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AUTH. NAME AUTHOR AFFILIATION
MOORE, C. L. Kelehar & McLeod
RECIP. NAME RECIPIENT AFFILIATION
KNIGHTON, G. W. PWR Project Directorate 7

SUBJECT: Forwards anticipatory response, "Filing by Public Svc Co of New Mexico w/Respect to Addl Financial Info," re 860214 application concerning sale & leaseback financing transaction for plant. Securities & Exchange Form S-4 encl.
See Financial Info

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TELEPHONE (505) 842-6262

April 22, 1986

Director of Nuclear Reactor Regulation
Attention: Mr. George W. Knighton, Project Director
PWR Project Directorate #7
Division of Pressurized Water Reactor Licensing - B
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Re: Application in Respect of Sale and Leaseback Transactions by Public Service Company of New Mexico Dated February 14, 1986 - Palo Verde Nuclear Generating Station Unit 2 (Docket No. STN 50-529)

Dear Mr. Knighton:

In the above-referenced Application, the following commitment by Public Service Company of New Mexico ("PNM") appeared:

> "By letter dated November 21, 1985, Mudge Rose Guthrie Alexander & Ferdon submitted the response of PNM to the Request for Additional Information-Application in Respect of a Sale and Leaseback Financing Transaction for Palo Verde Unit 1 dated November 7, 1985, such request having been made by George W. Knighton, Chief, Licensing Branch No. 3, Division of Licensing. PNM will in due course file with the Commission the anticipatory response of PNM based upon the expectation that a request similar to the November 21, 1985 Request will be made with respect to the Unit 2 Facilities transactions."

Enclosed herewith on behalf of PNM is the anticipatory response (the "Response") described above entitled "Filing by Public Service Company of New Mexico with Respect to Additional Financial Information".

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In discussions between Mr. Art Gehr and Mr. Ed Christenbury, Mr. Gehr has discussed PNM's proposed restructuring into a holding company structure, in which PNM's common shareholders would become the common shareholders of a holding company and the utility would become a subsidiary of a holding company. In those discussions, Mr. Christenbury requested that three additional questions be addressed by PNM with respect to the proposed restructuring. Those additional questions appear as questions 8, 9 and 10 in the Response.

Included as an attachment to the Response is a copy of the Registration Statement on Form S-4 filed with the Securities and Exchange Commission in connection with PNM's proposed holding company restructuring. The Registration Statement became effective on April 8, 1986.

Very truly yours,

KELEHER & McLEOD, P.A.

By Charles L. Moore
Charles L. Moore

CLM/mu
Encl.

cc: Edward S. Christenbury, Esq. (w/encl.)
Mr. James C. Peterson "
Edwin J. Reis, Esq. "
Arthur C. Gehr, Esq. "
Timothy M. Toy, Esq. "
Mr. A. J. Robison "

FILING BY PUBLIC SERVICE COMPANY OF NEW MEXICO

WITH RESPECT TO

ADDITIONAL FINANCIAL INFORMATION

Application Dated February 14, 1986 in Respect

of Sale and Leaseback Transactions By

Public Service Company of New Mexico

Palo Verde Nuclear Generating Station, Unit 2

1. PUBLIC SERVICE COMPANY OF NEW MEXICO (PNM) IS CURRENTLY REQUIRED TO PAY 10.2 PERCENT OF ALL PALO VERDE UNIT NO. 2 (PV2) OPERATING COSTS TO ARIZONA PUBLIC SERVICE COMPANY AND 10.2 PERCENT OF FUTURE DECOMMISSIONING COSTS. PLEASE EXPLAIN IN DETAIL THE SOURCE OF THIS 10.2 PERCENT SHARE OF TOTAL PV2 COSTS UNDER THE PROPOSED REFINANCING ARRANGEMENT. INCLUDE AN EXPLANATION OF THE MANNER IN WHICH ALL INCREASES IN OPERATING AND DECOMMISSIONING COSTS WILL BE COVERED FOLLOWING THE REFINANCING FOR THE TERM OF THE LICENSE.

RESPONSE:

As indicated in the question, PNM is currently required to pay its share of PVNGS Unit 2 operating costs and will be required to pay its share of future decommissioning costs under the terms of the Arizona Nuclear Power Project Participation Agreement (the "ANPP Participation Agreement"), as amended. This result flows from PNM's status as a "Participant" under the ANPP Participation Agreement.

The simple answer to the question posed is that there will be no change in the source of the 10.2 percent share of total PVNGS Unit 2 operating costs under the proposed sale and leaseback transactions. As indicated in Section 3.6 of the Application filed with the Commission in this matter, the leases which will be entered into will be "net leases". This means that PNM will be responsible for paying all taxes, insurance premiums, operating and maintenance costs, and all other similar costs associated with the leased facilities (including obligations as a Participant under the ANPP Participation Agreement). As indicated in the Application, the purpose of these provisions is to ensure that the lessors are subject only to normal financing risks and not to operational risks or responsibilities.

The ultimate source of the funds for paying such costs will be revenues from PNM's customers. This is true both before and after the closing of the transactions. During the period that PVNGS Unit 2 is excess to PNM's needs for its New Mexico jurisdictional customers, such revenues are expected to be derived as discussed in the response to question 3 below. After the Unit is needed for PNM's New Mexico jurisdictional customers, the source for such funds will be revenues from New Mexico customers under a traditional ratemaking methodology.

The sale and leaseback transactions themselves will not impact liability for operating and decommissioning costs, although, under arrangements to be negotiated, the equity investors may, at the closing of the transactions, pay into a separate fund an amount equal to 20 percent of the present value of the estimated cost of decommissioning their proportionate interests in PVNGS Unit 2, which fund would be dedicated to the decommissioning of PVNGS Unit 2. Notwithstanding any such payment by the equity investors, PNM will be and remain liable for its share of all operating and decommissioning costs following the closing of the transactions under the "net lease" concept.

If PNM's leases expire and PNM does not purchase the facilities from the lessors by exercising its purchase option, PNM will remain responsible under the ANPP Participation Agreement for operating and decommissioning costs until a transferee (a new lessee or a purchaser) from the lessor assumes such obligations and the other PVNGS Participants have consented to a release of PNM from such liabilities. Under the lease transactions, PNM will retain ultimate responsibility for decommissioning costs, although the lessor or a transferee may in fact provide some funding for decommissioning. Also, the NRC will have control over responsibilities for decommissioning, since any transfer to a transferee will require action by the NRC in the form of a license transfer or amendment. Responsibility for decommissioning costs would assuredly be a consideration by the NRC in such action.

Under the ANPP Participation Agreement, if PNM (or the subsequent transferee) should default in its obligations, then the non-defaulting Participants are required to pay a pro rata share of such defaulted amounts to assure that such costs will be paid. If a default continues for the period of time specified in the ANPP Participation Agreement, then the defaulting Participant may lose its share of the power and energy from PVNGS and also lose its representation on the Project committees, until the default is cured.

2. PLEASE PROVIDE A DETAILED EXPLANATION OF THE EXPECTED FINANCIAL EFFECTS ON PNM RESULTING FROM THE REFINANCING OF ITS PV 2 INTEREST. INCLUDE EFFECTS ON ITS INCOME STATEMENT AND BALANCE SHEET AND ON ITS ABILITY TO FUND ITS SHARE OF PV 2 OPERATING AND DECOMMISSIONING COSTS INCLUDING ANY FUTURE COST INCREASES.

RESPONSE

PNM's proposed sale and leaseback transactions with respect to its share of PVNGS Unit 2 are expected to have substantial positive economic effects on PNM. The proceeds of the sale will provide PNM with funds which will allow PNM to strengthen its balance sheet and to defer future financings. In addition, the fixed costs to PNM of its share of PVNGS Unit 2 will be reduced due to the lower costs of the leases. The proposed sale of investment tax credits ("ITC") to the lessor will allow a greater utilization of ITC advantages generated during the construction period. The net result is that PNM's ability to fund its share of operating and decommissioning costs (including any future cost increases) can be expected to improve as a result of the proposed transactions.

If 100 percent of PNM's interest in the Unit 2 facility is sold in the transaction, and after PNM has paid all taxes generated by the transaction, including a $14.6 million recapture of PVNGS Unit 2 ITC, PNM will have cash proceeds of approximately $338 million. This will allow PNM to invest the proceeds and to defer future financings.

Please refer to the following pro forma statement of earnings (page 4) for the twelve months ended December 31, 1985 and pro forma balance sheet (page 5) as of December 31, 1985, for detailed effects of the transaction.

Public Service Company of New Mexico
Pro Forma Consolidated Statement of Earnings
Twelve Months Ended December 31, 1985

	Actual	PV 2 Ownership Adjustments	Pro Forma PV 2 Ownership	PV 2 Sale/ Lease Back Adjustments	Pro Forma
		(In thousands except per share amount)			
Operating Revenues	$748,984	$ --	$748,984	$ --	$748,984
Operating Expenses:					
Fuel and Purchased Power	46,456	(24,020)(1)	22,436	--	22,436
Gas Purchased for Resale	235,408	--	235,408	--	235,408
Other Operations and Maintenance	173,556	8,977 (2)	182,533	40,500 (8)	223,033
Depreciation and Amortization	55,779	7,852 (3)	63,631	(7,852)(3)	55,779
Taxes, Other Than Income	30,284	2,695 (4)	32,979	2,325 (4)	35,304
Income Taxes, Net	20,801	4,006 (5)	24,807	(19,008)(12)	5,799
Total Operating Expenses	562,284	(490)	561,794	15,965	577,759
Operating Income	186,700	490	187,190	(15,965)	171,225
Other Income and Deductions	59,577	21,303 (7) (14,754)(6)	66,126	28,862 (9) (11,622)(10)	83,366
Interest Charges - Net	99,967	6,902 (6)	106,869	835 (11)	107,704
Net Earnings	146,310	137	146,447	440	146,887
Preferred Stock Dividend Requirements	23,901	--	23,901	--	23,901
Net Earnings Applicable to Common Stock	$122,409	$ 137	$122,546	$ 440	$122,986
Average Number of Common Shares Outstanding	37,059		37,059		37,059
Earnings Per Share of Common Stock	$ 3.30		$ 3.31		$ 3.32

Pro Forma Adjustments

(1) Energy sales from PV 2, net of fuel costs
(2) Operation and maintenance expense for PV 2
(3) Depreciation expense of PV 2
(4) General tax expense of PV 2
(5) Income taxes related to items affected
(6) AFUDC during construction
(7) Deferred carrying cost related to NMPSC phase-in-order
(8) PV 2 lease expense
(9) Interest income resulting from investments from the proceeds of the sale of PV 2 and amortized gain on sale, net of taxes
(10) Reduction in deferred carrying cost related to NMPSC phase-in, assuming approval of lease expense phase-in
(11) Increase in short-term interest expense resulting from additional short-term borrowings
(12) Income taxes related to items affected

Public Service Company of New Mexico
Pro Forma Consolidated Balance Sheet
As of December 31, 1985

	Actual	PV 2 Sale Leaseback	Pro Forma Adjustments	Pro Forma
		(In thousands)		
Assets:				
Utility Plant	$2,613,029	$(301,274)	$ --	$2,311,755
Accumulated Depreciation	(422,216)	--	--	(422,216)
Net Utility Plant	2,190,813	(301,274)	--	$1,889,539
Other Property and Investments	210,920	--	--	210,920
Current Assets:				
Cash	7,974	450,000	(338,253)(1)	119,721
Temporary Cash Investments	375,767	--	338,253 (1)	714,020
Receivables - Net	112,963	--	--	112,963
Fuel, Materials and Supplies	42,002	--	--	42,002
Gas in Underground Storage	12,112	--	--	12,112
Prepaid Expenses	6,778	--	--	$ 6,778
Total Current Assets	557,596	450,000	0	1,007,596
Deferred Charges	50,909	--	--	50,909
Total Assets	$3,010,238	$ 148,726	$ 0	$3,158,964
Capitalization and Liabilities				
Capitalization:				
Common Stock	$ 189,829	$ --	$ --	$ 189,829
Additional Paid in Capital	588,415	--	--	588,415
Retained Earnings	198,703	--	--	198,703
Common Stock Equity	976,947	--	--	976,947
Cumulative Preferred Stock:				
Without Mandatory Redemptions	106,000	--	--	106,000
With Mandatory Redemptions	119,080	--	--	119,080
Long-term Debt Less Current Maturities	1,143,355	--	--	1,143,355
Total Capitalization	2,345,382	--	--	2,345,382
Current Liabilities:				
Short-term Debt	49,435	--	--	49,435
Accounts Payable	97,179	--	--	97,179
Current Maturities of LTD	77,723	--	--	77,723
Accrued Interest and Taxes	81,924	111,045	--	192,969
Provision for Refunds	1,166	--	--	1,166
Other	30,934	--	--	30,934
Total Current Liabilities	338,361	111,045	--	449,406
Deferred Credits	326,495	37,681	--	364,176
Total Capitalization & Liabilities	$3,010,238	$ 148,726	$ --	$3,158,964

Pro Forma Adjustments

(1) Investment of remainder of proceeds after payment of income taxes.

3. EXPLAIN THE RATEMAKING AUTHORITY AND RESPONSIBILITY OF THE NEW MEXICO PUBLIC SERVICE COMMISSION AS IT WILL RELATE TO PROVISION OF REVENUES TO COVER PV2 OPERATING AND DECOMMISSIONING COSTS APPLICABLE TO PNM'S REFINANCED OWNERSHIP INTEREST.

RESPONSE

The proposed transactions will not result in any change in the existing ratemaking authority and responsibility of the New Mexico Public Service Commission (the "NMPSC") as it will relate to the provision of revenues for operating and decommissioning costs. PNM will continue as the utility responsible for such costs and under the New Mexico Public Utility Act will continue to be subject to the regulation of the NMPSC with respect to such costs.

Pursuant to the stipulation (the "Stipulation") on the "inventory" ratemaking methodology (approved by the NMPSC on December 12, 1984), PNM's fixed operation and maintenance (O&M) expenses associated with inventoried plant, including PVNGS Unit 2, are to be treated as a current expense item for ratemaking purposes.

