provides information that is accepted by the Plan Administrator, then the annual Deferral, to the extent in excess of the applicable limitation (adjusted for any income or loss in value, if any, allocable thereto), shall be distributed to the Participant as soon as administratively feasible. If the annual Deferral made on behalf of a Participant for any calendar year exceeds the limitations described above and the Plan is not a Governmental Plan the excess (adjusted for any income or loss in value, if any, allocable thereto), shall be distributed to the Participant no later than April 15 of the subsequent taxable year. If the vesting of a Participant's Account pursuant to Section 5.06 may cause the limitations of this Section to be exceeded, the Plan Administrator may elect to defer such vesting and/or refund or reduce Deferrals.

Section 5.03 TRANSFERS

This Section shall apply to the extent that the Adoption Agreement permits transfers from Eligible Deferred Compensation Plans. At the direction of the Company, the Plan Administrator may accept a transfer of assets to the Plan as provided in this Section. Such a transfer is permitted only if the other plan provides for such direct transfer. The Plan Administrator may require in its sole discretion that the transfer be in cash or other property acceptable to the Plan Administrator and may require such documentation from the other plan as it deems necessary to effectuate the transfer. A transfer shall only be permitted to the extent that it is permissible in accordance with Code section 457(e)(10) and Treas. Reg. section 1.457-10(b).

Section 5.04 GOVERNMENTAL PLAN ROLLOVERS

This Section shall apply only to the extent that the Plan is a Governmental Plan and the Adoption Agreement permits rollovers.

(a) In General. A Participant (or in the discretion of the Plan Administrator an Eligible Employee) who is an Employee and who is entitled to receive an eligible rollover distribution from another eligible retirement plan may request to have all or a portion of the eligible rollover distribution paid to the Plan. The Plan Administrator may require such documentation from the other plan as it deems necessary to effectuate the rollover in accordance with Code section 402 and to confirm that such plan is an eligible retirement plan within the meaning of Code section 402(c)(8)(B).

To the extent permitted by the Plan Administrator, to the extent the Plan permits Roth Deferrals and to the extent permitted by Code section 402A(c), Notice 2010-84 and any superseding guidance, a distribution from the Plan other than from a designated Roth Account that is an eligible rollover distribution (as defined in Code section 408A(e)) may be rolled over to a designated Roth Account maintained under this Plan for the benefit of the individual to whom the distribution is made.

(b) Eligible Rollover Distribution.

(1) For purposes of Subsection (a), an eligible rollover distribution means any distribution of all or any portion of a Participant's benefit under another eligible retirement plan, except that an eligible rollover distribution does not include (A) any installment payment for a period of 10 years or more, (B) any distribution made as a result of an unforeseeable emergency or other distribution which is made upon hardship of the employee, or (C) for any other distribution, the portion, if any, of the distribution that is a required minimum distribution under Code section 401(a)(9).

(2) In addition, an eligible retirement plan means an individual retirement account described in Code section 408(a), an individual retirement annuity described in Code section 408(b), a qualified trust described in Code section 401(a), an annuity plan described in Code section 403(a) or 403(b), or an eligible governmental plan described in Code section 457(b), that accepts the eligible rollover distribution.
If the Plan permits Roth Deferrals, the Plan may accept a rollover contribution to a Roth Deferral Account only if it is a direct rollover from another Roth deferral account under an applicable retirement plan described in Code section 402A(e)(1) and only to the extent the rollover is permitted under the rules of Code section 402(c).

(c) Separate Accounting. The Plan shall establish and maintain for the Participant a separate Account for any eligible rollover distribution paid to the Plan from any eligible retirement plan that is not an eligible governmental plan under Code section 457(b). In addition, the Plan shall establish and maintain for the Participant a separate Account for any eligible rollover distribution paid to the Plan from any eligible retirement plan that is an eligible governmental plan under Code section 457(b).

Section 5.05 EARNINGS/EXPENSES

(a) Earnings. A Participant's Accounts shall be credited with earnings in the manner specified in the Adoption Agreement. The Plan Administrator shall credit investment experience to each Participant's Account as of each Valuation Date specified in the Adoption Agreement. Except as provided in Subsection (c), if the Adoption Agreement provides for predetermined investments, such investments are to be used for measurement purposes only and there is no obligation for the Plan Administrator or Company to set aside, fund or actually purchase any investments.

(b) Expenses. The expenses of administering the Plan, including (i) expenses incurred by the Plan Administrator in the administration of the Plan, (ii) fees and expenses approved by the Plan Administrator for investment advisory, custodial, recordkeeping, and other plan administration and communication services, and (iii) any other expenses or charges allocable to the Plan that have been approved by the Plan Administrator may be charged, at the discretion of the Plan Administrator, to Participants' Account balances. If amounts are deposited into an account or trust owned by the Employer, brokerage fees, transfer taxes, and any other costs incident to the purchase or sale of securities or other investments shall be deemed to be part of the cost of such securities or investments or deducted in computing the sales proceeds therefrom and shall be accounted for accordingly.

(c) Governmental Plan. If the Plan is a Governmental Plan, the earnings/losses shall be determined with respect to the Participant's allocable share of the earnings and losses of the Trust Fund.

Section 5.06 VESTING

(a) A Participant shall have a fully vested and nonforfeitable interest in his Accounts relating to Participant contributions.

(b) Subject to the provisions of Section 5.02(h), the Participant's interest in his Accounts relating to Company contributions shall vest based on his years of vesting service in accordance with the terms of the Adoption Agreement.

For purposes of the Adoption Agreement, "3-7 Year Graded", "2-6 Year Graded", "1-5 Year Graded", "1-4 Year Graded", "5 Year Cliff", "3 Year Cliff" and "2 Year Cliff" shall be determined in accordance with the following schedules:

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In addition, the Adoption Agreement may provide that a Participant will become fully (100%) vested upon: (i) his attainment of Normal Retirement Age while an Employee, (ii) his death while an Employee, (iii) his suffering a disability while an Employee, or (iv) other event as specified in the Adoption Agreement.

(c) Special Forfeitures. Notwithstanding any provision to the contrary, a Participant shall also forfeit his or her Account pursuant to any special forfeiture provisions in the Adoption Agreement. Such special forfeiture provisions may include, without limitation, a provision requiring complete forfeiture of Participant's Account upon the occurrence of a specified event.

Section 5.07 FORFEITURES

(a) Non Governmental Plan. If the Plan is not a Governmental Plan, all forfeitures shall revert to the Company.

(b) Governmental Plan. If the Plan is a Governmental Plan, forfeitures shall be used to reduce Company contributions or to pay Plan expenses.
ARTICLE 6  
DISTRIBUTIONS

Section 6.01  TIME OF DISTRIBUTION

(a) Non Governmental Plan. If the Plan is not a Governmental Plan and except as provided in Sections 6.03 and 6.04, benefits shall commence no earlier than the sixty-first (61st) day following: (i) the date of the Participant's Termination or, (ii) if earlier and so provided in the Adoption Agreement, the date the Participant attains age 70-1/2. Not later than sixty (60) days following the date the Participant becomes eligible to commence distributions, the Participant may elect a commencement date for all of the Participant's Account balance. A Participant's election of a benefit commencement date under this Section shall be irrevocable, provided, however, the Participant may, at least 30 days prior to such commencement date, elect a deferred commencement date as permitted under Code section 457(e)(9)(B). Any Participant who has made such a second election of a deferred commencement date may not thereafter revoke or modify that election. Benefits may not commence later than the date specified in the Adoption Agreement.

(b) Governmental Plan. If the Plan is a Governmental Plan and except as provided in Sections 6.03, 6.04 and 6.07, upon (i) Termination or (ii) if earlier and so provided in the Adoption Agreement, the date the Participant attains age 70-1/2, a Participant shall be entitled to receive a distribution of his or her Account under any form of distribution permitted under Section 6.02 commencing at the date elected by the Participant. Benefits may not commence later than the date specified in the Adoption Agreement.

(c) Participants Receiving Differential Wage Payments During Service in the Uniformed Service. A Participant receiving differential wage payments (as defined in Code section 3401(h)(2)) shall be treated as having Terminated from employment during any period of services described in Code section 3401(h)(2)(A). If a Participant elects to receive a distribution by reason of this paragraph, the Participant may not make a Participant Contribution during the 6-month period beginning on the date of distribution.

(d) Ordering Rule. The Plan Administrator shall determine the ordering rule for distributions; provided that such ordering rule is nondiscriminatory. Such ordering rule may provide that the Participant or Beneficiary may elect to have payments made first or last from his Roth Deferral Account and any other Account.

Section 6.02  FORM OF DISTRIBUTION

(a) In General. A Participant's benefit under the Plan may only be paid in the forms and medium specified in the Adoption Agreement and permitted under Code section 457 and regulations promulgated thereunder. No election of a distribution form under this Section may be made or changed after the commencement date for such distribution form. If an election is not made prior to the date benefits commence under Section 6.01, distributions shall be made in a single lump sum payment as soon as practicable thereafter.

(b) Limitations. No distribution option may be selected by a Participant or Beneficiary under this Article 6 unless it satisfies the requirements of Code sections 401(a)(9) and 457(d).

(c) Cash Outs. The Plan Administrator reserves the right to adopt guidelines under which Account balances below a specified level may be distributed in a lump sum upon Termination or at a deferred commencement date and to establish minimum amounts of installment payments.

Section 6.03  SMALL DISTRIBUTIONS

To the extent provided in the Adoption Agreement, the Plan Administrator reserves the right, subject to the limitations of Code section 457(e)(9)(A), to establish uniform guidelines under which all or a portion of a Participant's Account balances may be distributed in a lump sum before the Participant's Termination, and either with or without the Participant's consent, provided that (i) the amount of the distribution does not exceed $5,000 (or the dollar limit under Code section 411(a)(11), if greater), (ii) no Deferral has been credited to the Participant's
Account in the preceding twenty-four (24) months, and (iii) no prior payment has been made to the Participant under this Section.

Section 6.04 UNFORESEEABLE EMERGENCIES

(a) In General. If the Participant has an unforeseeable emergency before retirement or other Termination, the Participant may elect to receive a lump sum distribution equal to the amount requested or, if less, the maximum amount determined by the Plan Administrator to be permitted to be distributed under this Section.

(b) Unforeseeable Emergency Defined. An unforeseeable emergency is defined as a severe financial hardship of the Participant resulting from:

1. an illness or accident of the Participant, the Participant's spouse, the Participant's Beneficiary, or the Participant's dependent (as defined in Code section 152 determined without regard to Code section 152(b)(1), (b)(2) and (d)(1)(B));

2. loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by homeowner's insurance, e.g., as a result of a natural disaster);

3. the need to pay for the funeral expenses of the Participant's spouse, Beneficiary or dependent (as defined in Code section 152 determined without regard to Code section 152(b)(1), (b)(2) and (d)(1)(B));

4. or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

For example, the imminent foreclosure of or eviction from the Participant's primary residence may constitute an unforeseeable emergency. In addition, the need to pay for medical expenses, including non-refundable deductibles, the cost of prescription drug medication, and other similar situations, such as those described in Revenue Ruling 2010-27 (significant water damage from a water leak and funeral expenses for an adult child who is not a dependent; credit card debt is not considered unforeseeable), may constitute an unforeseeable emergency. Except as otherwise specifically provided in this Section, neither the purchase of a home nor the payment of college tuition is an unforeseeable emergency.

(c) Unforeseeable Emergency Distribution Standard. A distribution on account of unforeseeable emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or by cessation of deferrals under the Plan.

(d) Distribution Necessary to Satisfy Emergency Need. Distributions because of an unforeseeable emergency may not exceed the amount reasonably necessary to satisfy the emergency need (which may include any amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution).

Section 6.05 DEATH

(a) In General. Payments to the Participant's Beneficiary shall be subject to the election procedures in Section 6.01 and shall be made in the time and form specified in the Adoption Agreement.

(b) Death Benefits Under USERRA. Effective January 1, 2007, if the Adoption Agreement specifies the Plan is a Governmental Plan, and a Participant dies while performing qualified military service (as defined in Code section 414(u)), the survivors of the Participant are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the plan had the Participant resumed and then Terminated employment on account of death pursuant to Code section 401(a)(37), Notice 2010-5 and any superseding guidance. For example, this may include full vesting for death while an Employee under Section 5.06(b) if provided under the Adoption Agreement.
Section 6.06 WITHHOLDING

To the extent required by applicable law, income and other taxes shall be withheld from each payment, and payments shall be made reported to the appropriate governmental agency or agencies.

Section 6.07 DISTRIBUTIONS FROM ROLLOVER ACCOUNT

If the Plan is a Governmental Plan and a Participant has a separate Account attributable to rollover contributions to the Plan, the Participant may at any time elect to receive a distribution of all or any portion of the amount held in the rollover Account to the extent provided in the Adoption Agreement.

Section 6.08 TRANSFERS

This Section shall apply to the extent that the Adoption Agreement permits transfers to another Eligible Deferred Compensation Plan. At the direction of the Company, the Plan Administrator may transfer assets to the other Plan as provided in this Section. Such a transfer is permitted only if the other plan provides for such direct transfer. The Plan Administrator may require such documentation from the other plan as it deems necessary to effectuate the transfer. A transfer shall only be permitted to the extent that it is permissible in accordance with Code section 457(e)(10) and Treas. Reg. section 1.457-10(b).

Section 6.09 DIRECT ROLLOVERS - GOVERNMENTAL PLANS

(a) In General. This Section shall only apply to a Governmental Plan. A Participant, the surviving spouse of a Participant (or a Participant's former spouse who is the alternate payee under a domestic relations order, as defined in Code section 414(p)), or a non-spouse beneficiary who is entitled to an eligible rollover distribution may elect, at the time and in the manner prescribed by the Plan Administrator, to have all or any portion of the distribution paid directly to an eligible retirement plan specified by the Participant in a direct rollover. A non-spouse beneficiary must be a designated beneficiary within the meaning of Code section 401(a)(9)(E) and such direct rollovers shall be subject to the terms and conditions of IRS Notice 2007-7 and superseding guidance, including but not limited to the provision in Q&A-17 regarding required minimum distributions.

(b) Eligible Rollover Distribution. For purposes of this Section, an eligible rollover distribution means any distribution of all or any portion of a Participant's Account, except that an eligible rollover distribution does not include (1) any installment payment for a period of 10 years or more (2) any distribution made as a result of an unforeseeable emergency, or (3) for any other distribution, the portion, if any, of the distribution that is a required minimum distribution under Code section 401(a)(9). In addition, an eligible retirement plan means an individual retirement account described in Code section 408(a), an individual retirement annuity described in Code section 408(b), an qualified trust described in Code section 401(a), an annuity plan described in Code section 403(a) or 403(b), an eligible governmental plan described in Code section 457(b), or a Roth IRA (subject to Code sections 408A(c)(3)(B) and 457(e)(16)) that accepts the eligible rollover distribution.

If any portion of an eligible rollover distribution is attributable to payments or distributions from a Roth Deferral Account, an eligible retirement plan shall only include another Roth deferral account under an applicable retirement plan described in Code section 402A(e)(1) or to a Roth IRA described in Code section 408A and only to the extent the rollover is permitted under the rules of Code section 402(c).

(c) Mandatory Rollover. In the event of a mandatory distribution greater than $1,000 in accordance with the provisions of Sections 6.02 and 6.03, if the Participant does not elect to have such distribution paid directly to an eligible retirement plan specified by the Participant in a direct rollover or to receive the distribution directly, then the Plan Administrator will pay the distribution in a direct rollover to an individual retirement plan designated by the Plan Administrator.
Section 6.10 SERVICE CREDIT TRANSFERS

(a) This Section shall only apply to a Governmental Plan. If permitted in the Adoption Agreement and a Participant is also a participant in a tax-qualified defined benefit governmental plan (as defined in Code section 414(d)) that provides for the acceptance of plan-to-plan transfers with respect to the Participant, then the Participant may elect to have any portion of the Participant's Account transferred to the defined benefit governmental plan. A transfer under this Section may be made before the Participant has Terminated.

(b) A transfer may be made under Section only if the transfer is either for the purchase of permissive service credit (as defined in Code section 415(n)(3)(A)) under the receiving defined benefit governmental plan or a repayment to which Code section 415 does not apply by reason of Code section 415(k)(3).

Section 6.11 QUALIFIED HEALTH INSURANCE PREMIUMS FOR RETIRED PUBLIC SAFETY OFFICERS

If the Adoption Agreement specifies that the Plan is a Governmental Plan, the Plan Administrator may allow retired public safety officers to elect to have distributions used to pay for qualified health insurance premiums as provided in Code section 402(l). Such distributions shall be subject to the terms and conditions of IRS Notice 2007-7 and superseding guidance.

Section 6.12 DEATH OR DISABILITY DURING QUALIFIED MILITARY SERVICE

If provided in the Adoption Agreement, a Participant that dies or becomes disabled while performing qualified military service (as defined in Code section 414(u)) will be treated as if he had been employed by the Company on the day preceding death or disability and Terminated employment on the day of death or disability and receive benefit accruals related to the period of qualified military service as provided under Code section 414(u)(8), subject to paragraphs (a) and (b) below:

(a) All Participants eligible for benefits under the Plan by reason of this section shall be provided benefits on reasonably equivalent terms.

(b) For the purposes of applying Code section 414(u)(8)(C), a Participant's contributions shall be determined based on the Participant's average actual contributions for:

(1) the 12-month period of service with the Employer immediately prior to qualified military service, or

(2) if service with the Employer is less than such 12-month period, the actual length of continuous service with the employer.

Section 6.13 LOANS

(a) In General. If the Plan is a Governmental Plan and if the Adoption Agreement so provides, a Participant who is an Employee may apply for and receive a loan from his or her Account as provided in this Section. Any such loan may not be for an amount less than the minimum amount specified by the Administrator. If not specified by the Plan Administrator, the minimum loan amount shall be $1,000.

(b) Maximum Loan Amount. No loan to a Participant hereunder may exceed the lesser of: (x) $50,000, reduced by the greater of (i) the outstanding balance on any loan from the Plan to the Participant on the date the loan is made or (ii) the highest outstanding balance on loans from the Plan to the Participant during the one-year period ending on the day before the date the loan is approved by the Plan Administrator (not taking into account any payments made during such one-year period), or (y) one half of the value of the Participant's vested Account (as of the Valuation Date immediately preceding the date on which such loan is approved by the Plan Administrator). For purposes of this Subsection, any loan from any other plan maintained by a participating employer shall be treated as if it were a loan made from the Plan, and the Participant's vested interest under any such other plan shall be considered a vested interest under this Plan; provided, however, that the provisions of this...
Subsection shall not be applied so as to allow the amount of a loan under this Section to exceed the amount that would otherwise be permitted in the absence of this Subsection.

(c) Terms of Loan. The terms of the loan shall:

1. require level amortization with payments not less frequently than quarterly throughout the repayment period, except that alternative arrangements for repayment may apply in the event that the borrower is on a bona fide unpaid leave of absence for a period not to exceed one year for leaves other than a qualified military leave within the meaning of Code section 414(u) or for the duration of a leave which is due to qualified military service;

2. require that the loan be repaid within five years unless the Participant certifies in writing to the Plan Administrator that the loan is to be used to acquire any dwelling unit which within a reasonable time is to be used (determined at the time the loan is made) as a principal residence of the Participant; and

3. provide for interest at a rate equal to one percentage point above the prime rate as published in the Wall Street Journal on the first business day of the month in which the loan is approved by the Plan Administrator.

(d) Security for Loan; Default.

1. Security. Any loan to a Participant under the Plan shall be secured by the pledge of the portion of the Participant's interest in the Plan invested in such loan.

2. Default. In the event that a Participant fails to make a loan payment under this Section within 90 days after the date such payment is due, a default on the loan shall occur. In the event of such default, (i) all remaining payments on the loan shall be immediately due and payable, (ii) effective as of the first day of the calendar month next following the month in which any such loan default occurs, the interest rate for such loan shall be (if higher than the rate otherwise applicable) the rate being charged on loans from the Plan that are approved by the Plan Administrator in the month in which such default occurs, (iii) no contributions shall be made on such Participant's behalf prior to the first payroll period that follows by 12 calendar months the date of repayment in full of such loan, and (iv) the Participant shall be permanently ineligible for any future loans from the Plan. In the case of any default on a loan to a Participant, the Plan Administrator shall apply the portion of the Participant's interest in the Plan held as security for the loan in satisfaction of the loan on the date of Termination. In addition, the Plan Administrator shall take any legal action it shall consider necessary or appropriate to enforce collection of the unpaid loan, with the costs of any legal proceeding or collection to be charged to the Account of the Participant.

(e) Death. Notwithstanding anything elsewhere in the Plan to the contrary, in the event a loan is outstanding hereunder on the date of a Participant's death, his or her estate shall be his or her Beneficiary as to the portion of his or her interest in the Plan invested in such loan (with the Beneficiary or Beneficiaries as to the remainder of his or her interest in the Plan to be determined in accordance with otherwise applicable provisions of the Plan).

(f) Repayment. The Participant may be required, as a condition to receiving a loan, to enter into an irrevocable agreement authorizing the Employer to make payroll deductions from his or her Compensation as long as the Participant is an Employee and to transfer such payroll deduction amounts to the Trustee in payment of such loan plus interest. Repayments of a loan shall be made by payroll deduction of equal amounts (comprised of both principal and interest) from each paycheck, with the first such deduction to be made as soon as practicable after the loan funds are disbursed; provided however, that a Participant may prepay the entire outstanding balance of his loan at any time (but may not make a partial prepayment); and provided, further, that if any payroll deductions cannot be made in full because a Participant is on an unpaid leave of absence or is no longer employed by a participating employer (that has consented to make payroll deductions for this purpose) or the Participant's paycheck is insufficient for any other reason, the Participant shall pay directly to the Plan the full amount that would have been deducted from the Participant's paycheck, with such payment to be made by the last business day of the calendar month in which the amount would have been deducted.

Section 6.14 REFUNDS/INDEMNIFICATION

If the Plan Administrator determines that any person has directly or indirectly received excess payments under the Plan, the Plan Administrator shall notify such person and such person shall repay such excess amount as
soon as possible, but in no event later than 30 days after the date of notification. A person receiving excess payments shall indemnify and reimburse the Company for any liability the Company may incur for making such payments. If a person fails to timely repay an excess amount and/or make sufficient indemnification, the Plan Administrator may: (i) to the extent permitted by applicable law, offset the person's salary or wages, and/or (ii) offset other benefits payable hereunder.

Section 6.15 CLAIMS PROCEDURE

(a) If the Adoption Agreement specifies that the Plan is a Governmental Plan, claims procedures shall be established by the policies and procedures of the Plan Administrator and/or Company and any other applicable law.

(b) If the Adoption Agreement specifies that the Plan maintained by a tax-exempt entity, claims procedures shall be established by the policies and procedures of the Plan Administrator and/or Company in conformance with ERISA section 503 and comply with the provisions below.

(1) Application for Benefits. A Participant or any other person entitled to benefits from the Plan (a "Claimant") may apply for such benefits by completing and filing a claim with the Plan Administrator. Any such claim shall be in writing and shall include all information and evidence that the Plan Administrator deems necessary to properly evaluate the merit of and to make any necessary determinations on a claim for benefits. The Plan Administrator may request any additional information necessary to evaluate the claim.

(2) Timing of Notice of Denied Claim. The Plan Administrator shall notify the Claimant of any adverse benefit determination within a reasonable period of time, but not later than 90 days (45 days if the claim relates to a disability determination) after receipt of the claim. This period may be extended one time by the Plan for up to 90 days (30 additional days if the claim relates to a disability determination), provided that the Plan Administrator both determines that such an extension is necessary due to matters beyond the control of the Plan and notifies the Claimant, prior to the expiration of the initial review period, of the circumstances requiring the extension of time and the date by which the Plan expects to render a decision. If the claim relates to a disability determination, the period for making the determination may be extended for up to an additional 30 days if the Plan Administrator notifies the Claimant prior to the expiration of the first 30-day extension period.

(3) Content of Notice of Denied Claim. If a claim is wholly or partially denied, the Plan Administrator shall provide the Claimant with a written notice identifying (1) the reason or reasons for such denial, (2) the pertinent Plan provisions on which the denial is based, (3) any material or information needed to grant the claim and an explanation of why the additional information is necessary, and (4) an explanation of the steps that the Claimant must take if he wishes to appeal the denial including a statement that the Claimant may bring a civil action under ERISA.

(4) Appeals of Denied Claim. If a Claimant wishes to appeal the denial of a claim, he shall file a written appeal with the Plan Administrator on or before the 60th day (180th day if the claim relates to a disability determination) after he receives the Plan Administrator's written notice that the claim has been wholly or partially denied. The written appeal shall identify both the grounds and specific Plan provisions upon which the appeal is based. The Claimant shall be provided, upon request and free of charge, documents and other information relevant to his claim. A written appeal may also include any comments, statements or documents that the Claimant may desire to provide. The Plan Administrator shall consider the merits of the Claimant's written presentations, the merits of any facts or evidence in support of the denial of benefits, and such other facts and circumstances as the Plan Administrator may deem relevant. The Claimant shall lose the right to appeal if the appeal is not timely made. The Plan Administrator shall ordinarily rule on an appeal within 60 days (45 days if the claim relates to a disability determination). However, if special circumstances require an extension and the Plan Administrator furnishes the Claimant with a written extension notice during the initial period, the Plan Administrator may take up to 120 days (90 days if the claim relates to a disability determination) to rule on an appeal.

(5) Denial of Appeal. If an appeal is wholly or partially denied, the Plan Administrator shall provide the Claimant with a notice identifying (1) the reason or reasons for such denial, (2) the pertinent Plan provisions on which the denial is based, (3) a statement that the Claimant is entitled to receive, upon request and free
of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits, and (4) a statement describing the Claimant's right to bring an action under section 502(a) of ERISA. The determination rendered by the Plan Administrator shall be binding upon all parties.

(6) Determinations of Disability. If the claim relates to a disability determination, determinations of the Plan Administrator shall include the information required under applicable United States Department of Labor regulations.

Section 6.16 MINOR OR LEGALLY INCOMPETENT PAYEE

If a distribution is to be made to an individual who is either a minor or legally incompetent, the Plan Administrator may direct that such distribution be paid to the legal guardian. If a distribution is to be made to a minor and there is no legal guardian, payment may be made to a parent of such minor or a responsible adult with whom the minor maintains his residence, or to the custodian for such minor under the Uniform Transfer to Minors Act, if such is permitted by the laws of the state in which such minor resides. Such payment shall fully discharge the Plan Administrator and the Company from further liability on account thereof.

Section 6.17 MISSING PAYEE

If the Plan Administrator is unable to make payment to any Participant or other person to whom a payment is due under the Plan because it cannot ascertain the identity or whereabouts of such Participants or other person after reasonable efforts have been made to identify or locate such person, such payment and all subsequent payments otherwise due to such Participant or other person shall be forfeited one year after the date any such payment first became due.

Section 6.18 2009 REQUIRED MINIMUM DISTRIBUTIONS

Notwithstanding other provisions of the Plan to the contrary; to the extent provided by the Adoption Agreement and by Code section 401(a)(9), IRS Notice 2009-82 and any superseding guidance, a participant or beneficiary who would have been required to receive 2009 RMDs or Extended 2009 RMDs will receive those distributions for 2009 unless the participant or beneficiary chooses not to receive such distributions. Participants and beneficiaries described in the preceding sentence will be given the opportunity to elect to stop receiving the distributions described in the preceding sentence.

(a) In addition, notwithstanding other provisions of the Plan to the contrary, and solely for purposes of applying the direct rollover provisions of the Plan, certain additional distributions in 2009, as chosen above, will be treated as eligible rollover distributions.

(b) Definitions:

(1) "2009 RMDs" are required minimum distributions for 2009 but for the enactment of section 401(a)(9)(H) of the Code;

(2) "Extended 2009 RMDs" are one or more payments in a series of substantially equal distributions (that include the 2009 RMDs) made at least annually and expected to last for the life (or life expectancy) of the participant, the joint lives (or joint life expectancy) of the participant and the participant’s designated beneficiary, or for a period of at least 10 years.
ARTICLE 7
PLAN ADMINISTRATION

Section 7.01 PLAN ADMINISTRATOR

(a) Designation. The Plan Administrator shall be specified in the Adoption Agreement. In the absence of a designation in the Adoption Agreement, the Plan Sponsor shall be the Plan Administrator. If a Committee is designated as the Plan Administrator, the Committee shall consist of one or more individuals who may be Employees appointed by the Plan Sponsor and the Committee shall elect a chairman and may adopt such rules and procedures as it deems desirable. The Committee may also take action with or without formal meetings and may authorize one or more individuals, who may or may not be members of the Committee, to execute documents in its behalf.

(b) Authority and Responsibility of the Plan Administrator. The Plan Administrator shall be the Plan "administrator" as such term is defined in section 3(16) of ERISA, and as such shall have total and complete discretionary power and authority:

(i) to make factual determinations, to construe and interpret the provisions of the Plan, to correct defects and resolve ambiguities and inconsistencies therein and to supply omissions thereto. Any construction, interpretation or application of the Plan by the Plan Administrator shall be final, conclusive and binding;

(ii) to determine the amount, form or timing of benefits payable hereunder and the recipient thereof and to resolve any claim for benefits in accordance with Article 6;

(iii) to determine the amount and manner of any allocations and/or benefit accruals hereunder;

(iv) to maintain and preserve records relating to Participants, former Participants, and their Beneficiaries and alternate payees;

(v) to prepare and furnish to Participants, Beneficiaries and alternate payees all information and notices required under applicable law or the provisions of this Plan;

(vi) to prepare and file or publish with the Secretary of Labor, the Secretary of the Treasury, their delegates and all other appropriate government officials all reports and other information required under law to be so filed or published;

(vii) to approve and enforce any loan hereunder including the repayment thereof;

(viii) to provide directions to the trustee of a trust established in conjunction with this Plan (if any) with respect to timing and methods of benefit payment, valuations at dates other than regular valuation dates and on all other matters where called for in the Plan or requested by the trustee;

(ix) to hire such professional assistants and consultants as it, in its sole discretion, deems necessary or advisable; and shall be entitled, to the extent permitted by law, to rely conclusively on all tables, valuations, certificates, opinions and reports which are furnished by same;

(x) to determine all questions of the eligibility of Employees and of the status of rights of Participants, Beneficiaries and alternate payees;

(xi) to adjust Accounts in order to correct errors or omissions;

(xii) to determine the status and effect of any domestic relations order and to take such action as the Plan Administrator deems appropriate in light of such domestic relations order;
(xiii) to retain records on elections and waivers by Participants, their spouses and their Beneficiaries and alternate payees;

(c) Procedures. The Plan Administrator may adopt such rules and procedures as it deems necessary, desirable, or appropriate for the administration of the Plan, including but not limited to, procedures relating to requirements for advance notice of any election or modification of an election, minimum and maximum amount of contributions, the types of compensation that may be deferred, the minimum amounts or percentages that may be allocated among investment options, and the timing and frequency of changes to investment elections. When making a determination or calculation, the Plan Administrator shall be entitled to rely upon information furnished to it. The Plan Administrator's decisions shall be binding and conclusive as to all parties.

(d) Allocation of Duties and Responsibilities. The Plan Administrator may designate other persons to carry out any of his duties and responsibilities under the Plan.

(e) Compensation. The Plan Administrator shall serve without compensation for its services.

(f) Expenses. All direct expenses of the Plan, the Plan Administrator and any other person in furtherance of their duties hereunder shall be paid or reimbursed by the Company.

(g) Allocation of Fiduciary Duties. A Plan fiduciary shall have only those specific powers, duties, responsibilities and obligations as are explicitly given him under the Plan. It is intended that each fiduciary shall not be responsible for any act or failure to act of another fiduciary. A fiduciary may serve in more than one fiduciary capacity with respect to the Plan.

Section 7.02 FUNDED STATUS

(a) Unfunded Plan. This Subsection applies if the Plan is not a Governmental Plan. The Plan is intended to constitute an unfunded plan. Any amount due and payable pursuant to the terms of the Plan shall be paid out of the general assets of the Company except to the extent that it is paid from a grantor trust. All assets of the Plan shall be subject to the claims of creditors of the Company. Participants and Beneficiaries shall not have any interest in any specific asset of the Company or in any specific asset held in a grantor trust or a Company account established as a result of participation in this Plan. Except as may be provided under the terms of a grantor trust, the Company shall have no obligation to set aside any funds for the purpose of making any benefit payments under this Plan. Nothing contained herein shall give any Participant any rights that are greater than those of an unsecured creditor of the Company with respect to any unpaid amount as to which the Participant has a vested interest. No action taken pursuant to the terms of this Plan shall be construed to create a funded arrangement, a plan asset, or fiduciary relationship among the Company, its designee and a Participant or Beneficiary.

(b) Trust Fund. This Subsection applies if the Plan is a Governmental Plan.

(1) Assets Held in Trust. All contributions, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights shall be held and invested in the Trust Fund in accordance with this Plan and the Trust Agreement. The Trust Fund, and any subtrust established under the Plan, shall be established pursuant to a written agreement. The Trustee shall ensure that all investments, amounts, property, and rights held under the Trust Fund are held for the exclusive benefit of Participants and their Beneficiaries. The Trust Fund shall be held in trust pursuant to the Trust Agreement for the exclusive benefit of Participants and their Beneficiaries and defraying reasonable expenses of the Plan and of the Trust Fund. It shall be impossible, prior to the satisfaction of all liabilities with respect to Participants and their Beneficiaries, for any part of the assets and income of the Trust Fund to be used for, or diverted to, purposes other than for the exclusive benefit of Participants and their Beneficiaries.

(2) Custodial Accounts and Annuity Contracts. For purposes of the trust requirement of this Subsection (b), custodial accounts and annuity contracts described in Code section 401(f) that satisfy the requirements of Treas. Reg. 1.457-8(a)(3) are treated as trusts under rules similar to the rules of Code section 401(f).
(3) Creditors. Except as expressly provided in the Plan, the interests of each Participant or Beneficiary under the Plan are not subject to the claims of the Participant's or Beneficiary's creditors.

(4) IRS Levy. the Plan Administrator may pay from a Participant's or Beneficiary's Account balance the amount that the Plan Administrator finds is lawfully demanded under a levy issued by the Internal Revenue Service with respect to that Participant or Beneficiary or is sought to be collected by the United States Government under a judgment resulting from an unpaid tax assessment against the Participant or Beneficiary.

(5) Mistaken Contributions. If any contribution (or any portion of a contribution) is made to the Plan by a good faith mistake of fact, then within one year after the payment of the contribution, and upon receipt in good order of a proper request approved by the Plan Administrator, the amount of the mistaken contribution (adjusted for any income or loss in value, if any, allocable thereto) shall be returned directly to the Participant or, to the extent required or permitted by the Plan Administrator, to the Employer.

Section 7.03 INDEMNIFICATION

Unless otherwise provided in the Adoption Agreement, the Company shall indemnify and hold harmless any person serving as the Plan Administrator and, if applicable, the Trustee (and their delegates) from all claims, liabilities, losses, damages and expenses, including reasonable attorneys’ fees and expenses, incurred by such persons in connection with their duties hereunder to the extent not covered by insurance, except when the same is due to such person's own gross negligence, willful misconduct, lack of good faith, or breach of its fiduciary duties under this Plan.

Section 7.04 COMMUNICATIONS

All enrollments, elections, designations, applications and other communications by or from an employee, Participant, Beneficiary, or legal representative of any such person regarding that person's rights under the Plan shall be made in the form and manner established by the Plan Administrator. Neither the Plan Administrator nor the Company shall be required to give effect to any such communication that is not made on the prescribed form and in the prescribed manner and that does not contain all information called for on the prescribed form.
ARTICLE 8
AMENDMENT AND TERMINATION

Section 8.01  AMENDMENT/TERMINATION

The provisions of the Plan may be amended and or terminated in writing at any time and from time to time by the Plan Sponsor. Notwithstanding the foregoing, an amendment/termination shall have no effect to the extent that it impermissibly accelerates a benefit payment or otherwise does not comply with Code section 457 and the regulations promulgated thereunder. Distributions may be made upon termination of the Plan to the extent such payments comply with Treas. Reg. section 1.457-10(a). No amendment or termination specified in this Article 8 shall result in a reduction or forfeiture of a Participant's Account unless such reduction or forfeiture is expressly provided under the terms of the Plan.
Section 9.01 NONALIENATION OF BENEFITS

No Participant or Beneficiary shall have the right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments which he may expect to receive, contingently or otherwise, under the Plan.

Section 9.02 QDRO

Notwithstanding Section 9.01, if a judgment, decree or order (including approval of a property settlement agreement) that relates to the provision of child support, alimony payments, or the marital property rights of a spouse or former spouse, child, or other dependent of a Participant is made pursuant to the domestic relations law of any state ("domestic relations order"), then the amount of the Participant's Account shall be paid in the manner and to the person or persons so directed in the domestic relations order. Such payment shall be made without regard to whether the Participant is eligible for a distribution of benefits under the Plan. The Plan Administrator shall establish reasonable procedures for determining the status of any such decree or order and for effectuating distribution pursuant to the domestic relations order.

Section 9.03 NO RIGHT TO EMPLOYMENT

Nothing contained in this Plan shall be construed as a contract of employment between the Company and the Participant, or as a right of any Employee to continue in the employment of the Company, or as a limitation of the right of the Company to discharge any of its Employees, with or without cause.

Section 9.04 GOVERNING LAW

The Plan shall be construed in accordance with and governed by the laws of the state or commonwealth of organization of the Plan Sponsor to the extent not preempted by Federal law.

Section 9.05 TAX EFFECT

The Company does not represent or guarantee that any particular federal, state or local income, payroll, personal property or other tax consequence will result from participation in this Plan. A Participant should consult with professional tax advisors to determine the tax consequences of his or her participation. Furthermore, the Company does not represent or guarantee investment returns with respect to any predetermined investment options and shall not be required to restore any loss which may result from such investment or lack of investment.

Section 9.06 ASSIGNMENT

The Company may transfer, assign or encumber any of its rights, privileges, duties or obligations under this Agreement.