Although no agreement was reached in the Stipulation with respect to the recovery of decommissioning costs, PNM was required to file a PVNGS decommissioning cost recovery plan as part of its first general electric rate case requesting inclusion of PVNGS O&M expenses in current rates, but in no event later than a date which has now been extended to October 1, 1986. PNM will file a plan requesting recovery of decommissioning funding in current rates.

The Financial Accounting Standards Board ("FASB") has proposed an amendment to Statement of Financial Accounting Standards ("SFAS") No. 71, Accounting for the Effects of Certain Types of Regulation, which, if approved in the proposed form, would require PNM to obtain NMPSC approval for the full recovery of amounts deferred under the inventoried capacity ratemaking methodology within ten years of commencement of such deferrals. Under the proposed amendment, if such approval is not received by 1987, PNM would be required to write off amounts deferred under the previously approved plan and would restate the financial statements for the prior years, reducing net earnings for 1982 through 1985, by a total of up to $11 million.

Further, in the event the amendment is approved in its present form and the NMPSC approval for full recovery does not occur as described above, the impact to PNM's financial statements in future years will be to charge to expense those costs yet to be incurred that would otherwise have been deferred under the existing inventoried capacity ratemaking methodology. The amounts, if any, that may be required to be charged to expense in the future will not be determinable until the final amendment to SFAS No. 71 is issued by FASB and then considered by the NMPSC.

In addition to the above, the proposed amendment to SFAS No. 71, if approved in its present form, would require that any disallowed costs associated with a newly completed generating facility, or an abandoned facility, be charged to expense at the time such disallowances are determined to be probable. PNM currently has no such costs which would be impacted by this proposal.

4. PROVIDE COPIES OF THE MOST RECENT INTERIM FINANCIAL STATEMENTS AND SEC FORM 10-Q FOR PNM AND FOR THE FIRST NATIONAL BANK OF BOSTON.

RESPONSE:

Copies of both PNM's and the Bank of Boston Corporation's 1985 Annual Report and Annual Report on Form 10-K for the year ended December 31, 1985 have been provided to the Commission under cover of an April 8, 1986 letter to Mr. Edwin J. Reis. Promptly upon becoming available, copies of the most recent interim financial statements and Forms 10-Q for PNM and the Bank of Boston Corporation will be provided to the Commission.

The Bank of Boston Corporation is the parent corporation of The First National Bank of Boston. Of course, neither the Bank of Boston Corporation nor The First National Bank of Boston will have any responsibility whatsoever with respect to operating and decommissioning costs or increases in such costs.

5. INDICATE THE TOTAL PURCHASE PRICE FOR THE REFINANCED PV2 INTEREST AND A DETAILED DOLLAR BREAKDOWN OF THE PORTIONS TO BE FINANCED BY DEBT AND BY INVESTMENT OF EACH EQUITY INVESTOR.

RESPONSE:

The estimated sales value of PNM's interest in PVNGS Unit 2 and certain related common facilities is $450 million. Currently, no commitments have been received from equity investors. A detailed breakdown will be provided when commitments are received.

6. DESCRIBE THE SOURCES OF FUNDS AND AMOUNTS FOR EACH EQUITY INVESTOR'S INVESTMENT IN PV2.

RESPONSE:

The sources of the equity investment funds to be provided by equity investors are not expected to be disclosed to PNM. The sources of such funds are not relevant since the purchase price will have been paid to PNM at closing, and PNM will not be relying on such investors for future funding. We can only assume that the source of funding for each investor's equity participation will be from general corporate funds. The estimated dollar investment for each equity investor will be provided when equity commitments are received, as indicated in the response to question 5.

7. PROVIDE COPIES OF THE MOST RECENT INTERIM AND ANNUAL FINANCIAL STATEMENTS FOR EACH EQUITY INVESTOR.

RESPONSE:

Please refer to the undertaking by PNM set forth in Section 6 of the Application.

ADDITIONAL QUESTIONS RELATING TO PNM'S PROPOSED CORPORATE RESTRUCTURING

8. HOW WOULD THE PROPOSED RESTRUCTURING AFFECT THE FINANCIAL RESOURCES AVAILABLE TO PNM?

RESPONSE

Attached as Attachment 1 is a copy of the Registration Statement on Form S-4 (the "Registration Statement") filed with the Securities and Exchange Commission in connection with PNM's proposed reorganization. The Registration Statement describes the proposed restructuring in detail.

The proposed restructuring would not adversely affect the financial resources available to PNM. As stated in PNM's Registration Statement (page 5), PNM's Board of Directors and management believe that the assets and earning power of PNM (which will be the utility and lessee under the proposed leases), following the Reorganization (as defined in the Registration Statement) and the contemplated transfer of certain non-utility assets noted below, will be more than adequate to cover interest and dividends, sinking funds and scheduled maturities of PNM's preferred stock and existing long-term debt for the foreseeable future. Consistent with this statement, PNM anticipates no adverse impact of the proposed restructuring on its ability to make lease payments under the proposed leases and to carry out its obligations with respect to PVNGS Unit 2, including obligations for operating and decommissioning costs.

The following unaudited pro forma condensed balance sheet and pro forma condensed statement of earnings (which appear on page 18 of the Registration Statement) summarize certain pro forma financial effects of the Reorganization (as defined in the Registration Statement) and the transfer of Sunbelt Mining Company, Inc., Meadows Resources, Inc., and certain other non-utility assets to the holding company (see page 18 of the Registration Statement) as of and for the twelve months ended December 31, 1985:

	Consolidated PNM and Subsidiaries	PNM Pro Forma*	Adjustments	Holding Company Pro Forma
		(In thousands except per share amounts)		
CONDENSED BALANCE SHEET				
Assets:				
Net Utility Plant	$2,190,813	$2,190,813	$ --	$2,190,813
Other Property and Investments	210,920	10,719	200,201 (a)(c)	210,920
Current Assets	557,596	515,928	41,668 (a)	557,596
Deferred Debits	50,909	45,382	5,527 (a)	50,909
Total Assets	$3,010,238	$2,762,842	$247,396	$3,010,238
Capitalization and Liablities:				
Capitalization:				
Common Stock and Additional Paid-In Capital	$ 778,244	$ 778,244	$ --	$ 778,244
Retained Earnings	198,703	31,897	166,806 (a)(c)	198,703
Cumulative Preferred Stock	225,080	225,080	(225,080)(b)	--
Minority Interest (Cumulative Preferred Stock of PNM)	--	--	225,080 (b)	225,080
Long-Term Debt, Less Current Maturities	1,143,355	1,089,917	53,438 (a)	1,143,355
Total Capitalization	2,345,382	2,125,138	220,244	2,345,382
Current Liabilities	338,361	317,109	21,252 (a)	338,361
Deferred Credits	326,495	320,595	5,900 (a)	326,495
Total Capitalization and Liabilities	$3,010,238	$2,762,842	$247,396	$3,010,238
CONDENSED STATEMENT OF EARNINGS				
Operating Revenues	$ 748,984	$ 748,984	$ --	$ 748,984
Operating Expenses	562,284	562,284	--	562,284
Operating Income	186,700	186,700	--	186,700
Other Income (Expense)	(40,390)	(38,531)	(25,760)(a)(b)	(64,291)
Net Earnings	146,310	148,169	(25,760)	122,409
Preferred Stock Dividend Requirements	(23,901)	(23,901)	23,901 (b)	--
Net Earnings Applicable to Common Stock	$ 122,409	$ 124,268	$ (1,859)	$ 122,409
Earnings Per Share of Common Stock	$ 3.30	$ 3.35	$ (.05)	$ 3.30

*As Adjusted to eliminate investments to be transferred to Holding Company.

Adjustments:

(a) To reflect subsidiaries to be transferred to the holding company.

(b) To reflect PNM Preferred Stock as a minority interest of the holding company.

(c) To reflect investment in a mutual insurance company to be transferred to the holding company.

The adjustments do not include the possible transfer of certain assets relating to the proposed Dineh Power Project because of uncertainties with respect to the amount or the form of any such transfer.

9. HOW WOULD THE PROPOSED RESTRUCTURING AFFECT MANAGEMENT OF PNM'S UTILITY OPERATIONS?

RESPONSE:

The Board of Directors of PNM, as set forth in Exhibit C to PNM's application, will not be changed as a result of the proposed restructuring. The Board of Directors of the holding company will initially consist of the same directors as those serving on PNM's Board (including those directors elected at the Annual Meeting). In the future, however, PNM and the holding company may have different directors.

The principal officers of PNM will be as set forth in Exhibit C to PNM's Application; no change is presently contemplated as a result of the proposed restructuring.

10. WILL PNM, BY VIRTUE OF THE PROPOSED RESTRUCTURING, BECOME "OWNED, CONTROLLED OR DOMINATED BY AN ALIEN, A FOREIGN CORPORATION, OR A FOREIGN GOVERNMENT?"

RESPONSE:

No. PNM is presently not "owned, controlled or dominated by an alien, a foreign corporation, or a foreign government". Upon consummation of the proposed restructuring, neither PNM nor the holding company would be "owned, controlled or dominated by an alien, a foreign corporation, or a foreign government".

ATTACHMENT 1

As filed with the Securities and Exchange Commission on April 3, 1986

Registration No. 33-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

Under

The Securities Act of 1933

PNM Holding Company

(Exact name of registrant as specified in charter)

New Mexico	6749	Applied for
(State of Incorporation)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1650 University Blvd., N.E.
Albuquerque, New Mexico 87102
(505) 768-6500
(Address and telephone number of registrant's principal executive offices)

A. J. Robison
Senior Vice President,
Chief Financial Officer and Treasurer
PNM Holding Company
1650 University Blvd., N.E.
Albuquerque, New Mexico 87102
(505) 768-6500
(Name, address, and telephone number of agent for service)

Docket # 50-529
Control # 8604240218
Date 4-22-86 of Document
REGULATORY DOCKET FILE

Copies to:

Marc E. Hecker, Esq.	Charles L. Moore, Esq.
Skadden, Arps, Slate, Meagher & Flom	Keleher & McLeod, P.A.
919 Third Avenue	414 Silver Avenue, S.W.
New York, New York 10022	Albuquerque, New Mexico 87102

Approximate date of commencement of proposed sale to the public: Upon the Effective Time of the merger (the "Merger") of PNM Merger Company into Public Service Company of New Mexico ("PNM"), as defined in Section 1 of the Agreement of Reorganization and Plan of Merger included as Appendix I to the Proxy Statement/Prospectus included herein.

If the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Shares, $5 par value	40,700,000 Shs. (1)	$35 1/16	$1,427,043,750	$285,408.75 (3)

(1) Includes: shares to be distributed to holders of outstanding common shares of PNM in accordance with the Merger (40,215,878 shares on the date of filing this registration statement) and shares to be distributed for common shares of PNM to be issued between the date of filing of this registration statement and the Effective Time of the Merger (approximately 484,122 shares).

(2) Estimated pursuant to Rule 457(f) under the Securities Act of 1933, as amended (the "Securities Act"), solely for the purpose of calculating the registration fee on the basis of the average between the high and low sale prices of a common share of PNM on the New York Stock Exchange-Composite Transactions Tape on March 27, 1986.

(3) Pursuant to Rule 457(b) under the Securities Act, the fee paid by PNM on March 19, 1986 upon the filing of its preliminary proxy materials relating to the Merger in the amount of $276,248.06 has been credited against the amount of the registration fee which would otherwise be payable in connection with this filing.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

PNM HOLDING COMPANY

CROSS REFERENCE SHEET

(Pursuant to Item 501(b) of Regulation S-K)

Form S-4 Item Number and Caption	Location or Caption in Prospectus
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus	Front Cover Page; INTRODUCTION
2. Inside Front and Outside Back Cover Pages of Prospectus	AVAILABLE INFORMATION; INCORPORATION OF CERTAIN INFORMATION BY REFERENCE
3. Risk Factors, Ratio of Earnings to Fixed Charges and Other Information	SUMMARY; SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION; Front Cover Page;THE REORGANIZATION
4. Terms of the Transaction	THE REORGANIZATION
5. Pro Forma Financial Information	THE REORGANIZATION—Pro Forma Financial Effects
6. Material Contacts with the Company Being Acquired	THE REORGANIZATION—Terms of the Reorganization; —Transfer of Ownership of Sunbelt, Meadows and Certain Other Non-Utility Assets to Holding Company; —Management After the Reorganization
7. Additional Information Required for Reoffering by Persons and Parties Deemed to be Underwriters	Not Applicable
8. Interests of Named Experts and Counsel	LEGAL OPINION; AUDITORS
9. Disclosure of Commission Position on Indemnification for Securities Act Liabilities	Not Applicable
10. Information with Respect to S-3 Registrants	Not Applicable
11. Incorporation of Certain Information by Reference	Not Applicable
12. Information with Respect to S-2 or S-3 Registrants	Not Applicable
13. Incorporation of Certain Information by Reference	Not Applicable
14. Information with Respect to Registrants Other Than S-3 or S-2 Registrants	THE REORGANIZATION
15. Information with Respect to S-3 Companies	INCORPORATION OF CERTAIN INFORMATION BY REFERENCE; THE REORGANIZATION
16. Information with Respect to S-2 or S-3 Companies	Not Applicable
17. Information with Respect to Companies Other Than S-3 or S-2 Companies	Not Applicable
18. Information if Proxies, Consents or Authorizations are to be Solicited	INFORMATION CONCERNING THE ANNUAL MEETING; THE REORGANIZATION; ELECTION OF DIRECTORS
19. Information if Proxies, Consents or Authorizations are not to be Solicited or in an Exchange Offer	Not Applicable

PNM PUBLIC SERVICE COMPANY OF NEW MEXICO
ALVARADO SQUARE ALBUQUERQUE, NEW MEXICO 87158

April 11, 1986

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Public Service Company of New Mexico (PNM) at 9:30 a.m. on May 20, 1986, in the Albuquerque Convention Center.

In addition to the election of Directors, at the Annual Meeting holders of PNM Common Stock will be asked to consider and vote upon the Board of Directors' proposal to reorganize PNM into a holding company structure.

The Board of Directors believes that a holding company structure would provide the means to achieve a more clearly defined separation of existing and future lines of business (including utility and non-utility businesses). In addition, we believe the holding company would have improved ability to access new sources of capital and respond to new business opportunities.

There are three key points regarding this proposal:

- Holders of PNM Common Stock would automatically become common stockholders of the new holding company.
- Our dividend policy would be unaffected, although common stock dividends would be paid in the future by the holding company.
- PNM's planned reorganization into a holding company structure is not unique; over 20 electric utilities have reorganized into holding companies in the last decade.

Your Board of Directors urges you to vote FOR the proposal as explained in the proxy statement. Regardless of the size of your holdings, your vote is extremely important. Please sign, date and mail the enclosed proxy card promptly. You may, of course, attend the Annual Meeting and vote in person, even if you have previously returned your proxy.

Sincerely,

JERRY D. GEIST
Chairman of the Board and President

PNM

PUBLIC SERVICE COMPANY OF NEW MEXICO
Alvarado Square
Albuquerque, New Mexico 87158

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
May 20, 1986

To the Stockholders of
PUBLIC SERVICE COMPANY OF NEW MEXICO:

Notice is hereby given that the Annual Meeting of Stockholders of PUBLIC SERVICE COMPANY OF NEW MEXICO ("PNM") will be held on May 20, 1986 in Ballroom "C" of the Albuquerque Convention Center, 401 Second Street, N.W., Albuquerque, New Mexico, at 9:30 A.M., Mountain Daylight Time, for the following purposes:

1. To consider and vote upon a proposal to approve an Agreement of Reorganization and Plan of Merger, dated as of April 3, 1986 (the "Plan"), a copy of which is attached as Appendix I to the Proxy Statement/Prospectus accompanying this Notice, pursuant to which (i) PNM would become a subsidiary of PNM Holding Company, a New Mexico corporation ("Holding Company"), (ii) each outstanding share of the Common Stock of PNM would be converted into one share of the Common Stock of Holding Company, with the holders of PNM's Common Stock thereby becoming the stockholders of Holding Company and (iii) the affairs of Holding Company would be governed by Articles of Incorporation and Bylaws that are substantially similar to the Restated Articles of Incorporation and Bylaws that currently govern the affairs of PNM taken together with New Mexico law applicable to PNM (the "Reorganization").

2. To elect three directors of PNM to hold office in accordance with the Restated Articles of Incorporation of PNM until the Annual Meeting of Stockholders in 1989 or until their successors shall be duly elected and qualified. The Directors so elected will also become directors of Holding Company if the Reorganization is consummated.

3. To consider and vote upon the approval of the selection by the Board of Directors of PNM of Peat, Marwick, Mitchell & Co., as independent auditors to audit the consolidated financial statements of PNM and subsidiaries for the fiscal year ending December 31, 1986.

4. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only holders of PNM Common Stock of record at the close of business on March 31, 1986 will be entitled to vote on the matters to come before the meeting.

By Order of the Board of Directors
James B. Mulcock, Jr.
Secretary

April 11, 1986

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, PLEASE MARK, EXECUTE, DATE AND RETURN THE ACCOMPANYING PROXY CARD, USING THE ENCLOSED SELF-ADDRESSED ENVELOPE WHICH REQUIRES NO POSTAGE.

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PUBLIC SERVICE COMPANY OF NEW MEXICO

PROXY STATEMENT/PROSPECTUS

For Annual Meeting of Stockholders to be held on May 20, 1986

INTRODUCTION

This Proxy Statement/Prospectus is being furnished to holders of Common Stock of Public Service Company of New Mexico, a New Mexico corporation ("PNM"), in connection with the solicitation of proxies by the Board of Directors of PNM for use at the Annual Meeting of Stockholders to be held on May 20, 1986, and any adjournment or adjournments of such meeting (the "Annual Meeting").

At the Annual Meeting, holders of PNM Common Stock will be asked to consider and vote upon a proposal to approve an Agreement of Reorganization and Plan of Merger, a copy of which is attached as Appendix I hereto (the "Plan"), pursuant to which PNM would become a subsidiary of PNM Holding Company, a New Mexico corporation ("Holding Company"), and each share of PNM Common Stock, $5.00 par value ("PNM Common Stock"), would be converted into one share of Common Stock, $5.00 par value, of Holding Company ("Holding Company Common Stock"), with the holders of PNM Common Stock thereby becoming the stockholders of Holding Company (the "Reorganization"). The outstanding shares of PNM Cumulative Preferred Stock, without par value (the "PNM Preferred Stock"), will remain outstanding securities of PNM after the Reorganization without any changes in the powers and relative rights of such shares. See "THE REORGANIZATION." The affairs of Holding Company, a new corporation formed for the specific purpose of implementing the proposed Reorganization, will be governed by Articles of Incorporation and Bylaws substantially similar to the Restated Articles of Incorporation and Bylaws that currently govern the affairs of PNM taken together with New Mexico law applicable to PNM.

In addition, at the Annual Meeting, holders of PNM Common Stock will be asked to elect three persons to PNM's Board of Directors, each to serve a term of three years. If the Reorganization is consummated, these directors will also become directors of Holding Company.

This Proxy Statement/Prospectus is first being mailed to the holders of PNM Common Stock on or about April 11, 1986 in connection with the solicitation of proxies by PNM's Board of Directors for use at the Annual Meeting.

A Registration Statement on Form S-4 has been filed with the Securities and Exchange Commission covering the shares of Holding Company Common Stock issuable in connection with the Reorganization upon conversion of PNM Common Stock. This Proxy Statement also constitutes the prospectus included as part of such Registration Statement.

THE SECURITIES OF HOLDING COMPANY ISSUABLE IN CONNECTION WITH THE REORGANIZATION HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Proxy Statement/Prospectus is April 11, 1986.

AVAILABLE INFORMATION

A Registration Statement has been filed with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933 (Registration Statement No. 33-) with respect to the shares of Holding Company Common Stock issuable upon conversion of PNM Common Stock in the Reorganization as described herein. As permitted by the rules and regulations of the SEC, this Proxy Statement/Prospectus omits certain information contained in the Registration Statement. For further information pertaining to Holding Company Common Stock offered hereby, reference is made to such Registration Statement and to the exhibits thereto, which may be inspected at the public reference facilities of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549, and copies of which can be obtained from the SEC at prescribed rates by writing to the Public Reference Section of the SEC, at the above-stated address.

In addition, PNM is subject to the reporting requirements of the Securities Exchange Act of 1934, and, therefore, files reports, proxy statements and other information with the SEC. Copies of such reports, proxy statements and other information may be obtained from the SEC at prescribed rates by addressing written requests for such copies to the public reference facilities of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. Such reports, proxy statements and other information can also be inspected at the public reference facilities of the SEC referred to above and at the Regional Offices of the SEC at Everett McKinley Dirksen Building, 219 South Dearborn Street, Room 1204, Chicago, Illinois 60604; and 26 Federal Plaza, Room 1028, New York, New York 10278. Such reports, proxy statements and other information concerning PNM can also be inspected and copied at the offices of The New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

No person is authorized to give any information or to make any representation not contained in this Proxy Statement/Prospectus in connection with the solicitations made hereby, and, if given or made, such information or representation must not be relied upon as having been authorized by PNM or Holding Company. This Proxy Statement/Prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, or solicitation of a proxy, in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the delivery of this Proxy Statement/Prospectus nor any distribution of the securities to which this Proxy Statement/Prospectus relates shall, under any circumstances, create any inference that there has been no change in the affairs of either PNM or Holding Company since the date of this Proxy Statement/Prospectus.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The following documents on file with the SEC are hereby incorporated by reference:

1. PNM's Annual Report on Form 10-K for the year ended December 31, 1985 (the "1985 Form 10-K").

2. PNM's Current Reports on Form 8-K filed on February 12, 1985 (as amended by Form 8 filed April 12, 1985), January 14, 1986 and March 3, 1986.

3. All documents filed by PNM pursuant to Sections 13, 14 or 15 of the Securities Exchange Act of 1934, as amended, after the date of this Proxy Statement/Prospectus and prior to the date of the Annual Meeting shall be deemed to be incorporated by reference into this Proxy Statement/Prospectus and to be a part hereof from the date of filing such documents.

PNM hereby undertakes to provide without charge to each person to whom this Proxy Statement/Prospectus has been delivered, on the written or oral request of such person, a copy of any or all of the documents referred to above which have been or may be incorporated into this Proxy Statement/Prospectus and deemed to be part hereof, other than exhibits to such documents, unless such exhibits are specifically incorporated by reference. These documents are available upon request from James B. Mulcock, Jr., Senior Vice President, Corporate Affairs and Secretary, Public Service Company of New Mexico, Alvarado Square, Albuquerque, New Mexico 87158. In order to ensure timely delivery of documents, any request should be made by May 13, 1986.

SUMMARY

Certain significant matters discussed in this Proxy Statement/Prospectus are summarized below. Such summaries are not intended to be complete and are qualified in all respects by reference to the detailed information appearing elsewhere in this Proxy Statement/Prospectus. Stockholders are urged to review carefully the entire Proxy Statement/Prospectus (including the Appendices and other documents referred to herein).

The Annual Meeting

The Annual Meeting of Stockholders of Public Service Company of New Mexico ("PNM") is scheduled to be held on May 20, 1986 in Ballroom "C" of the Albuquerque Convention Center, 401 Second Street, N.W., Albuquerque, New Mexico, at 9:30 A.M., Mountain Daylight Time. At the Annual Meeting, the holders of PNM's outstanding Common Stock, $5.00 par value ("PNM Common Stock"), will be asked to consider and vote upon (1) a proposal to approve an Agreement of Reorganization and Plan of Merger (the "Plan"), a copy of which is attached to this Proxy Statement/Prospectus as Appendix I, pursuant to which (a) PNM would become a subsidiary of PNM Holding Company, a New Mexico corporation ("Holding Company"), (b) the outstanding PNM Common Stock would be converted, on a share-for-share basis, into the Common Stock, $5.00 par value, of Holding Company ("Holding Company Common Stock"), with the holders of PNM Common Stock thus becoming the owners of all the outstanding stock of Holding Company, and (c) the affairs of Holding Company would be governed by Articles of Incorporation and Bylaws that are substantially similar to the Restated Articles of Incorporation and Bylaws that currently govern PNM's affairs taken together with New Mexico law applicable to PNM, and that include, among others, provisions that a class of preferred stock is authorized to be issued in series by Holding Company, and that approval of two-thirds of the outstanding shares entitled to vote will be required for certain business combinations and certain other matters (the "Reorganization"); (2) the election of three directors of PNM to hold office in accordance with the Restated Articles of Incorporation of PNM until the Annual Meeting in 1989, or until their successors shall be duly elected and qualified; (3) the approval of the selection by the Board of Directors of PNM of Peat, Marwick, Mitchell & Co., as independent auditors to audit the consolidated financial statements of PNM and subsidiaries for the fiscal year ending December 31, 1986; and (4) such other business as may properly come before the meeting or any adjournment thereof. In the event that the Reorganization is approved by the stockholders and becomes effective, the directors elected at the Annual Meeting will also serve as directors of Holding Company until 1989. The outstanding shares of PNM Preferred Stock will remain outstanding after the Reorganization without any changes in the powers and relative rights of such shares. See "THE REORGANIZATION."

Record Date; Votes Required

Only holders of PNM Common Stock of record at the close of business on March 31, 1986 will be entitled to vote at the Annual Meeting. At such date, 40,215,878 shares of PNM Common Stock were outstanding. Each such share of PNM Common Stock will be entitled to one vote on the approval of the Plan, the election of directors, the approval of the selection of auditors and on any other proposal before the Annual Meeting. In order to approve the Plan, the affirmative vote of the holders of two-thirds of the outstanding shares of PNM Common Stock is required. Directors and executive officers of PNM and their affiliates, as a group, are entitled to vote less than one percent of the outstanding PNM Common Stock on the approval of the Plan. In order to elect directors and approve the selection of auditors, the affirmative vote of the holders of a majority of the shares of PNM Common Stock present and entitled to vote at the Annual Meeting is required.

The Reorganization

General

Pursuant to the Plan, PNM would be merged with PNM Merger Company, a newly formed New Mexico corporation ("Mergerco") which is a wholly owned subsidiary of Holding Company, with PNM being the surviving corporation in the merger. At the effective time of the Reorganization (the "Effective Time"), (1) each share of PNM Common Stock outstanding immediately prior to the Effective Time will be converted into one share of Holding Company Common Stock; (2) the shares of Mergerco capital stock outstanding prior to the Effective Time will be converted into that number of shares of PNM Common Stock as were outstanding immediately prior to the Effective Time; and (3) each share of Holding Company Common Stock outstanding immediately prior to the Effective Time will be retired and cancelled. As a result, immediately following the Effective Time, all of the outstanding shares of PNM Common Stock will be held by Holding Company and all of the outstanding shares of Holding Company Common Stock will be owned by the holders of the shares of PNM Common Stock that were outstanding immediately prior to the Effective Time. **Holders of PNM Common Stock will not be required to surrender their stock certificates,** which, if the Reorganization is consummated, will be deemed to represent an equal number of shares of Holding Company Common Stock for all corporate purposes. See "THE REORGANIZATION—Terms of the Reorganization." **The outstanding PNM Preferred Stock and the debt obligations of PNM will not be converted into securities of or be assumed by Holding Company in the Reorganization and will remain outstanding securities and obligations of PNM after the Effective Time.** See "THE REORGANIZATION—Treatment of PNM Preferred Stock" and "—Indebtedness of PNM."

Reasons for the Reorganization; Recommendation of the Board of Directors

The Board of Directors and management of PNM believe that the Reorganization will provide Holding Company with the means to achieve a more clearly defined separation of existing and future lines of business of PNM (including utility and non-utility businesses), as well as improved ability to access new sources of capital and to respond to new business opportunities.