Section 9.07 SEVERABILITY OF PROVISIONS

If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

Section 9.08 HEADINGS AND CAPTIONS

The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.
Section 9.09  GENDER AND NUMBER

Except where otherwise clearly indicated by context, the masculine and the neuter shall include the feminine and the neuter, the singular shall include the plural, and vice-versa.
NEW MEXICO MORTGAGE FINANCE AUTHORITY

SECTION 457(b) PLAN

Adoption Agreement

January 1, 2016

Prepared by:
Modrall Sperling
500 Fourth Street
Suite 1000
Albuquerque, NM 87102
ADOPTION AGREEMENT
SECTION 457(b) DEFERRED COMPENSATION PLAN

NOTE: This Plan (Adoption Agreement and Basic Plan Document) has not been approved by the Internal Revenue Service. It must be reviewed by qualified counsel to ensure that it is appropriate for its intended use.

The undersigned adopting employer hereby adopts this Plan. The Plan is intended to qualify as an “eligible deferred compensation plan” within the meaning of Code section 457(b). The Plan shall consist of this Adoption Agreement, its related Basic Plan Document and any related Appendix and Addendum to the Adoption Agreement. Unless otherwise indicated, all Section references are to Sections in the Basic Plan Document.

COMPANY INFORMATION

1. Name of adopting employer (Plan Sponsor): New Mexico Mortgage Finance Authority
2. Address: 344 Fourth Street S.W.
3. City: Albuquerque, State: New Mexico, Zip: 87102
4. Phone number: 505-843-6880, Fax number: _________
5. Plan Sponsor EIN: 85-0252748
6. Plan Sponsor fiscal year end: September 30
7. State of organization of Plan Sponsor: New Mexico

The term "Employer" includes the Plan Sponsor.

PLAN INFORMATION

A. GENERAL INFORMATION

1. Plan name: a. New Mexico Mortgage Finance Authority
   b. Section 457(b) Plan
2. Effective Date:
   2a. Original effective date of Plan: 5/1/2002
   2b. Is this a restatement of a previously-adopted plan? [ X ] Yes [ ] No
   2c. If 2b is "Yes", effective date of Plan restatement: 1/1/2016.
   NOTE: If 2b is "No", the Effective Date shall be the date specified in 2a, otherwise the date specified in 2c; provided, however, that when a provision of the Plan states another effective date, such stated specific effective date shall apply as to that provision.
3. Plan Year means each 12-consecutive month period ending on December 31 (e.g. December 31).
   NOTE: The Plan Year should correspond to the Participant's taxable year which in most cases is the calendar year.

Plan Type

4. Type of Plan:
   i. [ ] Plan maintained by a tax-exempt entity within the meaning of Code section 457(e)(1)(B).
   ii. [ X ] Governmental Plan maintained by a state or related entity within the meaning of Code section 457(e)(1)(A).

Plan Features

5. Employer/Employee contributions permitted (check all that apply):
   a. [ X ] Matching Contributions.
   b. [ X ] Nonelective Contributions.
   c. [ X ] Participant Deferral Contributions.
   d. [ ] If 5c is selected and the Plan is a Governmental Plan, Roth Deferrals are permitted.
   e. If Roth Deferrals are permitted, enter the effective date of the Roth Deferrals: __________ (no earlier than January 1, 2011).

Compensation

6. Definition of Compensation (check all that apply):
   a. [ X ] Base salary.
   b. [ X ] The additional pay specified in 7.
   7. If 6b is selected, enter the additional pay: Any other compensation that is reflected in the Employee's W-2 but is not Base Salary, except compensation described below in 8b.
Are there any exclusions from the definition of Compensation:
[ X ] Yes [ ] No

If A.8a is "Yes", enter the exclusions from the definition of Compensation: Fringe benefits and reimbursements

Exclude pay earned before participation in Plan from definition of Compensation:
[ ] Yes [ X ] No

Unless "No" is checked, Compensation shall include only that compensation which is actually paid to the Participant by the Company during that part of the Plan Year the Participant is eligible to participate in the Plan. Otherwise, Compensation shall include that compensation which is actually paid to the Participant by the Company during the Plan Year.

B. ELIGIBILITY

Eligible Employee

NOTE: If the Plan is not a Governmental Plan, participation in the Plan must be limited to a select group of management or highly compensated employees within the meaning of Title 1 of the ERISA.

1. Subject to the conditions and limitations of B.2 through B.4, the term Eligible Employee shall include Employees who are also (check all that apply):
   a. [ ] Officers of the Company in the following positions: __________.
   b. [ ] Other management or highly compensated employees in the following classifications/positions: __________.
   c. [ X ] Employees listed in an appendix to the Adoption Agreement.
   d. [ ] All Employees except: __________.
   e. [ ] All Employees.

NOTE: Only a Governmental Plan may select B.1.d or B.1.e.

2. Indicate whether an independent contractor may participate in the Plan:
   [ ] Yes [ X ] No

Eligible Employee - Other

3. In addition to the requirements in B.1, the following additional conditions must be met in order for an Employee to become an Eligible Employee (check all that apply):
   a. [ X ] Must be approved by the Chief Executive Officer of the Plan Sponsor.
   b. [ ] Must be approved by the Chief Executive Officer of the Employee's employing entity.
   c. [ ] Must be approved by the Board of the Plan Sponsor.
   d. [ ] Must be approved by the Board of the Employee's employing entity.
   e. [ ] Other requirements listed in B.4.

4. If B.3.e is selected, enter other requirements: __________

Requirements for Participation

An Eligible Employee shall become eligible to participate in the Plan upon meeting the following conditions in B.5 through B.6:

5. Minimum service requirement for an Eligible Employee to become eligible to be a Participant in the Plan:
   i. [ X ] None.
   ii. [ ] Completion of: __________
   iii. [ ] Other: __________

6. Frequency of entry dates:
   i. [ ] first day of each calendar month
   ii. [ X ] first day of each plan quarter
   iii. [ ] first day of the first month and seventh month of the Plan Year
   iv. [ ] first day of the Plan Year
   v. [ ] Other: __________

Modifications

7a. Indicate whether there are any modifications to the requirements specified in B.1 - B.6:
   [ ] Yes [ X ] No

7b. If B.7a is "Yes", specify the modifications: __________.
C. **ELECTIONS/CONTRIBUTIONS**

1a. If A.5c is selected (Participant Deferrals permitted), minimum Participant contribution: **None** (leave blank or enter "0" if none)

1b. If A.5c is selected (Participant Deferrals permitted), maximum Participant contribution: **one hundred percent (100%)**.

2. If A.5c is selected (Participant Deferrals permitted), a Participant may defer accumulated sick pay, accumulated vacation pay, and back pay:
   - [ ] Yes
   - [X] No

**Matching Contributions**

3. If A.5a is "Yes" (matching contributions are permitted), specify method to allocate matching contributions (Section 5.01(b)):
   - [ ] Pursuant to the formula specified in C.4.
   - [X] An amount and allocation formula as determined by the Company.

4. If A.5a is "Yes" (matching contributions are permitted), and C.3.i is selected, indicate the formula to allocate such contributions: __________.

5. If A.5a is "Yes" (matching contributions are permitted), indicate any requirements that must be met in the applicable Plan Year to receive an allocation of such contributions: The Participant must make Salary Deferrals to receive any matching contribution.

**Nonelective Contributions**

6. If A.5b is "Yes" (nonelective contributions are permitted), specify method to allocate nonelective contributions (Section 5.01(b)):
   - [ ] In the ratio that each Participant's Compensation bears to the Compensation of all eligible Participants.
   - [X] Pursuant to the formula specified in C.7.
   - [ ] An amount and allocation formula as determined by the Company.

7. If A.5b is "Yes" (nonelective contributions are permitted) and C.6.ii is selected, indicate the formula to allocate such contributions: __________.

8. If A.5b is "Yes" (nonelective contributions are permitted), indicate any requirements that must be met in the applicable Plan Year to receive an allocation of such contributions: **None**.

**Transfers/Rollovers**

9. Transfers/rollover contributions are permitted (Section 5.03 and 5.04):
   - [ ] Yes
   - [X] No

**D. EARNINGS/TRUST**

**Earnings**

1. A Participant's Accounts shall be credited with earnings in the following manner:
   - [ ] Fixed rate specified in D.2.
   - [ ] Predetermined investment(s) specified in an appendix to the Adoption Agreement.
   - [X] Predetermined investment(s) as specified by the Plan Administrator.
   - [ ] Mid-term applicable federal rate (as defined pursuant to Code section 1274(d)) for January 1 of the calendar year.

**NOTE:** If the Plan is a Governmental Plan, D.1 must be a predetermined investment.

2. If D.1.1 (fixed rate) is selected, specify the rate: __________.

   **NOTE:** If the rate specified in D.2 is a published rate, and the entry in D.2 does not specify when the rate is redetermined, such rate shall be redetermined at the beginning of each Plan Year.

3. If D.1.ii or D.1.iii (predetermined investments) is selected, specify the extent to which a Participant may choose among the predetermined investments:
   - [ ] A Participant may not choose among predetermined investments.
   - [ ] As of each Valuation Date.
iii. [ ] As of the first day of each Plan Year.
iv. [ ] Pursuant to Plan Administrator procedures.

4a. If D.1.ii or D.1.iii (predetermined investments) is selected and D.3.ii, D.3.iii or D.3.iv is selected (Participant direction is allowed), the Plan provides conditions and/or limitations to the Participant's right to select investments:
  [ ] Yes [ ] No

4b. If D.1.ii or D.1.iii (predetermined investments) is selected and D.3.ii, D.3.iii or D.3.iv is selected (Participant direction is allowed) and D.4a is "Yes", enter the conditions and/or limitations: **Limited to the Investment Options provided by the Plan Administrator.**

**Grantor Trust**

5. If the Plan is not a Governmental Plan, specify the extent to which the Company shall establish a grantor trust to pre-fund its obligations for benefits hereunder (Section 7.02(a)):
   i. [ ] No grantor trust shall be established.
   ii. [ ] The Company may, in its sole discretion, establish a grantor trust.
   iii. [ ] The Company shall establish a grantor trust.
   NOTE: If the Plan is a Governmental Plan, the Plan shall establish a Trust pursuant to Section 7.02(b).

**Valuation Date**

6a. Enter Valuation Date:
   i. [ ] Last day of Plan Year
   ii. [ ] Last day of each Plan quarter
   iii. [ ] Last day of each month
   iv. [ ] Each business day
   v. [ ] Other

6b. If D.6a.v is selected, enter the Valuation Date: ________________ (Must be at least annually).

**E. VESTING FOR COMPANY CONTRIBUTIONS**

**Vesting Service Rules**

1. Indicate the method of determining vesting service: **Years of Service.**
   NOTE: Unless otherwise specified in E.1, a Participant shall earn one year of vesting service for each calendar year in which he is credited with 1,000 hours of service with the Employer.

**Vesting Exceptions**

2. Provide for full vesting for a Participant who Terminates employment with the Employer after attainment of Normal Retirement Age while an Employee (Section 5.06):
   [ ] Yes [ ] No

3. Provide for full vesting for a Participant who Terminates employment with the Employer due to death while an Employee (Section 5.06):
   [ ] Yes [ ] No

4. Provide for full vesting for a Participant who Terminates employment with the Employer due to disability while an Employee (Section 5.06):
   [ ] Yes [ ] No

5a. Provide for full vesting for a Participant upon the circumstances described in E.5b (Section 5.06):
   [ ] Yes [ ] No

5b. If E.5a is "Yes", describe the other circumstances: __________.

6a. Company contribution vesting schedule:
   [ ] 100% [ ] 3-7 Year Graded [ ] 2-6 Year Graded [ ] 1-5 Year Graded [ ] 1-4 Year Graded [ ] 5 Year Cliff [ ] 3 Year Cliff [ ] 2 Year Cliff [ ] Other [ ] Pursuant to another plan.
   NOTE: If the amount of compensation deferred under the Plan during the taxable year is subject to a vesting schedule, the amount of compensation deferred that is taken into account as a Deferral in the taxable year in which the contribution vests must be adjusted to reflect gain or loss allocable to the compensation deferred until the contribution vests.

6b. If E.6a is "Other", enter other vesting schedule: __________

6c. If E.6a is "Pursuant to another plan", enter name of other plan: __________
Special Forfeiture Provisions

7a. Provide for special forfeiture provisions (Section 5.06(c)):
   [ ] Yes  [X]  No

7b. If E.7a is "Yes", describe any event that shall result in a complete forfeiture of that portion of the Participant's Account specified in E.7c: __________.

   NOTE: If the amount of compensation deferred under the plan during the taxable year is subject to a substantial risk of forfeiture, the amount of compensation deferred that is taken into account as an annual deferral in the taxable year in which the substantial risk of forfeiture lapses must be adjusted to reflect gain or loss allocable to the compensation deferred until the substantial risk of forfeiture lapses.

7c. If E.7a is "Yes", a Participant meeting the conditions of E.7b shall forfeit the following portion of his or her Account even if such Account is otherwise fully vested: __________.

F. DISTRIBUTIONS

   NOTE: All distributions are subject to the minimum distribution requirements of Code section 401(a)(9).

Normal Retirement

   NOTE: Normal Retirement Age must be on or after the earlier of: (i) age 65, or (ii) the age at which Participants have the right to retire under a basic defined benefit pension plan of the Employer (or money purchase plan if no defined benefit plan). An earlier age may apply for eligible plans of qualified police or firefighters. The age selected may not be later than age 70-1/2.

Time of Payment for Reasons other than Death

2. Benefits may not commence later than the date specified below (Section 6.01):
   i. [ X ] The earlier of the Required Beginning Date or the number of years specified in F.3 after the Participant's Termination.
   ii. [ ] The earlier of the Required Beginning Date or Normal Retirement Age.
   iii. [ ] Required Beginning Date.
   NOTE: If F.2.ii is selected, payment may not be made earlier than that specified in Section 6.01.

3. If F.2.i is selected (number of years after Termination), enter the number years after the Participant's Termination during which benefits must commence (Section 6.01 within six (6) months of termination).
   NOTE: If zero is entered in F.3, distributions shall commence on the 61st day following the distribution event.

Form of Payment for Reasons other than Death

4a. Optional forms of payment payable for reasons other than death of the Participant (check all that apply):
   i. [ X ] A single lump sum payment.
   ii. [ ] Annual installment payments for a period of years (payable on an annual basis) which extends for no longer than the number of years specified in F.4b.
   iii. [ ] Other optional form of benefit specified in F.4c.

4b. If F.4a.ii (annual installments) is selected, enter the maximum number of years over which payments may be made: __________.

   NOTE: May not extend beyond the life expectancy of the Participant and Beneficiary.

4c. If F.4a.iii (Other) is selected, describe other optional form of benefit: __________.

Payment on Participant Death

5. Distributions on account of the death of the Participant shall be made in accordance with one of the following payment forms (Section 6.05):
   i. [ X ] Pay entire remaining Account by end of the first calendar year following the date of death.
   ii. [ ] Participant's Beneficiary shall be entitled to make any elections as to timing and form of distribution as were available to the Participant at the time of death subject to the minimum distribution requirements of Code section 401(a)(9).

Unforeseeable Emergency

6a. A Participant may receive a distribution upon the occurrence of an unforeseeable emergency (Section 6.04):
   [ X ] Yes  [ ] No
6b. If F.6a is "Yes", A.5c (Participant Deferral Contributions) is selected, the Plan is a Governmental Plan, and Roth Deferrals are permitted, permit unforeseeable emergency distributions from Roth Deferral Accounts:
   i. [ ] Yes
   ii. [ ] Yes - But only if the withdrawal from the Roth Deferral Account qualifies as a "qualified distribution" within the meaning of Code section 402A(d)(2).
   iii. [ ] No

Small Distributions

7. A Participant may make a one-time election to receive a distribution of a small balance ($5,000 or less) as permitted by Code section 457(e)(9)(A) (Section 6.03):
   [X] Yes  [ ] No

Medium of Payment

8. Medium of distribution from the Plan:
   i. [ ] Cash only
   ii. [X] Cash or in-kind
   iii. [ ] In-kind only

Transfers

9a. Specify whether transfers may be made to another plan (Section 6.08):
   [X] Yes  [ ] No
   NOTE: A transfer shall only be permitted to the extent that it is permissible in accordance with Code section 457(e)(10) and Treas. Reg. section 1.457-10(b).
   NOTE: Governmental Plans are also subject to the direct rollover rules in Section 6.09.

9b. If the Plan is a Governmental Plan, specify whether service credit transfers may be made to another defined benefit governmental plan (Section 6.10):
   [ ] Yes  [X] No

Death or Disability during Qualified Military Service

10a. For benefit accrual purposes, a Participant that dies or becomes disabled while performing qualified military service will be treated as if he had been employed by the Company on the day preceding death or disability and terminated employment on the day of death or disability pursuant to Code section 414(u)(9), Notice 2010-5 and any superseding guidance (Section 6.12):
   [ ] Yes  [X] No

10b. If F.10a is "Yes", enter the effective date:_____________________ (must be on or after January 1, 2007).

Loans/Inservice

11. If the Plan is a Governmental Plan, specify whether Participant loans may be made (Section 6.13):
   [ ] Yes  [X] No

12. If the Plan is a Governmental Plan and C.9 permits rollover contributions, specify whether a Participant may receive an inservice withdrawal of his rollover Account (Section 6.07):
   [ ] Yes  [ ] No

13. Specify whether a Participant may receive an inservice withdrawal of his Account upon attainment of age 70-1/2:
   [X] Yes  [ ] No

2009 Required Minimum Distributions

14a. If the Plan is a Governmental Plan, indicate the extent to which participants and beneficiaries have an election to receive distributions that include 2009 RMDs:
   i. [ ] Default to continue 2009 RMDs.
   ii. [X] Default to discontinue 2009 RMDs.
   iii. [ ] Other: ___________.
   NOTE: If "Other" is selected, the below provisions will not apply except to the extent specified.

14b. Direct Rollovers of 2009 RMDs. For purposes of the direct rollover provisions of the Plan, the following will also be treated as eligible rollover distributions in 2009:
   i. [X] None. 2009 RMDs will not be treated as eligible rollover distributions in 2009.
   ii. [ ] 2009 RMDs only.
iii. [ ] Extended 2009 RMDs only.
iv. [ ] 2009 RMDs and Extended 2009 RMDs.

**G. PLAN OPERATIONS**

**Plan Administration**

1a. Designation of Plan Administrator (Section 7.01):
   i. [X] Plan Sponsor
   ii. [ ] Committee appointed by Plan Sponsor
   iii. [ ] Other

1b. If G.1a.iii is selected, Name of Plan Administrator: _____________________

2a. Type of indemnification for the Plan Administrator (and if applicable, the Trustee):
   i. [ ] Standard according to Section 7.03.
   ii. [X] Custom.

2b. If G.2a.ii (Custom) is selected, indemnification for the Plan Administrator (and if applicable, the Trustee) is provided pursuant to an Addendum to the Adoption Agreement.

**H. MISCELLANEOUS**

Failure to properly fill out the Adoption Agreement may result in the failure of the Plan to achieve its intended tax consequences and may further result in significant tax penalties.

The Plan shall consist of this Adoption Agreement, its related Basic Plan Document #457B and any related Appendix and Addendum to the Adoption Agreement.

The undersigned agree to be bound by the terms of this Adoption Agreement and Basic Plan Document and acknowledge receipt of same. The Plan Sponsor caused this Plan to be executed this _____ day of ______________, 2016.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY:**

Signature:________________________
Print Name:________________________
Title/Position:______________________
ADDENDUM TO THE ADOPTION AGREEMENT

In addition to any other Employees described in the Adoption Agreement, the Employees listed below shall also be Eligible Employees:

**Jay Czar**

**Terminated employees with an Account Balance in the Plan**

The indemnification for the Plan Administrator (and if applicable, the Trustee) is provided pursuant to the following and not pursuant to section 7.03 of the Basic Plan Document.

**No indemnification is permitted under this Plan**

V2.00-2.00
ADMINISTRATIVE POLICY FOR THE NEW MEXICO MORTGAGE FINANCE AUTHORITY 457(b) PLAN

ADMINISTRATIVE POLICY REGARDING ELIGIBILITY

New Mexico Mortgage Finance Authority (the “Administrator”) adopts this administrative policy in conjunction with the New Mexico Mortgage Finance Authority 457(b) Plan (the “Plan”).

The Plan provides that those listed in the Appendix of the Plan are eligible to participate in the Plan. To determine which employees are eligible to participate in the Plan, MFA and the Plan adopt the following policy:

New Mexico Mortgage Finance Authority will add to the Appendix as an eligible employee for the 457(b) Plan any employee who has in any prior year deferred the maximum deferral amount permitted for that employee under IRC Section 402(g) to the MFA 401(k) Plan and has requested to participate in the 457(b) Plan by completing a 457(b) Plan salary deferral form.

Nothing in this Policy shall limit the Employer’s discretion to change eligibility and add or delete names to the Appendix to the 457(b) Plan.

DATED: ________________, 2016.

NEW MEXICO MORTGAGE FINANCE AUTHORITY

By: ____________________________
    Plan Administrator

Y:\doc\client\87070\0001\PLAN\W2755021.DOCX
NEW MEXICO MORTGAGE FINANCE AUTHORITY
FORMAL RECORD OF ACTION

The following is a formal record of action taken by the governing body of New Mexico Mortgage Finance Authority (the “Company”).

With respect to the amendment and restatement of the New Mexico Mortgage Finance Authority Section 457(b) Plan (the “Plan”), the following resolutions are hereby adopted:

RESOLVED: That the Plan be amended and restated in the form attached hereto, which Plan is hereby adopted and approved;

RESOLVED FURTHER: That the appropriate officers of the Company be, and they hereby are, authorized and directed to execute the Plan on behalf of the Company;

RESOLVED FURTHER: That the officers of the Company be, and they hereby are, authorized and directed to take any and all actions and execute and deliver such documents as they may deem necessary, appropriate or convenient to effect the foregoing resolutions including, without limitation, causing to be prepared and filed such reports, documents or other information as may be required under applicable law.

Dated this ______ day of ______________, 2016.

_________________________________

_________________________________

_________________________________
Tab 3
MEMORANDUM

TO: MFA Board of Directors
Through: Finance Committee – August 9, 2016
Through: Policy Committee – August 2, 2016
FROM: Dolores Deer
DATE: July 28, 2016
SUBJECT: 401(k) and 457 (b) Employee Manual Changes

Recommendation: Staff recommends approval for Employee Manual revisions as it pertains to MFA’s 401(k) and 457 (b) plans.

Background: The request for the 401 (k) and 457(b) Employee Manual revisions is the result of MFA’s 401 (k) Basic Plan Documents being restated as a government plan. The Employee Manual may have additional revisions, which will be reviewed at calendar year end and presented to the Board in January 2017.

Discussion: The language revisions in the Employee Manual allow for direction on how to administer the plan. In addition, it better aligns the Employee Manual with MFA’s Basic Plan Documents.

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<th>Plan Highlights - Governmental plans do not necessitate a Summary Plan Description; in its place we have created a four page document titled Plan Highlights.</th>
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<td>Automatic Deferral Increases – Language has been included to address the 1% auto deferral up to 8%. This language mirrors what is in our 401k Basic Plan Document</td>
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<td>Employer Matching Contribution - True Up language has been clarified and updated to allow MFA to reconcile per pay period or at year end.</td>
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<td>Loans – Interest rate language updated to allow the ability to increase the interest percentage in the future if needed.</td>
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<td>457(b) Deferred Compensation Plan – Eligibility into the plan has been updated to allow all employees to participate in</td>
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the plan so long as they meet the IRC 402(g) limit in any prior year.

Language added to eliminate conflict between the Employee Manual and the Plan Documents.

Summary:
The request for the 401 (k) and 457(b) Employee Manual revisions is the result of MFA's 401 (k) Basic Plan Documents being restated as a government plan. The Employee Manual may have additional revisions, which will be reviewed at calendar year end and presented to the Board in January 2017.
401(k) Retirement Plan
The MFA has adopted a 401(k) Plan to provide eligible employees the opportunity to save for retirement on a tax-advantaged basis. Detailed information concerning the terms and conditions of the 401(k) Plan is contained in the Plan Highlights Summary Plan Description (SPD), which is available from the Human Resources Manager.

Upon meeting the requirements described in the Plan Document described in the SPD, all full-time and part-time employees with benefits who are over age 19 are eligible to participate in the MFA’s 401(k) Plan, starting with the first day of the Plan Year quarter (the 1st of January, April, July, or October) in which eligibility conditions are satisfied. A term employee is eligible if his or her offer letter states the individual is eligible for benefits.

Employee Contributions
Under the 401(k) Plan, eligible employees may elect to reduce their compensation by a specific percentage or dollar amount and have that amount contributed to their retirement account on a pre-tax basis through payroll deductions. Employee contributions are not subject to federal and state income taxes when made and may grow, tax deferred, until paid out, when the contributions will be taxable as ordinary income. All employee contributions are one hundred percent (100%) vested when made. The minimum amount an employee may contribute is three percent (3%) of their compensation, up to an annual dollar limit which is set by law.

Automatic Deferral Increases
Salary deferrals will be automatically increased by 1% every year in January, up to a salary deferral percentage of 8% of compensation. The Participant may opt out of automatic deferral increases by signing on to www.wellsfargo.com and revising the contribution election in their personal 401(k) account.

Employer Matching Contributions
The MFA will make a matching contribution equal to five percent (5%)—of eligible compensation, so long as the Participant is deferring at least 3%—of an eligible employee’s annual taxable compensation for any employee who contributes the required minimum of three percent (3%) of their compensation, up to allowable tax limits to the 401(k) plan under IRC Section 402(g). The MFA’s matching contributions to the employee’s retirement account are made on a biweekly basis.

MFA will true-up for those who deferred the maximum deferral under IRC 402(g), but did not receive Matching Contributions because of the timing of deferrals. Matching Contributions cease because of meeting this 402(g) limit before year end. As chosen by the Employer this true-up can be made on a per pay period basis or at year end. MFA will not give a true-up to a Participant who starts and stops his or her deferrals throughout the year, if they did not make the 3% deferral minimum—each pay period. The MFA’s matching contributions to the employee’s retirement account are made on a biweekly basis.

Automatic Deferral Increases
Increases of 1% up to 8% salary deferral will occur every year in January. The Participant may opt out of automatic deferral increases by signing on to www.wellsfargo.com.

Employer Non-Elective Contributions
The MFA will make a “non-elective” contribution to the 401(k) Plan equal to eleven percent (11%) of the eligible compensation of all Plan participants eligible to share in allocations. The MFA’s non-elective contribution is paid out on a biweekly basis.

Loans
The Plan Documents of the New Mexico Mortgage Finance Authority 401(k) Plan offer the option of an employee taking a loan from his/her retirement account. Any employee thinking about borrowing from his/her 401(k) plan should consider all options carefully. The maximum amount on any one loan is not to exceed the lesser of 50% of the Participant’s account balance or $50,000 and the minimum an employee can borrow is $1,000. An employee may only have one active loan at a time and will have five (5) years to repay a loan with an interest rate set forth in the loan policy; for 2016 it is of prime plus one percent (1%). Prime is defined by the 401(k) Plan Trustee. For additional information, an employee should contact the Human Resources Manager.

Vesting
An employee’s “vested percentage” of the matching and non-elective contributions made to the 401(k) Plan by the MFA is based on “Years of Service.” To earn a “Year of Service,” an employee must be credited with at least one thousand (1,000) hours of service during a Plan Year. An employee’s vested percentage is determined according to the following schedule:

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Vested Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than One Year</td>
<td>0%</td>
</tr>
<tr>
<td>One Year thru Two Years</td>
<td>0%</td>
</tr>
<tr>
<td>Two Years but less than Three</td>
<td>20%</td>
</tr>
<tr>
<td>Three Years but less than Four</td>
<td>50%</td>
</tr>
<tr>
<td>Four Years but less than Five</td>
<td>75%</td>
</tr>
<tr>
<td>Five Years or more</td>
<td>100%</td>
</tr>
</tbody>
</table>

457(b) Deferred Compensation Plan
The MFA also has adopted a 457(b) Plan, which allows eligible employees to set aside money for retirement on a pretax basis by entering into a salary reduction agreement with the MFA. Detailed information concerning the terms and conditions of the 457(b) Plan is available from the Human Resources Manager.

An eligible employee for purposes of the 457(b) Plan means an employee who has made in any prior year, or it is anticipated will have made by the end of the calendar year, a salary reduction contribution to the MFA Employee Pension Trust 401(k) Plan equal to an Applicable Dollar Amount the IRC 402(g) limit established and adjusted as provided in the 457(b) Plan.

- Under the 457(b) Plan: Employees may elect salary reduction amounts up to the IRC 402(g) limits same limits that apply under the 401(k) plan.
- Only employee contributions are allowed unless otherwise stated through Board action.
- All employee contributions in the 457(b) Plan are one hundred percent (100%) vested.

In case of conflict between this Employee Manual or any summary of the 401(k), or 457(b) or Plans or any other benefit plans, and the Plan Documents, the Plan Documents will govern.
Tab 4
MEMORANDUM

TO: MFA Board of Directors

Through: Finance Committee- August 9, 2016

Through: Policy Committee- August 2, 2016

FROM: Heather Abramowski, Program Manager
       Susan Biernacki, Tax Credit Program Manager

DATE: August 17, 2016

SUBJECT: Areas of Statistically Demonstrated Need for 2017 QAP

Recommendation:

Staff recommends approval of the attached Selection Methodology and the attached 2017 Areas of Statistically Demonstrated Need.

Background:

Every year the areas in need of additional rental housing opportunities are identified in the Action Plan and are incorporated into the Selection Criteria of the Housing Tax Credit Qualified Allocation Plan (QAP) as Areas of Statistically Demonstrated Need. Projects located in areas of high need (Tier 1 areas) have been awarded 15 points and areas of medium need (Tier 2 areas) have been awarded 10 points. Staff is proposing a 5 point reduction in points for each of these Tiers.

The selection methodology is set forth in the attached table and generally involves analyzing population growth and vacancy rates. In order for an area to be considered as an Area of Statistically Demonstrated Need, the area must be part of a County or Metropolitan Statistical Area (MSA) with a population greater than 10,000 people. In order for an area to qualify as a Tier 1 area, it must also have population growth greater than the state’s average growth for the past five years (0.72%) and a rental vacancy rate less than the state average (5.05%). In order for an area to qualify as a Tier 2 area, it must have population growth greater than the state’s average growth for the past five years (0.72%) or a rental vacancy rate less than 5.05%. An area identified as an area of need will remain an area of need for a minimum of two years. Consequently, counties
marked with * in the attached chart are areas that remain as areas of need for a second year even though they do not meet criteria in 2017.

Data sources used to compile population, population growth and vacancy rates include the U.S. Census Bureau, as well as vacancy surveys performed by BBER in April, 2016, and the May, 2016 Apartment Market Survey Summary performed by CB Richard Ellis Multi-Housing Group.

Projects on tribal trust lands have been included as Tier 1 Areas of Statistically Demonstrated Need.

**Discussion:**

The areas that qualify as Tier 1 areas (10 points) will include the following eight (8) counties: Bernalillo, Cibola, Eddy, McKinley, Otero, Sandoval, Santa Fe and Taos. Current data for Curry, Eddy, Sandoval and Santa Fe qualify them as a Tier 1 area again this year. Otero County is new to the Tier 1 list as it did not qualify at all last year. Bernalillo and McKinley qualified last year as a Tier 2 area and current data indicates they now qualify as Tier 1. Cibola and Taos remain as Tier 1 based on last year’s data. They will be removed from the list unless next year’s data qualifies these counties.

The areas that qualify as Tier 2 areas (5 points) include the following 16 counties: Chaves, Colfax, Curry, Dona Ana, Grant, Lea, Lincoln, Los Alamos, Luna, Rio Arriba, Roosevelt, San Juan, San Miguel, Socorro, Torrance and Valencia. Current data for Curry, Dona Ana, Lincoln, Los Alamos, Roosevelt, San Miguel, Socorro, Torrance and Valencia indicate they now qualify as Tier 2. Rio Arriba and San Juan remain as Tier 2 based on last year’s data. They will be removed from the list unless they qualify under next year’s data.

**Summary:**

Staff recommends approval of the attached Selection Methodology and the attached 2017 list of Areas of Statistically Demonstrated Need. Upon approval, the 2017 QAP will be updated to include the 2017 Tier 1 and Tier 2 counties.
## APPENDIX A

### 2017 Areas of Statistically Demonstrated Need

<table>
<thead>
<tr>
<th>County</th>
<th>2015 Census Population (a)</th>
<th>2010 Census Population (a)</th>
<th>Population growth (a)</th>
<th>Population Growth &gt; .72% average</th>
<th>Part of MSA or County &gt; 10 K</th>
<th>2016 % Rental Vacancy (b)</th>
<th>Rental Vacancy rate below 5.05%</th>
<th>2016 Determined Need (H = High, M = Medium)</th>
<th>2017 Determined Need (H = High, M = Medium)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bernalillo</td>
<td>676,685</td>
<td>662,564</td>
<td>2.09%</td>
<td>Y</td>
<td>Y</td>
<td>4.6%</td>
<td>Y M H</td>
<td>H</td>
<td></td>
</tr>
<tr>
<td>Catron</td>
<td>3,456</td>
<td>3,725</td>
<td>-7.78%</td>
<td>N</td>
<td>N</td>
<td>-</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Chaves</td>
<td>65,764</td>
<td>65,645</td>
<td>0.18%</td>
<td>N</td>
<td>Y</td>
<td>3.3%</td>
<td>M M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Cibola</td>
<td>27,329</td>
<td>27,213</td>
<td>0.42%</td>
<td>N</td>
<td>Y</td>
<td>9.7%</td>
<td>N H H*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colfax</td>
<td>12,414</td>
<td>13,750</td>
<td>-10.76%</td>
<td>N</td>
<td>Y</td>
<td>4.0%</td>
<td>Y M M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Curry</td>
<td>50,398</td>
<td>48,376</td>
<td>4.01%</td>
<td>Y</td>
<td>Y</td>
<td>5.4%</td>
<td>N H M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>De Baca</td>
<td>1,828</td>
<td>2,022</td>
<td>-10.61%</td>
<td>N</td>
<td>N</td>
<td>-</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Dona Ana</td>
<td>214,295</td>
<td>209,233</td>
<td>2.36%</td>
<td>Y</td>
<td>Y</td>
<td>6.7%</td>
<td>N M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eddy</td>
<td>57,578</td>
<td>53,829</td>
<td>6.51%</td>
<td>Y</td>
<td>Y</td>
<td>3.8%</td>
<td>H H H</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant</td>
<td>28,609</td>
<td>29,514</td>
<td>-3.16%</td>
<td>N</td>
<td>Y</td>
<td>4.0%</td>
<td>Y M M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guadalupe</td>
<td>4,371</td>
<td>4,687</td>
<td>-7.23%</td>
<td>N</td>
<td>N</td>
<td>4.2%</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harding</td>
<td>696</td>
<td>695</td>
<td>0.43%</td>
<td>N</td>
<td>N</td>
<td>-</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Hidalgo</td>
<td>4,423</td>
<td>4,894</td>
<td>-10.65%</td>
<td>N</td>
<td>N</td>
<td>4.2%</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lea</td>
<td>71,180</td>
<td>64,727</td>
<td>9.07%</td>
<td>Y</td>
<td>Y</td>
<td>14.3%</td>
<td>N H M</td>
<td>H</td>
<td></td>
</tr>
<tr>
<td>Lincoln</td>
<td>19,420</td>
<td>20,497</td>
<td>-5.55%</td>
<td>N</td>
<td>Y</td>
<td>4.6%</td>
<td>Y M*</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Los Alamos</td>
<td>17,785</td>
<td>17,950</td>
<td>-0.93%</td>
<td>N</td>
<td>Y</td>
<td>1.3%</td>
<td>Y M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Luna</td>
<td>24,518</td>
<td>25,095</td>
<td>-2.35%</td>
<td>N</td>
<td>Y</td>
<td>4.1%</td>
<td>Y M M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>McKinley</td>
<td>76,708</td>
<td>71,492</td>
<td>6.80%</td>
<td>Y</td>
<td>Y</td>
<td>3.1%</td>
<td>Y M H</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mora</td>
<td>4,596</td>
<td>4,881</td>
<td>-6.20%</td>
<td>N</td>
<td>N</td>
<td>-</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Otero</td>
<td>64,362</td>
<td>63,797</td>
<td>0.88%</td>
<td>Y</td>
<td>Y</td>
<td>3.7%</td>
<td>Y H</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quay</td>
<td>8,455</td>
<td>9,041</td>
<td>-6.93%</td>
<td>N</td>
<td>N</td>
<td>9.7%</td>
<td>N N</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rio Arriba</td>
<td>39,465</td>
<td>40,246</td>
<td>-1.98%</td>
<td>N</td>
<td>Y</td>
<td>5.8%</td>
<td>N M M*</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Roosevelt</td>
<td>19,120</td>
<td>19,846</td>
<td>-3.80%</td>
<td>N</td>
<td>N</td>
<td>3.7%</td>
<td>Y M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sandoval**</td>
<td>139,394</td>
<td>131,561</td>
<td>5.62%</td>
<td>Y</td>
<td>Y</td>
<td>2.8%</td>
<td>Y H H</td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Juan</td>
<td>118,737</td>
<td>130,044</td>
<td>-9.52%</td>
<td>N</td>
<td>Y</td>
<td>8.0%</td>
<td>N M M*</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>San Miguel</td>
<td>27,967</td>
<td>29,393</td>
<td>-5.10%</td>
<td>N</td>
<td>Y</td>
<td>2.1%</td>
<td>Y M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Santa Fe</td>
<td>148,686</td>
<td>144,170</td>
<td>3.04%</td>
<td>Y</td>
<td>Y</td>
<td>2.7%</td>
<td>Y H H</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sierra</td>
<td>11,282</td>
<td>11,988</td>
<td>-6.26%</td>
<td>N</td>
<td>Y</td>
<td>9.7%</td>
<td>N</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Socorro</td>
<td>17,256</td>
<td>17,866</td>
<td>-3.54%</td>
<td>N</td>
<td>Y</td>
<td>1.7%</td>
<td>Y M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taos</td>
<td>32,907</td>
<td>32,937</td>
<td>-0.09%</td>
<td>N</td>
<td>Y</td>
<td>5.8%</td>
<td>N H H*</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Torrance</td>
<td>15,485</td>
<td>16,383</td>
<td>-5.80%</td>
<td>N</td>
<td>Y</td>
<td>4.2%</td>
<td>Y M*</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Union</td>
<td>4,201</td>
<td>4,549</td>
<td>-8.28%</td>
<td>N</td>
<td>N</td>
<td>4.2%</td>
<td>Y</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valencia</td>
<td>75,737</td>
<td>76,569</td>
<td>-1.10%</td>
<td>N</td>
<td>Y</td>
<td>4.9%</td>
<td>Y M</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Tier 1 - High