PNM also currently contemplates that ownership of Sunbelt Mining Company, Inc. ("Sunbelt") and Meadows Resources, Inc. ("Meadows"), both direct, wholly owned subsidiaries of PNM, and certain other non-utility assets of PNM would be transferred to Holding Company shortly after the Effective Time. See "THE REORGANIZATION—Transfer of Ownership of Sunbelt, Meadows and Certain Other Non-Utility Assets to Holding Company."

Following the Reorganization, the businesses of PNM and its subsidiaries will continue under Holding Company substantially as they are currently conducted, with the same plant, capitalization and management. See "THE REORGANIZATION—Pro Forma Financial Effects" and "—Management After the Reorganization." Current holders of PNM Common Stock will continue to own the same equity interest in the businesses of PNM, Sunbelt and Meadows through their ownership of Holding Company Common Stock.

Holders of PNM Preferred Stock will retain their current stock ownership in PNM. The business of PNM is expected to constitute a significant part of Holding Company's consolidated assets and earning power for the foreseeable future, notwithstanding the Reorganization and any foreseeable expansion of Holding Company's non-utility businesses, by acquisition or otherwise. PNM's Board of Directors and management believe that the assets and earning power of PNM (following the Reorganization and the contemplated transfer of ownership of Sunbelt, Meadows and certain other non-utility assets to Holding Company) will be more than adequate to cover interest and dividends, sinking funds and scheduled maturities of PNM Preferred Stock and PNM's existing long-term debt for the foreseeable future. See "THE REORGANIZATION—Background; Current Structure of PNM"

and "—Transfer of Ownership of Sunbelt, Meadows and Certain Other Non-Utility Assets to Holding Company."

The Board of Directors of PNM believes that the Reorganization is in the best interests of PNM and its stockholders and unanimously recommends that stockholders vote FOR approval of the Plan. See "THE REORGANIZATION—Reasons for the Reorganization; Recommendation of the Board of Directors."

Transfer of Ownership of Sunbelt, Meadows and Certain Other Non-Utility Assets to Holding Company

The Board of Directors and management of PNM currently anticipate that, following the consummation of the Reorganization, PNM would transfer ownership of Sunbelt, Meadows and certain other non-utility assets to Holding Company. Such transfer, in conjunction with the Reorganization, would implement a more clearly defined separation of PNM's existing utility and non-utility businesses. See "THE REORGANIZATION—Reasons for the Reorganization; Recommendation of the Board of Directors." **If the Reorganization is approved by stockholders and effected, no stockholder vote will be required for PNM to effect the transfer of ownership of Sunbelt, Meadows and certain other non-utility assets to Holding Company.** See "THE REORGANIZATION—Transfer of Ownership of Sunbelt, Meadows and Certain Other Non-Utility Assets to Holding Company."

Conditions of the Reorganization

Consummation of the Reorganization is subject to the fulfillment prior to the Effective Time of the following conditions: (1) receipt of the requisite approval of stockholders; (2) effectiveness of the Registration Statement under the Securities Act of 1933, as amended, relating to the Holding Company Common Stock to be issued in connection with the Reorganization; (3) approval for listing, on official notice of issuance, of such shares of Holding Company Common Stock on the New York Stock Exchange (the "NYSE"); (4) receipt of an opinion of counsel or a ruling from the Internal Revenue Service (the "IRS") to the effect that the conversion of PNM Common Stock into Holding Company Common Stock in the Reorganization will be treated as a tax-free transaction under the Internal Revenue Code of 1954, as amended (the "Code"); (5) receipt of an opinion of counsel as to the legality of the Holding Company Common Stock issuable in the Reorganization; (6) issuance by the Securities and Exchange Commission of an order granting an application claiming an exemption from registration and regulation as a registered public utility holding company under the Public Utility Holding Company Act of 1935, as amended (the "Holding Company Act"); and (7) receipt of all consents and approvals (including approval by the New Mexico Public Service Commission (the "NMPSC") and the Federal Savings and Loan Insurance Corporation (the "FSLIC")) that are necessary and appropriate for the consummation of the Reorganization in form and substance satisfactory to PNM. See "THE REORGANIZATION—Conditions of the Reorganization."

Effective Time

The term "Effective Time" means the time when the New Mexico State Corporation Commission issues the Certificate of Merger indicating that the merger of PNM with Mergerco has become effective. Assuming approval of the Plan by the stockholders of PNM, it is presently anticipated that the filings required to effect the Reorganization will be made as soon as practicable after the Annual Meeting and the satisfaction of all conditions of the Reorganization. It is expected that the NMPSC will hold hearings on the Reorganization in June 1986. See "THE REORGANIZATION—Terms of the Reorganization" and "—Certain Regulatory Matters."

Amendment, Waiver and Termination

The Board of Directors of PNM, to the extent permitted by law, may amend or modify the Plan, or waive any of the conditions contained therein, at any time before or after approval of the Plan by the stockholders of PNM, although no such amendment, modification or waiver may affect the rights

of any stockholder in any manner that is materially adverse to such stockholder in the judgment of the Board of Directors. In addition, the Board of Directors of PNM may defer consummation of the transactions provided for in the Plan for a reasonable period of time or terminate the Plan at any time before the Effective Time, whether before or after approval by the stockholders of PNM.

Federal Income Tax Consequences of the Reorganization

Consummation of the Reorganization is subject to PNM's receipt of an opinion from Skadden, Arps, Slate, Meagher & Flom, special counsel to PNM, or a ruling from the IRS, substantially to the effect that, on the basis of facts and representations set forth in such opinion or such ruling consistent with the state of facts existing at the Effective Time, for Federal income tax purposes, the Reorganization will be treated as a tax-free transaction under the Code, and accordingly, among other things, no gain or loss will be recognized by holders of PNM Common Stock as a result of the conversion of their shares of PNM Common Stock into Holding Company Common Stock in the Reorganization, and no gain or loss will be recognized by either PNM, Mergerco or Holding Company as a result of the Reorganization. All holders of PNM Common Stock should read carefully the information under "THE REORGANIZATION—Federal Income Tax Consequences".

Inasmuch as the outstanding shares of PNM Preferred Stock will remain outstanding securities of PNM after the Reorganization without any changes in the powers or relative rights thereof, the Reorganization will have no Federal income tax consequences to holders of such PNM Preferred Stock. See "THE REORGANIZATION—Federal Income Tax Consequences."

In addition, the receipt of cash by a holder of PNM Common Stock upon exercise of dissenters' rights (see "THE REORGANIZATION—Rights of Dissenting Stockholders") will be a taxable transaction subject to the provisions of Section 302 of the Code. See "THE REORGANIZATION—Federal Income Tax Consequences."

Certain Regulatory Matters

PNM's utility operations are currently subject to regulation as a public utility by the NMPSC. On February 24, 1986, PNM filed its application with the NMPSC for the requisite approvals in connection with the Reorganization. The NMPSC is expected to hold hearings on the application in June 1986. The Board of Directors and management of PNM do not believe that Holding Company will be subject to direct regulation by the NMPSC following the Reorganization. However, PNM will remain subject to regulation by such state regulatory body. See "THE REORGANIZATION—Background; Current Structure of PNM."

In March 1986, PNM, on behalf of Holding Company, filed with the SEC an application for an order exempting Holding Company and its subsidiaries from the registration requirements of the Holding Company Act and has asked the SEC to issue an order granting such application. If the order is issued, Holding Company will be entitled to exemption from registration and regulation as a registered public utility holding company under the Holding Company Act upon consummation of the Reorganization. See "THE REORGANIZATION—Certain Regulatory Matters." Criteria for determining the continued availability of an exemption from registration under the Holding Company Act may change, however, in the future.

In addition, PNM's sales for resale of electric power and energy are subject to regulation by the Federal Energy Regulatory Commission ("FERC"). However, approval by FERC is not required for the Reorganization.

Since Meadows owns indirectly more than 25% of Republic Savings Bank, F.S.B., in Matteson, Illinois, an institution whose deposits are insured by the FSLIC, approval of the FSLIC will be required before Holding Company may acquire control of Meadows, directly or indirectly, under provisions of the National Housing Act regulating savings and loan holding companies.

The Name of the Holding Company

The Board of Directors and management of PNM believe that a name such as that of PNM would be perceived by many to connote solely operations of a public utility and therefore would be inappropriate for a holding company. "PNM Holding Company" is an interim name, the definitive name of the holding company having not yet been selected by PNM's management and Board of Directors. However, a name will be chosen to reflect the broad current and future operations of Holding Company and its affiliates. If such name is selected before the Effective Time, the Holding Company Articles will be amended accordingly without the vote of stockholders of PNM; however, stockholders will be advised of the name.

Articles of Incorporation and Bylaws of Holding Company

Holding Company, like PNM, is a New Mexico corporation. The Articles of Incorporation of Holding Company (the "Holding Company Articles") are substantially similar to the Restated Articles of Incorporation of PNM (the "PNM Articles") taken together with New Mexico law applicable to PNM. Certain differences between the Holding Company Articles and the PNM Articles represent the retention, or a simplification or clarification in conformance with New Mexico law, of existing provisions of the PNM Articles and of New Mexico law applicable to PNM. Certain of these provisions could have potential anti-takeover effects.

Holding Company is subject to amendments effective June 17, 1983 to the New Mexico Business Corporation Act (the "NMBCA") lowering stockholder voting requirements on mergers, sales of all or substantially all assets, amendments to articles of incorporation and certain exchanges of stock, from a two-thirds vote to a majority vote, unless the corporation's articles specifically require a greater vote. By contrast, absent a specific amendment to the PNM Articles, PNM is not subject to such 1983 amendments to the NMBCA. In order that the Holding Company Articles be as substantially similar as possible to those of PNM taken together with New Mexico law applicable to PNM, they provide that mergers, sales of all or substantially all of Holding Company's assets, amendments to the Holding Company Articles and certain exchanges of stock require the approval of the holders of at least two-thirds of the outstanding shares of Holding Company. See "THE REORGANIZATION—Articles of Incorporation and Bylaws of Holding Company—Certain Voting Provisions."

Holding Company is authorized to issue up to 100,000,000 shares of Holding Company Common Stock, while PNM is currently authorized to issue up to 80,000,000 shares of PNM Common Stock. In addition, Holding Company is authorized to issue up to 10,000,000 shares of Preferred Stock, without par value ("Holding Company Preferred Stock"). The Holding Company Preferred Stock will be issuable from time to time in one or more series by Holding Company's Board of Directors, without further action by stockholders. As provided in the Holding Company Articles, the Holding Company Board is authorized, subject to certain limitations and prior to the issuance of shares of any particular series, to designate the rights, preferences and limitations of such series. The Holding Company Preferred Stock will be available for use in connection with future acquisitions and corporate financings, although there are no specific plans concerning any such transactions at present. Similarly, PNM currently is authorized to issue, subject to certain conditions, up to 10,000,000 shares of PNM Preferred Stock from time to time in one or more series by PNM's Board of Directors, without further action by stockholders.

In the event of a proposed merger, tender offer or other attempt to gain control of PNM or Holding Company, it may be possible for either company's board of directors to authorize the issuance of a series of preferred stock with rights and preferences that could either impede or facilitate the completion of such a transaction. Because voting rights of the PNM Preferred Stock are fixed for the entire class while voting rights of the Holding Company Preferred Stock may vary among the series, the Holding Company Articles, as compared to the PNM Articles, may possibly have a greater effect of deterring future unsolicited takeover attempts that some or a majority of the

holders of Holding Company Common Stock might believe to be in their best interests or in which holders of Holding Company Common Stock might receive a premium for their shares over the then market price of such shares. The availability of an increased number of authorized but unissued common shares of Holding Company may also have such an effect. PNM is not aware, however, of any pending or threatened effort to take over control of PNM. See "THE REORGANIZATION—Articles of Incorporation and Bylaws of Holding Company—Capitalization."

Management After the Reorganization

The Board of Directors of Holding Company, like that of PNM, is divided into three classes. Following the Reorganization, the persons who currently serve as directors of PNM (including those directors elected at the Annual Meeting) will also serve as directors of Holding Company. The initial term of each of the directors of Holding Company is equal in length to the remainder of his current term as a director of PNM. See "ELECTION OF DIRECTORS" for a list of such directors. Thereafter, directors of Holding Company will be elected to serve three-year terms and until their successors have been elected and qualified. The membership of the Boards of Directors of PNM and Holding Company may differ in the future. See "THE REORGANIZATION—Management After the Reorganization" and "—Articles of Incorporation and Bylaws of Holding Company."

After the Reorganization, it is expected that the following persons will serve as principal officers of Holding Company:

Name	Position
Jerry D. Geist	Chairman of the Board and President
James B. Mulcock, Jr.	Senior Vice President, Corporate Affairs and Secretary
Albert J. Robison	Senior Vice President, Chief Financial Officer and Treasurer
Robert B. Rountree	Senior Vice President
Billy D. Lackey	Vice President and Corporate Controller

The following persons will serve as principal officers of PNM after the Reorganization:

Name	Position
Jerry D. Geist	Chairman of the Board and President
James B. Mulcock, Jr.	Senior Vice President, Corporate Affairs and Secretary
Albert J. Robison	Senior Vice President and Chief Financial Officer
Robert B. Rountree	Senior Vice President
Billy D. Lackey	Vice President and Corporate Controller
Electric Operations:	
John P. Bundrant	President and Chief Operating Officer
C. David Bedford	Senior Vice President, Revenue Management
William M. Eglinton	Senior Vice President, Operations
Jack L. Wilkins	Senior Vice President, Power Supply
William C. Wygant	Vice President, Administration
Gas Operations:	
John T. Ackerman	President and Chief Operating Officer
D. A. James	Vice President, Finance and Marketing
Michael H. Lambert	Vice President, Gas Supply
Theodore H. Morse	Vice President, Engineering and Operations
Henry O. Pocock	Vice President, Human Resources and Administrative Support

See "THE REORGANIZATION—Management After the Reorganization."