**Remains on list for second year**

**Vacancy rate for Sandoval County is an average of Rio Rancho (3.5%) and Sandoval (2.2%) data**

**Counties combined due to limited number of affordable housing developments**

N/A - Data not reported

**Sources:**

(a) U.S. Census Bureau, Annual Estimates of the Resident Population for New Mexico: April 1, 2010 to July 1, 2015 (PEPANNRES)

(b) Vacancy Surveys: (1) Performed by BBER April, 2016, (2) Apartment Market Survey Summary, May 2016, CB Richard Ellis Multi-Housing Group
# 2017 Areas of Statistically Demonstrated Need

## Selection Methodology

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>Tier 2</th>
</tr>
</thead>
</table>
| 1) County or MSA with a population greater than 10,000; **and**  
2) Growth rate greater than State average for last five years (0.72%); **and**  
3) Vacancy rate below State average (5.05%). | 1) County or MSA with a population greater than 10,000; **and**  
2) Growth rate greater than State average for last five years (0.72%); **or**  
3) Vacancy rate below State average (5.05%). |

**Tier 1 Counties:** Bernalillo, Cibola, Eddy, McKinley, Otero, Sandoval, Santa Fe and Taos.

**Tier 2 Counties:** Chaves, Colfax, Curry, Dona Ana, Grant, Lea, Lincoln, Los Alamos, Luna, Rio Arriba, Roosevelt, San Juan, San Miguel, Socorro, Torrance and Valencia

An area identified as an area of need will remain an area of need for a minimum of two years. Counties marked with * are areas that remain as areas of need for a second year even though they do not meet criteria in the current year.
Tab 5
New Mexico Mortgage Finance Authority

Combined Financial Statements
and Schedules

June 30, 2016
SUMMARY OF NEW BOND ISSUES:
Single Family Issues:  
- $21.2 mm 2015 Series E Bonds-Refunding (December)
- $40.0 mm 2016 Series A Bonds-New Money (April)
- $22.8 mm 2016 Series A Bonds-Refunding (April)

Multi-family issue:  
- $8.8 mm Dona Ana Apartment Projects (April)

COMPARATIVE YEAR-TO-DATE FIGURES:

<table>
<thead>
<tr>
<th></th>
<th>9 months 6/30/16 YTD</th>
<th>9 months 6/30/15 YTD</th>
<th>% Change Year / Year</th>
<th>Forecast 6/30/16 YTD</th>
<th>Actual to Forecast</th>
<th>Forecast/Target 9/30/16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRODUCTION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Single family issues (new money):</td>
<td>$40.0</td>
<td>$35.0</td>
<td>14.3%</td>
<td>$35.0</td>
<td>14.3%</td>
<td>$40.0</td>
</tr>
<tr>
<td>2 Single family loans sold (TBA):</td>
<td>$171.8</td>
<td>$70.3</td>
<td>144.4%</td>
<td>$157.5</td>
<td>9.1%</td>
<td>$210.0</td>
</tr>
<tr>
<td>3 Multifamily issues:</td>
<td>$8.8</td>
<td>$11.0</td>
<td>-20.0%</td>
<td>$0.0</td>
<td>N/A</td>
<td>$0.0</td>
</tr>
<tr>
<td>4 Payoffs:</td>
<td>$53.2</td>
<td>$61.9</td>
<td>-14.1%</td>
<td>$53.9</td>
<td>-1.3%</td>
<td>$71.9</td>
</tr>
<tr>
<td><strong>BALANCE SHEET</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Avg. earning assets:</td>
<td>$950.8</td>
<td>$1,008.0</td>
<td>-5.7%</td>
<td>$934.8</td>
<td>1.7%</td>
<td>$941.8</td>
</tr>
<tr>
<td>6 General Fund Cash and Securities:</td>
<td>$78.3</td>
<td>$76.5</td>
<td>2.4%</td>
<td>$73.4</td>
<td>6.7%</td>
<td>$73.4</td>
</tr>
<tr>
<td>7 General Fund SIC FMV Adj.:</td>
<td>$0.6</td>
<td>$0.2</td>
<td>200.0%</td>
<td>$0.00</td>
<td>N/A</td>
<td>$0.00</td>
</tr>
<tr>
<td>8 Total bonds outstanding:</td>
<td>$731.4</td>
<td>$784.4</td>
<td>-6.8%</td>
<td>$699.3</td>
<td>4.6%</td>
<td>$691.1</td>
</tr>
<tr>
<td><strong>INCOME STATEMENT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 General Fund expenses:</td>
<td>$6.5</td>
<td>$6.3</td>
<td>3.2%</td>
<td>$9.1</td>
<td>-28.6%</td>
<td>$12.1</td>
</tr>
<tr>
<td>10 General Fund revenues:</td>
<td>$12.6</td>
<td>$10.7</td>
<td>17.8%</td>
<td>$11.0</td>
<td>14.5%</td>
<td>$14.7</td>
</tr>
<tr>
<td>11 Combined excess revenue over expenses:</td>
<td>$6.8</td>
<td>$5.7</td>
<td>19.3%</td>
<td>$4.9</td>
<td>38.5%</td>
<td>$6.0</td>
</tr>
<tr>
<td>12 Combined net position:</td>
<td>$209.7</td>
<td>$203.8</td>
<td>2.9%</td>
<td>$207.8</td>
<td>0.9%</td>
<td>$209.0</td>
</tr>
<tr>
<td>13 Combined return on avg. earning assets:</td>
<td>0.87%</td>
<td>0.69%</td>
<td>26.1%</td>
<td>0.64%</td>
<td>35.5%</td>
<td>0.64%</td>
</tr>
<tr>
<td>14 Net TBA profitability:</td>
<td>1.67%</td>
<td>2.39%</td>
<td>-30.1%</td>
<td>1.15%</td>
<td>45.2%</td>
<td>1.15%</td>
</tr>
<tr>
<td>15 Combined interest margin:</td>
<td>0.78%</td>
<td>0.63%</td>
<td>23.8%</td>
<td>0.72%</td>
<td>8.3%</td>
<td>0.72%</td>
</tr>
<tr>
<td><strong>MOODY'S BENCHMARKS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 Net Asset to debt ratio (5-yr avg):</td>
<td>23.27%</td>
<td>20.21%</td>
<td>15%</td>
<td>23.72%</td>
<td>-2%</td>
<td>23.72%</td>
</tr>
<tr>
<td>17 Net rev as a % of total rev (5-yr avg):</td>
<td>7.82%</td>
<td>6.12%</td>
<td>28%</td>
<td>7.43%</td>
<td>5%</td>
<td>7.71%</td>
</tr>
</tbody>
</table>

Legend: Positive Impact, Negative Impact, Caution/Known Trend
NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the nine-month period ended June 30, 2016

MONTHLY FINANCIAL TRENDS & VARIANCES:
None noted. Staff did update the comparative year-to-date forecast information. Primary changes include updating assumptions based on 3/31/16 actuals, Single family production assumptions to $250mm based on current activity and financial data for servicing implementation effective June 1st.

CURRENT YEAR FINANCIAL TRENDS & VARIANCES:
► Still continue to see significant volatility in relation to valuations for interest rate sensitive investments which impact non-operating income (i.e. General Fund State Investment Council (SIC) investments & Mortgage Backed Securities (MBS)). General Fund SIC fair market adjustments have ranged from a YTD ($514k) loss in February to a YTD $588k gain in June.
► Our initial FY16 estimates anticipated continued improvement in the interest rate environment and economy in general providing higher investment yields and potential for bond issuance for both the single and multifamily programs which will help stabilize the balance sheet. While we have seen improvement in the US economy and housing market, interest rates have stagnated and even recently taken a downturn, staff has had to closely monitor and manage all interest rate sensitive assets and activities taking advantage of market opportunities when appropriate.
► Growth in our portfolio of Single family program loans and mortgage backed securities has shown a decrease of (5.1%) since the beginning of the fiscal year. Year-to-date (9 months) increase in total assets is .4%. Growth in assets is estimated to be a (3.2%) decrease this fiscal year as it is still assumed prepayments will exceed new assets as MFA utilizes the secondary market to fund the Single Family Mortgage Program as needed based on market conditions. In this funding execution, MFA does not issue debt to fund the program but instead the mortgage backed securities are sold to investors.
► Due to unanticipated demand in the Single Family Mortgage Program, TBA transactions fees exceed the YTD budget by approximately $850k or 55% (net of Servicing Rights Fees).
► Positive expenditure budget variances are primarily related to unspent budget related to the delay in servicing expansion, vacancy savings and timing of expenditures.
► Credit risk remains stable. Year-to-date (9 months) MFA has written off 98 DPA loans totaling approximately $513k. In April the loan loss reserve was increased by approximately $220,000 to accommodate fluctuations in portfolio balances and to increase the special reserve for DPA loans with first mortgages in foreclosure based on updated data. That special reserve increased from $1.2 mm to $1.3 mm. Staff continues to implement the non-performing loan policy approved in January which will result in approximately $301,000 (59 loans) of DPA loan write-offs during the course of the fiscal year.
► Based on Moody’s issuer credit rating scorecard, MFA’s 23.27% net asset ratio (5-year average), which measures balance sheet strength, indicates a strong and growing level of resources for maintaining HFA’s creditworthiness under stressful circumstances (> 20%). The net revenue as a percent of total revenue measures performance and profitability and MFA’s 7.82% ratio (5-year average) points to a satisfactory profitability with consistent trends (5%-10% range).
MONTHLY FINANCIAL GRAPHS

Assets Under Management as of 9/30/2016
($ in thousands)

Yield Targets 9/30/2016

(1) Weatherization Assistance Programs; Emergency Shelter Grant; State Homeless; Housing Opportunities for People With Aids; NM State Tax Credit; Governor’s Innovations; EnergySaver; Tax Credit Assistance Program; Tax Credit Exchange; Neighborhood Stabilization Program; Section 811 PRA; Homeownership Preservation Program (2) NM Affordable Housing Charitable Trust Fund; Land Title Trust Fund; Housing Trust Fund
New Mexico Mortgage Finance Authority

Effect of GASB31 on Financials
($ in millions)

GASB 31 Changes in Fair Value of Assets
2011-2016

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>12/31/15</th>
<th>3/31/16</th>
<th>6/30/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions</td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>20</td>
<td>10</td>
<td>-</td>
<td>10</td>
<td>20</td>
</tr>
</tbody>
</table>

MFA Income With and Without GASB 31 Adjustment, 2011 - 2016

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>12/31/15</th>
<th>3/31/16</th>
<th>6/30/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions</td>
<td>30</td>
<td>20</td>
<td>10</td>
<td>-</td>
<td>10</td>
<td>-</td>
<td>10</td>
<td>20</td>
</tr>
</tbody>
</table>

Income with GASB 31 | Income without GASB 31
### New Mexico Mortgage Finance Authority
#### Combined Statement of Net Position
#### June 30, 2016
#### (Thousands of Dollars)

<table>
<thead>
<tr>
<th>ASSETS: CURRENT ASSETS:</th>
<th>YTD 6/30/16</th>
<th>YTD 6/30/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH &amp; CASH EQUIVALENTS</td>
<td>29,096</td>
<td>28,934</td>
</tr>
<tr>
<td>RESTRICTED CASH HELD IN ESCROW</td>
<td>9,832</td>
<td>-</td>
</tr>
<tr>
<td>SHORT-TERM INVESTMENTS</td>
<td>-</td>
<td>282</td>
</tr>
<tr>
<td>ACCRUED INTEREST RECEIVABLE</td>
<td>3,236</td>
<td>3,752</td>
</tr>
<tr>
<td>MORTGAGE PAYMENT CLEARING</td>
<td>95</td>
<td>83</td>
</tr>
<tr>
<td>OTHER CURRENT ASSETS</td>
<td>1,612</td>
<td>1,296</td>
</tr>
<tr>
<td>ADMINISTRATIVE FEES RECEIVABLE (PAYABLE)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>INTER-FUND RECEIVABLE (PAYABLE)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td><strong>43,871</strong></td>
<td><strong>34,347</strong></td>
</tr>
</tbody>
</table>

| CASH - RESTRICTED | 53,735 | 59,797 |
| LONG-TERM & RESTRICTED INVESTMENTS | 60,967 | 62,743 |
| INVESTMENTS IN RESERVE FUNDS | 8 | - |
| FNMA, GNMA, & FHLMC SECURITIZED MORTG. LOANS | 609,034 | 665,717 |
| MORTGAGE LOANS RECEIVABLE | 201,669 | 185,400 |
| ALLOWANCE FOR LOAN LOSSES | (2,566) | (2,387) |
| FIXED ASSETS, NET OF ACCUM. DEPN | 989 | 1,035 |
| OTHER REAL ESTATE OWNED, NET | 467 | 553 |
| OTHER NON-CURRENT ASSETS | 49 | - |
| INTANGIBLE ASSETS | 60 | 75 |
| **TOTAL ASSETS** | **968,283** | **1,007,279** |

<table>
<thead>
<tr>
<th>DEFERRED OUTFLOWS OF RESOURCES</th>
<th>YTD 6/30/16</th>
<th>YTD 6/30/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>REFUNDINGS OF DEBT</td>
<td>944</td>
<td>1,177</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</strong></td>
<td><strong>969,226</strong></td>
<td><strong>1,008,456</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET POSITION:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES: CURRENT LIABILITIES:</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCRUED INTEREST PAYABLE</td>
</tr>
<tr>
<td>ACCOUNTS PAYABLE AND ACCRUED EXPENSES</td>
</tr>
<tr>
<td>ESCROW DEPOSITS &amp; RESERVES</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
</tr>
</tbody>
</table>

| BONDS PAYABLE, NET OF UNAMORTIZED DISCOUNT | 731,368 | 784,374 |
| MORTGAGE & NOTES PAYABLE | 4,330 | 3,500 |
| ACCRUED ARBITRAGE REBATE | 51 | 85 |
| OTHER LIABILITIES | 250 | 245 |
| **TOTAL LIABILITIES** | **759,497** | **804,641** |

<table>
<thead>
<tr>
<th>NET POSITION:</th>
</tr>
</thead>
<tbody>
<tr>
<td>INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT</td>
</tr>
<tr>
<td>UNAPPROPRIATED NET POSITION (NOTE 1)</td>
</tr>
<tr>
<td>APPROPRIATED NET POSITION (NOTE 1)</td>
</tr>
<tr>
<td><strong>TOTAL NET POSITION</strong></td>
</tr>
</tbody>
</table>

<p>| TOTAL LIABILITIES &amp; NET POSITION | <strong>969,226</strong> | <strong>1,008,456</strong> |</p>
<table>
<thead>
<tr>
<th>Description</th>
<th>YTD 6/30/16</th>
<th>YTD 6/30/15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INTEREST ON LOANS</td>
<td>$26,107</td>
<td>$28,292</td>
</tr>
<tr>
<td>INTEREST ON INVESTMENTS &amp; SECURITIES</td>
<td>2,015</td>
<td>2,141</td>
</tr>
<tr>
<td>LOAN &amp; COMMITMENT FEES</td>
<td>373</td>
<td>424</td>
</tr>
<tr>
<td>ADMINISTRATIVE FEE INCOME (EXP)</td>
<td>4,848</td>
<td>3,726</td>
</tr>
<tr>
<td>RTC, RISK SHARING &amp; GUARANTY INCOME</td>
<td>96</td>
<td>169</td>
</tr>
<tr>
<td>HOUSING PROGRAM INCOME</td>
<td>1,027</td>
<td>1,040</td>
</tr>
<tr>
<td>LOAN SERVICING INCOME</td>
<td>(344)</td>
<td>(87)</td>
</tr>
<tr>
<td>OTHER OPERATING INCOME</td>
<td>232</td>
<td>1</td>
</tr>
<tr>
<td><strong>SUBTOTAL OPERATING REVENUES</strong></td>
<td>34,354</td>
<td>35,705</td>
</tr>
<tr>
<td><strong>NON-OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARBITRAGE REBATE INCOME (EXPENSE)</td>
<td>38</td>
<td>-</td>
</tr>
<tr>
<td>GAIN(LOSS) ASSET SALES/DEBT EXTINGUISHMENT</td>
<td>697</td>
<td>108</td>
</tr>
<tr>
<td>OTHER NON-OPERATING INCOME</td>
<td>7</td>
<td>31</td>
</tr>
<tr>
<td>GRANT AWARD INCOME</td>
<td>31,340</td>
<td>33,840</td>
</tr>
<tr>
<td><strong>SUBTOTAL NON-OPERATING REVENUES</strong></td>
<td>32,082</td>
<td>33,978</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>66,436</td>
<td>69,684</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADMINISTRATIVE EXPENSES</td>
<td>5,712</td>
<td>5,557</td>
</tr>
<tr>
<td>INTEREST EXPENSE</td>
<td>22,588</td>
<td>25,702</td>
</tr>
<tr>
<td>AMORTIZATION OF BOND/NOTE PREMIUM(DISCOUNT)</td>
<td>(1,811)</td>
<td>(2,315)</td>
</tr>
<tr>
<td>PROVISION FOR LOAN LOSSES</td>
<td>404</td>
<td>276</td>
</tr>
<tr>
<td>MORTGAGE LOAN &amp; BOND INSURANCE</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TRUSTEE FEES</td>
<td>64</td>
<td>68</td>
</tr>
<tr>
<td>AMORT. OF SERV. RIGHTS &amp; DEPRECIATION</td>
<td>100</td>
<td>107</td>
</tr>
<tr>
<td>AMORTIZATION OF BOND ISSUANCE COSTS</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>BOND COST OF ISSUANCE</td>
<td>886</td>
<td>780</td>
</tr>
<tr>
<td><strong>SUBTOTAL OPERATING EXPENSES</strong></td>
<td>27,944</td>
<td>30,175</td>
</tr>
<tr>
<td><strong>NON-OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAPACITY BUILDING COSTS</td>
<td>280</td>
<td>501</td>
</tr>
<tr>
<td>GRANT AWARD EXPENSE</td>
<td>31,420</td>
<td>33,325</td>
</tr>
<tr>
<td><strong>SUBTOTAL NON-OPERATING EXPENSES</strong></td>
<td>31,700</td>
<td>33,826</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>59,645</td>
<td>64,001</td>
</tr>
<tr>
<td><strong>EXCESS REVENUES OVER EXPENSES</strong></td>
<td>6,791</td>
<td>5,683</td>
</tr>
<tr>
<td>OTHER FINANCING SOURCES (USES)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES AND OTHER FINANCING SOURCES (USES)</strong></td>
<td>6,791</td>
<td>5,683</td>
</tr>
<tr>
<td><strong>NET POSITION AT BEGINNING OF YEAR</strong></td>
<td>202,938</td>
<td>198,133</td>
</tr>
<tr>
<td><strong>NET POSITION AT 6/30/2016</strong></td>
<td>209,729</td>
<td>203,815</td>
</tr>
</tbody>
</table>
NOTES TO FINANCIAL STATEMENTS
(For Informational Purposes Only)
(Thousands of Dollars)

(Note 1) MFA Net Position as of June 30, 2016:

UNAPPROPRIATED NET POSITION:

$ 36,760 is held by Bond Program Trustees and is pledged to secure repayment of the Bonds.
$ 27,128 is held in Trust for the NM Housing Trust Fund and the NM Land Title Trust Fund.
$ 57 held for New Mexico Affordable Housing Charitable Trust.
$ 63,945 Total unappropriated Net Position

APPROPRIATED NET POSITION: GENERAL FUND

By actions of the Board of Directors on various dates, General Fund net assets have been appropriated as follows:

$ 92,081 for use in the Housing Opportunity Fund ($70,506 in loans plus $21,574 unfunded, of which $10,277 is committed).
$ 25,026 for future use in Single Family & Multi-Family housing programs.
$ 10,629 for loss exposure on Risk Sharing loans.
$ 989 invested in capital assets, net of related debt.
$ 5,661 for the future General Fund Operating Budget Y E 9/30/16 ($12,157 total budget less $6,496 expended budget through 06/30/16.)

$ 134,386 Subtotal - General Fund

APPROPRIATED NET POSITION: HOUSING

By actions of the Board of Directors on December 7, 1999, Housing assets have been appropriated as follows:

$ 11,399 for use in the federal and state housing programs administered by MFA.
$ 11,399 Subtotal - Housing Program
$ 145,785 Total appropriated Net Position
$ 209,729 Total combined Net Position at June 30, 2016

Total combined Net Position, or reserves, at June 30, 2016 was $209.7 million, of which $63.9 million was pledged to the bond programs, Affordable Housing Charitable Trust and fiduciary trusts. $145.8 million of available reserves, with $78.3 million primarily liquid in the General Fund and in the federal and state Housing programs and $67.5 million illiquid in the programs of the General Fund, have been

- for use in existing and future programs
- for coverage of loss exposure in existing programs, and
- for support of operations necessary to carry out the programs.

MFA's general plan for bond program reserves as they may become available to MFA over the next 30 years is to use the reserves for future programs, loss exposure coverage, and operations.
<table>
<thead>
<tr>
<th></th>
<th>ONE MONTH</th>
<th>YEAR TO DATE</th>
<th>UNDER/(OVER)</th>
<th>ANNUAL</th>
<th>UNDER/(OVER)</th>
<th>EXPENDED</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ACTUAL</td>
<td>ACTUAL PRO RATA</td>
<td>YTD</td>
<td>BUDGET</td>
<td>BUDGET</td>
<td>ANNUAL BUDGET</td>
<td></td>
</tr>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPERATING REVENUES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INTEREST INCOME</td>
<td>442,655</td>
<td>4,109,532</td>
<td>4,637,065</td>
<td>527,533</td>
<td>6,182,753</td>
<td>2,073,221</td>
<td>66.47%</td>
</tr>
<tr>
<td>ADMIN INCOME</td>
<td>733,280</td>
<td>6,859,490</td>
<td>5,583,609</td>
<td>(1,275,881)</td>
<td>7,444,812</td>
<td>585,322</td>
<td>92.14%</td>
</tr>
<tr>
<td>OTHER OPERATING INCOME</td>
<td>388,742</td>
<td>1,053,893</td>
<td>771,553</td>
<td>(282,341)</td>
<td>1,028,737</td>
<td>(25,156)</td>
<td>102.45%</td>
</tr>
<tr>
<td>SUBTOTAL OPERATING REVENUES</td>
<td>1,564,677</td>
<td>12,022,915</td>
<td>10,992,227</td>
<td>(1,030,688)</td>
<td>14,656,302</td>
<td>2,633,387</td>
<td>82.03%</td>
</tr>
<tr>
<td>NON-OPERATING REVENUES</td>
<td>76,393</td>
<td>574,003</td>
<td>75</td>
<td>(573,928)</td>
<td>100</td>
<td>(573,903)</td>
<td>574003.46%</td>
</tr>
<tr>
<td>TOTAL REVENUES</td>
<td>1,641,069</td>
<td>12,596,918</td>
<td>10,992,302</td>
<td>(1,604,617)</td>
<td>14,656,402</td>
<td>2,059,484</td>
<td>85.95%</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPERATING EXPENSES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMPENSATION</td>
<td>436,029</td>
<td>3,956,213</td>
<td>4,581,086</td>
<td>624,873</td>
<td>6,161,859</td>
<td>2,205,646</td>
<td>64.20%</td>
</tr>
<tr>
<td>TRAVEL &amp; PUBLIC INFO</td>
<td>27,109</td>
<td>215,499</td>
<td>321,194</td>
<td>105,696</td>
<td>428,259</td>
<td>212,760</td>
<td>50.32%</td>
</tr>
<tr>
<td>OFFICE EXPENSES</td>
<td>108,535</td>
<td>589,048</td>
<td>604,072</td>
<td>15,024</td>
<td>805,429</td>
<td>216,381</td>
<td>73.13%</td>
</tr>
<tr>
<td>OTHER OPERATING EXPENSES</td>
<td>60,084</td>
<td>869,165</td>
<td>1,057,892</td>
<td>188,726</td>
<td>1,410,522</td>
<td>541,357</td>
<td>61.62%</td>
</tr>
<tr>
<td>SUBTOTAL OPERATING EXPENSES</td>
<td>631,757</td>
<td>5,629,925</td>
<td>6,564,244</td>
<td>934,319</td>
<td>8,806,069</td>
<td>3,176,144</td>
<td>63.93%</td>
</tr>
<tr>
<td>NON-OPERATING EXPENSES</td>
<td>30,234</td>
<td>280,406</td>
<td>899,156</td>
<td>618,750</td>
<td>1,198,875</td>
<td>918,469</td>
<td>23.39%</td>
</tr>
<tr>
<td>SUBTOTAL OPERATING &amp; NON-OPERATING EXPENSES</td>
<td>661,991</td>
<td>5,910,331</td>
<td>7,463,400</td>
<td>1,553,069</td>
<td>10,004,944</td>
<td>4,094,613</td>
<td>59.07%</td>
</tr>
<tr>
<td>SERVICING &amp; CAPITAL OUTLAY</td>
<td>23,006</td>
<td>135,477</td>
<td>1,082,244</td>
<td>946,767</td>
<td>1,447,625</td>
<td>1,312,148</td>
<td>9.36%</td>
</tr>
<tr>
<td>NON-CASH ITEMS</td>
<td>88,661</td>
<td>450,315</td>
<td>528,518</td>
<td>78,202</td>
<td>704,690</td>
<td>254,375</td>
<td>63.90%</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>773,658</td>
<td>6,496,124</td>
<td>9,074,161</td>
<td>2,578,037</td>
<td>12,157,259</td>
<td>5,661,135</td>
<td>53.43%</td>
</tr>
<tr>
<td>EXCESS REVENUE OVER EXPENSES</td>
<td>867,411</td>
<td>6,100,794</td>
<td>6,198,140</td>
<td>4,182,654</td>
<td>2,499,143</td>
<td>3,601,651</td>
<td>-44.12%</td>
</tr>
<tr>
<td>LESS CAPITALIZED ASSETS</td>
<td>78,431</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>28%</td>
</tr>
<tr>
<td>TOTAL EXPENSES LESS CAPITALIZED ASSETS</td>
<td>6,179,225</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Tab 6
For reference:

Minutes of the May 10, 2016 investment discussion during the Finance Committee meeting.

For discussion:

Quarterly Investment Review of MFA General Fund investments
   ~ Diversification and Asset Allocation Strategies – LGIP, bond ladder and SIC Investment Funds
   ~ Market values and portfolio yield
   ~ Economic outlook
   ~ Liquidity needs
      Review of General Fund cash flow projections
New Mexico Mortgage Finance Authority
Minutes of Quarterly Investment Review
(Taking place during the Finance Committee August 9, 2016)

Present: Chair Steven Smith and Member Dennis Burt
Participating by Telephone: Lt. Governor Proxy, Vince Torres
MFA Staff Present: Jay Czar, Gina Hickman, Isidoro Hernandez, Yvonne Segovia and Kathy Sysak-Keeler

Quarterly Review of MFA General Fund investments:

- Review of Diversification and Asset Allocation Strategies: Keeler reminded the Committee that information is being reported as of June 30, 2016 which is subsequent to the Board adopting the revision to the Investment Policy. Keeler reviewed the investment asset classes, balances, investment policy targets and ranges for each investment class. The asset allocation for the SIC investments is targeted at 80% to the Core Plus Bonds Pool and 20% to the Large Cap Index Pool. As of June 30, 2016, the allocations were 78% in Core Plus Bonds Pool and 22% in the Large Cap Index Pool which is within target range.

- Market values and portfolio yield: Keeler informed the Committee that as of June 30, 2016, MFA had approximately $8.5 million invested in the LGIP (short-term investment) and cash held in depositories/warehoused securities of $19.4 million.

  She went on to explain that intermediate investments are comprised of approximately $10 million in the bond ladder and $12.7 million of mortgage backed securities for a total of approximately $22.7 million of intermediate term investments. Investments in the State Investment Council (“SIC”) Pools which are long-term investments totaled approximately $28.1 million.

  Keeler reviewed a series of graphs and charts with the Committee outlining the market value, yield and/or rate of return of the LGIP, bond ladder, mortgage backed securities and SIC funds. The average rate of return for the SIC funds combined is 7.04% for the first three quarters of FY 2016. As of June 30, 2016, the yield on the LGIP is 0.39%, the yield to maturity on the mortgage backed securities is 5.39%, and the yield on the bond ladder is 1.25%.

- Benchmark: Barclays US Agency Index Yield to Maturity is 0.90% for a portfolio with an average maturity of 1-3 years and for a portfolio of 1-5 years the yield to maturity is 1.08% as of June 30, 2016. MFA’s bond ladder has an average maturity of 35 months and the average yield to maturity of 1.25% as of June 30, 2016.

- Housing Trust Fund: Keeler also reviewed the Housing Trust Fund which is invested 100% in the Core Plus Bonds Pool. She also pointed out RV Kuhns reported a calendar year to date return of 3.21% on those funds as of March 31, 2016 the latest date for which information is available.

- Liquidity needs: Keeler reviewed the Statement of Cash Flows which indicated that the actual ending cash and securities balance for June 30, 2016 was $89.2 million. Over the next two fiscal years, ending cash and securities balances are estimated to be between $85 million to $87 million.
New Mexico Mortgage Finance Authority
Minutes of Quarterly Investment Review
(Taking place during the Finance Committee May 10, 2016)

Present: Chair Steven Smith and Member Dennis Burt
Participating by Telephone: Lt. Governor Proxy, Mark Van Dyke
MFA Staff Present: Jay Czar, Gina Hickman, Isidoro Hernandez, Yvonne Segovia and Kathy Sysak-Keeler

Quarterly Review of MFA General Fund investments:

- Review of Diversification and Asset Allocation Strategies: Keeler reminded the Committee that information is being report as of March 31, 2016 which is prior to the time that the Board adopted the new investment policy. She then reviewed MFA’s investment strategy and fund balances. Operating funds are invested in the Local Government Investment Pool (“LGIP”) and the MFA warehouse facility for the single family program, both of which are short-term investments. The warehouse facility will only have a balance when loans are actually being warehoused which was not the case on March 31, 2016. The bond ladder and mortgage backed securities are intermediate term investments and long term investments are split between the Core Plus Bonds Pool and the Large Cap Index Pool of the State Investment Council (“SIC”). The asset allocation for the SIC investment is targeted at 80% to the Core Plus Bonds Pool and 20% to the Large Cap Index Pool. As of March 31, 2016, the allocations were 78% in Core Plus Bonds Pool and 22% in the Large Cap Index Pool which is within target range.

- Market values and portfolio yield: Keeler informed the Committee that as of March 31, 2016, MFA had approximately $8.6 million invested in the LGIP (short-term investment) and no investments in the Warehouse. Both of these investments are within investment policy ranges.

She went on to explain that intermediate investments are comprised of approximately $9 million in the bond ladder and $13.2 million of mortgage backed securities for a total of approximately $22.2 million of intermediate term investments which is within the Investment Policy range. Investments in the State Investment Council (“SIC”) Pools which are long-term investments totaled approximately $27.3 million.

Keeler reviewed a series of graphs and charts with the Committee outlining the market value, yield and/or rate of return of the LGIP, bond ladder, mortgage backed securities and SIC funds. The average rate of return for the SIC funds combined is 4.02% for the first two quarters of FY 2016. As of March 31, 2016, the yield on the LGIP is 0.37%, the yield to maturity on the mortgage backed securities is 5.39%, and the yield on the bond ladder is 1.25%.

- Benchmark: Barclays US Agency Index Yield to Maturity is 1.08% for a portfolio with an average maturity of 1-3 years and for a portfolio of 1-5 years the yield to maturity is 1.27% as of March 31, 2016. MFA’s bond ladder has an average maturity of 38 months and the average yield to maturity of 1.25% as of March 31, 2016.

- Housing Trust Fund: Keeler also reviewed the Housing Trust Fund which is invested 100% in the Core Plus Bonds Pool. She also pointed out RV Kuhns reported a calendar year to date return of -0.58% on those funds as of December 31, 2015 the latest date for which information is available.

- Economic outlook: Keeler highlighted a study prepared by Brooks Pearsall Zantow LLC regarding the housing market in the greater Albuquerque area.

- Liquidity needs: Keeler reviewed the Statement of Cash Flows which indicated that the actual ending cash and securities balance for March 31, 2016 was $88.1 million. Over the next two fiscal years, ending cash and securities balances are estimated to be between $82 million to $85 million.
At the Board meeting in August 2005, the Board decided to go with Option 2. Reconfirmed at the April 2016 Board meeting.

On April 30, 2012, MFA's assets in the Large Cap Active-ETF Pool were transferred to the Large Cap Index Pool since the Large Cap Active ETF Pool was dissolved.

Most Recent Performance Report*

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Current Year to Date</th>
<th>1 Year Ending</th>
<th>3 Years Ending</th>
<th>5 Years Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFA General Fund</td>
<td>2.76%</td>
<td>2.76%</td>
<td>0.73%</td>
<td>4.31%</td>
</tr>
<tr>
<td>Total Fund Benchmark</td>
<td>2.75%</td>
<td>2.75%</td>
<td>1.65%</td>
<td>4.21%</td>
</tr>
</tbody>
</table>

Source: New Mexico State Investment Council

*Performance shown is gross of fees.

---

* Core Bonds Pool: seeks to exceed returns of the Barclays US Aggregate Bond Index through active external management using complementary core-plus strategies. The Core Bonds Pool name has changed to Core Plus Bonds Pool.

** US Large Cap Index Pool: seeks to generate returns similar to the Russell 1000 index, at a very low cost.

*** On April 30, 2012, MFA's assets in the Large Cap Active-ETF Pool were transferred to the Large Cap Index Pool since the Large Cap Active ETF Pool was dissolved.

---

**LONG-TERM INVESTMENTS**

100% to Core Bonds Pool*

Allocation

Option 1

Option 2

20% to Large Cap Index Pool**

As of 6/30/2016=$28.1 million
Core Plus Bond Active: $21.9 million
Large Cap Index: $6.2 million
(Core Plus Bond:
Investment Policy Target: 80%
Investment Policy Range: $10-$25 million
Large Cap Index:
Investment Policy Target: 20%
Investment Policy Range: $1-$9 million)

---

**SHORT TERM INVESTMENTS**

LGIP -- Target $5 million
Total as of 6/30/2016=$27.9 million
LGIP = $8.5 million
Cash Held in Depositories/Warehoused Securities = $19.4 million
(LGIP:
Investment Policy Target: $5 million
Investment Policy Range: $3-$7 million
Depositories/Warehoused Securities:
Investment Policy Target: $18 million
Investment Policy Range: $15-$22 million)

---

**INTERMEDIATE TERM INVESTMENTS**

Option 2

As of 6/30/2016=$22.7 million
Bond Ladder = $10.0 million
Mortgage Backed Securities = $12.7 million
(Bond Ladder:
Investment Policy Target: $20 million
Investment Policy Range: $15-$30 million
Mortgage Backed Securities:
Investment Policy Target: $10 million
Investment Policy Range: $5-$15 million)

---

CORE CLASSES

State Investment Council Pools (“SIC”)
Target - $16

---

Depositories/Warehoused Securities
Target - $18

---

Bond Ladder
Target - $20 million

---

Mortgaged Backed Securities (“MBS”)
Target - $10

---

As of 6/30/2016=$16 million
LGIP = $20 million
Bond Ladder = $26 million
(Mortgaged Backed Securities:
Investment Policy Target - $8.5 million
Investment Policy Range - $5-$15 million)

*Performance shown is gross of fees.