Rights of Dissenting Stockholders

Holders of PNM Common Stock who object to the Reorganization and comply with the requirements of Sections 53-15-3 and 53-15-4 of the NMBCA have the right to dissent from the Reorganization and obtain payment for their shares. See "THE REORGANIZATION—Rights of Dissenting Stockholders." The provisions of New Mexico law governing the availability and exercise of dissenters' rights are attached to this Proxy Statement/Prospectus as Appendix III.

SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

The following tables present selected historical information for PNM and selected unaudited pro forma information for PNM and Holding Company with respect to the Reorganization and subsequent transfer of Sunbelt, Meadows and certain other non-utility assets to Holding Company and should be read in conjunction with the financial information set forth under "THE REORGANIZATION—Pro Forma Financial Effects" or incorporated by reference herein.

PNM

	1985	1984	1983	1982	1981
	(In thousands except per share amounts and ratios)				
Total operating revenues	$ 748,984	$ 445,328	$ 397,474	$ 426,543	$ 336,165
Net earnings	$ 146,310	$ 132,840	$ 140,519	$ 115,822	$ 107,958
Earnings per share of common stock	$ 3.30	$ 3.11	$ 3.53	$ 3.22	$ 4.23
Total assets	$3,010,238	$2,598,744	$2,486,429	$2,145,984	$1,831,803
Preferred stock with mandatory redemption requirements	$ 119,080	$ 121,080	$ 123,700	$ 125,000	$ 90,000
Long-term debt, less current maturities	$1,143,355	$1,030,557	$ 974,290	$ 811,653	$ 707,472
Common stock data:					
Cash dividends paid per common share	$ 2.89	$ 2.85	$ 2.81	$ 2.77	$ 2.68
Book value per common share at year-end	$ 25.73	$ 25.28	$ 25.20	$ 24.35	$ 23.87
Average number of common shares outstanding	37,059	35,011	32,956	28,508	20,804
Ratio of earnings to fixed charges (S.E.C. method)	2.63	2.32	2.81	2.70	3.00
Capitalization ratios:					
Common stock equity	41.7%	42.1%	41.5%	42.8%	39.5%
Preferred stock:					
Without mandatory redemption requirements	4.5	4.9	5.2	5.8	7.1
With mandatory redemption requirements	5.1	5.5	6.0	6.9	6.0
Long-term debt, less current maturities	48.7	47.5	47.3	44.5	47.4
	100.0%	100.0%	100.0%	100.0%	100.0%

PNM AND HOLDING COMPANY SELECTED PRO FORMA FINANCIAL INFORMATION

	Consolidated PNM and Subsidiaries	PNM Pro Forma*	Adjustments	Holding Company Pro Forma
	(In thousands except per share amounts)			
BALANCE SHEET DATA—December 31, 1985				
Total assets	$3,010,238	$2,762,842	$ 247,396 (a)(c)	$3,010,238
Cumulative preferred stock	$ 225,080	$ 225,080	$(225,080) (b)	$ —
Long-term debt, less current maturities	$1,143,355	$1,089,917	$ 53,438 (a)	$1,143,355
Book value per common share	$ 25.73	$ 21.34	$ 4.39 (a)(b)(c)	$ 25.73
STATEMENT OF EARNINGS DATA—1985				
Operating revenues	$ 748,984	$ 748,984	$ —	$ 748,984
Operating income	$ 186,700	$ 186,700	$ —	$ 186,700
Net earnings	$ 146,310	$ 148,169	$ (25,760) (a)(b)	$ 122,409
Earnings per share of common stock	$ 3.30	$ 3.35	$ (.05)	$ 3.30

* As adjusted to eliminate investments to be transferred to Holding Company.

Adjustments:

(a) To reflect subsidiaries to be transferred to Holding Company.
(b) To reflect PNM Preferred Stock as a minority interest of Holding Company.
(c) To reflect investment in a mutual insurance company to be transferred to Holding Company.

INFORMATION CONCERNING THE ANNUAL MEETING

The Annual Meeting

The Annual Meeting is scheduled to be held on May 20, 1986 in Ballroom "C" of the Albuquerque Convention Center, 401 Second Street, N.W., Albuquerque, New Mexico, at 9:30 A.M., Mountain Daylight Time. At the Annual Meeting, holders of PNM Common Stock will be asked to consider and vote upon the Plan, a copy of which is attached to this Proxy Statement/Prospectus as Appendix I, pursuant to which (1) PNM would become a subsidiary of Holding Company, (2) the outstanding PNM Common Stock would be converted, on a share-for-share basis, into Holding Company Common Stock, with the holders of PNM Common Stock thereby becoming the owners of all of the outstanding stock of Holding Company, and (3) the affairs of Holding Company would be governed by Articles of Incorporation and Bylaws that are substantially similar to the Restated Articles of Incorporation and Bylaws that currently govern PNM's affairs taken together with New Mexico law applicable to PNM. The outstanding shares of PNM Preferred Stock will remain outstanding securities of PNM after the Reorganization without any changes in the powers and relative rights of such shares. See "THE REORGANIZATION." In addition, stockholders will elect three directors of PNM, each for a three-year term. If the Reorganization is consummated, these directors will also become directors of Holding Company. See "ELECTION OF DIRECTORS" and "EXECUTIVE COMPENSATION."

Record Date; Votes Required

Only holders of PNM Common Stock of record at the close of business on March 31, 1986 will be entitled to vote at the Annual Meeting. At such date, 40,215,878 shares of PNM Common Stock were outstanding. Each such share of PNM Common Stock will be entitled to one vote on the election of directors, approval of the Plan, approval of the selection of auditors and on any other proposal before the Annual Meeting. The three directors will be elected by the affirmative vote of the holders of a majority of the shares of PNM Common Stock present and entitled to vote at the Annual Meeting. Approval of the Plan requires the affirmative vote of the holders of two-thirds of the outstanding shares of PNM Common Stock. Under PNM's Bylaws, the presence, either in person or by properly executed proxy, of the holders of a majority of the outstanding shares of PNM Common Stock is necessary to constitute a quorum at the Annual Meeting. PNM is informed that on the record date no person owned of record or beneficially more than 5% of the PNM Common Stock. Except pursuant to the proposed Reorganization, PNM is not aware of any arrangements, the operation of the terms of which might at a subsequent date result in a change in control of PNM.

Proxies

Shares of PNM Common Stock represented by properly executed proxies received at or prior to the Annual Meeting will be voted in accordance with the instructions thereon. If no instructions are indicated, proxies will be voted FOR the approval of the Plan, FOR the Board of Directors' nominees for director and FOR the approval of the selection of Peat, Marwick, Mitchell & Co. as independent auditors for the fiscal year ending December 31, 1986. Execution of a proxy will not prevent a stockholder from attending the Annual Meeting and voting in person. Any stockholder giving a proxy may revoke it at any time before it is voted by delivering to the Secretary of PNM written notice of revocation bearing a later date than the proxy, by delivering a later-dated proxy or by voting in person at the Annual Meeting. Attendance at the Annual Meeting, in and of itself, will not constitute revocation of a proxy.

The cost of soliciting proxies will be borne by PNM. PNM has engaged Morrow & Co. to assist in the solicitation of proxies. It is anticipated that fees and expenses of approximately $20,000 will be incurred for these services. Proxies will be solicited by mail. In addition, officers or regular

employees of PNM, or employees of Morrow & Co., may solicit proxies personally or by telephone or telegraph. Such persons who are officers or regular employees of PNM will receive no additional compensation for such services. PNM has requested that brokerage houses and other custodians, nominees and fiduciaries forward solicitation materials to the beneficial owners of shares of PNM Common Stock held of record by such persons and will reimburse such brokers and other fiduciaries for their reasonable out-of-pocket expenses incurred in connection therewith.

THE REORGANIZATION

Background; Current Structure of PNM

PNM is engaged in the generation, transmission, distribution and sale of electricity within the state of New Mexico. PNM also owns facilities for the pumping, storage, transmission, distribution and sale of water. In addition, on January 28, 1985, PNM acquired substantial natural gas utility assets in New Mexico and is now engaged in the ownership, distribution and leasing of gas gathering facilities and in the retail transmission, storage, distribution and sale of natural gas in New Mexico. These activities are currently subject to regulation by the New Mexico Public Service Commission (the "NMPSC") and the Federal Energy Regulatory Commission (the "FERC").

Through its wholly owned subsidiaries, PNM is also engaged in a program of diversification into non-utility areas. One such subsidiary, Sunbelt Mining Company, Inc. ("Sunbelt"), was incorporated for the purpose of acquiring, developing and marketing coal and other mineral resources. Sunbelt also provides related contract mining services.

Another wholly owned subsidiary, Meadows Resources, Inc. ("Meadows"), was formed by PNM to engage in business ventures having no connection to the utility business. To date, Meadows has made investments in a fiberboard manufacturing plant in New Mexico, in a financial service company which owns, among other things, a savings and loan, two companies in the telecommunications field, and a number of venture capital funds and start-up companies operating in computer technology, medical and biology fields. Meadows has also entered into a partnership with other companies for the purpose of developing commercial and residential real estate throughout the Southwest.

Paragon Resources, Inc. ("Paragon") is a wholly owned subsidiary of PNM which provides utility-related services to PNM. It is contemplated that Paragon would remain as a PNM subsidiary and would not be transferred to Holding Company.

Recent Developments

NMPSC Application

On February 24, 1986, PNM filed an application with the NMPSC seeking authority (i) to enter into one or more sale and leaseback transactions with respect to its interest in Palo Verde Nuclear Generating Station ("PVNGS") Unit 2 similar to three sale and leaseback transactions consummated on December 31, 1985 relating to a portion of PNM's interest in PVNGS Unit 1 (see "Electric Operations—*Sources of Power—Nuclear Plant*" under Item 1—"BUSINESS" in the 1985 Form 10-K and Item 2—"Acquisition or Disposition of Assets" in PNM's Current Report on Form 8-K filed on January 14, 1986); (ii) to enter into a sale and leaseback transaction with Sunbelt with respect to PNM's remaining undivided ownership interest in PVNGS Unit 1; and (iii) to reorganize into a holding company structure as described in this Proxy Statement/Prospectus.

PNM proposes to sell to one or more grantor trusts, the beneficiaries of which would be institutional equity investors, all or a portion of PNM's 10.2 percent undivided ownership interest in PVNGS Unit 2 and up to a 3.4 percent undivided ownership interest in certain related PVNGS

common facilities (the "Unit 2 Interest"). Such investors would enter into one or more trust agreements with an owner trustee, which would take and hold title to the Unit 2 Interest. The owner trustee would in turn lease the Unit 2 Interest back to PNM for a basic term of approximately 29½ years for a stipulated basic rent. Such proposed transaction would also include a public offering of lease obligation bonds which would be indirectly secured by an assignment of rents payable by PNM under the proposed leases. The Unit 2 Interest would be sold at a price which would be confirmed by appraisal as fair market value. PNM estimates that the price of the Unit 2 Interest, if sold in its entirety, would be approximately $450 million. PNM would record the book gain as a deferred credit which would be amortized over the life of the leases as a reduction of lease expense.

The fair market value of PNM's entire PVNGS Unit 1 interest (the "Entire Unit 1 Interest") was appraised in December 1985 at $450 million. On December 31, 1985, PNM sold approximately 72 percent of the Entire Unit 1 Interest for approximately $325 million, leaving approximately 28 percent of such interest (the "Remaining Unit 1 Interest"), having a value of approximately $125 million, unsold and available for an additional sale and leaseback transaction. PNM has determined that it is now unlikely that unrelated third parties will purchase and lease back to PNM the full amount of the Remaining Unit 1 Interest. In order to sell the full amount of such interest, PNM is seeking NMPSC approval for Sunbelt to participate as an equity investor in the sale and leaseback of up to all of the Remaining Unit 1 Interest.

After the Reorganization, PNM would remain the lessee under its existing leases with respect to PVNGS Unit 1 and the Eastern Interconnection Project transmission facilities. PNM would be the lessee in the proposed PVNGS Unit 1 and Unit 2 sale and leaseback transactions.

Consummation of the proposed sale and leaseback transactions is subject to a number of conditions, including regulatory approvals from the NMPSC and the Nuclear Regulatory Commission.

Planned Redemptions and Purchases of Securities

PNM currently plans to utilize a portion of its cash and temporary cash investments to redeem or purchase approximately $250 million principal amount of its first mortgage bonds. PNM is also planning the redemption or purchase of up to $50 million stated value of outstanding PNM Preferred Stock.

Reasons for the Reorganization;
Recommendation of the Board of Directors

In the opinion of management and the Board of Directors, the Reorganization and the anticipated subsequent transfer of ownership of Sunbelt, Meadows and certain other non-utility assets to Holding Company will provide the means for a more clearly defined separation of PNM's utility business from its non-utility businesses (see "THE REORGANIZATION—Transfer of Ownership of Sunbelt, Meadows and Certain Other Non-Utility Assets to Holding Company"). In addition, under existing state law, following the Reorganization, Holding Company will be better able to access new sources of capital and respond to new business opportunities, subject to certain limitations under the Holding Company Act (see "THE REORGANIZATION—Certain Regulatory Matters").

The Board has reviewed and considered the business, regulatory and financial aspects of the proposed participation of Sunbelt in the sale and leaseback of the Remaining Unit 1 Interest described above under "Recent Developments" (the "Affiliate Lease Transaction"). Overall, the Board of Directors evaluated the proposed Reorganization in three broad contexts: (i) the Affiliate Lease Transaction, (ii) the reasons, as described above, of the PNM Board of Directors for the adoption of a holding company structure, as well as the general reasons for the adoption by a

number of companies with utility operations of holding company structures in recent years, and (iii) regulatory aspects, including the application of the Public Utility Holding Company Act.

As a result of the review and consideration of all of the foregoing, management determined to recommend to the Board of Directors both the Affiliate Lease Transaction and the proposed Reorganization of PNM into a holding company structure.

The Board of Directors and management of PNM believe that the ability to take advantage of new business opportunities is important to the future of PNM. PNM does not presently have any plans, arrangements or understandings with respect to any material acquisition, investment or expansion other than the proposed acquisition of Sunbelt, Meadows and certain other non-utility assets by Holding Company. After the Reorganization and transfer of Sunbelt and Meadows to Holding Company, management of Holding Company and its subsidiaries will continue to evaluate and to effect appropriate acquisitions and investments as, in management's judgment, will be in the best interest of the respective companies and their stockholders.

Following the Reorganization, the businesses of PNM and its subsidiaries will continue under Holding Company substantially as they are currently conducted, with the same plant, capitalization and management. See "THE REORGANIZATION—Pro Forma Financial Effects" and "—Management After the Reorganization." Current holders of PNM Common Stock will initially continue to own the same equity interest in the businesses of PNM, Sunbelt and Meadows through their ownership of Holding Company Common Stock, although any future expansion involving the issuance of equity securities could result in dilution of that equity interest. Except pursuant to PNM's Employee Stock Purchase Plan, Dividend Reinvestment Plan, Master Employee Savings Plan and Trust, Master Employee Savings Plan and Trust for Collective Bargaining Employees, Consumer Stock Plan and an outstanding shelf registration of PNM Common Stock (under which 200,000 shares remain unissued), neither Holding Company nor PNM has any agreement or understanding with respect to future issuances of securities. See "THE REORGANIZATION—Employee Benefit Plans of PNM." The utility operations of PNM are subject to regulation by the NMPSC with respect to rates, standards of service, accounting and certain other matters. In addition, the NMPSC has jurisdiction over the issuance of securities by PNM. PNM will continue to be subject to such jurisdiction. See "THE REORGANIZATION—Certain Regulatory Matters."

Holders of PNM Preferred Stock will retain their current stock ownership in PNM. The business of PNM is expected to constitute a significant part of Holding Company's consolidated assets and earning power for the foreseeable future, notwithstanding the Reorganization and any foreseeable expansion of Holding Company's non-utility businesses, by acquisition or otherwise. PNM's Board of Directors and management believe that the assets and earning power of PNM (following the Reorganization and the contemplated transfer of ownership of Sunbelt, Meadows and certain other non-utility assets to Holding Company) will be more than adequate to cover interest and dividends, sinking funds and scheduled maturities of the PNM Preferred Stock and PNM's existing long-term debt for the foreseeable future. See "THE REORGANIZATION—Background; Current Structure of PNM" and "—Transfer of Ownership of Sunbelt, Meadows and Certain Other Non-Utility Assets to Holding Company."

The Board of Directors of PNM believes that the Reorganization is in the best interests of PNM and its stockholders and unanimously recommends that stockholders vote FOR the Reorganization.

Terms of the Reorganization

The following discussion of the terms and conditions of the Reorganization is qualified in its entirety by reference to the provisions of the Plan, which is attached to this Proxy Statement/ Prospectus as Appendix I and incorporated by reference herein.

The Reorganization will be accomplished by the merger of PNM and PNM Merger Company, a New Mexico corporation ("Mergerco") which is a wholly owned subsidiary of Holding Company formed for the purpose of effecting the Reorganization, with PNM being the surviving corporation in the merger. If the Plan is approved by the requisite vote of stockholders at the Annual Meeting, the Reorganization will become effective at the time (the "Effective Time") that the New Mexico State Corporation Commission issues a Certificate of Merger to PNM, as the corporation surviving the merger, indicating that the Reorganization has become effective. It is presently anticipated that the filing required to effect the Reorganization will be made as soon as practicable after the Plan is approved by the holders of PNM Common Stock and certain other conditions of the Reorganization are satisfied.

Each of the following transactions will be deemed to occur simultaneously at the Effective Time: (1) the outstanding PNM Common Stock will be converted, on a share-for-share basis, into Holding Company Common Stock; (2) the outstanding shares of capital stock of Mergerco (which are held by Holding Company) will be converted into shares of PNM Common Stock equal in number to the shares of PNM Common Stock outstanding immediately prior to the Effective Time; and (3) the Holding Company Common Stock outstanding immediately prior to the Effective Time will be retired and cancelled. As a result, all PNM Common Stock will be owned by Holding Company, and the holders of the PNM Common Stock outstanding immediately prior to the Effective Time will own all of the Holding Company Common Stock outstanding immediately following the Effective Time.

A diagram of the corporate structure following the Reorganization is presented below under the caption "THE REORGANIZATION—Diagrams of Current and Proposed Corporate Structures."

It will not be necessary for holders of PNM Common Stock to surrender their certificates in connection with the Reorganization. Following the Effective Time, certificates representing PNM Common Stock will be deemed to be certificates representing an equal number of shares of Holding Company Common Stock. Certificates previously representing PNM Common Stock will be replaced with certificates representing Holding Company Common Stock only when submitted to Holding Company's transfer agent with a request that they be so replaced or when presented for transfer. If any certificate is to be reissued in a name other than that in which it is registered, the person requesting such transfer will be responsible for any transfer or other taxes incident thereto.

Treatment of PNM Preferred Stock

Pursuant to the Plan, the outstanding shares of PNM Preferred Stock will not be converted into securities of Holding Company in the Reorganization and will remain outstanding securities of PNM. The decision of PNM's Board of Directors and management to structure the Reorganization in this manner was based, in part, upon a desire not to alter the nature of the investment represented by the PNM Preferred Stock. The Board of Directors and management of PNM have been advised that the PNM Preferred Stock, by remaining securities of PNM, will be better positioned to retain its qualification for legal investment in various jurisdictions. In addition, the Board of Directors believes that the existing fixed-rate, investment-quality PNM Preferred Stock is well suited as a capital component of a company with utility operations and an accepted element in the making of cost-of-capital calculations for rate-making purposes. The business of PNM presently constitutes, and is expected to continue to constitute for the foreseeable future, a significant part of the consolidated assets and earning power of Holding Company and its affiliates.

At such time in the future that ownership of Sunbelt, Meadows and certain other non-utility assets is transferred to Holding Company, the stock of such companies and such assets would no longer be of direct benefit to the holders of PNM Preferred Stock. See "THE REORGANIZATION—Transfer of Ownership of Sunbelt, Meadows and Certain Other Non-Utility Assets to Holding Company." However, the Board of Directors and management of PNM believe that the assets and earning power of PNM's business will be more than adequate to cover interest and dividends, sinking funds and scheduled maturities of PNM's existing long-term debt and PNM Preferred Stock for the foreseeable future. There can be no assurances, however, that PNM Preferred Stock will retain its current investment rating following the Reorganization.

Any stock issued by Holding Company would be junior in rank to outstanding securities of PNM, including PNM Preferred Stock, as to dividends provided by funds generated by PNM and as to the assets of PNM (but not Holding Company) upon liquidation. PNM Preferred Stock will retain the presently existing preference for full liquidation value and accrued dividends upon liquidation of PNM.

Transfer of Ownership of Sunbelt, Meadows and Certain Other Non-Utility Assets to Holding Company

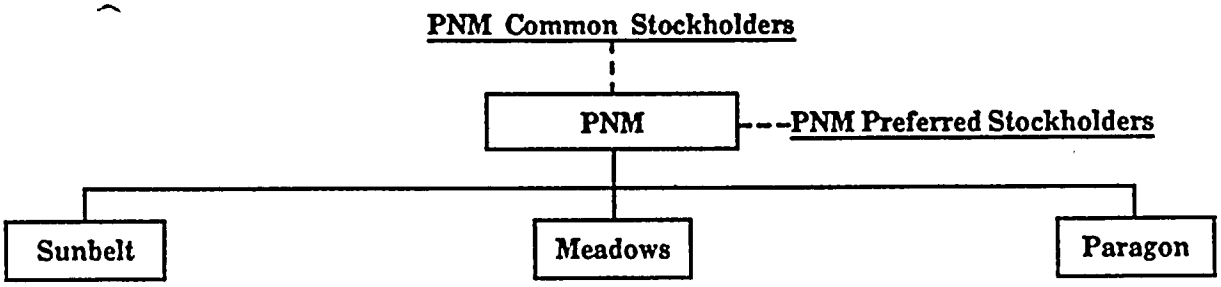
To maximize the benefits of a holding company structure, many companies with utility operations that have undergone holding company reorganization have transferred ownership of their non-utility subsidiaries to the newly created holding companies, usually by way of dividend. The Board of Directors and management of PNM believe that a transfer of ownership of Sunbelt, Meadows and certain other non-utility assets to Holding Company would result in a beneficial segregation of such companies' utility and non-utility operations. See "THE REORGANIZATION—Reasons for the Reorganization; Recommendation of the Board of Directors." Such a transfer of ownership could be effected in various ways, including by way of a dividend by PNM to Holding Company payable in Sunbelt and Meadows stock and such assets or a purchase by Holding Company of Sunbelt and Meadows stock and such assets, or a combination of such transactions. It is presently contemplated that the transfer of ownership of Sunbelt, Meadows and a $5 million investment in common stock of ACE Limited, a mutual insurance company which was formed for the purpose of providing catastrophic liability insurance to industrial concerns, would be accomplished by way of a dividend. Also, PNM and Paragon presently hold certain assets having a book value of approximately $63,400,000 relating to the proposed Dineh Power Project (formerly known as the New Mexico Generating Station) which may be developed jointly by affiliates of PNM, the Navajo Nation, Bechtel Power Corporation, Combustion Engineering, Inc. and General Electric Company. Prior to the Effective Time PNM expects to sell certain of such assets no longer required for the Project. It is anticipated that all or a portion of the remaining assets may be transferred to Holding Company, either in the form of a dividend or for cash or indebtedness or a combination thereof. PNM contemplates that such assets will be transferred to facilitate the participation by a subsidiary of Sunbelt in the proposed Project should it proceed. Holding Company will itself own no properties used for the generation, transmission and distribution of electric energy for sale. Because of required regulatory approvals and restrictions under the PNM Restated Articles of Incorporation and first mortgage bond indenture, the Board of Directors and management of PNM cannot predict precisely the timing of and method by which the transfer would be effected. See "THE REORGANIZATION—Certain Regulatory Matters."

Approval by stockholders is not required to authorize the dividend or any of the other transactions by which ownership of Sunbelt, Meadows and certain other non-utility assets would be transferred to Holding Company following the Reorganization.

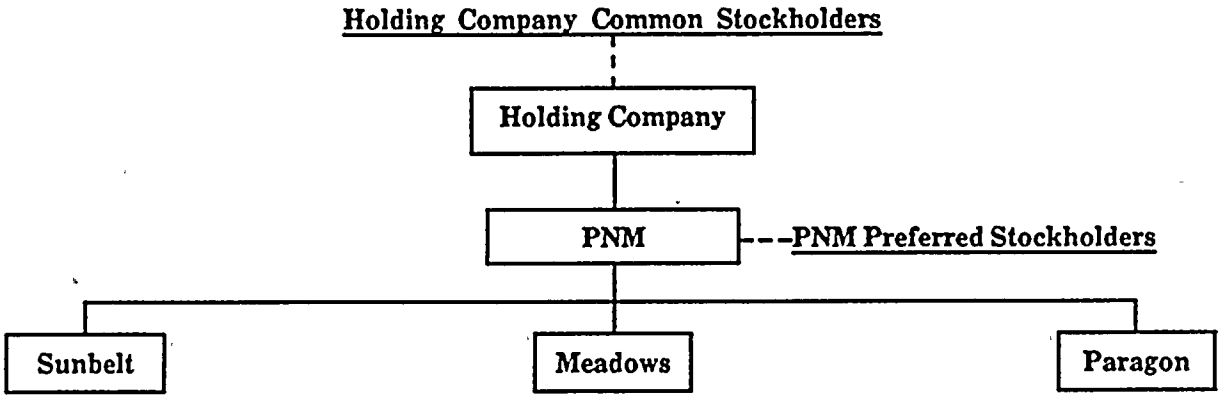
Diagrams of Current and Proposed Corporate Structures

The following diagrams show the corporate structure of PNM as it now exists and as it will change as a result of the Reorganization and as a result of the subsequent proposed transfer of ownership of Sunbelt and Meadows. See "THE REORGANIZATION—Background; Current Structure of PNM," "—Terms of the Reorganization" and "—Transfer of Ownership of Sunbelt, Meadows and Certain Other Non-Utility Assets to Holding Company."

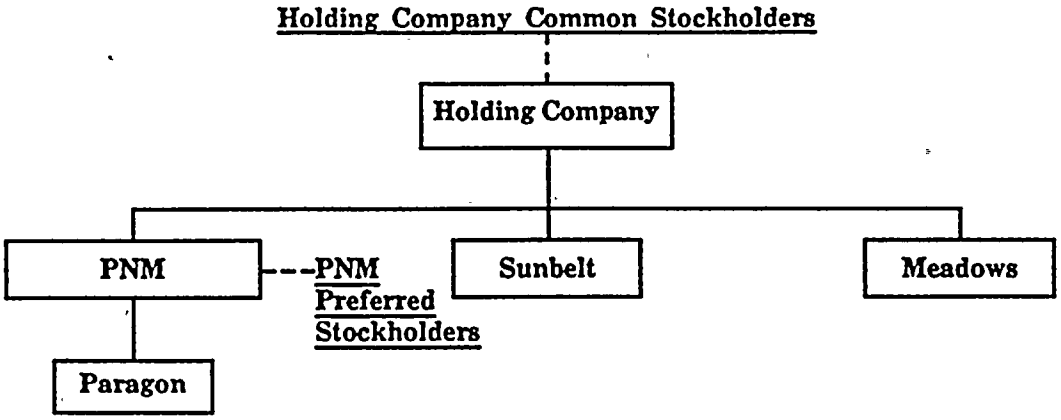
CURRENT CORPORATE STRUCTURE



CORPORATE STRUCTURE AFTER THE REORGANIZATION
PRIOR TO TRANSFER OF OWNERSHIP OF SUNBELT AND MEADOWS



CORPORATE STRUCTURE AFTER THE REORGANIZATION AND
TRANSFER OF OWNERSHIP OF SUNBELT AND MEADOWS



Pro Forma Financial Effects

The following unaudited pro forma condensed balance sheet and pro forma condensed statement of earnings summarize certain pro forma financial effects of the Reorganization and the transfer of Sunbelt, Meadows and certain other non-utility assets to Holding Company as of and for the twelve months ended December 31, 1985 and should be read in conjunction with the financial information incorporated by reference herein.