Source: www.sic.state.nm.us/invest_pools.htm

---

On April 30, 2012, MFA's assets in the Large Cap Active-ETF Pool were transferred to the Large Cap Index Pool since the Large Cap Active ETF Pool was dissolved.
Annual Rate of Return on SIC Investments for FY 2010 to 2016*

Fiscal Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 10</td>
<td>11.79%</td>
</tr>
<tr>
<td>FY 11</td>
<td>2.59%</td>
</tr>
<tr>
<td>FY 12</td>
<td>13.92%</td>
</tr>
<tr>
<td>FY 13</td>
<td>3.57%</td>
</tr>
<tr>
<td>FY 14</td>
<td>8.49%</td>
</tr>
<tr>
<td>FY 15</td>
<td>0.54%</td>
</tr>
<tr>
<td>FY 16</td>
<td>7.04%</td>
</tr>
</tbody>
</table>

*FY 2016: 10/1/15-6/30/16
Rate of Return by Month-Core Plus Bond Pool & Large Cap Index Pool-General Fund

Large Cap Index Rate of Return:
FY2013: 20.88%
FY2014: 18.97%
FY2015: -0.55%
FY2016: 10.49%

Core Plus Bond Rate of Return:
FY2013: 0.04%
FY2014: 5.91%
FY2015: 0.84%
FY2016: 6.09%
Monthly Appreciation/Depreciation-
Core Plus Bonds Pool &
Large Cap Index Pool-General Fund

Month-Year
Comparison of SIC Portfolio and Bond Ladder
Returns-General Fund

Bond Ladder:
Average Monthly Rate of Return from June 2013 to June 2016: 1.23%
Average Rate of Return for FY 2016*: 1.22%

SIC Portfolio
Average Monthly Rate of Return from June 2013 to June 2016: .42%
Cumulative rate of return for FY 2016*: 7.04%

*FY 2016: 10/1/15-6/30/16
## Bond Ladder:

<table>
<thead>
<tr>
<th>Date</th>
<th>CUSIP</th>
<th>Description</th>
<th>Carrying Value</th>
<th>Market Value</th>
<th>Unrealized Gain/(Loss)</th>
<th>Maturity</th>
<th>Stated Interest Rate</th>
<th>Yield to Maturity**</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/23/17</td>
<td>313388G34</td>
<td>Wells Fargo Bank FHLB Obligation</td>
<td>$1,000,000.00</td>
<td>$1,000,000.00</td>
<td>0.00</td>
<td>10/23/17</td>
<td>0.900 %</td>
<td>0.900 %</td>
</tr>
<tr>
<td>03/12/18</td>
<td>3138G1EP0</td>
<td>Wells Fargo Bank Fannie Mae Obligation</td>
<td>$1,000,000.00</td>
<td>$1,000,820.00</td>
<td>820.00</td>
<td>03/12/18</td>
<td>1.100 %</td>
<td>1.100 %</td>
</tr>
<tr>
<td>03/12/18</td>
<td>3133ECHS6</td>
<td>Wells Fargo Bank Federal Farm Credit Bank Obligation</td>
<td>$1,000,000.00</td>
<td>$1,000,000.00</td>
<td>0.00</td>
<td>03/12/18</td>
<td>1.030 %</td>
<td>1.030 %</td>
</tr>
<tr>
<td>04/30/13</td>
<td>3134G43F3</td>
<td>Wells Fargo Bank Freddie Mac Obligation</td>
<td>$1,000,000.00</td>
<td>$1,000,200.00</td>
<td>200.00</td>
<td>04/30/13</td>
<td>1.020 %</td>
<td>1.020 %</td>
</tr>
<tr>
<td>03/12/18</td>
<td>3135G0X66</td>
<td>Wells Fargo Bank Fannie Mae Obligation</td>
<td>$1,000,377.29</td>
<td>$1,000,000.00</td>
<td>(377.29)</td>
<td>05/21/18</td>
<td>1.009 %</td>
<td>1.009 %</td>
</tr>
<tr>
<td>10/28/15</td>
<td>3130A6MH7</td>
<td>Wells Fargo Bank FHLB Obligation</td>
<td>$1,000,000.00</td>
<td>$1,001,800.00</td>
<td>1,800.00</td>
<td>10/28/20</td>
<td>1.720 %</td>
<td>1.720 %</td>
</tr>
<tr>
<td>10/29/15</td>
<td>3134G7S44</td>
<td>Wells Fargo Bank Freddie Mac Obligation</td>
<td>$1,000,000.00</td>
<td>$1,001,300.00</td>
<td>300.00</td>
<td>10/29/20</td>
<td>1.250 %</td>
<td>1.250 %</td>
</tr>
<tr>
<td>11/25/15</td>
<td>3135G0GS6</td>
<td>Wells Fargo Bank Fannie Mae Obligation</td>
<td>$1,000,000.00</td>
<td>$1,001,400.00</td>
<td>1,400.00</td>
<td>11/25/20</td>
<td>1.720 %</td>
<td>1.720 %</td>
</tr>
<tr>
<td>02/24/16</td>
<td>3136G2Y35</td>
<td>Wells Fargo Bank Fannie Mae Obligation</td>
<td>$1,000,000.00</td>
<td>$1,004,400.00</td>
<td>4,400.00</td>
<td>11/24/20</td>
<td>1.500 %</td>
<td>1.500 %</td>
</tr>
<tr>
<td>12/6/2018</td>
<td>3133EG8B6</td>
<td>Wells Fargo Bank Federal Farm Credit Obligation</td>
<td>$1,000,000.00</td>
<td>$1,003,300.00</td>
<td>3,300.00</td>
<td>12/06/18</td>
<td>1.210 %</td>
<td>1.210 %</td>
</tr>
</tbody>
</table>

### Mortgage Backed Securities:

<table>
<thead>
<tr>
<th>Date</th>
<th>CUSIP</th>
<th>Description</th>
<th>Carrying Value</th>
<th>Market Value</th>
<th>Unrealized Gain/(Loss)</th>
<th>Maturity</th>
<th>Stated Interest Rate</th>
<th>Yield to Maturity**</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/01/24 - 09/20/35-2044</td>
<td>313388G34</td>
<td>Wells Fargo Bank FHLB Obligation</td>
<td>$12,695,240.52</td>
<td>$13,772,958.45</td>
<td>1,077,717.93</td>
<td>10/01/24</td>
<td>4.580 %</td>
<td>5.385 %</td>
</tr>
</tbody>
</table>

### Warehouse Short-Term Investments:

<table>
<thead>
<tr>
<th>Date</th>
<th>CUSIP</th>
<th>Description</th>
<th>Carrying Value</th>
<th>Market Value</th>
<th>Unrealized Gain/(Loss)</th>
<th>Maturity</th>
<th>Stated Interest Rate</th>
<th>Yield to Maturity**</th>
</tr>
</thead>
<tbody>
<tr>
<td>07/01/16</td>
<td>7283-1370</td>
<td>Zions Bank Warehouse Short-Term Investments</td>
<td>$8,475,419.33</td>
<td>NA</td>
<td>NA</td>
<td>07/01/16</td>
<td>0.373 %</td>
<td>0.391 %</td>
</tr>
</tbody>
</table>

### Local Government Investment Pool:

<table>
<thead>
<tr>
<th>Date</th>
<th>CUSIP</th>
<th>Description</th>
<th>Carrying Value</th>
<th>Market Value</th>
<th>Unrealized Gain/(Loss)</th>
<th>Maturity</th>
<th>Stated Interest Rate</th>
<th>Yield to Maturity**</th>
</tr>
</thead>
<tbody>
<tr>
<td>09/03/16</td>
<td>NA</td>
<td>State Treasurer's Office Local Short Term Investment Fund</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

### TOTAL:

<table>
<thead>
<tr>
<th>Date</th>
<th>CUSIP</th>
<th>Description</th>
<th>Carrying Value</th>
<th>Market Value</th>
<th>Unrealized Gain/(Loss)</th>
<th>Maturity</th>
<th>Stated Interest Rate</th>
<th>Yield to Maturity**</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/30/16</td>
<td>NA</td>
<td>General Fund - June 30, 2016</td>
<td>$31,171,037.14</td>
<td>$23,782,378.45</td>
<td>$1,086,760.64</td>
<td>06/30/16</td>
<td>1.250 %</td>
<td>1.250 %</td>
</tr>
</tbody>
</table>

*Received in final distribution on termination of bond programs.

**Yield is shown on an actual/360 day basis.
New Mexico Mortgage Finance Authority
General Fund Securities Outstanding (in thousands) Shown by Maturity Date and First Call Date

Bond Ladder to Maturity--as of 6/30/16

Bond Ladder to First Call Date--as of 6/30/16
NEW MEXICO MORTGAGE FINANCE AUTHORITY GENERAL FUND
CHANGE IN NET ASSET VALUE
FOR THE MONTH ENDED
JUNE 30, 2016

<table>
<thead>
<tr>
<th></th>
<th>Core Plus Bonds</th>
<th>Large Cap Index</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value 5/31/2016</td>
<td>$21,536,336.05</td>
<td>$6,207,700.46</td>
<td>$27,744,036.51</td>
</tr>
<tr>
<td>CONTRIBUTIONS</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>WITHDRAWALS</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>FEES</td>
<td>(11,490.60)</td>
<td>(162.33)</td>
<td>(11,652.93)</td>
</tr>
<tr>
<td>INCOME EARNED</td>
<td>58,176.78</td>
<td>0.34</td>
<td>58,177.12</td>
</tr>
<tr>
<td>CAPITAL APPR/DEPR</td>
<td>322,767.01</td>
<td>14,243.05</td>
<td>337,010.06</td>
</tr>
<tr>
<td>Market Value 6/30/2016</td>
<td>$21,905,789.24</td>
<td>$6,221,781.52</td>
<td>$28,127,570.76</td>
</tr>
</tbody>
</table>

Prepared by: State Investment Council

PORTFOLIO ALLOCATION
FOR THE MONTH ENDED JUNE 30, 2016

<table>
<thead>
<tr>
<th></th>
<th>Market Value</th>
<th>% of Total</th>
<th>Long-Term Policy</th>
<th>Policy Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Plus Bonds</td>
<td>$21,905,789.24</td>
<td>78%</td>
<td>80%</td>
<td>70%-95%</td>
</tr>
<tr>
<td>Large Cap Index</td>
<td>$6,221,781.52</td>
<td>22%</td>
<td>20%</td>
<td>5%-30%</td>
</tr>
<tr>
<td>Total</td>
<td>$28,127,570.76</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Prepared by: MFA Staff
# Asset Allocation vs. Target Allocation

<table>
<thead>
<tr>
<th></th>
<th>Market Value ($)</th>
<th>Allocation (%)</th>
<th>Target (%)</th>
<th>Difference (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Cap US Equity</td>
<td>6,068,164</td>
<td>22.20</td>
<td>20.00</td>
<td>2.20</td>
</tr>
<tr>
<td>US Core Plus Bonds</td>
<td>21,266,895</td>
<td>77.80</td>
<td>80.00</td>
<td>-2.20</td>
</tr>
<tr>
<td>Total Fund</td>
<td>27,334,059</td>
<td>100.00</td>
<td>100.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

# Comparative Performance

<table>
<thead>
<tr>
<th></th>
<th>QTD</th>
<th>CYTD</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>NMMFA General Fund Total Fund</td>
<td>2.76</td>
<td>2.75</td>
<td>0.73</td>
<td>4.31</td>
<td>5.91</td>
<td>5.37</td>
<td>-0.18</td>
<td>7.85</td>
<td>5.09</td>
</tr>
<tr>
<td>Total FundBenchmark (NMMFA General Fund)</td>
<td>2.75</td>
<td>2.75</td>
<td>1.65</td>
<td>4.21</td>
<td>5.30</td>
<td>5.42</td>
<td>0.67</td>
<td>7.06</td>
<td>4.28</td>
</tr>
<tr>
<td>Difference</td>
<td>0.01</td>
<td>0.01</td>
<td>-0.92</td>
<td>0.10</td>
<td>0.61</td>
<td>-0.05</td>
<td>-0.85</td>
<td>0.79</td>
<td>0.81</td>
</tr>
</tbody>
</table>

Allocations shown may not sum up to 100% exactly due to rounding. Performance shown is gross of fees.
NM MORTGAGE FINANCE AUTHORITY HOUSING TRUST
CHANGE IN NET ASSET VALUE FOR THE MONTH ENDED JUNE 30, 2016

<table>
<thead>
<tr>
<th>Core Plus Bonds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value 5/31/2016</td>
<td>$10,489,476.05</td>
</tr>
<tr>
<td>CONTRIBUTIONS</td>
<td>37,981.68</td>
</tr>
<tr>
<td>WITHDRAWALS</td>
<td>0.00</td>
</tr>
<tr>
<td>FEES</td>
<td>(5,616.88)</td>
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<tr>
<td>INCOME EARNED</td>
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<tr>
<td>CAPITAL APPR/DEPR</td>
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</tr>
<tr>
<td>Market Value 6/30/2016</td>
<td>$10,708,067.25</td>
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Prepared by: State Investment Council

PORTFOLIO ALLOCATION
FOR THE MONTH ENDED JUNE 30, 2016

<table>
<thead>
<tr>
<th>Core Plus Bonds</th>
<th>Market Value</th>
<th>% of Total</th>
<th>Long-Term Policy</th>
<th>Policy Range</th>
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<td></td>
<td>$10,708,067.25</td>
<td>100%</td>
<td>100% 95%-100%</td>
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<tr>
<td>Total</td>
<td>$10,708,067.25</td>
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Prepared by: MFA Staff
### Asset Allocation vs. Target Allocation

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<thead>
<tr>
<th></th>
<th>Market Value ($)</th>
<th>Allocation (%)</th>
<th>Target (%)</th>
<th>Difference (%)</th>
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<td>100.00</td>
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### Comparative Performance

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<th></th>
<th>QTD</th>
<th>CYTD</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
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<tr>
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<td>3.21</td>
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<td>4.75</td>
<td>5.10</td>
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<td>6.43</td>
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<td>1.75</td>
<td>2.32</td>
<td>3.67</td>
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<td>0.14</td>
<td>-1.00</td>
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<td>1.08</td>
<td>0.26</td>
<td>-0.95</td>
<td>0.93</td>
<td>1.52</td>
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Allocations shown may not sum up to 100% exactly due to rounding. Performance shown is gross of fees.
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<thead>
<tr>
<th>Allocation</th>
<th>Performance (%)</th>
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<tbody>
<tr>
<td><strong>NMSIC Total Fund Composite</strong></td>
<td><strong>%</strong></td>
</tr>
<tr>
<td><strong>US Equity</strong></td>
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</tr>
<tr>
<td>US Equity Composite</td>
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<tr>
<td>Russell 3000 Index</td>
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<tr>
<td>US Large Cap Equity Composite</td>
<td>27.17</td>
</tr>
<tr>
<td>Russell 1000 Index</td>
<td>27.17</td>
</tr>
<tr>
<td>IM U.S. Large Cap Equity (SA+CF)</td>
<td>27.17</td>
</tr>
<tr>
<td><strong>US Large Cap Active Pool</strong></td>
<td>9.96</td>
</tr>
<tr>
<td>Russell 1000 Index</td>
<td>9.96</td>
</tr>
<tr>
<td>IM U.S. Large Cap Equity (SA+CF)</td>
<td>9.96</td>
</tr>
<tr>
<td>Wellington Management Company</td>
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<tr>
<td>Russell 1000 Val Index</td>
<td>2.48</td>
</tr>
<tr>
<td>IM U.S. Large Cap Value Equity (SA+CF)</td>
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</tr>
<tr>
<td>Brown Brothers Harriman</td>
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<tr>
<td>Russell 1000 Index</td>
<td>2.61</td>
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<tr>
<td>IM U.S. Large Cap Core Equity (SA+CF)</td>
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<tr>
<td>J.P. Morgan Asset Management</td>
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<tr>
<td>T. Rowe Price LC Growth</td>
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<td>Russell 1000 Grth Index</td>
<td>2.53</td>
</tr>
<tr>
<td>IM U.S. Large Cap Growth Equity (SA+CF)</td>
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<tr>
<td><strong>US Large Cap Alternative Wtd Index Pool</strong></td>
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<td>Russell 1000 Index</td>
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<td>IM U.S. Large Cap Enhanced Index Equity (SA+CF)</td>
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<td>NT Russell Fundamental LC Index Fund</td>
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<tr>
<td>Russell Fundamental US Index</td>
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<tr>
<td>FTSE RAFI USD Lo Vol Index</td>
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<tr>
<td>NT Russell 1000 Equal Wtd Index</td>
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<tr>
<td>Russell 1000 Index (Equal Wtd)</td>
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<td>NT Russell Top 200 Index Fund</td>
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<tr>
<td>Russell Top 200 Index</td>
<td>0.29</td>
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</table>

Performance shown is gross of fees, except for Credit & Structured Finance, Absolute Return, Private Equity, Real Estate, and Real Return investments, which are shown net of fees. Voya and Credit Suisse Floating Rate Bank Loans and Harvest MLP performance shown is gross of fees. Since Inception date shown represents the first full month following initial funding. Fiscal year ends June 30. RVK endorses GIPS and calculates performance for composites and investment managers using different methodologies. For other performance-related comments, please see the Addendum. For additional information, please see the Glossary.
<table>
<thead>
<tr>
<th>Allocation</th>
<th>Market Value ($)</th>
<th>%</th>
<th>QTD</th>
<th>CYTD</th>
<th>FYTD</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
<th>2015</th>
<th>2014</th>
<th>Since Incep.</th>
<th>Inception Date</th>
</tr>
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<tr>
<td>US Large Cap Index Pool</td>
<td>2,271,375,657</td>
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<td>1.19</td>
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<td>0.62</td>
<td>11.56</td>
<td>11.29</td>
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<td>1.01</td>
<td>13.24</td>
<td>5.40</td>
<td>05/01/1999</td>
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<tr>
<td>NT Russell 1000 Index Fund</td>
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<td>1.19</td>
<td>1.19</td>
<td>0.41</td>
<td>0.52</td>
<td>11.53</td>
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<td>N/A</td>
<td>0.93</td>
<td>13.24</td>
<td>12.63</td>
<td>06/01/2011</td>
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<tr>
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<td>1.17</td>
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<td>11.52</td>
<td>11.35</td>
<td>7.06</td>
<td>0.92</td>
<td>13.24</td>
<td>12.71</td>
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<td>0.61</td>
<td>-0.52</td>
<td>-0.20</td>
<td>11.67</td>
<td>11.35</td>
<td>7.31</td>
<td>1.26</td>
<td>13.41</td>
<td>12.62</td>
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<tr>
<td>US Small/Mid Cap Equity Composite</td>
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<td>-0.40</td>
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<td>-8.04</td>
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<td>8.16</td>
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<td>-3.79</td>
<td>7.39</td>
<td>7.71</td>
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<tr>
<td>IM U.S. SMID Cap Equity (SA+CF)</td>
<td>0.88</td>
<td>0.88</td>
<td>-5.98</td>
<td>-6.11</td>
<td>9.13</td>
<td>9.24</td>
<td>7.76</td>
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<tr>
<td>IM U.S. SMID Cap Equity (SA+CF)</td>
<td>0.88</td>
<td>0.88</td>
<td>-5.98</td>
<td>-6.11</td>
<td>9.13</td>
<td>9.24</td>
<td>7.76</td>
<td>-1.37</td>
<td>7.20</td>
<td>10.76</td>
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<td>-4.76</td>
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<td>7.97</td>
<td>-1.91</td>
<td>9.76</td>
<td>14.14</td>
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<td>N/A</td>
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<td>-7.47</td>
<td>4.22</td>
<td>10.99</td>
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<td>12.50</td>
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<tr>
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<td>-0.97</td>
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<td>7.96</td>
<td>12.76</td>
<td>01/01/2012</td>
</tr>
<tr>
<td>BlackRock Alpha Tilt</td>
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<tr>
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<td>12.05</td>
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<td>-9.77</td>
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<td>5.26</td>
<td>-4.41</td>
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<td>-2.35</td>
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<tr>
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<td>7.10</td>
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<td>6.57</td>
<td>1.29</td>
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<tr>
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<td>-0.20</td>
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<td>-5.32</td>
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<td>-5.90</td>
<td>-3.73</td>
<td>4.96</td>
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</tbody>
</table>

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## Asset Allocation & Performance - Composites & Managers

### New Mexico State Investment Council

**As of March 31, 2016**

<table>
<thead>
<tr>
<th>Allocation</th>
<th>Market Value ($)</th>
<th>%</th>
<th>QTD</th>
<th>CYTD</th>
<th>FYTD</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
<th>2015</th>
<th>2014</th>
<th>Since Incep.</th>
<th>Inception Date</th>
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<tr>
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<td>-1.17</td>
<td>-1.17</td>
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<td>-6.10</td>
<td>3.23</td>
<td>3.11</td>
<td>2.30</td>
<td>-0.39</td>
<td>-3.82</td>
<td>3.76</td>
<td>05/01/1999</td>
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<tr>
<td>Non-US Developed Markets Custom Index</td>
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<tr>
<td>IM Int’l Equity Developed Markets (SA+CF)</td>
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<td>Non-US Developed Markets Active Pool</td>
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<td>-0.42</td>
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<td>-12.31</td>
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<td>-1.03</td>
<td>1.11</td>
<td>-10.06</td>
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<td>N/A</td>
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<td>N/A</td>
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<td></td>
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<td>-1.27</td>
<td>-3.63</td>
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<td>3.70</td>
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<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<td>FTSE Developed Excluding US Min Variance Index</td>
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<td>3.73</td>
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<td>Non-US Developed Markets Index Pool</td>
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<td>-2.90</td>
<td>-7.76</td>
<td>-7.45</td>
<td>2.19</td>
<td>2.48</td>
<td>1.99</td>
<td>-0.07</td>
<td>-5.61</td>
<td>3.57</td>
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<td>2.44</td>
<td>1.92</td>
<td>-0.60</td>
<td>-4.99</td>
<td>4.96</td>
<td>05/01/1998</td>
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<td>-3.01</td>
<td>-8.83</td>
<td>-8.27</td>
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<td>1.80</td>
<td>-0.81</td>
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<td>3.53</td>
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<tr>
<td>IM Int’l Large Cap Core Equity (SA+CF)</td>
<td></td>
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<td>-2.23</td>
<td>-8.11</td>
<td>-6.37</td>
<td>3.64</td>
<td>3.50</td>
<td>3.03</td>
<td>0.29</td>
<td>-3.83</td>
<td>5.26</td>
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</table>

Performance shown is gross of fees, except for Credit & Structured Finance, Absolute Return, Private Equity, Real Estate, and Real Return investments, which are shown net of fees. Voya and Credit Suisse Floating Rate Bank Loans and Harvest MLP performance shown is gross of fees. Since Inception date shown represents the first full month following initial funding. Fiscal year ends June 30. RVK endorses GIPS and calculates performance for composites and investment managers using different methodologies. For other performance-related comments, please see the Addendum. For additional information, please see the Glossary.
<table>
<thead>
<tr>
<th>Allocation</th>
<th>Performance (%)</th>
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<tbody>
<tr>
<td>Market Value ($</td>
<td>%</td>
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<tr>
<td>Non-US Emerging Markets Composite</td>
<td>540,656,258</td>
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<tr>
<td>MSCI Emg Mkts Index (Net)</td>
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<td>IM Emerging Markets Equity (SA+CF)</td>
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<td>Non-US Emerging Markets Active Pool</td>
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<td>BlackRock Emg Mkts Opp Fund</td>
<td>277,574,790</td>
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<td>William Blair Emg Mkts</td>
<td>150,366,888</td>
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<tr>
<td>MSCI Emg Mkts Index (Net)</td>
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<tr>
<td>IM Emerging Markets Equity (SA+CF)</td>
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<tr>
<td>Non-US Emerging Markets Index Pool</td>
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</tr>
<tr>
<td>Alliance Bernstein Emerging Markets Index</td>
<td>112,630,986</td>
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<tr>
<td>MSCI Emg Mkts Index (Net)</td>
<td>3.51</td>
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<tr>
<td>IM Emerging Markets Equity (SA+CF)</td>
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</table>

**Fixed Income**

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<td>Fixed Income Custom Index</td>
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<td>US Core Plus Bonds Pool</td>
<td>1,800,079,213</td>
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<tr>
<td>PIMCO Barclays US Universal</td>
<td>766,070,444</td>
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<tr>
<td>Prudential Barclays US Universal</td>
<td>520,755,947</td>
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<tr>
<td>Loomis Sayles Barclays US Universal</td>
<td>513,252,822</td>
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<td>Barclays US Unv Bond Index</td>
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<tr>
<td>IM U.S. Broad Market Core+ Fi (SA+CF)</td>
<td>2.91</td>
</tr>
<tr>
<td>US Core Bonds Index Pool</td>
<td>939,130,783</td>
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<tr>
<td>BlackRock Core Bonds Fund</td>
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<td>IM U.S. Broad Market Core Fi (SA+CF)</td>
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</table>

Performance shown is gross of fees, except for Credit & Structured Finance, Absolute Return, Private Equity, Real Estate, and Real Return investments, which are shown net of fees. Voya and Credit Suisse Floating Rate Bank Loans and Harvest MLP performance shown is gross of fees. Since Inception date shown represents the first full month following initial funding. Fiscal year ends June 30. RVK endorses GIPS and calculates performance for composites and investment managers using different methodologies. For other performance-related comments, please see the Addendum. For additional information, please see the Glossary.
### General Fund

#### Statement of Cash Flows

**Actual**  
**Projected**

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<th>Sources (Uses) of Cash</th>
<th>Qtr Ending 12/31/15</th>
<th>Qtr Ending 3/31/16</th>
<th>Qtr Ending 6/30/16</th>
<th>Qtr Ending 9/30/16</th>
<th>YTD 9/30/16</th>
<th>Qtr Ending 12/31/16</th>
<th>Qtr Ending 3/31/17</th>
<th>Qtr Ending 6/30/17</th>
<th>Qtr Ending 9/30/17</th>
<th>YTD 9/30/17</th>
<th>Qtr Ending 12/31/17</th>
<th>Qtr Ending 3/31/18</th>
<th>Qtr Ending 6/30/18</th>
<th>Qtr Ending 9/30/18</th>
<th>YTD 9/30/18</th>
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<td>36,194</td>
<td>39,859</td>
<td>37,701</td>
<td>35,308</td>
<td>37,462</td>
<td>37,121</td>
<td>37,741</td>
<td>37,764</td>
<td>37,764</td>
<td>37,781</td>
<td>36,484</td>
<td>37,656</td>
<td>37,072</td>
<td>37,781</td>
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<td><strong>Cash Flows from Operating Activities</strong></td>
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<tr>
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<td>(2,650)</td>
<td>(9,586)</td>
<td>(1,765)</td>
<td>(3,230)</td>
<td>(1,765)</td>
<td>(3,230)</td>
<td>(9,586)</td>
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<td>(2,815)</td>
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<td>1,292</td>
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<td>Discount (Premium) on Loans</td>
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<td>(1,384)</td>
<td>(1,815)</td>
<td>(8,264)</td>
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<td>(519)</td>
<td>(544)</td>
<td>(809)</td>
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<td>Other Receipts (Payments)</td>
<td>43</td>
<td>104</td>
<td>71</td>
<td>26</td>
<td>103</td>
<td>26</td>
<td>26</td>
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<td>26</td>
<td>103</td>
<td>26</td>
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<td>26</td>
</tr>
<tr>
<td><strong>Net Cash Provided (Used) by Operating Activities</strong></td>
<td>414</td>
<td>2,770</td>
<td>(1,192)</td>
<td>(1,266)</td>
<td>966</td>
<td>(1,156)</td>
<td>(1,057)</td>
<td>(1,057)</td>
<td>(2,156)</td>
<td>(4,333)</td>
<td>(1,879)</td>
<td>85</td>
<td>431</td>
<td>(1,880)</td>
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<tr>
<td><strong>Cash Flows from Noncapital Financing Activities</strong></td>
<td></td>
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<tr>
<td>Proceeds from Bonds &amp; Notes</td>
<td>528</td>
<td>459</td>
<td>0</td>
<td>0</td>
<td>988</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Repayment of Bonds &amp; Notes</td>
<td>0</td>
<td>(70)</td>
<td>(600)</td>
<td>(650)</td>
<td>(1,320)</td>
<td>0</td>
<td>(70)</td>
<td>0</td>
<td>0</td>
<td>(70)</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Interest Paid on Bonds &amp; Notes</td>
<td>10</td>
<td>15</td>
<td>14</td>
<td>14</td>
<td>71</td>
<td>74</td>
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<tr>
<td><strong>Net Cash Provided (Used) by Noncapital Financing Activities</strong></td>
<td>519</td>
<td>358</td>
<td>(615)</td>
<td>(664)</td>
<td>(452)</td>
<td>(10)</td>
<td>(103)</td>
<td>(9)</td>
<td>(10)</td>
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<td>(10)</td>
<td>(102)</td>
<td>(9)</td>
<td>(44)</td>
</tr>
<tr>
<td><strong>Cash Flows from Capital Financing Activities</strong></td>
<td>0</td>
<td>(6)</td>
<td>(72)</td>
<td>0</td>
<td>(78)</td>
<td>0</td>
<td>(10)</td>
<td>0</td>
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<td><strong>Net Cash Provided (Used) by Capital Financing Activities</strong></td>
<td>0</td>
<td>(6)</td>
<td>(72)</td>
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<td>(78)</td>
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<tr>
<td><strong>Cash Flows from Investing Activities</strong></td>
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<tr>
<td>Proceeds from Sales of Fixed Assets</td>
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<tr>
<td>Proceeds from Capital Debt</td>
<td>0</td>
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<tr>
<td>Repayment of Capital Debt</td>
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<td>Interest Paid on Capital Debt</td>
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<td>Capital Debt Issuance Costs</td>
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<tr>
<td><strong>Net Cash Provided (Used) by Investing Activities</strong></td>
<td>(47)</td>
<td>543</td>
<td>(279)</td>
<td>1,452</td>
<td>1,668</td>
<td>1,372</td>
<td>1,250</td>
<td>1,189</td>
<td>1,083</td>
<td>4,894</td>
<td>381</td>
<td>1,199</td>
<td>143</td>
<td>(41)</td>
<td>1,692</td>
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<tr>
<td><strong>Net Increase (Decrease) in Cash &amp; Cash Equivalents</strong></td>
<td>886</td>
<td>3,665</td>
<td>(2,158)</td>
<td>(239)</td>
<td>2,154</td>
<td>(341)</td>
<td>620</td>
<td>23</td>
<td>16</td>
<td>319</td>
<td>(1,287)</td>
<td>1,172</td>
<td>(583)</td>
<td>346</td>
<td>(362)</td>
</tr>
</tbody>
</table>

**Ending Cash & Cash Equivalents**

8/11/2016
Low mortgage rates help boost US home resales to 9-year high

2 Hours Ago Reuters 7/21/16

U.S. home resales unexpectedly rose in June to their fastest pace in more than nine years as low mortgage interest rates drew buyers into the market, a positive sign for the economy.

The National Association of Realtors said on Thursday existing home sales increased 1.1 percent to an annual rate of 5.57 million units last month, the highest level since February 2007. Economists polled by Reuters had forecast a 5.48 million-unit pace in June. Sales were up 3 percent from a year ago.

May's sales pace was revised slightly lower to 5.51 million units from the previously reported 5.53 million units.

U.S. mortgage rates fell in June to their lowest levels since 2013 on bets the Federal Reserve would be cautious about raising short-term rates. Mortgage rates have declined further since Britain voted on June 23 to leave the European Union.

"Maybe that has induced some first-time buyers to come back into the market," NAR economist Lawrence Yun said. First-time buyers made up 33 percent of sales in June, the biggest share in nearly four years, the NAR said.

Home sales have become a bright spot for the U.S. economy and add to recent retail sales data in suggesting economic activity remains on solid footing despite a growth slowdown earlier in the year and concerns over the impact of Britain's EU vote on global financial conditions.

Existing home sales jumped 3.8 percent in the Midwest and rose 1.7 percent in the West. Sales were flat in the South and fell 1.3 percent in the Northeast.

The number of unsold homes on the market in June dropped 0.9 percent to 2.12 million units. With inventory relatively tight, the median house price rose 4.8 percent from a year ago to a record $247,700 last month.
Tab 7
MEMORANDUM

To: Board of Directors

Through: Finance Committee – August 9, 2016

Through: Policy Committee – August 2, 2016

FROM: Kathleen Sysak-Keeler

DATE: August 17, 2016

SUBJECT: To Be Announced Single Family Program Administrative Services Contract Extension

Recommendation:
Staff is recommending that the contract with Hilltop Securities to provide To Be Announced Single Family Program Administrative Services (“TBA Services”) be extended for one year until September 14, 2017 under the same terms and conditions.

Background:
June 2014 - The Board approved the “Request for Proposals for To Be Announced Single Family Program Administrative Services (the “RFP”).

August 2014 - MFA received a total of four responses to the RFP. First Southwest earned the highest score of all the respondents. The Board awarded the one-year contract for TBA Services to First Southwest.

July 2015 – The Board approved the first of two available one-year extensions under the existing terms and conditions as outlined in the contract with First Southwest Company.

January 2016 – The Board approved the execution of the Assignment, Assumption and Consent concerning the contract known as the Master Trade Confirmation dated September 13, 2014 between First Southwest Company and MFA to provide TBA Services due to the merger of First Southwest Company into Hilltop Securities Inc. at the close of business on January 22, 2016.

Discussion:
Hilltop Securities has been a very good partner for MFA. They have satisfactorily assisted MFA with funding the Single Family Mortgage Program by utilizing the To Be Announced market which is where mortgaged backed securities trade. This funding mechanism has allowed MFA to maintain mortgage
rates at a level that is competitive with local market mortgage rates. We anticipate settling approximately $200,000,000 of loans with Hilltop Securities this fiscal year.

In June 2016, we were informed by Hilltop Securities that they were lowering their fee from .50% to .375% (a decrease of .125%) effective July 1, 2016.

As outlined in the RFP, at the option of the Board, the contract with Hilltop Securities may be extended for two successive one-year periods under the same terms and conditions as stated in the original proposal. This is the final extension available under this contract.

Summary:
Hilltop Securities has satisfactorily assisted MFA with funding its Single Family Mortgage Program. The funding mechanism utilized by Hilltop Securities has allowed MFA to maintain competitive mortgage rates as compared with the local market. Staff is requesting that the Board exercise the second and final one-year contract extensions with Hilltop Securities under the same terms and conditions.
Tab 8
MEMORANDUM

TO: Board of Directors

Through: Finance Committee – August 9, 2016

Through: Policy Committee – August 2, 2016

FROM: Kathleen Sysak-Keeler, Finance Manager

DATE: August 17, 2016

SUBJECT: Request for Proposals to Provide Underwriter Services for Single Family and Multifamily Housing Programs

Recommendation:
Staff recommends the approval of the Request for Proposal to Provide Underwriter Services for Single Family and Multifamily Housing Programs for the proposed issuance of single family and multifamily mortgage revenues bonds and other special financing product(s). Responses will be due to MFA by September 29, 2016 and recommendations for award will be presented at the November Board meeting.

Background:

February 2013--The contract was awarded J.P. Morgan as Lead Underwriter with RBC Capital Markets serving as Co-Manager. The contract started on March 20, 2013 and ended on March 20, 2015. At the option of the MFA Board of Directors, the contract may be extended for three, one-year periods under the same terms and conditions.

February 2015--the Board exercised the first of three one-year period extensions by extending the contract for one year until March 20, 2016.

February 2016--the Board exercised the second of three one-year period extensions by extending the contract for one year until March 20, 2017.
Discussion:

Since the extension of the contract in February 2016, MFA has become aware of other financing techniques that could benefit MFA that are not being offered by our current underwriting team. In addition, MFA does not have multifamily housing program underwriters under contract and we have learned that there are some multifamily financing techniques available that may be advantageous to MFA. Even though MFA did extend the contract for one additional year until March 20 2017, per the contract, either party may terminate the contract, in whole or in part, by giving the other party not less than ten days written notice.

Per the attached RFP, the term of the contract begins the date the Board approves the award and ends October 31, 2019 with two subsequent one-year extensions at the option of the Board.

Following is a summary of the major changes from the RFP issued in 2012. The RFP has been changed to the standard template and language has been incorporated where appropriate to include multifamily programs.

<table>
<thead>
<tr>
<th>Part I: Background &amp; General Information, Purpose, pg. 1</th>
<th>2013 RFP</th>
<th>2016 RFP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only included language regarding Senior Underwriter and Co-Manager</td>
<td>Added Special Products Underwriter(s) language as well as underwriting services for multifamily housing bonds; these changes were made throughout RFP.</td>
<td></td>
</tr>
</tbody>
</table>

| Part I: Background & General Information, Proposal Submission, pg. 2 | N/A | Added language regarding organization of the proposals. |

| Part III: Services to be Performed, pgs. 5-6, Senior Underwriter, Nos. 1, 2, 10, 12 | N/A | Added the following language to the Senior Underwriter services which includes: No. 1: Assist with the sizing and timing of each long term bond issue. No. 2: Provide recommends for structuring and market of the bonds. |
| No. 10: Require a comprehensive and detailed Analysis of Distribution to document underwriter and selling group performance. |
| No. 12: Assist MFA and its Financial Advisor in the development and implementation of the bond proceeds investment strategy. |

<p>| Added the Special Projects Underwriter services which includes: |
| No. 1: Work with MFA’s Financing Team to implement all aspects of their specialized financing technique. |
| No. 2: Assist in development of all documents in conjunction with Bond Counsel and Underwriter’s Counsel, as needed. |
| No. 3: Assist MFA and its Financing Team in the preparation of information regarding the financing transaction for rating agencies and/or investors. |
| No. 4: Assist in presentations to rating agencies and potential credit or liquidity providers, MFA’s Board of Directors, Legislative Oversight Committee and other public presentations as requested by MFA. |</p>
<table>
<thead>
<tr>
<th>Part IV: Evaluation Criteria, pgs. 7-8</th>
<th>Allowed for New Mexico Resident Business and provided points for that factor.</th>
<th>Deleted New Mexico Resident Business along with the points for that factor due to the potential for Federal funds involvement with multifamily programs. The points for New Mexico Resident Business were moved to the Qualifications of Personnel factor.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part V: Proposal Format and Instructions to Offeror, pg. 8, No. 1 Letter of Transmittal</td>
<td>1E: N/A</td>
<td>Added the following language: 1E: A statement that the information submitted in and with the proposal is true and accurate. 1F: A statement that proposal is valid for 90 days. 1G: N/A</td>
</tr>
<tr>
<td></td>
<td>1F: statement that proposal was valid for 95 days.</td>
<td>1G. To indicate the underwriting position(s) your firm is applying for: Senior Manager, Co-Manager, and/or Special Products Underwriter.</td>
</tr>
<tr>
<td>Part V: Proposal Format and Instructions to Offeror, pgs. 8-9, No. 2 The Offeror</td>
<td>2B: Addressed preference points for New Mexico Resident Business. 2C: Language regarding substantive changes in management and staffing in the housing group and in any other area of the Firm’s public finance practice.</td>
<td>2B: Deleted language regarding New Mexico Resident Business due to the potential for Federal funds involvement with multifamily programs. 2C: Language was moved to 3B under Qualifications of Personnel and Execution of Services To Be Performed. Added table to be completed regarding number of professionals assigned full time to single family and multifamily housing finance.</td>
</tr>
<tr>
<td>Part V: Proposal Format and Instructions to Offeror, pg. 9, No. 3. Qualifications of Personnel and Execution of Services To Be Performed</td>
<td>N/A</td>
<td>3B: Added language regarding any changes, including additions and departures in the housing group staff including the Offeror’s trading department in the last two years and the impact on serving clients. Also added language regarding any upcoming anticipated changes, such as retirements in the housing group staff and/or trading department.</td>
</tr>
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</tr>
<tr>
<td>Part V: Proposal Format and Instructions to Offeror, pg. 10, No. 5, Special Products</td>
<td>N/A</td>
<td>Added language regarding: No. 5A: Special products that the firm has available No. 5B: Non-MFA vendors</td>
</tr>
<tr>
<td>Part V: Proposal Format and Instructions to Offeror, pgs. 10-11, No. 6, Offeror’s Underwriting Experience</td>
<td>Did not include language for Special Products Underwriter experience and multifamily housing revenue bond experience.</td>
<td>Added language regarding: 6A: Experience with multifamily housing revenue bonds and special products.</td>
</tr>
<tr>
<td>Part V: Proposal Format and Instructions to Offeror, pgs. 12-13, No. 9, In addition, only those firms seeking consideration as Senior Manager and/or Special Products Underwriter should respond to the following requests:</td>
<td>N/A</td>
<td>Added language regarding: No. 9B: Provide strategies for funding multifamily mortgage loans. No. 9C: Detailed information for bidding costs for both single family and multifamily bond issues along with Special Product costs.</td>
</tr>
<tr>
<td>Part V: Proposal Format and Instructions to Offeror, pgs. 13-14, No. 10, Additional Information</td>
<td>N/A</td>
<td>Added language regarding: No. 10A: Compensation of firms No. 10B: Cyber security</td>
</tr>
</tbody>
</table>
Summary:

MFA issued a Request for Proposal To Provide Single Family Housing Bond Underwriting Services in November 2012. The contract was awarded to J.P. Morgan as Lead Underwriter with RBC Capital Markets serving as Co-Manager for a period of two years with the possibility of three, one-year extensions under the same terms and conditions. MFA’s Board exercised the second of three extensions in February, 2016.

However, since that time, staff has become aware of other financing techniques that could benefit MFA that are not being offered by our current underwriting team. In addition, MFA does not have multifamily housing program underwriters under contract and the Request for Proposals to Provide Underwriting Services for Single Family and Multifamily Housing Programs (the “RFP”) has been revised to include multifamily housing program underwriters. Responses to the RFP will be due on or before September 29, 2016 and recommendations for award will be presented at the November Board meeting. The term of the contract begins the date the Board approves the award and ends November 30, 2019 with two subsequent one-year extensions at the option of the Board. Staff recommends approval of the Request for Proposals to Provide Underwriting Services for Single Family and Multifamily Housing Programs.
Part I: Background & General Information

Introduction

The New Mexico Mortgage Finance Authority ("MFA") is a governmental instrumentality, separate and apart from the state, created by the Mortgage Finance Authority Act, N.M. Stat. Ann. Sections 58-18-1, et seq. (1978) for the purpose of financing affordable housing for low- and moderate-income New Mexico residents.

Purpose

The purpose of this Request for Proposal ("RFP") is to solicit proposals from qualified investment banking and broker/dealer firms, in accordance with the New Mexico Mortgage Finance Authority Procurement Policy, from qualified underwriting firms to serve as a member of the MFA’s Financing Team for single family housing to:

(a) serve as senior manager and co-manager to underwrite, sell and distribute MFA’s single family and multifamily mortgage revenue bonds and multifamily mortgage revenue bonds; and

(b) to serve as Special Products Underwriter(s) for those products that are distinct from a more traditional tax-exempt bond issue. Products that could warrant a Special Products Underwriter include but are not limited to: Monthly pass-through bonds, tax-exempt (or taxable) mortgage-backed security sales, additional proprietary bond structures, etc.

The intent of this Underwriter selection process is to select two underwriting firms, one as Lead Senior Underwriter and the other as Co-Manager to serve the MFA for traditional bond issues. for Special Products Underwriter, MFA will choose as many underwriters as deemed by MFA to be in the best interests of MFA, for up to two years, with an option of three, one-year renewals, exercised at MFA’s discretion.

Offerors may apply for selection as a Senior Manager, Co-Manager and/or Special Products Underwriter. Applicants for Senior Manager will automatically be considered for selection as a Co-Manager. Applications for Special Products Underwriter will automatically be considered for selection as Senior Manager for their special product. Special Products Underwriter may also apply for selection as Senior Manager or Co-Manager.

The Offerors selected as Lead Senior Underwriter, and Co-Manager and Special Products Underwriter(s) will participate in MFA bond issues pursuant to a Professional Services Agreement (herein referred to as the “Contract”) to be negotiated by MFA with the Lead Senior Underwriter, and Co-Manager and Special Products Underwriter(s). From time to time there may be bond offerings and/or fees for services that will include only one underwriting firm. The MFA reserves the right to choose which underwriting firm may be appropriate to provide such services in each instance based on the best interests of the MFA.
Questions and Answers

Questions pertaining to this RFP and application must be submitted via the MFA website at http://www.housingnm.org/rfp. Then under “Current RFP’s,” select “Underwriter Services RFP.” On the Underwriter Services RFP page, select the “Underwriter Services FAQs” link. Questions will be checked on a daily basis. The FAQ will open the day after the RFP issues and will close on September 23, 2016. To submit your questions, scroll down to the “Ask a question” section, enter your name, email address, and type your question in the “Question” box, type in the two (2) words in the CAPTCHA box and click on “Send my question”. MFA will make every attempt to answer questions within two (2) business days.

Proposal Submission

MFA desires to consider responses to this RFP in a consistent and easily-comparable format. Proposals not organized in the manner set for in this RFP may be considered, at MFA’s sole discretion, as unresponsive. Offerors should not refer to other parts of their proposal, except for those sections where the Offeror is requested to provide an attachment, to information that may be publicly available elsewhere or to the Offeror’s website or another website in lieu of answering a specific question.

The original and six (6) copies of a proposal must be received by MFA at our office located at 344 Fourth Street S.W., Albuquerque, NM 87102 no later than September 29, 2016 at 3:00 p.m., Mountain Time. Proposals shall be in sealed envelopes marked e.g., “Response to Underwriter Services RFP.”

Proposal Tenure

All proposals shall include a statement that the proposal shall be valid until contract award, but no more than 90 calendar days from the proposal due date.

RFP Revisions and Supplements

If it becomes necessary to revise any part of this RFP or if additional information is necessary to clarify any provision of this RFP, the revision or additional information will be provided on the MFA web site.

Incurred Expenses

MFA shall not be responsible for any expenses incurred by an Offeror in responding to this RFP. All costs incurred by Offerors in the preparation, transmittal or presentation of any proposal or material submitted in response to this RFP will be borne solely by the Offerors.

Cancellation of Requests for Proposals or Rejection of Proposals

The MFA may cancel this RFP at any time for any reason and may reject all proposals (or any proposal) which are/is not responsive.

Evaluation of Proposals, Selection and Negotiation
Proposals will be evaluated by an Internal Review Committee of MFA staff using the criteria listed in Parts II Minimum Qualifications and Requirements and III Services to be Performed, below, with final selection to be made by the full Board of Directors.

MFA may provide Offerors whose proposals are reasonably likely, in MFA’s discretion, to be selected, an opportunity to discuss and revise their proposals prior to award, for the purpose of obtaining final and best offers. Proposals shall be evaluated on the criteria listed in Part IV Evaluation Criteria, below.

The MFA Board of Directors shall select the Offeror(s) whose proposal(s) is/are deemed to be most advantageous to MFA to enter into contract negotiations with MFA. If a final contract cannot be negotiated, then MFA will enter into negotiations with the other Offeror(s). The final contract will then be referred to the Contracted Services Committee of the MFA Board of Directors for recommendation, with final approval to be determined by the full Board of Directors.

Award Notice

MFA shall provide written notice of the award to all Offerors within ten (10) days of the date of the award. The award shall be contingent upon successful negotiations of a final contract between MFA and the Offeror(s) whose proposal(s) is/are accepted by MFA.

Proposal Confidentiality

Offerors or their representatives shall not communicate with MFA’s Board of Directors or staff members regarding any proposal under consideration or that will be submitted for consideration, except in response to an inquiry initiated by the Internal Review Committee, or a request from the Board of Directors for a presentation and interview. A proposal will be deemed ineligible if the Offeror or any person or entity acting on behalf of Offeror attempts to influence members of the Board of Directors or staff during any portion of the RFP review process, including any period immediately following release of the RFP.

Until the award is made and notice given to all Offerors, MFA will not disclose the contents of any proposal or discuss the contents of any proposal with an Offeror or potential Offeror, so as to make the contents of any offer available to competing or potential Offerors.

Irregularities in Proposals

MFA may waive technical irregularities in the form of proposal of any Offeror selected for award which do not alter the price, quality or quantity of the services offered. Note especially that the date and time of proposal submission as indicated herein under “Part I Background and General Information, Proposal Submission” cannot be waived under any circumstances.

Responsibility of Offerors

If an Offeror who otherwise would have been awarded a contract is found not to be a Responsible Offeror, a determination that the Offeror is not a Responsible Offeror, setting forth the basis of the finding, shall be prepared and the Offeror shall be disqualified from receiving the award. A Responsible Offeror means an Offeror who submits a proposal that conforms in all material respects to the requirements of this RFP and who has furnished, when required, information and data to prove that his
financial resources, facilities, personnel, reputation and experience are adequate to make satisfactory delivery of the services described in this RFP. The unreasonable failure of an Offeror to promptly supply information in connection with an inquiry with respect to responsibility is grounds for a determination that the Offeror is not a Responsible Offeror.

**Protest**

Any Offeror who is aggrieved in connection with this RFP or the award of a Performance Agreement pursuant to this RFP may protest to the MFA. The protest must be written and addressed to:

Kathleen M. Sysak-Keeler, Finance Manager  
New Mexico Mortgage Finance Authority  
344 4th Street SW  
Albuquerque, NM 87102

The protest must be delivered to MFA within fifteen (15) business calendar days after the notice of award. Upon the timely filing of a protest, the Contact Person shall give notice of the protest to all Offerors who appear to have a substantial and reasonable prospect of being affected by the outcome of the protest. The Offerors receiving notice may file responses to the protest within five seven (57) business calendar days of notice of protest. The protest process shall be:

- The protest will be reviewed by the Finance Committee of MFA’s Board of Directors, and that committee shall make a recommendation to the full Board of Directors regarding the disposition of the protest.

The Board of Directors shall make a final determination regarding the disposition of the protest. Offerors or their representatives shall not communicate with MFA Board of Directors or staff members regarding any proposal under consideration, except when specifically permitted to present testimony to the committee of the Board of Directors. A proposal will be deemed ineligible if the Offeror or any person or entity acting on behalf of Offeror attempts to influence members of the Board of Directors or staff during any portion of the RFP review process, or does not follow the prescribed proposal and Protest process.

**Part II: Minimum Qualifications and Requirements**

Only those Offerors who meet the following minimum criteria are eligible to submit a proposal pursuant to this RFP:

1. Offeror must have at least ten years’ experience in public finance in the housing industry with single family and multifamily bond transactions. The Offeror for LeadSenior Underwriter must also have substantial book running lead-senior manager experience in housing bond financing since January 20092011.
2. Offeror must have at least three years’ documented experience with at least one state housing agency that utilizes a master (open) indenture, and one that utilizes a stand-alone indenture for single family transactions and one state housing agency that utilizes a stand-alone indenture for multifamily transactions.

3. Offeror must have significant financial strength and a willingness to put its capital at risk in difficult market conditions.

4. Offeror must have demonstrated housing bond marketing capabilities.

5. Offeror must be in compliance with all MSRB rules and meet all of the qualifications listed in The Bond Buyer’s Municipal Marketplace.

Part III: Services to be Performed

The Services to be Performed will differ for the firm chosen as Senior Manager compared to Co-Manager and Special Products Underwriter. Single Family and Multifamily Housing Services required to be provided under and to be incorporated into the Contract to be awarded pursuant to this RFP include, but are not limited to, the following:

Senior Underwriter. The Senior Underwriter will be primarily responsible for the following scope of services relating to the issuance of bonds:

1. Develop models for the analysis of financing alternatives in conjunction with MFA’s Financing Team including the sizing and timing of each long term bond issue.

2. Provide recommendations regarding the structure of each issue of bonds to best achieve MFA’s objectives for that transaction. This will include ideas regarding the marketing of taxable bonds, ideas for economic refunding issues, planned amortization class bonds, super-sinker maturities, pass-through structures and other concepts that will enable MFA to maximize the funds available for loans to homebuyers at the lowest reasonable mortgage rates.

3. Assist in development of documents including MFA’s Preliminary and Final Official Statements, the Indenture and all program documents in conjunction with Bond Counsel and Underwriter’s Counsel; and

4. Assist MFA and its Financing Team in the preparation of information regarding financing plans and issuance of bonds for rating agencies and/or investors; and

5. Provide analysis of market conditions relating to the issuance of the bonds. This information should include insights on investor demand, actual quotations for spread components and prevailing rates; and

6. Work with MFA and its Financial Advisor to develop a marketing plan, which shall include identifying appropriate institutional and retail investors, developing a sales memorandum to raise investor awareness, conducting informational meetings for investors and organizing a syndicate of investment banking firms as needed to provide efficient distribution of the bonds; and
7. Develop and maintain a New Mexico retail selling group; and

8. Be responsible for initiating the Agreement among Underwriters in conformance with the Contract; and

9. Work with MFA’s Financing Team to establish bond pricing to achieve the lowest cost possible while ensuring market acceptance for future financing. Provide MFA with a consensus scale, preliminary and final pricing wires and offering scales to be reviewed and approved prior to publication; and

10. Provide a comprehensive and detailed Analysis of Distribution to document the level of participation and performance of each member of the underwriting team in selling and distribution MFA’s bonds; and

11. Be responsible for the purchase of the Bonds as identified in the Contract. Provide information on orders and allotments to MFA’s Financing Team as directed by the MFA; and

12. As requested, assist MFA and its Financial Advisor in the development and implementation of the bond proceeds reinvestment strategy; and

13. Assist in the closing of any securities issuance; and

14. Assist in presentations to rating agencies and potential credit or liquidity providers, MFA’s Board of Directors, Legislative Oversight Committee and other public presentations as requested by MFA; and

15. Provide other underwriting services as requested by MFA.

**Co-Manager**: The Co-Manager will be primarily responsible for the following scope of services relating to the issuance of bonds:

1. Assist the Senior Underwriter to market the financing, which shall include identifying appropriate institutional and retail investors, developing sales memoranda to raise investor awareness and conducting informational meetings for investors; and

2. Assist the Lead Senior Underwriter to price the bonds to achieve the lowest cost financing possible, while ensuring market acceptance for future financings; and

3. Be responsible for purchase of the Bonds as identified in the Contract.

**Special Products Underwriter**: The Special Products Underwriter will be responsible for the following scope of services:

1. Working with MFA’s Financing Team to implement all aspects of their specialized financing technique; and

2. Assist in development of all documents in conjunction with Bond Counsel and Underwriter’s Counsel, as needed; and
3. Assist MFA and its Financing Team in the preparation of information regarding the financing transaction for rating agencies and/or investors; and

4. Assist in presentations to rating agencies and potential credit or liquidity providers, MFA’s Board of Directors, Legislative Oversight Committee and other public presentations as requested by MFA.

Part IV: Evaluation Criteria

MFA shall award the contract for Underwriting Services for Single Family and Multifamily Housing Programs to the Offeror whose proposal is most advantageous to MFA. Proposals shall be evaluated primarily on experience and fees. Proposals shall be scored on a scale of 1 to 100 based on the criteria listed below. Please note that a serious deficiency in any one criterion may be grounds for rejection regardless of overall score.

A New Mexico Resident Business, for the purposes of MFA’s Procurement Policies, is defined as one in which the majority of the Offeror’s employees who would perform the services to be performed pursuant to the relevant procurement reside in New Mexico. If an Offeror is seeking preference points as a New Mexico Resident Business, the Offeror’s proposal must include: (1) evidence that the Offeror is licensed to do business in New Mexico; and, (2) a representation that the majority of the Offeror’s employees who would perform the services to be performed reside in New Mexico.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Point Range</th>
<th>Maximum Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Letter of Transmittal</td>
<td>0-0</td>
<td>0</td>
</tr>
<tr>
<td>B. The Offeror</td>
<td>0-10</td>
<td>10</td>
</tr>
<tr>
<td>New Mexico Resident Business Status Qualification</td>
<td>N/A-5</td>
<td>5</td>
</tr>
<tr>
<td>C. Qualifications of Personnel</td>
<td>0-1520</td>
<td>1520</td>
</tr>
<tr>
<td>D. Financial Strength and Willingness to Put Capital at Risk</td>
<td>0-20</td>
<td>20</td>
</tr>
<tr>
<td>E. Offeror’s Underwriting Experience</td>
<td>0-20</td>
<td>20</td>
</tr>
<tr>
<td>F. Marketing</td>
<td>0-20</td>
<td>20</td>
</tr>
<tr>
<td>G. Proposed Fees and Costs</td>
<td>0-10</td>
<td>10</td>
</tr>
</tbody>
</table>
Part V: Proposal Format and Instructions to Offeror

Proposals submitted to the MFA must, at a minimum, contain the following information and shall be organized as follows:

1. Letter of Transmittal, including at least the following information:

   A. Name, address and telephone of Offeror;

   B. A signature of the Offeror or any partner, officer or employee who certifies that he or she has the authority to bind the Offeror;

   C. Date of proposal;

   D. A statement that the Offeror, if awarded the Contract, will comply with the terms and conditions set forth in this RFP;

   E. A statement that the information submitted in and with the proposal is true and accurate;

   F. A statement that the Offeror’s proposal is valid for ninety-five (95) ninety (90) days after the deadline for submission of proposals; and,

   G. Indicate the underwriting position(s) your firm is applying for: Senior Manager, Co-Manager, and/or Special Products Underwriter.

2. The Offeror:

   A. Number of years firm has been involved in public finance for housing bonds;

   B. Evidence that the Offeror is authorized to do business within the State of New Mexico. In addition, if the Offeror is seeking preference points as a New Mexico Resident Business, the Offeror’s proposal must include a representation that the majority of the Offeror’s employees who would be performing the Services to be Performed pursuant to Part IV: Services to be Performed of the RFP reside in New Mexico.

   C. Number of professionals assigned full-time to single family and multifamily tax-exempt housing finance. Describe the Offeror’s public finance and trading departments, including the information requested in the following table, and any substantive changes in management and staffing in the housing group, in the housing trading group, and in any other area of the Firm’s public finance practice from January 1, 2009 to the present.
<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of professionals in Public Finance Department</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of professionals assigned full time to single family tax-exempt housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of professionals assigned full time to multifamily tax-exempt housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of institutional sales personnel assigned exclusively to marketing tax-exempt bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of retail brokers who place housing bonds</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

D. A description of your firm’s involvement in the housing industry, including any organizations with which your firm may be affiliated.

E. Describe any pending changes to your firm’s ownership or capital structure.

F. Describe any material, current or pending litigation, administrative proceedings or investigations that could impact your firm’s reputation, financial viability or ability to serve as underwriter.

G. The MFA requires that Offeror be an Equal Opportunity Employer. Please state that Offeror complies fully with all government regulations regarding nondiscriminatory employment practices.

H. Describe any situations that arose in which the Offeror was not able to fulfill the requirements of its Contract with a housing bond issuer.

3. Qualifications of Personnel and Execution of Services To Be Performed

A. Provide the Namesnames, resumes and locations of the lead–senior contact and other key personnel, including the Lead–Senior Underwriter (Head of the Syndicate Desk), to be assigned to the account for both single family and multifamily bond issues. Resumes describing the qualifications of personnel to be utilized in the performance of this Contract must show, at a minimum, the person’s name, location, education, position, proposed responsibilities, other housing clients to which person is assigned and in what capacity and total years of experience working with housing clients. Any changes made to the proposed team must be approved by the MFA in advance.

B. Describe any changes, including additions and departures in your housing group staff including the Offeror’s trading department in the last two years and the impact on serving clients. In addition, please describe plans for any upcoming anticipated changes, such as retirements in your housing group staff and/or trading department.

C. Provide information about the availability of staff, including a description of how your firm will execute Part IVIII: Services to be Performed. Also include your plan to fulfill Part IVIII: Services to be Performed if the Lead–Senior Underwriter is not available at the time MFA needs to issue bonds.
4. Financial Strength and Willingness to Put Capital at Risk

A. Please include a copy of your firm’s most recent audited financial statements. Audited financial statements may be included separately or as an Exhibit. Please complete the following summary table:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm’s net capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm’s excess net capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net capital allocated to Public Finance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess net capital allocated to Public Finance</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

B. Describe your firm’s willingness to put its capital at risk in difficult market conditions for single family and multifamily housing finance transactions. Please provide specific examples since January 2008–2010 (including MFA transactions if you have been an underwriter for MFA). Offeror must demonstrate financial stability and financial ability to undertake MFA’s underwriting services.

5. Special Products

A. Describe in detail the special product(s) that your firm has available and outline the potential benefit to MFA.

B. Are there any requirements that MFA utilize a non-MFA vendor, i.e. trustee, bond counsel? Note that at this time, MFA utilizes Zions Bank as Trustee for its single family programs and BOSC, Inc. (Bank of Albuquerque) as Trustee for its multifamily programs and Ballard Spahr as Bond Counsel.

6. Offeror’s Underwriting Experience

A. Prepare a list in tabular form of Provide the following summary data with respect to single family and multifamily housing revenue bonds, respectively, (both tax exempt and taxable) for which your firm served as Senior Manager, Co-Manager or Special Products Underwriter, for each of the periods indicated in the table below. Provide a separate table for single family and multifamily bond issues and for special products.

Senior Managed and Co-Managed tax-exempt single family housing bond issues and taxable single family housing bond issues from January 2008 to the present. Include the detailed list of bond issues and/or special products as an Exhibit. Indicate next to each issue the par amount, underwriting fee per bond, broker’s takedown and your role either as senior manager or co-manager and/or special products underwriter. Include a summary chart here as follows:

<table>
<thead>
<tr>
<th>Total Number</th>
<th>Number of Senior Managed</th>
<th>Number of Co-Managed</th>
</tr>
</thead>
<tbody>
<tr>
<td>of Issues</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Tax-Exempt Single Family Bond Issues:
- Bond Issue size under $50 million
- Bond Issue size $51 - $70 million
- Bond Issue size over $71 million

Taxable Single Family Bond Issues:
- Bond Issue size under $50 million
- Bond Issue size $51 - $70 million
- Bond Issue size over $71 million

<table>
<thead>
<tr>
<th>Year</th>
<th>Senior Manager</th>
<th>Co-Manager</th>
<th>Special Products Underwriter</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td># Issues</td>
<td>$ Amount</td>
<td># Issues</td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
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<td></td>
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<tr>
<td>2014</td>
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<td></td>
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<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

B. Include your experience underwriting housing bonds in New Mexico, and placing housing bonds with New Mexico retail investors, since January 2008-2010 to present. Attach detail of individual transactions.

7. Marketing

A. Tax-Exempt Bonds - Describe, with specific examples, your firm’s particular strengths within the industry in selling tax-exempt single family and multifamily housing bonds, including serials, terms, super-sinkers, pass through bond structures and other classes of bonds. Describe with specific examples, your firm’s particular strengths in selling housing bonds to New Mexico investors. Describe your firm’s distribution system.

B. Taxable Bonds - Describe your firm’s particular capabilities for marketing taxable single family and multifamily bonds. Describe the approaches you have taken and, with examples, illustrate what distinguishes your firm from others in selling such bonds.

C. Given the recent challenges in the financial markets, discuss how your firm will provide the lowest cost of capital to MFA, including procedures for establishing bond sale yields and takedowns for MFA debt relative to other housing issues.

D. Describe procedures that would be established to ensure good communication during the pricing of a transaction to all members of the underwriting team, including the selling group, to ensure efficient and equitable access to all bonds.

8. References

Please provide names of at least three references from state housing finance agencies who have worked with the same primary personnel proposed, and for which the Offeror underwrites as Senior
Underwriter and provide three references for which the Offeror underwrites as Co-Manager for both single family and multifamily transactions.

9. **Costs**—In addition, only those firms seeking consideration as Senior Manager and/or Special Products Underwriter should respond to the following requests:

   **A. Strategies for Funding Single Family Mortgage Loan Programs with bond financing and other financing (such as MBS Sales, Special Products).** Based on prevailing interest rates and market conditions, recommend strategies (i.e. bond finance sizing, structure, marketing or pricing, forward delivery or MBS sales, special products) designed to enable MFA to (a) offer a mix of regular low interest rate loans and higher rate down payment assistance loans with the most affordable interest rate and terms, (b) minimize total transaction costs (including negative arbitrage costs and cost of issuance for bond and/or special product financing), (c) maximize the total amount of lendable proceeds for first time homebuyers and (d) maximize the Net Present Value economic benefit to MFA of each transaction. Identify any element of your recommended strategy which you firm views as being “proprietary” or other effectively available to MFA primarily from your firm.

   **B. Strategies for Funding Multifamily Mortgage Loans.** Based on your recent experience as a managing underwriter for multifamily mortgage revenue bonds, briefly describe those bond structures, special product financing and credit enhancement mechanisms which, in the opinion of your firm, currently provide the most cost-effective strategy for funding mortgage loans on rental apartment projects (particularly smaller to medium sized projects).

   **C. Costs:** MFA understands the Takedown and risk components of underwriter discount are “market-driven” costs and may fluctuate depending upon market conditions. Based upon market conditions as of September 7, 2016, provide the following information:

   1. **Single Family Bond Issue:** Please complete the following table, assuming a 30-year, $50-40 million fixed-rate tax-exempt traditional structure with par serial bond maturities out to 12 years, par term bonds maturities of 15, 20, 26 and 32 years and premium PAC bonds maturing in approximately 32 years with an average life of five to six years issued under MFA’s 2005 Master Indenture (assuming a “Aaa” bond rating). For each of the par term bonds, indicate the extent to which the Takedowns could be reduced by offering those bonds only to institutional investors (it is assumed the premium PAC bonds would be offered only to institutional investors). In addition provide an estimate of the Takedown (in dollars per thousand) your firm would recommend for a pass through $40 million single family bond issue. Compensation is paid only upon the successful closing of an issuance.

   **Underwriter Compensation (in dollars per thousand):**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takedown</td>
<td>$______</td>
</tr>
<tr>
<td>Expenses:</td>
<td>________</td>
</tr>
<tr>
<td>Underwriter Counsel*</td>
<td>________</td>
</tr>
<tr>
<td>MSRB, DTC, CUSIP, etc.</td>
<td>________</td>
</tr>
<tr>
<td>Federal Funds/Syndicate Wires</td>
<td>________</td>
</tr>
<tr>
<td>Other (explain)*</td>
<td>________</td>
</tr>
</tbody>
</table>
Total per Bond ___________

*Indicate the law firm that you would use as Underwriter’s Counsel
**Other (Explain): __________________________________________

Multifamily bond issue: Please complete the following table, assuming a 35-year, $10 million fixed rate tax-exempt multifamily bond issue utilizing a traditional structure issued under a stand-alone indenture (assuming a “AA” bond rating). Provide the same information for a pass through structure, if applicable.

2.

Underwriter Compensation (in dollars per thousand):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takedown</td>
<td>$___________</td>
</tr>
<tr>
<td>Expenses</td>
<td>___________</td>
</tr>
<tr>
<td>Underwriter Counsel*</td>
<td>___________</td>
</tr>
<tr>
<td>MSRB, DTC, CUSIP, etc.</td>
<td>___________</td>
</tr>
<tr>
<td>Federal Funds/Syndicate Wires</td>
<td>___________</td>
</tr>
<tr>
<td>Other (explain)*</td>
<td>___________</td>
</tr>
<tr>
<td>**Total per Bond</td>
<td>___________</td>
</tr>
</tbody>
</table>

*Indicate the law firm that you would use as Underwriter’s Counsel
**Other (Explain): __________________________________________

3. Special Products: Please detail all fees/expenses associated with the transaction.

Note that the final fee schedule shall be subject to negotiation. MFA expects Underwriter’s expenses and costs of issuance to be kept at an absolute minimum.

Please provide a statement indicating that the Offeror, if selected, would comply with MFA’s Business Travel and Meal Expense Policies and Procedures, which can be reviewed at [http://www.housingnm.org/rfp](http://www.housingnm.org/rfp). MFA also reserves the right to request supporting documentation from the Offeror prior to paying any expenses.

The Co-Manager will receive compensation as negotiated by MFA with the Lead Underwriter and Co-Manager. Please indicate your willingness to agree to this arrangement.

10. Additional Information

A. Compensation of all firms, including Senior Manager and Co-Manager will be determined by the fee arrangements negotiated with the Senior Manager. Please indicate your willingness to agree to this arrangement.

Compensation for the Special Products Underwriter will be determined by a fee agreement negotiated with the MFASpecialProductsUnderwriter.
B. Describe the safeguards the organization has in place to prevent unauthorized disclosure, misuse, alternation, destruction or other compromise of information. Include a description of the following processes:

1. Data security management and related employee training;
2. Information systems, including network and software design, as well as information processing, storage, transmission and disposal; and
3. Detecting, preventing and responding to attacks, intrusions, or other systems failures.

C. Provide any additional information you feel will be helpful to the MFA in evaluating your qualifications to serve as underwriter.

11. A statement disclosing: (1) any political contribution or gift valued in excess of $250.00 (singularly or in the aggregate) made by Offeror to any elected official of the State of New Mexico in the last three years, (2) any current or proposed business transaction between Offeror and any MFA member, officer, or employee, and (3) any other conflict or potential conflict which may give rise to a claim of conflict of interest.

12. Offeror shall provide MFA with written certification that Offeror is eligible to participate in any and all federal or state funded housing programs; is not currently facing disciplinary action by any federal, state or local entity; is not suspended, debarred or excluded from participation in any federal or state funded housing program; and is not listed as an excluded party(ies) on the System for Award Management’s list of excluded parties accessed at www.sam.gov.

PART VI: Principal Contract Terms and Conditions

In addition to the terms respecting the services to be performed and compensation described above, the contract between MFA and the successful Offeror (herein “Contractor”) shall include, but may not be limited to, terms substantially similar to the following:

Contract Term

The term of the Underwriting Services Contract shall begin the date the MFA Board of Directors approves the award and end November 30, 2019. At the option of the Board, the contract may be extended for two, one-year periods under the same terms and conditions. There will be a transition period for matters in process at the beginning and the end of the contract term.

Hold Harmless and Indemnity Agreement

Contractor shall hold harmless and indemnify MFA, its members, officers, employees, and agents from and against any and all claims, liabilities, obligations, losses and the like, asserted by any third parties arising from or attributable to Contractor’s performance of the services required under the contract. This indemnity and hold harmless agreement shall include reimbursement of all attorney fees, costs and expenses incurred by MFA, members, employees, or agents in defending any such action.

Assignment/Change in Key Contractor Personnel
Contractor shall not assign or transfer any interest in the contract or assign any claims for money due or to become due under the contract (except as security for a bank loan in its ordinary course of its business) without the prior written approval of MFA. Any change to key Contractor personnel, including lead and other key personnel assigned to the contract, shall require prior written notice to and approval by MFA, and amendment to the contract to reflect the change in assigned Contractor personnel.

**Subcontractors**

Contractor shall not employ a subcontractor (or substantially change the contemplated division of responsibilities with a previously approved subcontractor) without the prior written approval of MFA. Any and all fees or costs incurred by a subcontractor shall be paid by Contractor and shall not be reimbursed by MFA. Contractor shall assume full and complete responsibility and liability for subcontractor’s performance of any services which Contractor has delegated to a subcontractor.

**Records and Audit**

Contractor shall maintain detailed time records which indicate the detail of services rendered, which shall be subject to inspection by MFA. MFA shall have the right to audit bills submitted to MFA under the Single Family and Multifamily Mortgage Servicing Contract both before and after payment. Payment under the contract shall not foreclose the right of MFA to recover excessive and/or illegal payments.

**Budget and Billing**

Prior to commencing any matter requiring substantial work, Contractor shall prepare and deliver to MFA a detailed budget of all fees and costs that Contractor anticipates will be necessary to perform the services required for that transaction. A detailed statement of services and an invoice for services provided must be presented before any payment under the contract shall be made. MFA will pay Contractor fees or costs which exceed those indicated in the budget only if such costs are reasonable and result from circumstances which Contractor could not have anticipated at the time Contractor prepared the budget.

**Professional Liability Insurance**

Each Contractor shall maintain professional liability insurance covering all liabilities and risks inherent in Contractor’s performance of the services required under the contract. Each Contractor’s insurance policy must provide per claim and aggregate limits of at least two million dollars ($2,000,000.00), must provide for a per claim/aggregate deductible in an amount reasonable for a firm of Contractor’s size and financial condition, and must be in a form acceptable to MFA. Each Contractor must provide MFA with an acceptable certificate of insurance in force at the time of the inception of the contract and at each anniversary date, extension or renewal of the contract, which provides for not less than thirty (30) days’ notice to MFA of non-renewal or cancellation. Contractor shall immediately notify MFA in the event of any cancellations, modifications or changes in the amounts of coverage provided under such professional liability coverage. Failure to have, maintain and continue professional liability coverage in the amount and form specified shall be cause for immediate termination of the contract and shall not require the notice provided for in Part VI Principal Contract Terms and Conditions, Termination of this RFP.
**Confidentiality**

The relationship between Contractor and MFA shall be that of attorney-client. Any information developed or acquired by or furnished by Contractor in the performance of the contract shall be kept confidential and shall not be made available to any individual or organization not involved in a given transaction without the prior written approval of MFA.

**Confidential Data**

Offerors may request in writing nondisclosure of confidential data. Such data shall accompany the proposal and shall be readily separable from the proposal to facilitate public inspection of non-confidential portions of the proposal. After award, all proposals and documents pertaining to the proposals will be open to the public. Confidential data is normally restricted to confidential financial information concerning the Offeror’s organization and data that qualifies as trade secrets under the Uniform Trade Secrets Act, Section 57-3A1 et seq. NMSA 1978.

If a citizen of this state requests disclosure of data for which a request for confidentiality is made, MFA shall examine the request for confidentiality and make a written determination that specifies which portions of the proposal should be disclosed and will provide the Offeror with written notice of that determination. Unless the Offeror protests within ten (10) calendar days of the notice, the proposal will be so disclosed.

**Code of Conduct**

No Board member or employee of MFA shall have any direct financial interest in any contract with the Offeror, nor shall any contract exist between Offeror or its affiliate with any MFA Board member or employee that might give rise to a claim of conflict of interest. Any violation of this provision will render void any contract between MFA and the Offeror for which MFA determines that a conflict of interest exists as herein described, unless that contract is approved by the MFA Board of Directors after full disclosure.

Offeror shall provide a statement disclosing any political contribution or gift valued in excess of $250 (singularly or in the aggregate) made by Offeror or on Offeror’s behalf to any elected official of the State of New Mexico currently serving or who has served on the MFA Board of Directors in the last three (3) years.

Offeror shall warrant that it has no interest, direct or indirect, which would conflict in any manner or degree with the performance of services required under any contract entered into with MFA pursuant to this RFP. Offeror shall at all times conduct itself in a manner consistent with the MFA Code of Conduct and MFA’s Anti-Harassment Policy. A copy of the MFA Code of Conduct and MFA’s Anti-Harassment Policy is posted on the MFA web site for review at http:\\www.housingnm.org/rfp. Upon request by MFA, Offeror shall disclose information MFA may reasonably request relating to conflict or potential conflicts of interest.

**Equal Opportunity Compliance**
Contractor agrees to abide by all federal and state laws, rules and regulations and executive orders pertaining to equal employment opportunity. Contractor agrees to assure that no person in the United States shall, on the grounds of race, color, religion, national origin, sex, sexual preference, age or handicap, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subject to discrimination under, any program or activity performed under the contracts.

Termination
This agreement may be terminated without cause by MFA upon thirty (30) days written notice. Such termination shall not nullify any obligations already incurred for performance or failure to perform before the date of termination. Upon termination, the MFA Board may negotiate and award the remaining term(s) of the contract using the proposals submitted in this RFP.

Status of Contractor
The Contractor and its agents and employees are independent contractors performing services for MFA and are not employees of MFA. The Contractor and its agents and employees shall not accrue leave, retirement, insurance, bonding or other benefits afforded to employees of MFA as a result of this RFP.

Amendment
The agreement shall not be altered, changed or amended except by an instrument in writing and executed by both parties. No amendment shall be effective or binding until approved by MFA.

Scope of Agreement
The agreement incorporates all the agreements, covenants and understandings between the parties concerning the subject matter of the agreement and all such covenants, agreements and understandings have been merged into the written agreement. No prior understanding or agreement, verbal or otherwise, of the parties or the agents, shall be valid or otherwise enforceable unless embodied in the agreement.

Applicable Law
The agreement shall be governed by the laws of the State of New Mexico.