	Consolidated PNM and Subsidiaries	PNM Pro Forma*	Adjustments	Holding Company Pro Forma
	(In thousands except per share amounts)			
CONDENSED BALANCE SHEET				
Assets:				
Net Utility Plant	$2,190,813	$2,190,813	$ —	$2,190,813
Other Property and Investments	210,920	10,719	200,201(a) (c)	210,920
Current Assets	557,596	515,928	41,668(a)	557,596
Deferred Debits	50,909	45,382	5,527(a)	50,909
Total Assets	$3,010,238	$2,762,842	$247,396	$3,010,238
Capitalization and Liabilities:				
Capitalization:				
Common Stock and Additional Paid-In Capital	$ 778,244	$ 778,244	$ —	$ 778,244
Retained Earnings	198,703	31,897	166,806(a) (c)	198,703
Cumulative Preferred Stock	225,080	225,080	(225,080) (b)	—
Minority Interest (Cumulative Preferred Stock of PNM)	—	—	225,080(b)	225,080
Long-Term Debt, less Current Maturities	1,143,355	1,089,917	53,438(a)	1,143,355
Total Capitalization	2,345,382	2,125,138	220,244	2,345,382
Current Liabilities	338,361	317,109	21,252(a)	338,361
Deferred Credits	326,495	320,595	5,900(a)	326,495
Total Capitalization and Liabilities	$3,010,238	$2,762,842	$247,396	$3,010,238
CONDENSED STATEMENT OF EARNINGS				
Operating Revenues	$ 748,984	$ 748,984	$ —	$ 748,984
Operating Expenses	562,284	562,284	—	562,284
Operating Income	186,700	186,700	—	186,700
Other Income (Expense)	(40,390)	(38,531)	(25,760) (a) (b)	(64,291)
Net Earnings	146,310	148,169	(25,760)	122,409
Preferred Stock Dividend Requirements	(23,901)	(23,901)	23,901(b)	—
Net Earnings Applicable to Common Stock	$ 122,409	$ 124,268	$ (1,859)	$ 122,409
Earnings Per Share of Common Stock	$ 3.30	$ 3.35	$ (.05)	$ 3.30

* As Adjusted to eliminate investments to be transferred to Holding Company.

Adjustments:

(a) To reflect subsidiaries to be transferred to Holding Company.

(b) To reflect PNM Preferred Stock as a minority interest of Holding Company.

(c) To reflect investment in a mutual insurance company to be transferred to Holding Company.

The adjustments do not include the possible transfer of certain assets relating to the proposed Dineh Power Project because of uncertainties with respect to the amount or the form of any such transfer. See "THE REORGANIZATION—Transfer of Ownership of Sunbelt, Meadows and Certain Other Non-Utility Assets to Holding Company."

Conditions of the Reorganization

Consummation of the Reorganization is subject to the fulfillment, prior to the Effective Time, of the following conditions: (1) receipt of the requisite approval of PNM's stockholders; (2) effectiveness of a Registration Statement under the Securities Act of 1933, as amended, relating to the Holding Company Common Stock to be issued in connection with the Reorganization; (3) approval for listing, on official notice of issuance, by the New York Stock Exchange (the "NYSE") of the Holding Company Common Stock to be issued in connection with the Reorganization; (4) receipt of an opinion of PNM's special counsel, Skadden, Arps, Slate, Meagher & Flom, satisfactory in form and substance to PNM, or a ruling from the Internal Revenue Service (the "IRS"), substantially to the effect that, for Federal income tax purposes, the conversion of PNM Common Stock into Holding Company Common Stock in the Reorganization will be treated as a tax-free transaction under the Internal Revenue Code of 1954, as amended (the "Code"), and that neither gain nor loss will be recognized by PNM, Holding Company, Mergerco or the holders of PNM Common Stock by reason of the consummation of the Reorganization, and as to such other matters as are set forth below under the caption "THE REORGANIZATION—Federal Income Tax Consequences"; (5) receipt of the opinion of Keleher & McLeod, P.A. as to the legality of the Holding Company Common Stock to be issued in connection with the Reorganization; (6) issuance by the Securities and Exchange Commission (the "SEC") of an order granting an application claiming an exemption from registration and regulation as a registered public utility holding company under the Holding Company Act; and (7) receipt of such consents and approvals as may be required or appropriate to effect the Reorganization in form and substance satisfactory to PNM, including approval by the NMPSC and approval by the Federal Savings and Loan Insurance Corporation (the "FSLIC") for Holding Company to become a savings and loan holding company. It is presently anticipated that the NMPSC will hold hearings on the Reorganization in June 1986. See "THE REORGANIZATION—Certain Regulatory Matters."

Amendment, Waiver and Termination

The Board of Directors of PNM, to the extent permitted by law, may amend or modify the Plan, or waive any of the conditions contained therein, at any time before or after approval of the Plan by the stockholders of PNM, although no such amendment, modification or waiver may affect the rights of any stockholder in any manner that is materially adverse to such stockholder in the judgment of the Board of Directors. In addition, the Board of Directors of PNM may defer consummation of the transactions provided for in the Plan for a reasonable period of time or terminate the Plan at any time before the Effective Time, whether before or after approval by the stockholders of PNM.

Vote Required

Under New Mexico law and the PNM Articles of Incorporation (the "PNM Articles"), approval of the Plan requires the affirmative vote of the holders of two-thirds of the outstanding PNM Common Stock.

Federal Income Tax Consequences

Consummation of the Reorganization is subject to PNM's receipt of an opinion from Skadden, Arps, Slate, Meagher & Flom, special counsel to PNM, or a ruling from the IRS, substantially to the effect that, on the basis of facts and representations set forth in such opinion or such ruling consistent with the state of facts existing at the Effective Time, for Federal income tax purposes: (1) the Reorganization will be treated as a tax-free transaction under the Code; (2) no gain or loss will be recognized by holders of PNM Common Stock as a result of the conversion of their shares of PNM Common Stock into Holding Company Common Stock in the Reorganization; (3) the tax basis of the shares of Holding Company Common Stock received by holders of PNM Common Stock in the Reorganization will be the same as the basis of the shares of PNM Common Stock exchanged therefor; (4) the holding period of the shares of Holding Company Common Stock received by holders of PNM Common Stock in the Reorganization will include the holding period of the shares of PNM Common Stock exchanged therefor, provided such PNM Common Stock is held as a capital

asset at the time of the Reorganization; (5) no gain or loss will be recognized by either PNM, Mergerco or Holding Company as a result of the Reorganization; and (6) the affiliated group of corporations, of which PNM is the common parent immediately before the Reorganization, will continue in existence for consolidated return purposes, and Holding Company will be the common parent of such affiliated group after consummation of the Reorganization.

In addition, where cash is received by a holder of PNM Common Stock upon exercise of dissenters' rights (see "THE REORGANIZATION—Rights of Dissenting Stockholders"), the cash will be treated as paid in redemption of such shareholder interest in a taxable transaction that will be subject to the provisions of Section 302 of the Code.

Inasmuch as the outstanding shares of PNM Preferred Stock will remain outstanding securities of PNM after the Reorganization without any changes in the powers or relative rights thereof, the Reorganization will have no Federal income tax consequences to holders of PNM Preferred Stock.

Stockholders should consult their own tax advisors with respect to the tax effects, if any, of the Reorganization under state and local law.

Certain Regulatory Matters

Following the Reorganization, PNM will continue to be subject to regulation by the NMPSC and its sales for resale of electric power and energy will continue to be subject to regulation by the FERC. See "THE REORGANIZATION—Background; Current Structure of PNM." The Board of Directors and management of PNM, however, do not believe that Holding Company will be subject to direct regulation by the NMPSC. On February 24, 1986, PNM filed its application with the NMPSC for the requisite approvals in connection with the Reorganization. The NMPSC is expected to hold hearings on the application in June 1986. In connection with obtaining the necessary NMPSC approvals, PNM is required, among other things, to represent to the NMPSC that it will not pay "excessive dividends" to Holding Company. The ability of Holding Company to pay dividends will be dependent on its receipt of dividends from PNM, Meadows and Sunbelt. See "THE REORGANIZATION—Dividend Policy."

Under Section 408(e)(1)(B) of the National Housing Act, as amended, no company, without the prior written approval of the FSLIC, shall, directly or indirectly, or through one or more subsidiaries, acquire more than 25% of the voting stock of a FSLIC-insured institution. At the present time, Meadows owns 50% of the outstanding stock of MCB Financial Group, Inc., which owns all of the outstanding stock of Republic Holding Company, which in turn owns all of the outstanding stock of Republic Savings Bank, F.S.B., Matteson, Illinois ("RSB"), which is an institution insured by the FSLIC. Accordingly, the acquisition of control of Meadows by Holding Company, directly or indirectly, will require the prior written approval of the FSLIC since such acquisition of control of Meadows will involve the indirect acquisition of control of RSB by Holding Company. An application is being filed with the FSLIC on behalf of Holding Company to obtain such agency's approval of Holding Company's acquisition of control of RSB and to become a savings and loan holding company.

In March 1986, PNM, on behalf of Holding Company, filed with the SEC an application for an order exempting Holding Company and its subsidiaries from the registration requirements of the Holding Company Act. The issuance of such an order is a condition to the consummation of the Reorganization. The exemption from the registration requirements of the Holding Company Act is available only if the businesses of Holding Company and its utility subsidiary remain primarily intrastate in nature, and such exemption may be revoked on a finding by the SEC that exemption "may be detrimental to the public interest or the interest of investors or consumers." Notwithstanding the availability of such exemption, the approval of the SEC generally would be required if Holding Company proposed to acquire, directly or indirectly, the securities of a public

utility other than PNM. There also may be limits on the extent to which Holding Company and its subsidiaries could diversify without raising the possibility that the SEC could find that such diversification was detrimental to the public interest or the interests of investors or consumers. Although current SEC policies allow a reasonable amount of freedom for non-utility diversification, criteria for determining the availability of an exemption from the Holding Company Act are subject to change as a result of legislation, SEC policy and rule changes and judicial and SEC decisions. There is no present intention, however, of having Holding Company become a registered holding company subject to regulatory constraints imposed on such companies by the SEC under the Holding Company Act.

Rights of Dissenting Stockholders

The following summary of the availability of dissenters' rights and statutory procedures to be followed by a holder of PNM Common Stock in order to perfect dissenters' rights under New Mexico law is necessarily incomplete and selective and is qualified in its entirety by reference to Sections 53-15-3 and 53-15-4 of the New Mexico Business Corporation Act (the "NMBCA") the text of which is attached to this Proxy Statement/Prospectus as Appendix III.

The NMBCA gives holders of PNM Common Stock the right to dissent from certain corporate actions, including mergers to which PNM is a party. The NMBCA sets forth the procedure whereby a stockholder who desires to dissent from any such proposed action must file with the corporation, prior to or at the meeting of stockholders at which the proposed corporate action is submitted to a vote, a written objection to such proposed corporate action. A stockholder need not vote against the proposed action to perfect his or her dissenters' rights, which may be done only by a written notice of objection to PNM. PNM intends to take the position that voting in person or by proxy against the proposed action will not constitute the written objection required.

If the action is consummated and a stockholder who has given written notice of objection shall not have voted in favor thereof, such stockholder may, within ten days after the date on which the vote was taken, make written demand on PNM for payment of the fair value of his or her shares of PNM stock. Within twenty days after demanding payment for such shares, each holder of shares represented by certificates demanding payment shall submit the certificate or certificates representing such shares for notation thereon that such demand has been made. Failure to do so, at the option of PNM, terminates such stockholder's dissenters' rights unless a court of competent jurisdiction, for good and sufficient cause shown, shall otherwise direct.

Within ten days after the corporate action is effected, the corporation is required to give written notice thereof to each dissenting stockholder who has made demand and to make a written offer to each such stockholder to pay for such shares at a specified price deemed by the corporation to be the fair value thereof. If the corporation and the stockholder can agree upon the fair value of such shares, such value will be paid and all rights of the dissenting stockholder shall cease. If agreement as to the fair value cannot be reached, the corporation, within the time limits prescribed by Section 53-15-4 of the NMBCA, is to file suit in any court of competent jurisdiction in the county in which the registered office of such company is located, asking for a finding and determination of the fair value of such shares. If the corporation fails to institute the proceeding, any dissenting stockholder may do so in the name of the corporation. All dissenting stockholders of the corporation, wherever they reside, shall be made parties to the proceeding. The fair value of such shares, as determined by the court, shall be payable to the holders of shares represented by certificates only upon and concurrently with the surrender to the corporation of the certificate or certificates representing such shares and, upon payment of the fair value, the dissenting stockholder shall cease to have any interest in such shares. The costs and expenses of any such proceeding shall be determined by the court and shall be assessed against the corporation, but all or any part of the costs and expenses may be apportioned and assessed as the court deems equitable against any or all of the dissenting

stockholders who are parties to the proceeding to whom the corporation made an offer to pay for the shares if the court finds that the action of the stockholders in failing to accept the offer was arbitrary or vexatious or not in good faith. The fair value of such shares will be the value thereof as of the day before the vote was taken authorizing the corporate action, excluding any appreciation or depreciation in anticipation of such action.

It is suggested that stockholders considering exercising statutory dissenters' rights consult with their own tax advisors with regard to the Federal income tax consequences of such action.

Management After the Reorganization

The Board of Directors of Holding Company will initially consist of the same directors as those serving on the Board of Directors of PNM (including those directors elected at the Annual Meeting). In the future, however, PNM and Holding Company may have different directors.