New Mexico Mortgage Finance Authority

Board Members
Chair, Dennis Burt-Burt & Company CPAs
Vice Chair Angel Reyes – President, Centinel Bank in Taos
Treasurer Steven Smith – President, R.O.G. Enterprises
Member John A. Sanchez – Lieutenant Governor, State of New Mexico
Member Hector Balderas – Attorney General
Member Tim Eichenberg – Treasurer, State of New Mexico
Member Randy McMillan – President, NAI First Valley Realty, Inc.
### Management

**Jay Czar, Executive Director**  
**Gina Hickman, Deputy Director of Finance & Administration**  
**Isidoro Hernandez, Deputy Director of Programs**

<table>
<thead>
<tr>
<th>Name</th>
<th>Name</th>
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<tbody>
<tr>
<td>Al Radicioni</td>
<td>Heather Abramowski</td>
<td>Robyn Powell</td>
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<tr>
<td>Amanda Mottershead Aragon</td>
<td>Jackie Garrity</td>
<td>Rose Baca-Quesada</td>
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<td>Amy Gutierrez</td>
<td>Jeannette Marquez</td>
<td>Sabrina Su</td>
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<td>Angel Candelaria</td>
<td>Joseph Navarrete</td>
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<td>Angelina Martinez</td>
<td>Judy Amador</td>
<td>Sandra Marez</td>
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<td>Anita Racicot</td>
<td>Kathleen Sysak-Keeler</td>
<td>Sarah Marinelli</td>
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<td>Barbara Tashkandy</td>
<td>Kathy Griego</td>
<td>Shannon Tilseth</td>
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<td>Blanca Vasquez</td>
<td>Laura Thompson</td>
<td>Sharlynn Rosales</td>
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<td>Carmela Arellano</td>
<td>Leann Kemp</td>
<td>Shawn Colbert</td>
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<td>Carol Salazar</td>
<td>Lisa Romero</td>
<td>Shawn Rasmussen</td>
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<td>Christina Gerwin</td>
<td>Loretta Martinez</td>
<td>Stacy Huggins</td>
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<td>Cynthia Marquez</td>
<td>Marjorie Martin</td>
<td>Stacy Vernon</td>
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<td>Dana Gohr</td>
<td>Michael Scott</td>
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<td>Debbie Davis</td>
<td>Michelle Marquez</td>
<td>Suzette Chavez</td>
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<td>Desarey Maldonado</td>
<td>Monica Abeita</td>
<td>Teresa Chiarolanza</td>
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<td>Dolores Deer</td>
<td>Natalie Michelback</td>
<td>Teri Baca</td>
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<td>Doris Clark</td>
<td>Pat Rogers</td>
<td>Theresa Garcia</td>
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<td>Eunice Duran</td>
<td>Patrick Ortiz</td>
<td>Troy Cucchiara</td>
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<td>Francina Martinez</td>
<td>Patty Balderrama</td>
<td>Yvonne Reed</td>
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<td>Frankie Salcido</td>
<td>Rebecca Sanchez</td>
<td>Yvonne Segovia</td>
</tr>
<tr>
<td>Gina Bell</td>
<td>Rob Jones</td>
<td></td>
</tr>
</tbody>
</table>
Tab 9
NEW MEXICO MORTGAGE FINANCE AUTHORITY
Contracted Services/Credit Committee Meeting
Tuesday, August 9, 2016 @ 10:00 am
MFA – Albuquerque
To dial in to the conference call dial: MFA (Abbott Hall) all participant dial in
(641) 715-3276 Participant Access Code: 561172# MFA only/Host Access Code: 561172*

<table>
<thead>
<tr>
<th>AGENDA ITEM</th>
<th>COMMITTEE RECOMMENDED</th>
<th>BOARD ACTION REQUIRED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Legal Services as Bond Counsel Professional Services Agreement Extension (Kathy Keeler)</td>
<td>2-0</td>
<td>YES</td>
</tr>
<tr>
<td>2 Substantial Amendment to Consolidated Plan and 2016 Action Plan (Debbie Davis)</td>
<td>2-0</td>
<td>YES</td>
</tr>
<tr>
<td>3 Linkages Sole Source Awards (Debbie Davis)</td>
<td>2-0</td>
<td>YES</td>
</tr>
</tbody>
</table>

Committee Members present:

Angel Reyes, Chair  □ present  □ absent  □ conference call

Attorney General Hector Balderas or Sally Malavé  □ present  □ absent  □ conference call

Randy McMillan  □ present  □ absent  □ conference call

Secretary: [Signature]
8/9/16
MEMORANDUM

To: Board of Directors

Through: Contracted Services/Credit Committee – August 9, 2016

Through: Policy Committee – August 2, 2016

FROM: Kathleen Sysak-Keeler

DATE: August 17, 2016

SUBJECT: Legal Services as Bond Counsel Professional Services Agreement Extension

Recommendation:
Staff is recommending that the Professional Services Agreement with Ballard Spahr LLP to provide Legal Services as Bond Counsel be extended for one year until September 19, 2017 under the same terms and conditions.

Background:
June 2012 - The Board approved the “Request for Proposals for Legal Services as Bond Counsel (the “RFP”).

July 2012 - MFA received a total of five responses to the RFP of which three proposals met minimum threshold requirements. Ballard Spahr earned the highest score of all the respondents and was selected to negotiate a professional services agreement (“PSA”) with MFA to serve as Bond Counsel.

September 2012 – The Board approved the PSA between Ballard Spahr and MFA with the caveat that an amendment (the “Amendment”) to the PSA be brought back to the Board regarding the handling of conflict of interest issues related to bond financings. The term of service would commence on the date of the PSA and end on the third anniversary thereof (September 19, 2015). At the option of the Board, the PSA may be extended for two additional one-year periods under the same terms and conditions.

October 2012 – The Board approved the Amendment to the PSA which delineated the fact that from time to time Ballard Spahr provides services to other entities working with the MFA. If Ballard Spahr is requested or desires to undertake an engagement to represent another entity in connection with a financing through MFA, Ballard Spahr much obtain the consent of MFA prior to undertaking such an engagement.

July 2015 – The Board approved the first of two available one-year contract extensions under the existing terms and conditions as outlined in the PSA until September 19, 2016.
Discussion:
Ballard Spahr has satisfactorily provided Bond Counsel services to MFA for four years under the current PSA. During this time, Ballard Spahr has acted as Bond Counsel for eleven single family bond issues and three multifamily bond issues. The firm has also assisted MFA with its single family and multifamily programs and the SEC’s Municipalities Continuing Disclosure Cooperation Initiative.

As outlined in the RFP and the PSA, at the option of the Board, the contract with Ballard Spahr may be extended for two additional one-year periods under the same terms and conditions as stated in the original proposal. Staff is recommending exercising the final extension on the contract.

Summary:
Ballard Spahr has satisfactorily provided Bond Counsel services to MFA for the last four years under the current Professional Services Agreement (“PSA”). Staff is requesting that the Board exercise the second and final one-year contract extension to extend the PSA under the same terms and conditions until September 19, 2017.
Tab 10
MEMORANDUM

TO: MFA Board of Directors

Through: Contracted Services Committee – August 9, 2016

Through: Policy Committee – July 26, 2016

FROM: Izzy Hernandez

DATE: August 17, 2016

SUBJECT: Approval of Draft Substantial Amendment to the 2015-2019 Consolidated Plan and the 2016 Action Plan

Recommendation:
MFA staff recommends approval of the Substantial Amendment to the 2015-2019 Consolidated Plan and the 2016 Action Plan.

Background:
On May 4, 2016, MFA received an allocation of $3 million from the National Housing Trust Fund (NHTF). This funding is considered a substantial change to MFA’s Consolidated Plan and Action Plan and therefore requires a Substantial Amendment to the to the 2015-2019 Consolidated Plan (Con Plan) and the 2016 Annual Action Plan (16 AAP). This Substantial Amendment will include the addition of NHTF funding and a change to the maximum amount of HOME funds allowed per multifamily project not currently receiving 9% tax credits. The change will allow for increased funding from $800,000 to $1,000,000 per project for Community Housing Development Organizations (CHDOs) and from $600,000 to $800,000 for non-CHDOs. This change seeks to incentivize CHDOs to apply for HOME Multifamily Development funding.

Discussion:
The Substantial Amendment was submitted to HUD on August 16, 2016, contingent on being approved by the Board. The NHTF Allocation plan was approved on July 20, 2016 and the Substantial Amendment is being presented to you for approval today. The revised Consolidated Plan and the 2016 Action Plan screens are attached for your review. The majority of the changes concern inclusion of the funding from the National Housing Trust Fund into MFA’s HUD programs. An additional change seeks to incentivize CHDOs to apply for HOME Multifamily Development funding by increasing the maximum allowable amount from $800,000 to $1,000,000 per project for CHDOs and from $600,000 to $800,000 for non-CHDOs not currently receiving 9% tax credits. This change allows MFA to effectively use HOME funding by increasing the maximum amount of HOME funding per project.
Summary:
Staff has developed and is seeking approval of a Substantial Amendment to the 2015-2019 Consolidated Plan and the 2016 Action Plan. The changes encompassed in the Substantial Amendment include the allocation of $3 million to MFA for the National Housing Trust Fund, as well as increases to the maximum amount of HOME funds to $1,000,000 per project for CHDOs/$800,000 for non-CHDOs.
DRAFT SUBSTANTIAL AMENDMENT

to the State of New Mexico’s

CONSOLIDATED PLAN

For Program Years 2015 through 2019

(January 1, 2015 – December 31, 2019)

and the 2016 Annual Action Plan

National Housing Trust Fund Program

August 2016

New Mexico Mortgage Finance Authority
344 4th Street SW
Albuquerque, New Mexico 87102
DRAFT SUBSTANTIAL AMENDMENT
to the State of New Mexico’s Consolidated Plan for Program Years 2015 through 2019 and the
2016 Annual Action Plan

NATIONAL HOUSING TRUST FUND PROGRAM

The New Mexico Mortgage Finance Authority (MFA) administers HUD’s HOME Investment Partnerships
(HOME), Emergency Solutions Grants (ESG), and Housing Opportunities for Persons with AIDS (HOPWA)
programs for the State of New Mexico. The Department of Finance and Administration, Local
Government Division (DFA) administers HUD’s Community Development Block Grant program. MFA and
DFA prepared the State of New Mexico’s Consolidated Plan for Program Years 2015 through 2019 (Con
Plan) the 2016 Annual Action Plan (16 AAP) that describes the proposed projects and programs that will
be supported with HOME, ESG, HOPWA and CDBG funds. The Con Plan and the 16 AAP are available for

Purpose
The purpose of this draft Substantial Amendment to the Con Plan and the 16 AAP is to include MFA’s
administration of HUD’s new National Housing Trust Fund Program

Background
The National Housing Trust Fund (NHTF), funded by an assessment on loans made by Fannie Mae and
Freddie Mac and administered by HUD, was established under the Housing and Economic Recovery Act
of 2008. On January 30, 2015, HUD published an interim rule (24 CFR Parts 91 and 93) providing
guidelines for states to implement the NHTF. Each state’s allocation was published on May 4, 2016, and
New Mexico received an allocation of $3 million. By August 16, 2016, MFA must submit an NHTF
Allocation Plan to HUD as a Substantial Amendment to the Con Plan and the 16 AAP.

Discussion
In accordance with HUD requirements, MFA must publish the Substantial Amendment with the draft
NHTF Allocation Plan for public comment over a 30-day period. MFA held a public hearing on June 20,
2016 at 10 am in the MFA Board Room. Only one member of the public attended.

The draft Allocation Plan contains the broad guidelines under which MFA will distribute NHTF funds,
which will be used for the production, preservation, and rehabilitation of affordable rental housing units
for families earning no more than 30% AMI. The regulations allow up to 10% of funds to be used for
administrative costs, up to 10% for homeownership activities, and the remaining funds for rental
housing development. The guidelines in the draft Allocation Plan are based on the NHTF regulations,
HUD-issued guidance, the Con Plan and the 16 AAP, and the structure of MFA’s existing housing
development programs such as the LIHTC and HOME programs.

Following the public comment period, staff made any necessary revisions to the Allocation Plan and will
present it to the MFA Board of Directors for approval on July 20, 2016. If approved, staff will submit it to
HUD by August 16, 2016.

Upon submission, HUD’s 45-day review process will begin. The Allocation Plan will be deemed approved
45 days after HUD receives the plan, unless HUD notifies MFA that the plan is disapproved before
expiration of the review period.
Following HUD approval of the Allocation Plan, MFA will develop a Notice of Funding Availability that will provide greater detail on the application and selection process.

**Revised Consolidated Plan Screens**
The following screens in the eCon Planning Suite Consolidated Plan in IDIS were revised to include the Housing Trust Fund and HOME Rental Development allocation wording changes.

**Revised Action Plan Screens**

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
### Executive Summary

Starting in PY2016, MFA will administer HUD’s new National Housing Trust Fund (NHTF) to provide affordable rental housing units serving households with incomes at or below 30% of the area median income. MFA will allocate NHTF to eligible applicants pursuant to the State of New Mexico National Housing Trust Fund Allocation Plan.

### Summary of citizen participation

**D. Consultation Activities**

MFA provided electronic copies of the Substantial Amendment and the Notice of Public Hearing to MFA’s master contact listing of multifamily owners and developers, as well as to current subgrantees across programs, soliciting comments on the NHTF Allocation Plan that is the basis for the Substantial Amendment.

**E. Efforts to Enhance Citizen Involvement**

Between June 1 and June 3, 2016, MFA published, in Albuquerque, Clovis, Farmington, Las Cruces, Roswell, Santa Fe and El Semanario) and on MFA’s web page, a Notice of Public Hearing seeking the public’s input on the draft Substantial Amendment. This Substantial Amendment sets forth MFA’s allocation plan for the distribution of NHTF funds. The Public Hearing was conducted on Monday, June 20, 2016, at 10:00 am at the office of MFA at 344 4th Street SW, Albuquerque, NM 87102. Public comments were accepted through July 1, 2016.

### Summary of public comments

Public comments and responses for the 2016 Substantial Amendment are attached to this plan in Substantial Amendment all exhibits scanned.pdf.

### Summary of comments or views not accepted

Public comments and responses for the 2016 Substantial Amendment are attached to this plan in Substantial Amendment all exhibits scanned.pdf.

### Summary

Public comments and responses for the 2016 Substantial Amendment are attached to this plan in Substantial Amendment all exhibit scans.pdf.

### Lead & Responsible Agencies

**Table 1 – Responsible Agencies**

NHTF Administrator – New Mexico Mortgage Finance Authority

### Citizen Participation

**Narrative**

Starting in PY2016, MFA will administer the NHTF to develop and preserve affordable rental housing statewide, serving extremely low-income (30% AMI) households.

MFA provided electronic copies of the Substantial Amendment and the Notice of Public Hearing to MFA’s master contact listing of multifamily owners and developers, as well as to current subgrantees across programs, soliciting comments on the NHTF Allocation Plan that is the basis for the Substantial Amendment.

The Public Hearing was conducted on Monday, June 20, 2016, at 10:00 am at the office of MFA at 344 4th Street SW, Albuquerque, NM 87102. Public comments were accepted through July 1, 2016.
developers, as well as to current subgrantees across programs, soliciting comments on the NHTF Allocation Plan that is the basis for the Substantial Amendment.

Between June 1 and June 3, 2016, MFA published, in Albuquerque, Clovis, Farmington, Las Cruces, Roswell, Santa Fe and El Semanario, and on MFA’s web page a Notice of Public Hearing seeking the public’s input on the draft Substantial Amendment. This Substantial Amendment sets forth MFA’s allocation plan for the distribution of NHTF funds. The Public Hearing will be conducted on Monday, June 20, 2016, at 10:00 am at the office of MFA at 344 4th Street SW, Albuquerque, NM 87102. Public comments were accepted through July 1, 2016.

Citizen Participation Outreach

Posted on MFA’s web page on June 1, 2016.

<table>
<thead>
<tr>
<th>SP-10 Geographic Priorities</th>
<th>General Allocation Priorities</th>
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</thead>
<tbody>
<tr>
<td>MFA will allocate its NHTF program funds statewide to eligible applicants for the development or preservation of affordable rental housing for households with incomes at or below 30% AMI. Through consultation with the public, staff and housing administrators statewide and input from other county state and federal administrators, MFA gained consensus on its allocation plan, attached. The discussion focused on the limited amount of NHTF funds available and the need for more affordable housing for ELI households statewide. MFA’s Board of Directors approved the NHTF allocation plan at its meeting of July 20, 2016.</td>
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<tr>
<th>SP-25 Priority Needs</th>
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<tr>
<td>Table 51 – Priority Needs Summary</td>
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<tr>
<td>Priority Need 1 Low-Moderate income renter households</td>
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<td>No changes to language in this section.</td>
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<th>SP-30 Influence of Market Conditions</th>
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<td>Market Characteristics</td>
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<tr>
<th>SP-35 Anticipated Resources</th>
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<tbody>
<tr>
<td>Introduction</td>
</tr>
<tr>
<td>Starting in PY2016, MFA will administer HUD’s new National Housing Trust Fund (NHTF) to provide affordable rental housing units serving households with incomes at or below 30% of the area median income. MFA will allocate NHTF to eligible applicants pursuant to the State of New Mexico National Housing Trust Fund Allocation Plan.</td>
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<thead>
<tr>
<th>Table 53-Anticipated Resources</th>
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<tbody>
<tr>
<td><strong>When added to eCon Planning Suite</strong>: Add National Housing Trust Fund as a Program, source is public-federal, Annual Allocation of $3,000,000, zero program income or prior year resources, total of $3,000,000. Expected amount available remainder of Con Plan $12,000,000.</td>
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<th>SP-45 Goals</th>
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<tr>
<td>Table 56-Goals Summary</td>
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<tr>
<td>Incorporate NHTF into funding for goals #1 and #5, minimum of 10 units affordable to ELI households, up to 38 units affordable to ELI households depending upon per unit costs</td>
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</table>

| Estimate number of households |
| Add 10 for 1 year to ELI, 40 to 5 year |
# ACTION PLAN

<table>
<thead>
<tr>
<th>Screen</th>
<th>Section</th>
<th>Amendment</th>
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</thead>
<tbody>
<tr>
<td>AP-05 Executive Summary</td>
<td>1. Introduction</td>
<td>Starting in PY2016, MFA will also administer HUD’s new National Housing Trust Fund (NHTF) to provide affordable rental housing units serving households with incomes at or below 30% of the area median income. MFA will allocate NHTF to eligible applicants pursuant to the State of New Mexico National Housing Trust Fund Allocation Plan.</td>
</tr>
<tr>
<td>4. Summary of citizen participation process</td>
<td>MFA provided electronic copies of the Substantial Amendment and the Notice of Public Hearing to MFA’s master contact listing of multifamily owners and developers, as well as to current subgrantees across programs, soliciting comments on the NHTF Allocation Plan that is the basis for the Substantial Amendment.</td>
<td></td>
</tr>
<tr>
<td>Public Hearings and Meetings</td>
<td>Between June 1 and June 3, 2016, MFA published, in Albuquerque, Clovis, Farmington, Las Cruces, Roswell, Santa Fe and El Semanario) and on MFA’s web page, a Notice of Public Hearing seeking the public’s input on the draft Substantial Amendment. This Substantial Amendment sets forth MFA’s allocation plan for the distribution of NHTF funds. The Public Hearing was conducted on Monday, June 20, 2016, at 10:00 am at the office of MFA at 344 4th Street SW, Albuquerque, NM 87102. Public comments were accepted through July 1, 2016.</td>
<td></td>
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<tr>
<td>5. Summary of public comments</td>
<td>Public comments and responses for the 2016 Substantial Amendment are attached to this plan as Substantial Amendment all exhibits scanned.pdf.</td>
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<tr>
<td>6. Summary of comments or views not accepted</td>
<td>Public comments and responses for the 2016 Substantial Amendment are attached to this plan as Substantial Amendment all exhibits scanned.pdf.</td>
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<td>7. Summary</td>
<td>Public comments and responses for the 2016 Substantial Amendment are attached to this plan as Substantial Amendment all exhibits scanned.pdf.</td>
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<tr>
<td>AP-15 Expected Resources</td>
<td>Table 5</td>
<td>Carried over from SP-35 Anticipated Resources</td>
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<tr>
<td>Explain how federal funds will leverage those additional funds</td>
<td>“National Housing Trust Fund” will be added to the sentence beginning with “HOME funds are leveraged”</td>
<td></td>
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<tr>
<td>AP-20 Annual Goals and Objectives</td>
<td>Table 6 – Goals Summary</td>
<td>Carried over from SP-45 Goals screen.</td>
</tr>
<tr>
<td>AP-25 Allocation Priorities</td>
<td>Table 8 – Funding Allocation Priorities</td>
<td>NHTF will be added as a source, with 10% for finance multifamily new construction and 90% for Finance Multifamily Rental Acquisition and Rehab</td>
</tr>
<tr>
<td>AP-30 Method of Distribution</td>
<td>Carried over from SP-35 Anticipated Resources. See AP-30 below with changes related to HOME Rental Development</td>
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<tr>
<td>AP-50 Geographic Distribution</td>
<td>No changes to language in this section.</td>
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<tr>
<td>AP-55 Affordable Housing</td>
<td>Table 15</td>
<td>10 units added to rehab of existing units or increase to 50, total increased to 64</td>
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<tr>
<td>Discussion</td>
<td>Added “$4,730,000 in LIHTCs” to the first sentence.</td>
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AP-65 Homeless and Other Special Needs Activities
No changes to language in this section.

AP-75 Barriers to Affordable Housing
No changes to language in this section.

AP-85 Other Actions
No changes to language in this section.

AP-30 (Changes indicated in red)

<table>
<thead>
<tr>
<th>6</th>
<th>State Program Name:</th>
<th>HOME Rental Development</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Funding Sources:</td>
<td>HOME</td>
</tr>
<tr>
<td></td>
<td>Describe the state program addressed by the Method of Distribution.</td>
<td>Home Rental Developments funds are distributed via a competitive RFP annually along with LIHTC's. Any funds remaining after the RFP are distributed on a first-come, first-served basis throughout the year. HOME funds will be used to leverage a number of rental development resources by providing gap financing to eligible projects.</td>
</tr>
<tr>
<td></td>
<td>Describe all of the criteria that will be used to select applications and the relative importance of these criteria.</td>
<td>The priority for multifamily rental financing is for projects that will serve homeless individuals and special needs populations. HOME/Rental Development funds provide gap financing to nonprofit and for-profit developers, public and tribal entities, and CHDOs for construction, acquisition, or acquisition and rehabilitation of affordable rental housing. Units financed with HOME funds must be affordable to households earning at or below 60 percent of the area median income adjusted for family size, and awards may be further restricted by other federal funding limits. HOME funds will be used to fill the gap between the cost of development and other sources of funding. To the extent projects are able to carry senior market-rate debt; HOME dollars will be reduced accordingly to maximize their efficiency. Projects must have demonstrated financing gaps and will be subject to underwriting standards that, among other criteria, verify that HOME funds are needed and will enhance affordability. Market studies, or other evidence of market need, are required at MFA’s discretion. MFA accepts and review applications on a continuous basis. Additional CHDO set-aside funds are also available to projects meeting these guidelines and developed, sponsored, or owned by certified CHDOs. MFA sets aside 15 percent of its HOME allocation for CHDO development projects. Applicants are encouraged to produce units that are energy efficient with low water usage. MFA will also seek to coordinate funding to promote energy efficient upgrades in affordable housing developments. These awards will be in the form of below-market rate debt. Exceptions may be made for transitional and permanent rental housing, single room occupancy units (SROs) and group homes targeted for populations at or below 30 percent of the area median income. Staff may determine limits on the amount of funds available on an annual basis that will be awarded as grants versus loans. If the majority of HOME/Rental funds are drawn prior to completion and lease-up, guaranties by entities acceptable to MFA are required.</td>
</tr>
</tbody>
</table>

6
Describe how resources will be allocated among funding categories.

The HOME Rental Development program includes two components: HOME/LIHTC and HOME/Rental Incentives. HOME/LIHTC funds apply to projects that are simultaneously awarded federal Low Income Housing Tax Credits (LIHTC) for new construction, acquisition and rehabilitation, or refinancing and rehabilitation of affordable rental housing in MFA’s annual competitive round. Projects using HOME funds in conjunction with the tax credit program must meet all the conditions and requirements set forth in the applicable Qualified Allocation Plan (QAP). HOME funds will be awarded on the basis of tax credit scoring until all HOME funds allocated for this purpose have been awarded. Based on availability of funds, HOME/LIHTC awards may not exceed the lesser of (a) $15,000 per residential rental unit (i.e. manager’s units do not count) for CHDOs/$7,500 for non-CHDOs, (b) $600,000 ($640,000) per project for CHDOs/$400,000 for non-CHDOs or (c) 80 percent of the project’s total development costs. Award amounts and payment structures will be determined by the debt capacity of the individual project, and underwriting terms used to determine principal and payment amounts will meet the standards adopted for the LIHTC and HOME programs. Preference will be given to projects having a CHDO as developer, owner or sponsor. A non-profit cannot partner with another entity and obtain CHDO status. MFA only designates non-profits as CHDOs if they meet all HOME requirements and qualify for CHDO set-aside funds. See MFA’s CHDO Policy for more detail at: [http://www.housingnm.org/developers/community-housing-development-organizations-chdo](http://www.housingnm.org/developers/community-housing-development-organizations-chdo).

A separate pool of HOME funds, HOME/Rental Incentives, cannot be used for projects that receive a competitive allocation of tax credits, although projects receiving tax credits associated with private activity bond volume cap (i.e. four percent credits) are eligible. Based on availability of funds, HOME/Rental Incentive awards may not exceed the lesser of (a) $15,000 per residential rental unit (i.e. manager’s units do not count) for CHDOs/$7,500 for non-CHDOs, (b) $1,000,000 $800,000 per project for CHDOs/$800,000 $600,000 for non-CHDOs, or (c) 80 percent of the project’s total development costs. The primary mortgage may be derived from tax-exempt bonds, 501(c)3 bonds, conventional loans or other sources, and award amounts and payment structures will be determined by the debt capacity of the individual project. Applications for these HOME funds will be accepted and reviewed on a continuous basis until all HOME funds allocated for this purpose have been awarded. Preference will be given to projects having a CHDO as developer, owner or sponsor. A non-profit cannot partner with another entity and obtain CHDO status. MFA only designates non-profits as CHDOs if they meet all HOME requirements and qualify for CHDO set-aside funds. See MFA’s CHDO Policy for more detail at: [http://www.housingnm.org/developers/community-housing-development-organizations-chdo](http://www.housingnm.org/developers/community-housing-development-organizations-chdo).

| Describe threshold factors and grant size limits. | See above |
| What are the outcome measures expected as a result of the method of distribution? | **Finance Multi-family Rental Housing New Construction**  
*Availability/Accessibility:* The number of eligible households that benefit from new rental construction  
*Affordability:* The number of affordable rental housing units that have been financed  
*Sustainability:* The number of affordable rental housing units that have been added to the affordable rental housing stock  

**Finance Multi-Family Rental Acquisition and Rehabilitation:**  
*Availability/Accessibility:* The number of eligible units that have benefited from rental rehabilitation  
*Affordability:* The number of rental units that have undergone rehabilitation and remain affordable  
*Sustainability:* The number of units that have been rehabilitated and become additions to the affordable rental housing stock |
2016 Substantial Amendment to the New Mexico Consolidated Plan

Public Comments and MFA Responses

Received from Hank Hughes, Executive Director, New Mexico Coalition to End Homelessness on 6/20/16 at 12:07 PM  MFA Responses follow each item in RED.

1. We suggest that you add language specifying that rents will be no more than 30% of household income. That way, we know the units will be affordable even to those with very low incomes. This could be done in several ways such as setting rents at 15% of AMI for people who are homeless or disabled or by using vouchers that ensure rent is no more than 30% of a household’s income.

MFA Response: "MFA will also investigate the feasibility of including additional selection criteria in the NOFA." The first step is to conduct a survey or focus group meeting with interested developers, management agents, non-profit agencies, homeless services providers and others to gather their suggestions for how the NOFA for the National Housing Trust Fund will be released to New Mexico.

2. Projects that serve the elderly and frail elderly, housing for persons with severe mental illness, housing for persons with disabilities, housing for persons with alcohol and other addictions, housing for persons with HIV/AIDS, housing for victims of domestic violence and housing for homeless persons should have high priority, rather than medium priority.

MFA Response: MFA agrees, and this criterion has been moved to high priority.

3. Instead of giving priority just to projects that have project-based vouchers; MFA should broaden this item to give priority to projects that are able to leverage any other resources. That way, projects that figure out other resources to keep their units affordable will be as competitive as those with project-based vouchers.

MFA Response: "MFA will also investigate the feasibility of including additional selection criteria in the NOFA." The first step is to conduct a survey or focus group meeting with interested developers, management agents, non-profit agencies, homeless services providers and others to gather their suggestions for how the NOFA for the National Housing Trust Fund will be released to New Mexico.

4. MFA should create a new "medium" priority for projects that use innovative methods to create new affordable housing units. That creates an incentive for projects to increase the overall supply of affordable units for very low income households.

MFA Response: Creation of new units serving ELI families is already part of the “medium” priorities listed in the State of New Mexico National Housing Trust Fund Allocation Plan (DRAFT) attached as part of “CON PLAN all exhibits scanned.pdf”

5. MFA should create a new "high" priority for projects that have low barriers to entrance. Low barrier projects are those that do not bar people from entering who have criminal backgrounds, bad credit, low incomes or people who do not want to participate in services.

MFA Response: “MFA will also investigate the feasibility of including additional selection criteria in the NOFA.” The first step is to conduct a survey or focus group meeting with interested developers, management agents, non-profit agencies, homeless services providers and others to gather their suggestions for how the NOFA for the National Housing Trust Fund will be released to New Mexico.

6. The reference to transitional housing should be changed to permanent housing since transitional housing is not an eligible expense according to our sources.
MFA Response: Commenter was correct, the State of New Mexico National Housing Trust Fund Allocation Plan (DRAFT) attached as part of “CON PLAN all exhibits scanned.pdf,” Paragraph 2. Eligibility Requirements, the word “transitional” has been changed to “permanent.”

Received from Lisa Huval, Associate Director, New Mexico Coalition to End Homelessness, May 12, 2016, 11:17 am. These comments were received before the draft NHTF Allocation Plan was released for public review.

1. The funds should be reserved for rental housing projects for extremely low income (ELI) households. This way funds are targeted to those who most need the assistance.

MFA Response: The State of New Mexico National Housing Trust Fund Allocation Plan (DRAFT) attached as part of “CON PLAN all exhibits scanned.pdf” under Paragraph 4, Selection Criteria contains the requirement that eligible activities are “production, preservation and rehabilitation of affordable rental housing units for extremely low-income (ELI) families” as suggested. The Interim Rule states:

Income Targeting- § 93.250 The HTF sets income targeting requirements based on the annual amount of HTF funds available.
- In any fiscal year in which the total HTF funds available are less than $1 billion, the grantee must target 100 percent of its HTF funds for the benefit of ELI families or families with incomes at or below the poverty line, whichever is greater

2. In order to assist extremely low income households the plan point system should encourage projects to be affordable at 30% of the households income, since rents based on 30% of AMI or 30% of federal poverty level are still out of reach for many people with disabilities. Another way of getting at this is for the plan to give extra points to projects that target people at 15% of AMI.

MFA Response: “MFA will also investigate the feasibility of including additional selection criteria in the NOFA.” The first step is to conduct a survey or focus group meeting with interested developers, management agents, non-profit agencies, homeless services providers and others to gather their suggestions for how the NOFA for the National Housing Trust Fund will be released to New Mexico.

3. The period of affordability should be made as long as possible which might be 45 or 50 years.

MFA Response: The DRAFT Allocation Plan, Paragraph 4, Selection Criteria states:

All projects must meet the following threshold criteria:
- NHTF-assisted units must provide permanent rental housing for ELI families;
- NHTF-assisted units must remain affordable to ELI families for at least 30 years;
- The applicant must certify that NHTF-assisted units will comply with all NHTF requirements;
- The project must be financially feasible.

All projects that meet the threshold criteria will be evaluated according to the following criteria, grouped by relative importance as follows:

Low priority:
- Geographic diversity;
- Duration of the affordability period beyond the required 30 years [...]

4. The plan point system should encourage projects that serve people with special needs such as people with disabilities and people experiencing homelessness.

MFA Response: The DRAFT Allocation Plan, Paragraph 4, Selection Criteria states that high priority will be placed on the “[e]xtent to which the project meets one of the following priority housing needs identified in the NM Consolidated Plan: housing for the elderly and frail elderly, housing for persons with severe mental illness, housing for persons with disabilities, housing for persons with alcohol and other addictions, housing for persons with HIV/AIDS, housing for victims of domestic violence and housing for homeless persons […].”

In addition, the DRAFT Allocation Plan, Paragraph 8, Limitation on Beneficiaries or Preferences states:

Owners of NHTF-assisted projects may (but are not required to) limit occupancy to, or provide preference to, the following populations:

- Homeless families or individuals;
- Individuals with disabilities;
- Individuals with severe mental illnesses;
- Individuals with alcohol and other addictions;
- Individuals with HIV/AIDS;
- Victims of domestic violence;
- Seniors;
- Veterans;
- Individuals on public housing waiting lists;
- Youth transitioning out of foster care;
- Ex-offenders.

5. The plan point system should encourage nonprofit developers.

MFA Response: The DRAFT Allocation Plan, Paragraph 4, Selection Criteria states that medium priority will be given to projects in which the “[d]eveloper/general partner …is a New Mexico nonprofit organization […].”

6. The plan should allow for operating cost assistance to the properties developed as a way of keeping the rents affordable.

MFA Response: The DRAFT Allocation Plan, Paragraph 2, Eligibility Requirements states: Eligible costs are the following: development hard costs, refinancing costs, acquisition costs, related soft costs, operating cost assistance/reserves and relocation costs, as defined in 24 CFR 93.201.

7. The plan point system should encourage projects with low barriers to entrance. Low barrier projects are those that do not bar people from entering who have criminal backgrounds, bad credit, low incomes or people who do not want to participate in services.

MFA Response: “MFA will also investigate the feasibility of including additional selection criteria in the NOFA.” The first step is to conduct a survey or focus group meeting with interested developers, management agents, non-profit agencies, homeless services providers and others to gather their suggestions for how the NOFA for the National Housing Trust Fund will be released to New Mexico.

8. In order to encourage the creation of new affordable housing the plan point system should encourage projects that do not use other operating subsidies such as Housing Choice Vouchers. This makes using some of the Trust Fund money for operating support important.
MFA Response: “MFA will also investigate the feasibility of including additional selection criteria in the NOFA.” The first step is to conduct a survey or focus group meeting with interested developers, management agents, non-profit agencies, homeless services providers and others to gather their suggestions for how the NOFA for the National Housing Trust Fund will be released to New Mexico.

9. The plan should allow for a variety of types of developments including projects that use tax credits and very small projects that might be useful in smaller communities around the state. MFA Response: The DRAFT Allocation Plan, Paragraph 1, Distribution of Funds states: Projects may include permanent housing for the homeless, Single Room Occupancy (SRO) projects, senior projects and other special needs projects. Dormitories and transient housing (e.g. emergency shelters for homeless persons and families) are ineligible. Given the high need for rental housing among ELI families and individuals, MFA does not intend to fund any homebuyer activities in the first year of the program but will revisit the feasibility of funding homebuyer activities in the future.
Tab 11
MEMORANDUM

TO: Board of Directors

Through: Contracted Services Committee – August 9, 2016

Through: Policy Committee – August 2, 2016

FROM: Gina Bell

DATE: August 17, 2016

SUBJECT: Limited Source Procurement and Recommended Awards for Linkages Contracts

Recommendation: Staff recommends approval of six month contracts in the amount of $798,681.51 for the seven (7) existing Housing Administrators for the Linkages Program and MFA administrative fees of $33,750.00. In addition, we request that MFA management be given the authority to approve the allocations of the remaining $517,568.49 of the total award from the state, based on the need of the agencies and MFA at the end of the 6 month term. If approved, notification of the awards would be provided to the Board through the Staff Actions Report.

Background: The Linkages program is a permanent supportive housing voucher program for persons with a severe mental illness who are homeless or precariously housed. The program is funded by the state through the Behavioral Health Purchasing Collaborative and the Statewide Entity, OptumHealth New Mexico. The designation of the areas is based on the availability of both qualified local housing administrators and a HSD certified social services agency whose role it is to help clients obtain and sustain permanent housing. Social services are provided as an integral part of other mental health management. In non-metro areas, there is only one housing entity that has experience in managing voucher based rental assistance programs. For this reason and because of the volatility of the services side of this program, staff recommends that contracts are awarded one year at a time through limited source procurement. In 2015, the Board approved the renewal of seven (7) Housing Administrators. This year, the Board is requesting approval for those seven Housing Administrators.

Limited source procurement is used when there are such a limited number of qualified sources for the service, as determined under the facts and circumstances of the procurement, that a competitive sealed proposal procedure would be impracticable. This program can only be offered in an area where there is both a Housing Provider experienced in administering rental assistance funds, and a Human Services Division (“HSD”) certified Social Service Agency that will oversee the provision of supportive services. For this reason, a competitive proposal process is impractical.

Discussion: The 2016 allocation for the Linkages program is $1,350,000. This award does not cover the current number of vouchers. In order to manage the funds to cover the shortage we are requesting six
month contracts to the existing approved Housing Administrators of the program. During that time we will work with Behavioral Health Services Department and the Housing Administrators on solutions to cover the shortfall. We are proposing the following:

1. **Award funding for six months, with monthly review and reassessment before the end of the contract term;**
2. **Do not take on any new clients, nor replace any who leave the program;**
3. **Restructure the administrative fees to pay 5% of the total program amount, versus $100.00 per voucher per month which will save approximately $197,000.**
4. **Pay for Housing Quality Inspections that need to occur on an annual basis, at $50 per inspection.**
5. **Reduce MFA’s admin from $80,000 to $67,500 which is 5% of the total award.**
6. **Rescind any FMR waivers and do not allow any in the future.**

We surveyed the Housing Administrators to determine the minimum funding needed to keep current clients housed for six months. It was determined that $798,681.51 which includes Housing Assistance Payments (HAP), Administration Fees (Admin) and Housing Quality Standards (HQS) inspection reimbursement would cover the need to keep all current vouchers active. The formula for the administrative fee portion is 5% of the total program costs, or Housing Assistance Payments (HAP) plus Utility Allowances (UA) as of June 30, 2016. In addition, $50 per unit for annual Housing Quality Standards (HQS) unit inspections was included. MFA will receive an administration fee of $33,750 for six months.

On May 6, 2016 a request for information was sent to the seven (7) current Linkages Housing providers in order to verify the good standing of each provider. Each provider has previously submitted proof of current registration with the New Mexico Attorney General’s Office (if applicable), a copy of the agency’s financial audit for the fiscal year ending in 2014 or 2015, and a copy of the current letter of agreement with the Social Services Agency, as required by Linkages. Staff verified that the housing service providers have not been debarred by the federal government.

The allocation of funds would be awarded to the seven (7) current Linkages Housing Administrators for six months. Those agencies are:

Bernalillo County Housing Department (BCHD) – Albuquerque Area
Eastern Regional Housing Authority (ERHA) – Chaves/Eddy/Lea
The Life Link – Santa Fe Area
Northern Regional Housing Authority (NRHA) - Taos
Mesilla Valley Community of Hope (MVCOH) – Doña Ana
San Juan Housing Partnership (SJHP) – San Juan
Western Regional Housing Authority (WRHA) – Grant/Luna/Hidalgo

**Summary:** Linkages is a permanent supportive housing voucher program for persons with a severe mental illness who are homeless or precariously housed. The program is funded by the state through the Behavioral Health Purchasing Collaborative and the Statewide Entity, Optum Health New Mexico. Staff recommends that procurement for the Linkages Program 2016-2017 be conducted as limited source procurement for the seven (7) existing Housing Providers, with awards subject to availability of funding from the State of New Mexico. Six months recommended awards are:
<table>
<thead>
<tr>
<th></th>
<th>HAP/UA PER MONTH</th>
<th>TOTAL HAP/UA (HAP + S)</th>
<th>ADM+HOS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCHD</td>
<td>38,920.00</td>
<td>233,520.00</td>
<td>13,326.00</td>
<td>246,846.00</td>
</tr>
<tr>
<td>ERHA</td>
<td>12,377.50</td>
<td>74,265.00</td>
<td>4,263.25</td>
<td>78,528.25</td>
</tr>
<tr>
<td>LIFE LINK</td>
<td>38,719.00</td>
<td>232,314.00</td>
<td>12,790.70</td>
<td>245,104.70</td>
</tr>
<tr>
<td>MVCOH</td>
<td>14,957.00</td>
<td>89,742.00</td>
<td>5,237.10</td>
<td>94,979.10</td>
</tr>
<tr>
<td>NRHA</td>
<td>6,263.00</td>
<td>37,578.00</td>
<td>2,103.90</td>
<td>39,681.90</td>
</tr>
<tr>
<td>SJHP</td>
<td>1,912.00</td>
<td>11,472.00</td>
<td>573.60</td>
<td>12,045.60</td>
</tr>
<tr>
<td>WRHA</td>
<td>12,860.47</td>
<td>77,162.82</td>
<td>4,333.14</td>
<td>81,495.96</td>
</tr>
<tr>
<td><strong>sub total</strong></td>
<td><strong>756,053.82</strong></td>
<td><strong>42,627.69</strong></td>
<td></td>
<td><strong>798,681.51</strong></td>
</tr>
<tr>
<td>MFA</td>
<td>-</td>
<td></td>
<td></td>
<td>33,750.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>832,431.51</strong></td>
</tr>
</tbody>
</table>
Tab 12
<table>
<thead>
<tr>
<th>Department and Program</th>
<th>Project</th>
<th>Action Taken</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Development Department – Housing Trust Fund</td>
<td>Silver Moon Lodge</td>
<td>Approval to extend loan closing date deadline to August 31, 2016 (2-month extension)</td>
<td>Approved by Izzy Hernandez, Deputy Director of Programs on 7/5/16</td>
</tr>
<tr>
<td>Housing Development Department – HOME Rental</td>
<td>Magdalena Hall (workout loan)</td>
<td>Approve HOME loan &amp; LURA modifications to: (1) split net proceeds of a sale/forgive any remainder and (2) note the affordability period was met 6/15/15 &amp; the LURA can be cancelled after a sale</td>
<td>Approved by Policy Committee on 7/19/16</td>
</tr>
<tr>
<td>Housing Development Department - LIHTC and Risk Share loans</td>
<td>Jefferson Crossing, Aztec Village and Arioso</td>
<td>Informational item only - Advised PC that the HD Director approved allowing the general partner to purchase the limited partner interest subject to HUD approval</td>
<td>Noted by PC on 7/19/16 as an info item</td>
</tr>
</tbody>
</table>
## Priority 1 - Operational Excellence

### 1.1 - Maintain prudent stewardship of MFA’s financial resources

<table>
<thead>
<tr>
<th>Benchmark</th>
<th>Comments</th>
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<tbody>
<tr>
<td>Maintain or improve credit rating</td>
<td>Work on updating the issuer credit ratings started in the 2nd quarter. Moody’s will not be updating their MFA rating until FY2017. Staff just completed the annual management meeting with Standard &amp; Poor’s (S&amp;P) and we are currently reviewing numbers. Due to timing within the rating agency, the updated S&amp;P ICR will not be released until August 2016.</td>
<td>On Target</td>
</tr>
<tr>
<td>Balance sheet strength equal to net asset position over total bonds outstanding of at least 23.7% (based on five-year average)</td>
<td>As of 6/30/16, balance sheet strength ratio was 23.1%.</td>
<td>Caution</td>
</tr>
<tr>
<td>Operating performance and profitability equal to net revenues over total revenues of at least 7.4% (based on five-year average)</td>
<td>As of 6/30/16, operating performance and profitability ratio was 7.82%.</td>
<td>On Target</td>
</tr>
<tr>
<td>Unqualified opinion on MFA financial statements and no material weakness in internal control over financial reporting or major programs (excluding first-time audits)</td>
<td>MFA received an unmodified opinion on the 9/30/15 audit and no material weaknesses. The audit was approved by the Board on 1/20/16.</td>
<td>Met</td>
</tr>
<tr>
<td>General fund liquid cash reserves at minimum level consistent with policy</td>
<td>General fund cash reserves were $78.3mm as of 6/30/16, which is within policy.</td>
<td>On Target</td>
</tr>
</tbody>
</table>

### 1.2 - Create a fulfilling work environment to attract and retain quality employees

<table>
<thead>
<tr>
<th>Benchmark</th>
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<tbody>
<tr>
<td>Create a staff development and capacity work plan</td>
<td>MFA has developed a staff development and capacity work plan that addresses employee training, team leadership training, updates of job descriptions and levels and succession planning. Team Leadership trainings through CNM take place quarterly. Topics covered to date include: employment law, appraising performance, building leadership potential and communicating with impact. Consultant Denise Montoya is assisting MFA with training and implementation of job descriptions and levels.</td>
<td>On Target</td>
</tr>
<tr>
<td>Conduct and realize a net improvement on the employee satisfaction survey</td>
<td>Employee satisfaction survey yielded a net improvement from last year of .06%. 2014= 82.34%, 2015=82.40%</td>
<td>Met</td>
</tr>
<tr>
<td>Develop and implement priority survey recommendations through the employee engagement committee</td>
<td>Employee engagement committee has met on several occasions. We created a quick, four-question survey that touched on senior leadership, supervisors and employees; from this information we have developed an action plan on which to focus for the remainder of the fiscal year.</td>
<td>On Target</td>
</tr>
<tr>
<td>Conduct, evaluate and compare annual employee satisfaction survey</td>
<td>Annual survey conducted in 10/15. Data distributed to all staff members.</td>
<td>Met</td>
</tr>
</tbody>
</table>

### 1.3 - Identify and implement technology solutions that improve operational efficiency, data security and customer service

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<th>Benchmark</th>
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</table>
### Priority 1 - Operational Excellence

#### 1.3 - Identify and implement technology solutions that improve operational efficiency, data security and customer service

<table>
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<tr>
<th>Benchmark</th>
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<th>Status</th>
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<tbody>
<tr>
<td>Begin to implement priority recommendations from the data security and privacy audit</td>
<td>Acceptable Use and Data Security Policy has been adopted by 80% of the workforce. One-to-one sessions with employees have been ongoing with employees certifying acceptance of the new policy. The policy addresses acceptable use, email security, clean desk, removable media, remote access, passwords, software installation, mobile devices, and security awareness training. Security awareness training was completed in the 2nd quarter.</td>
<td>On Target</td>
</tr>
<tr>
<td>Maintain system availability at 99%</td>
<td>As of 6/30/16, system availability was 99.91% with no full system outages. In the 3rd quarter, an issue with the email database was resolved quickly with no other issues reported.</td>
<td>On Target</td>
</tr>
<tr>
<td>Protect MFA data and systems from threats through semi-annual vulnerability scans</td>
<td>The first vulnerability scan was performed in the 2nd quarter. Findings included 9 confirmed vulnerabilities (6 Level 3 and 3 Level 2) and 7 potential vulnerabilities (1 Level 5 and 6 Level 3). The Citrix server that accounted for 10 of the 16 total vulnerabilities was decommissioned in the 2nd quarter and the Outlook server was patched to address remaining vulnerabilities in the 3rd quarter. First penetration test and scan is scheduled for 8/16/16.</td>
<td>On Target</td>
</tr>
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</table>

#### 1.4 - Maintain standards of excellence and promote innovation in MFA programs

<table>
<thead>
<tr>
<th>Benchmark</th>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>Meet commitments and expenditure requirements for 95% of grant funding</td>
<td>As of 6/30/16, 99% of commitments and expenditure requirements have been met.</td>
<td>On Target</td>
</tr>
</tbody>
</table>

#### 1.5 - Manage organizational risks

<table>
<thead>
<tr>
<th>Benchmark</th>
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<tbody>
<tr>
<td>Implement, train staff and begin to test key components of the disaster recovery plan</td>
<td>Emergency Management Plan general training was provided at an all-staff meeting on 3/17/16. Follow-up training was provided on 4/18/16. Additional training and testing will be scheduled before fiscal year end.</td>
<td>On Target</td>
</tr>
<tr>
<td>Develop and implement a work plan to mitigate risk associated with complexities and changes in regulation</td>
<td>A work plan to mitigate risk associated with complexities and changes in regulation has been prepared and includes: 1. Development of an internal compliance function 2. Expansion of services performed by internal audit 3. Use of HFA legal consortium staff as needed 4. Alignment of legal and compliance functions 5. Monitoring of regulatory changes 6. Enhancing and refining risk and compliance reporting Implementation of this work plan will be ongoing during the course of the year.</td>
<td>On Target</td>
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#### 1.6 - Improve collaboration throughout MFA

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<tr>
<td>Focus collaboration around quarterly all-staff meetings and increased use of the Intranet</td>
<td>Redesigned intranet will be rolled out on 8/9/16. All-staff meetings are being held every month.</td>
<td>On Target</td>
</tr>
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</table>

### Priority 2 - New Resources

#### 2.1 - Market the Charitable Trust to generate tax deductible contributions for affordable housing

<table>
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<tr>
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<th>Comments</th>
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### Priority 2 - New Resources

#### 2.1 - Market the Charitable Trust to generate tax deductible contributions for affordable housing

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<thead>
<tr>
<th>Benchmark</th>
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<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outreach to at least one professional group and to at least three communities or employers</td>
<td>Outreach to Certified Public Accountants (CPAs) and financial planners completed in 1st quarter. Sent customized email regarding the Charitable Trust to list of 56 CPAs and financial planners listed in the Business First Book of Lists, which increased contributions to the Trust. Conducted outreach to Harding County, the Village of Los Lunas, and a nonprofit organization, Saranam.</td>
<td>On Target</td>
</tr>
</tbody>
</table>

#### 2.2 - Expand mission driven fee-for-service activities

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<th>Benchmark</th>
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<tbody>
<tr>
<td>Implement mortgage operations for subservicing expansion</td>
<td>In February, MFA’s Board was advised of a change in the implementation date of Servicing Expansion Milestone 1 to 6/1/16. Beginning on 6/1/16, these new processes and procedures were implemented: Single family loan reservations are purchased and warehoused by MFA up to our borrowing capacity. Concurrent with the delivery of the loans to Ginnie Mae, Fannie Mae or Bond MBS pooling, ownership is transferred to MFA. The loans are sub-serviced by Idaho Housing and Finance Association and MFA will perform sub-servicer and quality control oversight.</td>
<td>On Target</td>
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#### 2.3 - Develop innovative funding streams for NM Energy\$mart and other traditional grant funded programs

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<tbody>
<tr>
<td>Evaluate moderate income energy-efficiency program</td>
<td>Work on evaluating a moderate income energy-efficiency program will begin in the 4th quarter.</td>
<td>On Target</td>
</tr>
<tr>
<td>Increase funding from sources other than DOE and LIHEAP</td>
<td>In the 1st quarter, negotiated and contracted an additional $20,000 with the Climate Change Leadership Institute and an additional $15,627 with PNM. A grant request for $48,300 to Freeport McMoran was submitted but declined. In the 2nd quarter, submitted a proposal to PNM to expand measures and increase funding for the 1/1/17 program year. In the 3rd quarter, finalized a $35,000 contract with Central Valley Electric Cooperative and began preliminary negotiations with Jemez Electric Cooperative for $5,000 of new funding.</td>
<td>On Target</td>
</tr>
<tr>
<td>Outreach to three new partners</td>
<td>As of 6/30/16, MFA has conducted outreach with 5 partners: Zia Natural Gas, El Paso Electric, Central Valley Electric Cooperative and Jemez Electric Cooperative.</td>
<td>Met</td>
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</table>

#### 2.4 - Generate new resources for affordable housing through state programs, grant and private funding opportunities

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<tbody>
<tr>
<td>Create a resource development strategy for MFA</td>
<td>MFA Resource Development Strategy completed in 3rd quarter after review from Policy Committee, Strategic Management Committee and Priority 2 group.</td>
<td>Met</td>
</tr>
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</table>

### Priority 3 - Effective Partnerships

#### 3.1 - Develop the expertise and capacity of Regional Housing Authorities to provide a range of affordable housing services statewide

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<tr>
<td>Implement one new service or program as capacity and funding allow</td>
<td>Northern Regional Housing Authority implemented the Linkages program in the 2nd quarter. All regional housing authorities have now implemented the Linkages program which provides permanent supportive housing vouchers for persons with a severe mental illness who are homeless or precariously housed.</td>
<td>Met</td>
</tr>
</tbody>
</table>
### Priority 3 - Effective Partnerships

#### 3.1 - Develop the expertise and capacity of Regional Housing Authorities to provide a range of affordable housing services statewide

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<tbody>
<tr>
<td>Hold two peer exchange meetings annually</td>
<td>One peer exchange meeting occurred on 4/16/16 at the NAHRO conference and the second is scheduled for 9/16/16 during the MFA Housing Summit.</td>
<td>On Target</td>
</tr>
<tr>
<td>Assist Regional Housing Authorities with consolidation or transfers of troubled Public Housing Authorities</td>
<td>In the 1st quarter, Northern Regional Housing Authority submitted all required documents to HUD for the consolidation of Cimarron Housing Authority. In the 2nd quarter, Northern signed management agreements with the Grants and Cuba public housing authorities; due diligence is underway.</td>
<td>On Target</td>
</tr>
<tr>
<td>Provide Regional Housing Authority specialty training to enhance organizational capacity</td>
<td>In the 1st and 2nd quarters, MFA provided training for the Linkages program to the Northern Regional Housing Authority (RHA) and Tri-County Community Services. Staff from the Eastern and Northern RHAs attended Section 8 and Public Housing training and received certifications. In the 3rd quarter, MFA and RHA staff attended the 2016 NAHRO Conference, with RHA training paid through state legislative funds. In April, MFA conducted a site visit with Northern RHA director Richard Frye and staff to review operational, financial and training plans. One hundred percent of RHA funds were expended by 6/30/16.</td>
<td>Met</td>
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#### 3.2 - Provide quality training and technical assistance to our partners

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<tr>
<td>Facilitate five stakeholder meetings with non-profits, owners/managers, developers and service providers</td>
<td>Five stakeholder meetings are scheduled: Las Vegas - July 14 (11 attendees and MFA staff discussed community needs for the NE region of the state), July 27 - Farmington (NW region), August 3 - Roswell (SE region) and August 11 - Las Cruces (SW region). The final meeting will be held during the Housing Summit in September.</td>
<td>On Target</td>
</tr>
<tr>
<td>Assist three local governments with implementation of one or more affordable housing plan goals</td>
<td>As of 6/30/16, MFA funded and assisted four local governments (Harding County, Village of Los Lunas, Village of Ruidoso, Dona Ana County) in implementing affordable housing plan goals.</td>
<td>Met</td>
</tr>
<tr>
<td>Hold 12 outreach meetings</td>
<td>MFA has conducted 15 outreach meetings through 6/30/16, including: 7 stakeholder/partner meetings and trainings (MFA design standards training, annual QAP training, Linkages training, NM Energy$mart peer exchange, two Tribal Homeownership Coalition meetings and homeless provider meeting with HUD and the NM Congressional Delegation), 5 meetings with specific developers/property owners, and 3 meetings with the New Mexico Human Services Department to discuss supportive housing programs.</td>
<td>Met</td>
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<td>Assist three local governments in creating affordable housing plans and ordinances</td>
<td>As of 6/30/16, MFA assisted 7 local governments: 5 with affordable housing plan development (cities of Roswell, Santa Fe, Las Cruces, and the city and county of Socorro) and 2 with ordinance approval (Village of Columbus and Town of Taos).</td>
<td>Met</td>
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#### 3.3 - Strengthen MFA’s influence on affordable housing policy and funding at the state and federal levels

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### Priority 3 - Effective Partnerships

#### 3.3 - Strengthen MFA’s influence on affordable housing policy and funding at the state and federal levels

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| Develop federal policy priorities and communicate them to NM’s congressional delegation | Completed and presented letter on 2016 federal priorities to each member of the NM Congressional Delegation while at the Legislative Conference for NCSHA in late February/early March. | Met |

| Develop state legislative agenda and lobby for appropriations and policy | Lobbying for 2016 state legislative agenda is complete. MFA received $191,400 for regional housing authorities as part of the NM Department of Finance and Administration budget during the 2016 legislative session. All other requests were tabled or removed from capital outlay due to lack of state funding. | Met |

#### 3.4 - Increase visibility and public awareness of MFA

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<tbody>
<tr>
<td>Plan and execute the NM Housing Summit</td>
<td>Agreements are in place with summit partners, hotel, event planners and other support vendors. Fifty breakout sessions are planned and speakers secured. Summit website has been created and populated with all session, speaker and hotel information. Sponsorship goals have been exceeded. Registration is open.</td>
<td>On Target</td>
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</tbody>
</table>

| Organize or participate in five public awareness events | MFA participated in 7 public awareness events as of 6/30/16. Sponsored and attended the NM Infrastructure Finance Conference, NAHRO Conference, NM Coalition to End Homelessness Conference and attended the Village in the Bosque grand opening, the Book of Lists trade show, the grand opening of Hooghan Hozho and the ground breaking for Santo Domingo Tribal Housing Authority. | Met |

| Develop and update MFA materials including brochures and annual report | All collateral materials are updated and in stock. All homeownership factsheets and brochures are in English and Spanish; electronic versions are on the website. Annual report, legislative materials and new all-program postcard have been created, printed and distributed. Created and produced a NM Energy$mart video. | On Target |

### Priority 4 - Expanded Homeownership Opportunities

#### 4.1 - Utilize best financing executions for MFA’s homeownership program

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<tbody>
<tr>
<td>Profitability of 1.15% on TBA executions</td>
<td>As of 6/30/16, the weighted average profitability for the To Be Announced financing program for GNMA and FNMA executions was 1.67%.</td>
<td>On Target</td>
</tr>
</tbody>
</table>

| Administrative fees of at least 18 basis points on all bond issues | During the first three quarters of FY 2016, MFA closed 2015 Series E and 2016 Series A with administrative fees of 2.439% and .25%, respectively. | On Target |
Priority 4 - Expanded Homeownership Opportunities

4.1 - Utilize best financing executions for MFA’s homeownership program

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<tr>
<td>Spread for bond issues of 1.1% to 1.125%</td>
<td>During the first three quarters of FY 2016, MFA closed 2016 Series A, a traditional tax-exempt bond issue. The spread is 1.123%.</td>
<td>On Target</td>
</tr>
<tr>
<td>Mortgage rates no more than 25 basis points above traditional market</td>
<td>As of 6/30/16, MFA’s weighted average mortgage rate was 3.88% as compared with local mortgage rates averaging 3.81% and local average mortgage rates including Golden State rates averaging 3.96%.</td>
<td>On Target</td>
</tr>
<tr>
<td>Average internal rate of return on pass through single family bond programs equal to or greater than 100%</td>
<td>A pass through bond structure means interest is payable monthly to the bond holders and any excess funds (prepayments) are used to call bonds on a monthly basis. The average internal rate of return for outstanding bond issues with a pass through structure at the end of FY 2015 is 213.86%. This analysis includes 2015 Series B and 2015 Series D refunding bond issues which were issued with a pass through structure during FY 2015.</td>
<td>Met</td>
</tr>
<tr>
<td>Average internal rate of return on traditional single family bond programs equal to or greater than 14%</td>
<td>A traditional bond structure contains serial bonds, term bonds and a premium PAC bond. The average internal rate of return for outstanding bond issues with a traditional structure at the end of FY 2015 is 17.95%. This analysis includes 2015 Series A which was issued with a traditional structure and 2015 Series C which stepped in to refund the GSE portion of the 2011 Series A bond issue.</td>
<td>Met</td>
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4.2 - Implement innovations in single family mortgage products and servicing to address customer needs and make MFA more competitive

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<tbody>
<tr>
<td>Maintain loan default, workout and foreclosure losses to MFA below 3.90%</td>
<td>As of 6/30/16, MFA’s default, workout and foreclosure loss rate was 1.74%.</td>
<td>On Target</td>
</tr>
<tr>
<td>Maintain MFA single family market share at 31% or greater</td>
<td>As of 06/30/16, MFA had a single family market share of 44.54% of all FHA first mortgage purchase loans originated from 06/01/15 through 05/31/16.</td>
<td>On Target</td>
</tr>
<tr>
<td>Provide mortgage financing to 1,250 homebuyers</td>
<td>As of 06/30/16, MFA has provided mortgage financing to 1,616 homebuyers.</td>
<td>Met</td>
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4.3 - Increase awareness and use of MFA mortgage products through marketing and REALTOR®/lender outreach

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<tr>
<td>Create and employ marketing for specific groups of potential homeowners and engage in outreach to lenders and REALTORS who work with those groups</td>
<td>First Home and Next Home factsheets were redesigned to include a fillable field that allows lenders and REALTORS to insert their photo, contact information and company logo within specific style guidelines. Mailed 26,118 detached address label cards advertising MFA’s Next Home program to selected mail carrier routes throughout the greater Albuquerque area. Created brochure holders and signage in English and Spanish for REALTORS use at open houses and model homes. Partnering with the REALTORS Association of New Mexico on the 2016 Housing Summit. Sponsored and attended REALTOR and lender events including: Greater Albuquerque Association of Realtors and Realty One golf tournaments; Nusenda Credit Union’s annual meeting, the New Mexico Bankers Association annual convention, the Las Cruces REALTORS awards dinner as well as its annual gala, and the quarterly meeting of the Santa Fe Association of REALTORS.</td>
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4.4 - Expand MFA’s presence in housing and credit counseling

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## Priority 4 - Expanded Homeownership Opportunities

### 4.4 - Expand MFA’s presence in housing and credit counseling

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<tbody>
<tr>
<td>Launch pre-foreclosure counseling program</td>
<td>MOU signed, executed and delivered to the Office of the Attorney General. Tierra del Sol will be the sole grantee providing foreclosure prevention in the colonias and tribal areas.</td>
<td>On Target</td>
</tr>
<tr>
<td>Provide homebuyer counseling to 1,250 homebuyers</td>
<td>As of 06/30/16, MFA provided pre-purchase counseling to 1,998 homebuyers throughout the state of New Mexico.</td>
<td>Met</td>
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## Priority 5 - Expanded Rental Opportunities

### 5.1 - Foster sustainability of multifamily properties through sound underwriting and continual improvement of MFA financing programs

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<tr>
<td>Partner with HUD on evaluating multifamily risk rating systems</td>
<td>The benchmark will prioritize information to send to HUD for examination: (1) Risk Share loans with 4% LIHTC/bonds, (2) other Risk Share loans, and (3) MFA properties which have been determined to be in troubled status. During the 2nd quarter, meetings were held with the HUD Research and Development teams in Washington, DC. Staff began integrating this analysis process with MFA’s new risk management committee. During the 3rd quarter communications continued with HUD. Testing of HUD’s financial template will occur in the 4th quarter, including 4-5 LIHTC properties. If template is determined to be user-friendly and our HUD partners agree, MFA could consider having owners transfer the financial data to the template instead of entering it manually into our HDS system.</td>
<td>On Target</td>
</tr>
<tr>
<td>Evaluate software needs for MFA’s Asset Management department</td>
<td>The benchmark will focus on a full analysis of Housing Development Software (HDS) to include training and technical assistance by the vendor. A project management plan for the analysis was started in the 1st quarter and resources were identified. During the 2nd quarter, the Section 811 program was integrated into the analysis. Several product demo webinars were attended by the project manager. Communications and conference calls continued through the 3rd quarter to review Section 8 modules MFA is currently using and other modules available to us for closing system gaps. On 6/8/16, HDS provided a webinar product demo and demonstrated Section 8 modules generated towards contract administrators, along with the 811 module. It was determined the 811 module will be a must-have once units are established. In the next quarter, communications and/or demos will continue with HDS to determine if modules and upgrades would actually assist in our day-to-day tasks.</td>
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### 5.2 - Preserve existing properties through proactive oversight of MFA’s portfolio and collaboration with property owners and managers

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<tr>
<td>Update MFA’s Low Income Housing Tax Credit year 15 listing to identify projects that may opt out of the program</td>
<td>The Low Income Housing Tax Credit Year 15 report is being expanded to project up to 7 years prior to the end of the compliance period. During the 1st quarter, the placed-in-service dates and first tax credit year data were reviewed for quality control purposes. In the 2nd and 3rd quarters, MFA continued to collect 8609s and data and expanded the report to 5 years. To complete the report in the 4th quarter and have the report expanded to 7 years, MFA will continue with the quality control process.</td>
<td>On Target</td>
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</table>
### Priority 5 - Expanded Rental Opportunities

#### 5.2 - Preserve existing properties through proactive oversight of MFA’s portfolio and collaboration with property owners and managers

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<tr>
<td>Yield a collection rate of 95% or greater for compliance monitoring and fees</td>
<td>All 2016 multifamily compliance and monitoring fees were assessed during the 1st quarter and billed out in the 2nd quarter. As of 6/30/16, MFA has achieved a collection rate of 95%. In the 3rd quarter, payment plans and past due notices are being followed up until 100% of fees are collected.</td>
<td>Met</td>
</tr>
<tr>
<td>Yield a net increase of multifamily rental units in MFA’s portfolio</td>
<td>Benchmark results will be available at fiscal year end, 9/30/16.</td>
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#### 5.3 - Evaluate and utilize new resources to address increased demand for rental housing

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<tr>
<td>Complete operational plan for HUD Section 811 Project Rental Assistance program</td>
<td>In the 1st quarter, the Section 811 team was organized, staff attended webinars as well as the HUD convening with fiscal year 2012 and 2013 grantees in Washington, DC. During the 2nd and 3rd quarters, the team continued to participate in webinars, peer-to-peer and working group calls and to collaborate with HUD technical advisors. The Section 811 Operational Plan was finalized on 5/25/16 when it was presented to and reviewed by the team. Tasks were assigned to team members and potential Section 811 properties were identified for marketing purposes. Staff is also preparing a request to amend the Section 811 agreement with HUD, substituting pipeline LIHTC units for existing special needs units that currently priced at 50/60% AMI rents. Properties have not been able to fill these units with special needs residents due to the higher rents; Section 811 rental assistance will address this problem.</td>
<td>Met</td>
</tr>
<tr>
<td>Evaluate partnerships for Multifamily Accelerated Processing (MAP) lending where MFA would earn a portion of the fee</td>
<td>MAP lending was evaluated on 1/14/16. MFA determined it was not feasible to pursue due to limited market and required training for certification that would render limited return.</td>
<td>Met</td>
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#### 5.4 - Continue to serve as New Mexico’s Project-Based Contract Administrator for HUD Section 8

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<td>Conduct approved work plan assignments for Management and Occupancy Reviews and prepare MFA for PBCA federal procurement application through proactive means and operational enhancements</td>
<td>MFA continues to take advantage of every opportunity to stay informed on HUD’s plan for Performance-Based Contract Administration (PBCA). MFA has consistently communicated with national housing organizations and our PBCA counterparts in multiple states. MFA has responded timely to HUD’s request to solicit our input on the PBCA contract and the performance of contract tasks. In the 3rd quarter, HUD extended MFA’s contract until the end of 2017 and amended it to add a critical task which is the performance of Management and Occupancy Reviews. MFA selected 22 properties for MORs and submitted a work plan to HUD for approval. In the 4th quarter, the approved MORs will resume and will be reported to HUD on a monthly basis.</td>
<td>On Target</td>
</tr>
<tr>
<td>Continue to earn 100% base fees for PBCA contract</td>
<td>100% of base fees were earned in the 1st, 2nd, and 3rd quarters of this fiscal year.</td>
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## July 1 – August 9, 2016

### MEDIA COVERAGE

<table>
<thead>
<tr>
<th>Date</th>
<th>Source</th>
<th>Story Title</th>
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<tbody>
<tr>
<td>7-4</td>
<td>Las Cruces Sun-News/Silver City Sun-News</td>
<td>New Mexico MFA expands homebuyer help programs</td>
</tr>
<tr>
<td>7-5</td>
<td>Santa Fe New Mexican</td>
<td>Design process begins for Siler Road housing Project</td>
</tr>
<tr>
<td>7-12</td>
<td>ENMU News</td>
<td>ENMU Receives Donation Check from Mortgage Authority</td>
</tr>
<tr>
<td>7-13</td>
<td>Roswell Daily Record</td>
<td>Lovington housing group merges with Eastern Regional Housing Authority</td>
</tr>
<tr>
<td>7-13</td>
<td>Artesia Daily Press</td>
<td>Ground broken at old hospital, future site of affordable housing</td>
</tr>
<tr>
<td>7-15</td>
<td>Roswell Daily Record</td>
<td>City Council approves more than $500,000 in projects and services</td>
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<tr>
<td>7-17</td>
<td>Clovis News Journal</td>
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<tr>
<td>7-19</td>
<td>Hobbs News-Sun</td>
<td>City of Hobbs reinstates housing incentive program</td>
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<tr>
<td>7-19</td>
<td>Lovington Leader</td>
<td>Lovington Housing Group Merges with Roswell-Based Authority</td>
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## PRESS RELEASES, NEWSLETTERS and LENDER MEMOS

<table>
<thead>
<tr>
<th>Date</th>
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<th>Subject</th>
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<tbody>
<tr>
<td>August</td>
<td>E-blast</td>
<td>Helpful Tips for REALTORS</td>
</tr>
<tr>
<td>7-7</td>
<td>Lender Memo 16-13</td>
<td>July 2016 Webinar Training Schedule</td>
</tr>
<tr>
<td>7-29</td>
<td>E-blast</td>
<td>Summit registration reminder</td>
</tr>
<tr>
<td>8-1</td>
<td>Lender Memo 16-16</td>
<td>August 2016 Webinar Training Schedule</td>
</tr>
<tr>
<td>8-4</td>
<td>E-blast</td>
<td>Summit registration reminder</td>
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<tr>
<td>8-8</td>
<td>Tribal Housing Update</td>
<td>Eric Schmieder</td>
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Real estate connection

New Mexico MFA expands homebuyer help programs

GARY SANDLER

LAS CRUCES - When first-time buyers Ro­man Ba­nuelos and Ceci Frithe de­cided it was time to pur­chase a Las Cruces area home for themselves and their two children, they were surprised to learn that they needed just $500 to swing the deal.

Assistance from the New Mexico Mortgage Fi­nance Authority (MFA) was the key to their suc­cessful purchase.

“MFA is the state’s of­ficial housing agency,” said home­owner rep­resentative Teri Baca during a recent inter­view. Baca went on to say that the Banuelos-Frithe family was one of 1,456 home­buyers who pur­chased using MFA assis­tance in 2015.

By the time the year came to a close, MFA had provided $189 million in first-mortgage loans and $7.4 million in down payment assistance to the first and second-time New Mexico buyers who utilized the pro­grams. Down payment assistance was provided in the form of second-mortgage loans and grants.

To be eligible for assis­tance, first and second-time buyers must have a minimum credit score of 620 and sufficient income to comfortably make their monthly payments.

They must also choose a home that is priced at or below the particular pro­gram limits. On June 27, MFA increased income and price limits in some areas of the state, includ­ing Las Cruces. Complete program details can be found on MFA’s website www.housingnm.com.

In Southern New Mexico, the maximum income limits for first-time buy­ers were increased to $59,453 for one-to-two person households, and $67,267 for 3 or more per­son households. The cur­rent maximum home price is $235,574. Higher income and price limits are offered to buyers who purchase in federally tar­geted areas. A targeted area, of which there are seven in Doña Ana Coun­ty, are census tracts in which at least 70 percent of the households earn no more than 80 percent of the statewide median in­come. Income limits reach $67,200 for one-to­two person households, and $78,400 for house­holds of three or more.

The maximum purchase

See HOMES, Page 7

Homes

Continued from Page 5

price rises to $350,000. The programs are straight­for­ward and easy to understand.

The First Home and First Down programs are designed for first-time buyers who have not owned a home in which they lived during the past three years. First Home is a 30-year, fixed-rate first mort­gage, and First Down is the down payment assistance pro­gram. The down payment assistance is in the form of a 30-year, fixed rate second mort­gage that bridges the gap between the required down payment and closing costs and MFA’s minimum in­vestment requirement of $500.

A typical example would be the purchase of a $150,000 home utilizing FHA financing guidelines, which require a down payment of 3.5 percent of the purchase price ($5,250) and closing costs of around $2,800. To bridge the gap between the required $8,050 and MFA’s $500 mini­imum investment, MFA pro­vides a second mort­gage of $7,550. The amount of the sec­ond loan can be as much as $8,000. The Next Home pro­gram is structured much in the same way as the First Home option, and can be used by first-time buyers as well as buyers who currently own a home or have lived in a home they owned during the past 3 years. A grant, equal to 3 per­cent of the borrower’s loan amount takes the place the place of the second mort­gage and does not have to be paid back. At today’s mort­gage rates, borrowers can esti­mate their monthly payment of principal, interest, taxes, insurance and mort­gage in­sur­ance by utilizing a ball­park factor of $7.00 per month for every $1,000 bor­rowed. In the case of our $150,000 example, the bor­rower’s total cash investment would be $500 and their monthly payment would be around $1,050. Who wouldn’t benefit from a deal like that? The Banuelos-Frithe family certainly did.

Gary Sandler is a full­time Realtor and owner of Gary Sandler Inc., Realtors in Las Cruces. Gary can be reached at (575) 642-2292 or Gary@GarySandler.com
Design process begins for Siler Road housing project

Creative Santa Fe and New Mexico Inter-Faith Housing have contracted with a design team to move forward with the Santa Fe Arts + Creativity Center to be located on Siler Road.

The professionals involved include Atkin Olshin Schade Architects, Trey Jordan Architecture, Onion Flats, Da Silva Architecture, Surroundings, Wilson & Company and PBI Construction Consulting.

The multifamily rental project is planned for a five-acre parcel of land on Siler Road donated by the city of Santa Fe. Plans are for up to 70 new housing units and a shared amenities building for residents, funded through the New Mexico Low Income Housing Tax Credit program.

The architecture and engineering team will engage the community in the design process, participating in prototype programming and two design charrettes funded by the National Endowment for the Arts Our Town grant. The charrettes, or design workshops, will occur over the next six months to prepare for the 2017 application deadline for the tax credits. The team is committed to sustainability goals for the project, which will meet or exceed the 2015 Enterprise Green Communities Criteria.

The Santa Fe Arts + Creativity Center is supported in part by an award from the National Endowment for the Arts.
ENMU Receives Donation Check from Mortgage Authority

Published: 12 July 2016
Hits: 192

PORTALES--The New Mexico Mortgage Finance Authority recently presented Eastern New Mexico University in Portales $20,000 designated to the New Mexico Land Title Association Chili Currier Scholarship Endowment.

The endowment will award New Mexico residents and the state’s high school graduates with financial support toward their college education.

MFA Homeownership Representative Teri Baca explained that funds for the New Mexico Land Title Association Endowment were generated as interest accrued on money held in trust accounts of the MFA’s participating real estate brokers and title companies when they handle purchase and sale transactions. These trust account funds normally do not earn interest, however the legislature makes an exception to the provision in the law that prohibits banks from paying interest on trust account monies as long as the funds are used solely to support the program’s mission.
The New Mexico Mortgage Finance Authority recently presented Eastern New Mexico University in Portales $20,000 designated to the New Mexico Land Title Association Chili Currier Scholarship Endowment. The endowment will award New Mexico residents and the state’s high school graduates with financial support toward their college education. MFA Homeownership Representative Teri Baca explained that funds for the New Mexico Land Title Association Endowment were generated as interest accrued on money held in trust accounts of the MFA’s participating real estate brokers and title companies when they handle purchase and sale transactions. These trust account funds normally do not earn interest, however the legislature makes an exception to the provision in the law that prohibits banks from paying interest on trust account monies as long as the funds are used solely to support the program’s mission. Pictured from left to right: Teri Baca (MFA Homeownership Representative) and Steven Gamble (ENMU President). #ENMU #ENMUNEWS
Lovington housing group merges with Eastern Regional Housing Authority

By Lisa Dunlap
Roswell Daily Record

The Eastern Regional Housing Authority covering 12 counties but based in Roswell is now overseeing the operations of another city’s housing portfolio.

The city of Lovington Housing Authority has become the fourth housing group to merge with the Eastern regional group since 2009, according to Executive Director Chris Herbert.

"The reporting requirements required each year, whether you have 20 or 5,000 units, are the same," said Herbert, explaining the U.S. Department of Housing and Urban Development regulations can become cumbersome to smaller public agencies to merge with larger housing authorities.

"That is probably a trend that will continue, where smaller groups will merge with larger groups," said Herbert.

"I don’t think it is just here in the state," added Isiboro Hernandez, deputy director of programs for the New Mexico Mortgage Finance Authority, which now oversees the state’s regional housing groups.

"I think it is something occurring nationwide due to a decrease in funding and the emphasis of HUD to encourage smaller public agencies to merge with larger housing authorities.

Herbert said that previous groups merging with Eastern Regional, formerly known as Region VI, include Region IV, covering the Clovis and Portales area, which ceased operating independently in 2009; the Vaughn Public Housing Authority, which merged in 2010; and the Eunice Housing Authority, which became part of the regional group in 2012.

The recent merger completed in early 2016 was prompted at least in part by the decision of the director of the Lovington group to resign, according to Herbert. Now the Eastern Regional agency has added 52 units to its housing portfolio, currently totaling about 350 units. A property manager who had been working with the Lovington group has stayed on to serve as the housing manager for that area under the direction of the Eastern Regional agency, said Herbert.

Herbert said that, since he took on his role as head of Eastern Regional in 2006, the 45 housing authorities operating in New Mexico have been reduced to 33. The New Mexico Mortgage Finance Authority, which oversees the regional housing authorities, also indicates on its website that the state’s seven regional housing authorities were reorganized into three in 2009.

Hernandez said the regional housing agencies restructuring was due to mismanagement of one of the seven groups and a subsequent decision to enact legislation to reorganize.

The Eastern Regional Housing Authority is run by a board of commissioners, with members appointed by the governor’s office. The other two regional agencies are the Western Regional Housing Authority based in Silver City and the Northern Regional Housing Authority based in Taos.

Eastern covers 12 counties from Union County in the north to Lea County in the south and from the eastern border of the state to Lincoln County. Its mission is to provide rental assistance to low-income individuals and families and to work with various agencies and companies to develop and run affordable housing projects.

Staff writer Lisa Dunlap can be reached at 575-622-7710, ext. 310, or at reporter02@rdnews.com.
Ground broken at old hospital, future site of affordable housing

By ELIZABETH LEWIS
Daily Press Staff Writer

Members of Chelsea Investment Corp., along with employees of the City of Artesia and the Eastern Regional Housing Authority (ERHA), came together this morning for a long-awaited celebratory groundbreaking at the abandoned Johnson Manor, formerly Artesia General Hospital.

“This one made sense from the very start,” said Mayor Phil Burch. “It’s an old facility, and its time has gone. When it was built, it was a place to be proud of and over the years, as the hospital moved out, it had its issues. We look forward to working with Chelsea.”

The development owner is comprised of the ERHA in partnership with Chelsea Investment Corp. The ERHA owns and operates affordable housing developments and provides supportive services to residents in affordable housing developments throughout southeastern New Mexico. Chelsea Investment Corp., established in 1984, is a full-service, multi-family affordable housing provider with developments in California, Arizona and New Mexico.

(See GROUND, Page 3)

Ground

(Continued from Page 1)

The investment firm said today a new, two-story apartment building, dubbed Roselawn Manor, will be constructed on the site after the old hospital is demolished. Construction is expected to be completed by December 2017.

The apartment building will feature onsite surface parking, an elevator to provide handi-cap accessibility, an indoor common area including a community room and a computer resource room, residential storage, and a laundry facility. All units will be accessible off of interior corridors on the first and second floors.

There will be 26 one-bedroom, 23 two-bedroom, and 14 three-bedroom apartments throughout, with rent ranging from approximately $325 to $925 and income limits applying. Each apartment will include appliances, window coverings, and heat/air conditioning.

“We think this is something the city will be proud of,” said Robin Pelton, asset manager with Chelsea Investment Corp. “We would first and foremost like to thank the City of Artesia and Mayor Burch and their incredible cooperation. If all cities could be this cooperative, it would make our jobs easier and make affordable housing more abundant.”

For more information on construction and/or leasing, contact Pelton at 818-408-9147 or rpelton@chelseainvestco.com.
Members of Chelsea Investment Corp., the Eastern Regional Housing Authority, employees of the City of Artesia and the Chamber of Commerce, and Don Johnston, former site owner, gather this morning to celebrate a groundbreaking at the old Artesia General Hospital. A two-story apartment building will be constructed in its place, with completion set for December 2017.
Downtown complex launched

Ground broken on apartment project near Boys and Girls Club

CURTIS C. WYNNE
NEWS-SUN

The next subsidized housing complex in Hobbs is officially underway.

The 65-unit apartment complex Parkside Terrace, in downtown Hobbs started with a symbolic groundbreaking ceremony Tuesday. It is scheduled to be complete by next summer.

With five buildings and a public park, the complex is scheduled to be completed by next summer. Located one block south of the Hobbs Boys and Girls Club, where the old Hobbs American Legion building currently stands.

Hobbs Mayor Sam Cobb praised the efforts of the partnership owners, Hobbs-based Lea County Housing Inc. and Chelsea Investment Corporation, a Calif.-based firm.

“This is the beginning of the culmination of a vision that the city commission, the city staff and I have had for a number of years,” Cobb said. “This project not only will revitalize downtown, but it’s going to provide affordable housing for our citizens for a long time.”

The City of Hobbs provided $2.2 million toward the $14.7 million project. New Mexico Mortgage Finance Authority authorized $10.8 million derived from tax credit equity for the project. Other organizations involved in the complex financing include Community Development Trust, U.S. Bancorp and the Richman Group.

According to the design, the development’s five buildings will surround two main open courtyards that will have seating areas and playgrounds. All the units will have access from exterior corridors facing the courtyards.

Architect J. David Hickman pointed out the buildings will achieve LEED certification at the platinum level, the highest level available. LEED refers to Leadership in Energy and Environmental Design, a U.S. Green Building Council program encouraging resource conservation.

LEED-certified buildings are resource efficient. They use less water and energy and reduce greenhouse gas emissions. As an added bonus, they save money, according to the USGBC.

“One of the biggest aspects we’re focusing on is energy efficiency, trying to make sure the long-term energy use is marginal,” Hickman said. “Then the materials will be of longer durability.”

The 22 one-bedroom, 28 two-bedroom and 15 three-bedroom apartments will offer restricted affordable rents ranging from about $300 to $850, subject to change based on the annual approved rents provided by the New Mexico Mortgage Finance Authority.

Rents will remain restricted for 45 years, and income limits will apply, according to a Chelsea Investment Corp.

Tim Baker, senior project manager for Chelsea led the groundbreaking ceremony.

“The key component of that is from the City of Hobbs,” Baker said. “The key component of that is from the City of Hobbs.”

He told the small crowd of contractors, Chelsea personnel, city officials and other involved agencies he looks forward to a more impressive opening ceremony in one year.

“Obviously, the bigger celebration will be about a year from now when people have moved in,” he said, praising city officials for their efforts to get the project this far. “This whole block is going to be rejuvenated. It’s very exciting in terms of what’s going to be happening here a year from now.”

Curtis Wynne may be contacted at 575-391-5436 or reporter3@hobbsnews.com.

SEE PARKSIDE, Page 5

Parkside Terrace
WHERE: One block south of Hobbs Boys and Girls Club
COST AND RENTS: $14.7 million; rents from $300 to $850
SIZE: 5 buildings, 65 units
Representatives involved with Parkside Terrace apartment complex shovel the first bit of dirt during a groundbreaking ceremony Tuesday in Hobbs. Those involved include, left to right, Chelsea Investment Corp. Asst. Manager Robin Pelton, Johnny Hamilton with Monarch Apartment Management, David Hickman with Jeebs & Zuzu Architects, Johnny Barton of Pavillion Construction, Russ Doss, executive director of the Lea County Housing Inc., Hobbs Mayor Sam Cobb, Chelsea Project Manager Tim Baker, Hobbs City Manager J.J. Murphy and Hobbs City Commissioner Jonathan Sena.
Chelsea Investment Corporation Senior Project Manager Tim Baker presents architectural drawings of the new Parkside Terrace apartment complex scheduled to be built in south Hobbs. The $14.7 million project will have 65 units comprised of one-, two- and three-bedroom apartments.
City Council approves more than $500,000 in projects and services

Convention Center, former airport site study funded

BY LISA DUNLAP
ROSWELL DAILY RECORD

The City Council approved during its Thursday meeting $400,000 in design services to expand and improve the Roswell Convention and Civic Center and a $50,000 economic study regarding future development possibilities for the former municipal airport site on the north-west side of Roswell.

Several months earlier, on Feb. 11, the City Council approved a feasibility study by Market & Feasibility Studies LLC with the firm's website indicates that the architectural firm has been in business for more than 50 years and has worked on both private and public projects for health care facilities, public schools, cities, churches and universities. Representative projects include the 2013-2014 Albuquerque Convention Center renovation and expansion, the renovation of the interior of Lusk Hall at the New Mexico Military Institute and a 2009 design of the Mariposa Community in Rio Rancho. The firm also has provided on-call architectural services for the city of Albuquerque for various public works projects.

City Engineer Louis Najar said that the decision was made to expand the current center by building an additional structure directly to the north of the existing building at 912 N. Main St. The improvements to the existing structure mostly will involve upgrading the telecommunications and electronic capabilities, so that teleconferencing can occur during meetings and conventions, said Najar. He also said that some of the smaller meeting and conference rooms in the existing building will be removed while the larger exhibit area will be expanded and renovated.

“We would all like a super-sized convention center, but that isn’t possible right now,” Najar said about the decision to expand rather than build a new convention center.

He said that the city intends to attract more conventions to the city with improved and larger facilities.

Design will take nine months to a year, said Najar, with construction tentatively expected to start by July 2017.

A call to Bill Sabatini, founding principal of the architectural firm, was not answered by press time.

The firm’s website indicates that the architectural firm has been in business for more than 50 years and has worked on both private and public projects for health care facilities, public schools, cities, churches and universities. Representative projects include the 2013-2014 Albuquerque Convention Center renovation and expansion, the renovation of the interior of Lusk Hall at the New Mexico Military Institute and a 2009 design of the Mariposa Community in Rio Rancho. The firm also has provided on-call architectural services for the city of Albuquerque for various public works projects.

Najar said the convention center project will be funded by the revenues that come from the $2.50 fee charged each night for stays in local hotels and motels.

The City Council also approved the awarding of a $50,000 economic study to Willdan Financial Services, based in Temecula, California, but with many offices, including one in Phoenix. That project is funded by a non-matching grant from the New Mexico Mortgage Finance Authority.

The study will consider future development uses for 650 acres near Cielo Grande Park that used to be occupied by the city’s airport before passenger air services relocated in 1975 to what is now the Roswell International Air Center. The 66-year-old air control tower and terminal building were demolished in September 2015 by the city.

The now-vacant land is bound by Sycamore Avenue on the west, North Montana Avenue on the east and by Eighth Street on the north and 19th Street on the south.

The city has stated in documents that possible development in the area could include retail stores, a variety of residential units from apartments to condos, and possibly a small park and gazebo for events.

The City Council also unanimously approved allowing the city to amend its collective bargaining agreement with the Roswell Police Officers Association. The amendments will cost an additional $30,000 but are offset by cuts made to the Roswell Police Department budget, according to city documents. The changes permit modest increases in such things as the uniform allowance, and pay for officers who are on call by carrying their cell phone or pager. The changes also
allow SWAT members to receive specialist pay and allow the extension of the policy that permits some officers to drive their vehicles to and from their residences.

A one-year, $40,000 contract with MainStreet Roswell and adoption of a “Scope of Services” to spell out expectations and performance measurements were also approved. Both MainStreet representatives and city staff have said that the Scope of Services, in place for the first time, is needed to clarify how the organization is expected to operate. MainStreet Roswell works with government agencies, private organizations and business operators to preserve the history of downtown Roswell and to encourage business and economic development.

In other action at the meeting, the council approved the following:

• $55,250 in funding for the Eastern New Mexico State Fair from the lodgers’ tax fund to support the Oct. 3-8 event and to pay for security.
• Up to $5,000 from the lodgers’ tax fund for the 11th Annual Roswell Jazz Festival, which will occur Oct. 19-23.
• A one-year extension in what was a two-year contract with Custom Construction, which has been working with the city to demolish structures as approved by the City Council. The original two-year agreement in 2014 allowed for up to two, one-year extensions.
• A comprehensive master plan; a wayfinding plan to aid people in finding local attractions, parking and destinations; and a Metropolitan Redevelopment Area plan.
• The disbanding of two citizen commissions, the Community Improvement Commission and the Behavioral Health Commission, due to what city staff represented were difficulties in finding people who wanted to serve and duplication of efforts among other area committees and groups.
• The demolition of five structures said to be dilapidated and a resolution affecting 68 separate properties ordering property owners to clean vegetation growth or forfeit the clean up to city crews.
• An application by Pecos Trails Transit for more than $1 million in federal funding assistance through the New Mexico Department of Transportation, which will require the city to provide about $784,406 in matching funds for the local bus system.

Staff writer Lisa Dunlap can be reached at 575-622-7710, ext. 310, or at reporter02@rdrnews.com.

In an effort to attract more conventions to the city, the City Council has approved a plan to expand and improve the Roswell Convention & Civic Center at 912 N. Main St. A $400,000 design contract has been awarded to an Albuquerque firm as the first step in the project, which will involve adding a new building and enhancing the existing structure.
The New Mexico Mortgage Finance Authority recently presented Eastern New Mexico University in Portales $20,000 designated to the New Mexico Land Title Association Chili Currier Scholarship Endowment. The endowment will award New Mexico residents and the state's high school graduates with financial support toward their college education. From left are MFA Homeownership Representative Teri Baca and ENMU President Steven Gamble.
City of Hobbs reinstates housing incentive program

LEVI HILL
NEWS-SUN

It may look like housing is the last thing Hobbs needs right now, but if the findings of last year's city-funded census are true, Hobbs needs to keep building and city fathers took that step Monday night.

In a decision that may have surprised some — considering the city commission tabled renewing its housing incentive program last year after commissioners split on whether it was needed, particularly in light of the current economy — the commission approved re-upping two incentive programs for market-rate and affordable housing.

Occupancy rates in Hobbs have fallen to an estimated 75-80 percent, according to Mayor Sam Cobb, citing research city staff has done, and rental prices have fallen some 25 percent, but more housing is needed.

“This is the right strategy for our community in the long term,” Cobb said after the commission's two unanimous votes Monday.

Cobb has been a proponent of the housing program, citing the census study showing Hobbs will continue to grow and when the oilfield booms again Hobbs will once again be short on housing if more isn't built now.

City Manager J.J. Murphy presented the two housing incentive programs, both of which have been tabled since August 2015.

The new low-income program has a budget of some $400,000 for 2016-17 and will provide a financial match for developers seeking Mortgage Finance Authority tax credits to build low-income apartments.

“On the scoring for the MFA, they get an additional point for every one percent match, up to 10 percent, the city provides,” Murphy said. “We can match beyond that, but that is what they get points for on the scoring.”

A caveat to the program is the MFA does require the developer to conduct a study for each project to show if and why more affordable housing is needed, thusly giving the city a better grasp on its housing needs.

Parkside Terrace, currently under construction near the new Boys and Girls club, is an example of a project that used city incentives to receive MFA funding, which Cobb said is essential in many cases to get such projects going.

“The rent at Parkside will be controlled by the gross income of people in the community for 45 years,” Cobb said. “So while the free market may dictate a $1,000 a month rent, it will be $450.”

The market rate program approved has $800,000 budgeted for this fiscal year and comes with a change that breaks it down from a $400,000 match with a 12-month deadline to $200,000 with a 6-month deadline.

According to Murphy, this means developers will have to build and show occupancy within six months to get the reimbursement. If they do, and money remains in the fund, they can apply for a second $200,000 contract, helping ensure Hobbs gets the most housing out of the program possible by ensuring more developers can apply for the funds.

The program offsets building costs by reimbursing developers for the installation of water and sewer lines and other public utilities, such as roads.

He said the program, which was started in 2012, has so far resulted in the building of 997 new apartment units and 200 single-family homes in Hobbs.
Lovington Housing Group Merges With Roswell-Based Authority

By Lisa Dunlap
Roswell Daily Record

ROSWELL — The Eastern Regional Housing Authority covering 12 counties and based in Roswell is now overseeing the operations of yet another city’s housing portfolio.

The city of Lovington Housing Authority has become the fourth housing group to merge with the Eastern regional group since 2009, according to Executive Director Chris Herbert.

“That is probably a trend that will continue, where smaller groups will merge with larger groups,” said Herbert.

“I don’t think it is just here in the state,” added Isiboro Hernandez, deputy director of programs for the New Mexico Mortgage Finance Authority, which now oversees the state’s regional housing groups. “I think it is something occurring nationwide due to a decrease in funding and the emphasis of HUD” to encourage smaller public agencies to merge with larger housing authorities.

Herbert said that previous groups merging with Eastern Regional, formerly known as Region VI, include Region IV, covering the Clovis and Portales area, which ceased operating independently in 2009; the Vaughn Public Housing Authority, which merged in 2010; and the Eunice Housing Authority, which became part of the regional group in 2012.

The recent merger completed in early 2016 was prompted at least in part by the decision of the director of the Lovington group to resign, according to Herbert. Now the Eastern Regional agency has added 52 units to its housing portfolio, currently totaling about 350 units. A property manager who had been working with the

Group . . .

continued from page 1

Lovington group has stayed on to serve as the housing manager for that area under the direction of the Eastern Regional agency, said Herbert.

Herbert said that, since he took on his role as head of Eastern Regional in 2006, the 45 housing authorities operating in New Mexico have been reduced to 33. The New Mexico Mortgage Finance Authority, which oversees the regional housing authorities, also indicates on its website that the state’s seven regional housing authorities were reorganized into three in 2009.

Hernandez said the regional housing agencies restructuring was due to mismanagement of one of the seven groups and a subsequent decision to enact legislation to reorganize.
The Eastern Regional Housing Authority is run by a board of commissioners, with members appointed by the governor's office. The other two regional agencies are the Western Regional Housing Authority based in Silver City and the Northern Regional Housing Authority based in Taos. Eastern covers 12 counties from Union County in the north to Lea County in the south and from the eastern border of the state to Lincoln County. Its mission is to provide rental assistance to low-income individuals and families and to work with various agencies and companies to develop and run affordable housing projects.
New Mexico Advocate Who Helped Indian Housing Boom in the Desert Retires

American Indian housing is going to miss one of its most effective advocates with the retirement of Eric Schmieder, the longtime Indian housing specialist at the New Mexico Mortgage Finance Agency.

I have known Eric since 2005, when he was a Native American lending specialist for Wells Fargo Bank (he also has worked as a rural housing specialist for USDA).

In my 20 years of covering Indian real estate and mortgages, I have known many housing advocates with a real zeal for tackling housing production on Indian reservations. But rarely have I known anyone with the combination of wanting to get Indian housing done (his advocate side) and knowing where to get the money to do it (his banker side). Add to that the advocacy of tribal councils...
and tribal housing entities and the support of the MFA and you have a lot of energy behind generating new construction.

When I met Eric I told him I was interested in seeing and reporting on houses rising in Indian country, and over the years he has taken me to see projects that sometimes seemed miraculous, houses sprouting on the sides of a mountain, houses being built next to a tribal bison range, houses being built in the desert by the dozens and scores with loans from the nation’s biggest commercial banks.

When I started covering Indian housing two decades ago, housing activity like this was literally unthinkable. For one thing, America’s banks had drawn collective red lines around the country’s Native homelands to mark them as areas where they would not make mortgages (GAO counted 91 mortgages done in all of Indian country during 1992-1996). What housing production there was came from a couple of antiquated programs run by the federal Department of Housing and Urban Development.

The passage of NAHASDA (Native American Housing Assistance and Self Determination Act) in 1996 brought housing self-rule to tribes with the directive they should partner with private sources like banks and mortgage lenders to extend the reach of their housing allocations from the federal government. A new Indian mortgage program, the HUD 184, was designed to encourage banks to lend on reservations with 100 percent of their outlays guaranteed by the federal government.

Progress has been slow, though. This isn’t easy lending, or easy housing construction. But slowly, and with the energy of tribes and advocates like Eric, it is getting easier. (The HUD 184, for instance, has passed $100 million in finance in New Mexico.)

Tapping private, state, nonprofit and federal funding sources has been a specialty of Eric’s, who has also been the guiding spirit behind the New Mexico Tribal Homeownership Coalition for the past decade. I can illustrate this elaborate quilting together of finance sources he had a hand in by describing three projects Eric and MFA worked on with dedicated people from the tribes and their housing authorities.

North of Albuquerque, the San Felipe Housing Authority has built dozens and dozens of homes in the desert for members of the pueblo. When Eric took me there in 2013 to see San Felipe’s Black Mesa subdivision, 28 homes had been put up and another dozen were in progress. Plans were underway for another 28, and 150 homes in all. One hundred fifty houses! That’s thinking big.

MFA was providing down payment assistance for HUD 184 mortgages for the new homeowners. Project money was obtained by a loan from Bank of America guaranteed through HUD’s Title VI program. Other funding sources included Indian Community Development Block Grant money and HUD’s Rural Innovation program.

Another funding quilt was apparent at Nambe Pueblo, north of Santa Fe. Here, $10 million had been raised when I visited it with Eric in 2013. Homes were beginning to be seen in this remote and picturesque area next to the tribe’s bison range and between two mountain ranges, and the plan was for 61 homes in total for the Buffalo Range subdivision.

MFA was providing down payment assistance here as well, with HUD 184s coming from banks like Wells Fargo and Bank of Albuquerque. The project also received federal stimulus money and three grants from the New Mexico TIFF (Tribal Infrastructure Fund) program.

At the Mescalero Apache reservation in southern New Mexico, 30 green-built homes had been perched on the side of a mountain when Eric took me there in 2009 for the project dedication. The I-Sah’-Din’-Dii project used Low Income Housing Tax Credit money
and tribal funds, HOME money and state agency housing trust money. (The LIHTC is a federal program administered by the state, in this case the MFA). MFA contributed $1 million to fund infrastructure.

In addition to scouting for pots of money, Eric has been a tireless motivator of interested parties and someone willing to be involved for the years (and sometimes years and years) that these projects take from inception to completion. He's been cheerleader and mentor to a whole generation of tribal, nonprofit and private capital people willing to look at a remote patch of ground and see well-built and affordable houses rising up to help house their nations.

In data Eric shared with me a few years ago, MFA itself had contributed $47 million for tribal housing projects between 1993-2011, helping to finance a total of 776 homes at 17 of New Mexico's 22 tribes. And that effort has gotten nothing but bigger since then. That's something that's not easy to do, but easy to be proud of.

UPDATED: Eric Schmieder died Sunday, August 7, 2016 from Leukemia.

Full Name:
Mark Fogarty

Helpful Tips for REALTORS

**TOPIC:** How can I be sure that MFA will have funds available for my buyer?

You may rest assured that we will. In the past few years, MFA has been able to establish new funding sources that are much like what traditional mortgage investors utilize. As a result, buyers and their lenders no longer have to possibly wait until MFA releases a new bond issue before their funds can be reserved.

MFA operates under a “continuous lending” model which means that funds are made available to buyers continuously and without interruption. This type of financing allows us to offer the best possible interest rates. Your buyer’s rate will be locked in when their funds are reserved. In other words, we can finance homes for qualified buyers as quickly as you can sell them! You find the buyers and we’ll write the check!

It’s important to make sure that your buyers are working with a lender that is MFA-eligible. An MFA lender is the only way they will be able to access MFA financing. You can see a full list of participating lenders at this link:

http://www.housingnm.org/homebuyers/find-a-participating-lender

We appreciate and value YOU, our dedicated Realtor partners.
TO: Participating Lenders

FROM: Erik Nore, Director of Homeownership

DATE: July 7, 2016

RE: Memo No. 16-13

July 2016 Webinar Training Schedule

- MFA Single Family Programs and New DPA Funding Process

MFA will be offering webinar training for the MFA Single Family Programs and Down Payment Assistance Funding Process.

The training is designed for all staff originating, processing, closing and shipping MFA loans. The trainings will be more technical in nature and will provide Participating Lenders with the information needed to efficiently originate, fund and deliver loans under the new programs/process.

Single Family Program and DPA Funding Webinar Training:

MFA will offer two (2) individual webinar trainings on the New Single Family Programs and the new DPA Funding Process.

Each of the two (2) webinars will cover the same material.
Participating Lenders only need to attend one of the webinars:

- **Tuesday, July 12, 2016  10:00am - 11:30am MDT**
- **Thursday, July 14, 2016  10:00am - 11:30am MDT**

**To Participate:**

Register via the MFA Lender Training link [http://www.housingnm.org/lender-training](http://www.housingnm.org/lender-training) no later than 5:00 PM MDT on the business day prior to the training. **Please register for the individual session(s) that will be attended in order for MFA to track attendance.** The materials will be sent to you the evening before the training. Below is the link and call in numbers for all of the sessions.

**Please note that MFA is using new software that will require additional time to set up on the user’s computer.**

Conference Dial-in Number: (855) 797-9485 (toll free)

Participant Access Code: 925 387 979

[https://housingnm.webex.com/join/aracicot](https://housingnm.webex.com/join/aracicot)

When signing in to the webinar please sign in with your name and do not choose an automatic setting that will show as “caller #”. MFA needs to know who is on the training in order to track attendance.

Thank you for participating in MFA’s program. Should you have any questions, please contact an MFA Homeownership Representative.

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Register by August 8 and save $50

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Presented by the New Mexico Mortgage Finance Authority

Habitat for Humanity of New Mexico

New Mexico Coalition to End Homelessness
TO: Participating Lenders

FROM: Erik Nore, Director of Homeownership

DATE: August 1, 2016

RE: Memo No. 16-16

August 2016 Webinar Training Schedule

- MFA Single Family Programs and New DPA Funding Process

MFA will be offering webinar training for the MFA Single Family Programs and Down Payment Assistance Funding Process.

The training is designed for all staff originating, processing, closing and shipping MFA loans. The trainings will be more technical in nature and will provide Participating Lenders with the information needed to efficiently originate, fund and deliver loans under the new programs/process.

Single Family Program and DPA Funding Webinar Training:

MFA will offer two (2) individual webinar trainings on the New Single Family Programs and the new DPA Funding Process.

Each of the two (2) webinars will cover the same material.
Participating Lenders only need to attend one of the webinars:

- **Tuesday, August 9, 2016  10:30am - 12:00pm MDT**
- **Thursday, August 11, 2016  10:30am - 12:00pm MDT**

**To Participate:**

Register via the MFA Lender Training link [http://www.housingnm.org/lender-training](http://www.housingnm.org/lender-training) no later than 5:00 PM MDT on the business day prior to the training. **Please register for the individual session(s) that will be attended in order for MFA to track attendance.** The materials will be sent to you the evening before the training. Below is the link and call in numbers for all of the sessions.

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Early Bird Registration Ends Monday!

Register by August 8 to get the lowest registration rate.

Click on the image above or go to housingnm.org to register today.
Our great friend and colleague Eric Schmieder passed away yesterday, August 7. Eric will be remembered for so many reasons: as a caring professional; hard worker; and for his dedication to affordable housing, especially in Indian Country. We will also remember his relentless pursuit of social justice and positive change, his strong leadership and great love of life, family and friends.

Eric was always so positive and happy in his approach to work and life. Eric fought the good fight in every way. We will all miss Eric immensely.

For the last couple of weeks, Indian Country reporter Mark Fogarty has been working on an article honoring Eric's retirement and his work as an Indian housing advocate. The story was published this morning before Mark learned about Eric's passing. Here is a link to the story: New Mexico Advocate Who Helped Indian Housing Boom in the Desert Retires. We have also reprinted it below.

Here are some comments from Mark after he learned of Eric's passing:

To not embarrass him too much, I didn't write that Eric was the most effective Indian housing advocate I've ever met. But that was true. And, yes, he would have been mad at me (for writing the article,) but I would have said back to him: "Hurry up and get better! There are a few spots in the desert without a house on them, yet."

Sincerely,

Jay Czar

MFA Executive Director
American Indian housing is going to miss one of its most effective advocates with the retirement of Eric Schmieder, the longtime Indian housing specialist at the New Mexico Mortgage Finance Agency.

I have known Eric since 2005, when he was a Native American lending specialist for Wells Fargo Bank (he also has worked as a rural housing specialist for USDA).

In my 20 years of covering Indian real estate and mortgages, I have known many housing advocates with a real zeal for tackling housing production on Indian reservations. But rarely have I known anyone with the combination of wanting to get Indian housing done (his advocate side) and knowing where to get the money to do it (his banker side). Add to that the advocacy of tribal councils and tribal housing entities and the support of the MFA and you have a lot of energy behind generating new construction.

When I met Eric I told him I was interested in seeing and reporting on houses rising in Indian country, and over the years he has taken me to see projects that sometimes seemed miraculous, houses sprouting on the sides of a mountain, houses being built next to a tribal bison range, houses being built in the desert by the dozens and scores with loans from the nation’s biggest commercial banks.

When I started covering Indian housing two decades ago, housing activity like this was
literally unthinkable. For one thing, America’s banks had drawn collective red lines around the country’s Native homelands to mark them as areas where they would not make mortgages (GAO counted 91 mortgages done in all of Indian country during 1992-1996). What housing production there was came from a couple of antiquated programs run by the federal Department of Housing and Urban Development.

The passage of NAHASDA (Native American Housing Assistance and Self Determination Act) in 1996 brought housing self-rule to tribes with the directive they should partner with private sources like banks and mortgage lenders to extend the reach of their housing allocations from the federal government. A new Indian mortgage program, the HUD 184, was designed to encourage banks to lend on reservations with 100 percent of their outlays guaranteed by the federal government.

Progress has been slow, though. This isn’t easy lending, or easy housing construction. But slowly, and with the energy of tribes and advocates like Eric, it is getting easier. (The HUD 184, for instance, has passed $100 million in finance in New Mexico.)

Tapping private, state, nonprofit and federal funding sources has been a specialty of Eric’s, who has also been the guiding spirit behind the New Mexico Tribal Homeownership Coalition for the past decade. I can illustrate this elaborate quilting together of finance sources he had a hand in by describing three projects Eric and MFA worked on with dedicated people from the tribes and their housing authorities.

North of Albuquerque, the San Felipe Housing Authority has built dozens and dozens of homes in the desert for members of the pueblo. When Eric took me there in 2013 to see San Felipe’s Black Mesa subdivision, 28 homes had been put up and another dozen were in progress. Plans were underway for another 28, and 150 homes in all. One hundred fifty houses! That’s thinking big.

MFA was providing down payment assistance for HUD 184 mortgages for the new homeowners. Project money was obtained by a loan from Bank of America guaranteed through HUD’s Title VI program. Other funding sources included Indian Community Development Block Grant money and HUD’s Rural Innovation program.

Another funding quilt was apparent at Nambe Pueblo, north of Santa Fe. Here, $10 million had been raised when I visited it with Eric in 2013. Homes were beginning to
be seen in this remote and picturesque area next to the tribe’s bison range and between two mountain ranges, and the plan was for 61 homes in total for the Buffalo Range subdivision.

MFA was providing down payment assistance here as well, with HUD 184s coming from banks like Wells Fargo and Bank of Albuquerque. The project also received federal stimulus money and three grants from the New Mexico TIFF (Tribal Infrastructure Fund) program.

At the Mescalero Apache reservation in southern New Mexico, 30 green-built homes had been perched on the side of a mountain when Eric took me there in 2009 for the project dedication. The I-Sah’-Din’-Dii project used Low Income Housing Tax Credit money and tribal funds, HOME money and state agency housing trust money. (The LIHTC is a federal program administered by the state, in this case the MFA). MFA contributed copy million to fund infrastructure.

In addition to scouting for pots of money, Eric has been a tireless motivator of interested parties and someone willing to be involved for the years (and sometimes years and years) that these projects take from inception to completion. He’s been cheerleader and mentor to a whole generation of tribal, nonprofit and private capital people willing to look at a remote patch of ground and see well-built and affordable houses rising up to help house their nations.

In data Eric shared with me a few years ago, MFA itself had contributed $47 million for tribal housing projects between 1993-2011, helping to finance a total of 776 homes at 17 of New Mexico’s 22 tribes. And that effort has gotten nothing but bigger since then. That’s something that’s not easy to do, but easy to be proud of.

UPDATED: Eric Schmieder died Sunday, August 7, 2016 from Leukemia.

MFA 344 4th St SW, Albuquerque, NM, United States Albuquerque, NM 87102 USA
http://housingnm.org
Tab 14
## Quarterly Report to the MFA Board of Directors

### Q3 FY2016

<table>
<thead>
<tr>
<th>Production Statistics</th>
<th>Current Quarter</th>
<th>Same Quarter Last Year</th>
<th>Year to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Homeownership</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of loans reserved</td>
<td>746</td>
<td>523</td>
<td>1,820</td>
</tr>
<tr>
<td>Amount of loans reserved</td>
<td>$102,755,340</td>
<td>$68,924,415</td>
<td>$248,313,888</td>
</tr>
<tr>
<td>Number of loans purchased</td>
<td>523</td>
<td>329</td>
<td>1,583</td>
</tr>
<tr>
<td>Amount of loans purchased</td>
<td>$72,209,454</td>
<td>$43,773,531</td>
<td>$212,241,978</td>
</tr>
<tr>
<td>Number of homebuyers counseled</td>
<td>591</td>
<td>428</td>
<td>1,839</td>
</tr>
<tr>
<td>Number of lenders/REALTORS contacted</td>
<td>1,838</td>
<td>1,753</td>
<td>7,085</td>
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</table>

### Housing Development

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<tr>
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</thead>
<tbody>
<tr>
<td>Amount of MF loans/grants</td>
<td>$13,807,500</td>
<td>$0</td>
<td>$15,507,500</td>
</tr>
<tr>
<td>Amount of SF loans/grants</td>
<td>$460,236</td>
<td>$0</td>
<td>$950,236</td>
</tr>
<tr>
<td>Amount of TC: LIHTC (MF) &amp; State (MF &amp; SF)</td>
<td>$731,651</td>
<td>$500,000</td>
<td>$8,487,210</td>
</tr>
<tr>
<td>Number of MF units</td>
<td>504</td>
<td>0</td>
<td>1,055</td>
</tr>
<tr>
<td>Number of SF units</td>
<td>29</td>
<td>5</td>
<td>50</td>
</tr>
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</table>

### Housing Rehab & Weatherization

<p>| | | | |</p>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Amount of rehab expenditures</td>
<td>$501,918</td>
<td>$202,199</td>
<td>$1,702,126</td>
</tr>
<tr>
<td>Number of units rehabilitated</td>
<td>10</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td>Amount of NM EnergySmart expenditures</td>
<td>$1,301,436</td>
<td>$1,405,054</td>
<td>$4,172,388</td>
</tr>
<tr>
<td>Number of units weatherized</td>
<td>193</td>
<td>169</td>
<td>1,015</td>
</tr>
</tbody>
</table>

### Homeless Programs

<p>| | | | |</p>
<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of shelter service expenditures</td>
<td>$118,614</td>
<td>$225,743</td>
<td>$625,432</td>
</tr>
<tr>
<td>Number of persons housed</td>
<td>1,293</td>
<td>1,471</td>
<td>3,751</td>
</tr>
<tr>
<td>Amount of rental assistance</td>
<td>$688,960</td>
<td>$482,842</td>
<td>$1,973,729</td>
</tr>
<tr>
<td>Number of households assisted</td>
<td>319</td>
<td>232</td>
<td>935</td>
</tr>
</tbody>
</table>

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**The need for housing rehabilitation and weatherization:**

New Mexico has aging housing stock. 48 percent of its homes were built before 1980, while 17 percent were built after 2000.

Many low-income homeowners are at risk because of health and safety hazards in their homes and pay high utility bills because they cannot afford to make energy-efficiency improvements.

**The need for MFA mortgage products:**

MFA borrowers have an average annual income of $46,631 and purchase homes with an average price of $153,809. 53 percent are single-parent households; 52 percent are minorities.

MFA targets below-market mortgage rates, and all first-time homebuyers receive pre-purchase counseling. MFA provides down payment assistance to 97 percent of its borrowers. Without these programs, many borrowers could not buy a home.

**The need for housing development:**

Only 3.8 percent of New Mexico's housing units are located in apartment complexes of 20 units or more. Many of these are old and in poor condition.

51 percent of renters are cost-burdened, about half pay between 30 percent and 49 percent of their income on rent; the other half pay more than 50 percent.

**The need for homeless programs:**

The New Mexico Coalition to End Homelessness estimates that 17,000 New Mexicans experience homelessness in a year. In 2015, 9,068 homeless New Mexicans sought assistance at HUD-funded agencies.

Emergency assistance with rent and utilities can help people at risk of homelessness stay in their homes.
## Quarterly Report to the MFA Board of Directors

**Q3 FY2016**

### Servicing

<table>
<thead>
<tr>
<th></th>
<th>Current Quarter</th>
<th>Same Quarter Last Year</th>
<th>Target Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Mortgage delinquency rate</td>
<td>3.37</td>
<td>1.21</td>
<td></td>
</tr>
<tr>
<td>Partners Program delinquency rate</td>
<td>13.54</td>
<td>12.63</td>
<td></td>
</tr>
<tr>
<td>DPA loan delinquency rate</td>
<td>13.71</td>
<td>15.38</td>
<td></td>
</tr>
<tr>
<td>Multifamily loan delinquency rate</td>
<td>6.02</td>
<td>5.00</td>
<td></td>
</tr>
<tr>
<td>Combined delinquency rate*</td>
<td>12.32</td>
<td>13.41</td>
<td>9.00</td>
</tr>
<tr>
<td>Default rate (writeoffs/foreclosure losses)*</td>
<td>1.74</td>
<td>1.04</td>
<td>3.90</td>
</tr>
<tr>
<td>Master Servicing MBS delinquency rate</td>
<td>5.62</td>
<td>5.65</td>
<td></td>
</tr>
</tbody>
</table>

* MFA's Servicing portfolio only

### Monitoring

#### Asset Management

<table>
<thead>
<tr>
<th></th>
<th>Current Quarter</th>
<th>Year to Date</th>
<th>Fiscal Year Monitoring Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of properties monitored</td>
<td>47</td>
<td>123</td>
<td>197</td>
</tr>
<tr>
<td>Number of units inspected</td>
<td>576</td>
<td>1,507</td>
<td>N/A</td>
</tr>
<tr>
<td>Number of PBCA activities</td>
<td>305</td>
<td>860</td>
<td>N/A</td>
</tr>
</tbody>
</table>

#### Community Development

<table>
<thead>
<tr>
<th></th>
<th>Current Quarter</th>
<th>Year to Date</th>
<th>Fiscal Year Monitoring Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of contracts monitored</td>
<td>32</td>
<td>83</td>
<td>81</td>
</tr>
</tbody>
</table>

### MFA's Asset Management Department:

Monitors 262 properties and 17,097 units of housing financed by MFA, providing unit inspections and review of records and finances on a regular basis. Asset Management also supports 88 properties and 5,257 units under MFA's HUD Project Based Contract Administrator (PBCA) contract.

### MFA's Community Development Department:

Manages nine programs with 14 different funding sources and approximately 80 partners across the state. Our partners deliver housing to more than 10,000 individuals and receive approximately $10 million in funding. Monitoring is performed on a regular basis to ensure program compliance.