Following the Reorganization, the following persons are expected to be principal officers of Holding Company:

Name	Position
Jerry D. Geist	Chairman of the Board and President
James B. Mulcock, Jr.	Senior Vice President, Corporate Affairs and Secretary
Albert J. Robison	Senior Vice President, Chief Financial Officer and Treasurer
Robert B. Rountree	Senior Vice President
Billy D. Lackey	Vice President and Corporate Controller

The following persons will serve as principal officers of PNM after the Reorganization:

Name	Position
Jerry D. Geist	Chairman of the Board and President
James B. Mulcock, Jr.	Senior Vice President, Corporate Affairs and Secretary
Albert J. Robison	Senior Vice President and Chief Financial Officer
Robert B. Rountree	Senior Vice President
Billy D. Lackey	Vice President and Corporate Controller
Electric Operations:	
John P. Bundrant	President and Chief Operating Officer
C. David Bedford	Senior Vice President, Revenue Management
William M. Eglinton	Senior Vice President, Operations
Jack L. Wilkins	Senior Vice President, Power Supply
William C. Wygant	Vice President, Administration
Gas Operations:	
John T. Ackerman	President and Chief Operating Officer
D. A. James	Vice President, Finance and Marketing
Michael H. Lambert	Vice President, Gas Supply
Theodore H. Morse	Vice President, Engineering and Operations
Henry O. Pocock	Vice President, Human Resources and Administrative Support

The terms of employment and compensation arrangements of the executive officers and directors of Holding Company immediately following the Reorganization will be identical in all material respects to those such persons had with PNM immediately prior to the Reorganization.

Employee Benefit Plans of PNM

At the Effective Time, Holding Company will adopt PNM's existing Employee Stock Purchase Plan, Master Employee Savings Plan and Trust and Master Employee Savings Plan and Trust for Collective Bargaining Employees. The present terms and conditions of these plans will remain in effect except that Holding Company Common Stock will be issued in lieu of PNM Common Stock, shares of PNM Common Stock will be exchanged for shares of Holding Company Common Stock, the plans will be amended to change "Public Service Company of New Mexico" to "PNM Holding Company" and such plans may be amended to cover employees of Holding Company.

Other employee benefit plans of PNM, including PNM's Employees' Retirement Plan and PNM's Benefit Trust and Master Plan, will also be adopted by Holding Company. The present terms and conditions of these plans will remain in effect except that the plans will be amended to change "Public Service Company of New Mexico" to "PNM Holding Company" and such plans may be amended to cover employees of Holding Company.

Dividend Reinvestment Plan and Consumer Stock Plan

At the Effective Time, Holding Company will assume PNM's existing Dividend Reinvestment Plan and Consumer Stock Plan. Holders of Holding Company Common Stock will be permitted to reinvest dividends in additional shares of Holding Company Common Stock and to make optional cash payments to acquire additional shares of Holding Company Common Stock. It is anticipated that holders of PNM Preferred Stock will continue to have the right to participate in the Dividend Reinvestment Plan, but would receive Holding Company Common Stock. Participants in the Consumer Stock Plan would purchase Holding Company Common Stock instead of PNM Common Stock.

Indebtedness of PNM

All the indebtedness of PNM outstanding immediately prior to the Effective Time will remain indebtedness of PNM immediately after the Reorganization and will not be assumed by Holding Company in connection with the Reorganization.

The Name of the Holding Company

The Board of Directors and management of PNM believe that a name such as that of PNM would be perceived by many to connote solely operations of a public utility and therefore would be inappropriate for a holding company. "PNM Holding Company" is an interim name, the definitive name of Holding Company having not yet been selected by PNM's management and Board of Directors. However, a name will be chosen to reflect the broad current and future operations of Holding Company and its affiliates. If such name is selected before the Effective Time, the Holding Company Articles will be amended accordingly without the vote of stockholders of PNM; however, stockholders will be advised of the name.

Articles of Incorporation and Bylaws of Holding Company

The following discussion is qualified by reference to the Holding Company Articles, which are attached to this Proxy Statement/Prospectus as Appendix II.

Both PNM and Holding Company are incorporated in New Mexico and the Articles of Incorporation of Holding Company (the "Holding Company Articles") are substantially similar to the PNM Articles taken together with New Mexico law applicable to PNM. The Bylaws of Holding Company are substantially similar to those of PNM except to the extent that changes were required to reflect the differences between the Holding Company Articles and the PNM Articles discussed below. Except as discussed herein and except for certain language changes which in the opinion of the Board of Directors and management have no significant effect on the rights of stockholders, the

Board of Directors and management of PNM believe that the Holding Company Articles and Bylaws of Holding Company are substantially similar to those of PNM.

The Board of Directors of PNM does not believe that there are any provisions in the Holding Company Articles or Bylaws that have potential anti-takeover effects other than the provisions described below and the provision for a classified board of directors (which is identical to that contained in the PNM Articles). The overall effect of these provisions of the Holding Company Articles may be to render more difficult or to discourage a merger, tender offer or proxy contest for Holding Company and the assumption of control of Holding Company. Although PNM is not aware of any pending or threatened effort to take over control of PNM, the Board of Directors believes that these anti-takeover effects will provide additional protection and potential stability for Holding Company and its stockholders, thus increasing PNM's ability to maximize stockholder value. There are no present plans to adopt any additional such provisions by either PNM or Holding Company.

Capitalization

Holding Company is authorized to issue 100,000,000 shares of Holding Company Common Stock, while PNM is currently authorized to issue 80,000,000 shares of PNM Common Stock. In addition, Holding Company is authorized to issue, without further action by stockholders, up to 10,000,000 shares of Preferred Stock, without par value ("Holding Company Preferred Stock"). PNM is currently authorized to issue, subject to certain conditions, and without further action by stockholders, up to 10,000,000 shares of PNM Preferred Stock, of which 3,220,800 shares were outstanding as of March 31, 1986. The Board of Directors believes that the shares of preferred stock authorized to be issued from time to time with such rights, preferences and limitations as Holding Company shall determine will provide the Holding Company Board with desirable flexibility in structuring possible future financings and acquisitions and in meeting other possible future corporate needs.

The Holding Company Preferred Stock will be issuable from time to time in one or more series by Holding Company's Board of Directors, without further action by stockholders. Holding Company's Board is authorized, subject to certain limitations, prior to the issuance of any shares of a particular series, to fix the voting rights, if any (which may include the right to more or less than one vote per share on any or all matters voted upon by stockholders and the right to vote separately as a class or series on particular matters), the designations, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions of such rights, including, without limitation, the dividend rights, conversion rights, rights and terms of redemption (including sinking fund provisions) and liquidation rights of each series. In addition, Holding Company's Board of Directors is empowered to determine the number of shares constituting each series of Holding Company Preferred Stock. The delegation to Holding Company's Board of Directors of the authority to designate the rights, preferences and limitations on Holding Company Preferred Stock will enable the Board to create a security that will be attractive to the marketplace at the time of issuance.

The issuance of preferred stock by Holding Company could decrease the relative voting power of the holders of Holding Company Common Stock, depending on the voting and conversion rights, if any, fixed by Holding Company's Board for such preferred stock. PNM's Board of Directors believes, however, that the additional flexibility in structuring possible future financings and acquisitions and in meeting other possible future corporate needs that is provided by delegating to Holding Company's Board of Directors the authority to designate varying voting rights is in the best interests of PNM's stockholders. The ability of Holding Company's Board of Directors to designate preferential rights of the Holding Company Preferred Stock as to dividends or redemption or in connection with any liquidation, dissolution or winding-up of Holding Company could diminish funds otherwise available to the holders of Holding Company Common Stock. Neither the holders of Holding Company Common Stock nor any future holders of Holding Company Preferred Stock will have any preemptive rights with respect to future issuance of securities of Holding Company.

In the event of a proposed merger, tender offer or other attempt to gain control of PNM or Holding Company, it may be possible for either company's Board to authorize the issuance of a series of preferred stock with rights and preferences that could either impede or facilitate the completion of such a transaction. Because voting rights of the PNM Preferred Stock are fixed for the entire class while voting rights of the Holding Company Preferred Stock may vary among the series, the Holding Company Articles, as compared to the PNM Articles, may possibly have a greater effect of deterring future unsolicited takeover attempts that some or a majority of the holders of Holding Company Common Stock might believe to be in their best interests or in which holders of Holding Company Common Stock might receive a premium for their shares over the then market price of such shares. The availability of an increased number of authorized but unissued common shares of Holding Company may also have such an effect. The issuance by Holding Company of preferred stock having unusual or disproportionate voting rights could, in certain circumstances, be deemed to violate the rules and policies of the NYSE, on which Holding Company anticipates that Holding Company Common Stock will be listed (see "THE REORGANIZATION—Holding Company Common Stock"), and could result in a refusal by the NYSE to list such preferred stock or in the delisting of Holding Company Common Stock or other Holding Company securities that may become listed on the NYSE.

Neither PNM nor Holding Company presently has any specific plans to issue any shares of stock other than in connection with the Reorganization, PNM's Employee Stock Purchase Plan, Dividend Reinvestment Plan, Master Employee Savings Plan and Trust, Master Employee Savings Plan and Trust for Collective Bargaining Employees, Consumer Stock Plan or an outstanding shelf registration of PNM Common Stock under which 200,000 shares remain unissued. See "THE REORGANIZATION—Employee Benefit Plans of PNM."

Certain Voting Provisions

Absent a specific amendment to its Articles, PNM is not subject to certain amendments effective June 17, 1983 to the NMBCA lowering the stockholder voting requirements on certain matters, including mergers, sales of assets, charter amendments and certain exchanges of stock, from two-thirds to a majority. New Mexico law as applicable to PNM provides that the affirmative vote of the holders of two-thirds of the shares of PNM entitled to vote is required to effect a merger, consolidation or sale of all or substantially all the assets of PNM, to amend the provisions of the PNM Articles and to effect certain exchanges of stock. Unlike PNM, Holding Company is subject to such 1983 amendments to the NMBCA. In order that the Holding Company Articles be as substantially similar as possible to those of PNM taken together with New Mexico law applicable to PNM, the Holding Company Articles provide that the affirmative vote of the holders of two-thirds of the outstanding capital stock is required to effect a merger, consolidation or sale of all or substantially all its assets, to amend the provisions of the Holding Company Articles and to effect certain exchanges of stock.

Holding Company Common Stock

PNM Common Stock outstanding at the Effective Time will be converted, without any action on the part of the holder, on a share-for-share basis into Holding Company Common Stock. See "THE REORGANIZATION—Terms of the Reorganization." **It will not be necessary for holders of PNM Common Stock to surrender certificates for new certificates representing their Holding Company Common Stock.** Certificates formerly representing shares of PNM Common Stock will be deemed to represent an equal number of shares of Holding Company Common Stock for all corporate purposes. Certificates that previously represented shares of PNM Common Stock will be replaced by certificates representing Holding Company Common Stock only when submitted to one of Holding Company's Transfer Agents with a request that they be so replaced or when they are presented for transfer.

Holders of Holding Company Common Stock, like holders of PNM Common Stock, will not have preemptive or conversion rights. Holders of Holding Company Common Stock will be entitled to one vote for each share at all meetings of stockholders held in connection with the election of directors

and other corporate matters and will be entitled to receive such dividends as may be declared by the Board of Directors of Holding Company. See "THE REORGANIZATION—Dividend Policy." As is the case with respect to PNM, the holders of Holding Company Common Stock will not have cumulative voting rights.

Holding Company will apply to list the shares of Holding Company Common Stock issuable in the Reorganization on the NYSE. It is expected that the listing of such Holding Company Common Stock will occur on the date the Effective Time occurs. As a practical matter, holders of PNM Common Stock will continue to be able to sell their shares on the NYSE without interruption.

The current Transfer Agents for PNM Common Stock are: Public Service Company of New Mexico, Stockholder Services, Alvarado Square, Albuquerque, New Mexico 87158; and Harris Trust Company of New York, Corporate Trust Department, 9th Floor, 110 William Street, New York, New York 10038 ("Harris Trust"). The Transfer Agents for Holding Company Common Stock will be: Holding Company, Stockholder Services, Alvarado Square, Albuquerque, New Mexico 87158; and Harris Trust. The Registrars for PNM Common Stock are, and for Holding Company Common Stock will be: First National Bank in Albuquerque, Post Office Box 1305, Albuquerque, New Mexico 87103; and Harris Trust.

Dividend Policy

Initially, the funds required by Holding Company to enable it to pay dividends to holders of Holding Company Common Stock are expected to be derived from dividends paid by PNM on its common stock. Neither Sunbelt nor Meadows has ever paid dividends to PNM on its respective common stock and, under the current business plan, neither company is expected to pay dividends to Holding Company. Subject to the availability of earnings and the needs of PNM's business, PNM expects to pay regular, quarterly cash dividends to Holding Company. Except for such cash dividends and as discussed herein, it is not anticipated that PNM will make transfers of assets to Holding Company or any of its subsidiaries following the Reorganization without consideration to PNM. See "THE REORGANIZATION—Transfer of Ownership of Sunbelt, Meadows and Certain Other Non-Utility Assets to Holding Company" and "—Certain Regulatory Matters."

In connection with obtaining the necessary NMPSC approvals, PNM is required, among other things, to represent to the NMPSC that it will not pay "excessive dividends" to Holding Company. Future dividends on Holding Company Common Stock will be largely dependent upon the financial condition and capital requirements of PNM, Sunbelt and Meadows, as well as the covenants of debt instruments limiting the ability of PNM to pay dividends. Under the most restrictive of such covenants under existing debt instruments of PNM, at December 31, 1985, the maximum aggregate dividend payable on PNM Common Stock was approximately $208,000,000, which exceeds PNM's retained earnings of $198,703,000. Such maximum dividend payable by PNM will be reduced to the extent PNM declares a dividend to Holding Company consisting of the common stock of Meadows and Sunbelt and certain other non-utility assets. It is presently anticipated that Holding Company will initially make dividend payments on a quarterly basis at a rate not less than the most recent quarterly dividend paid on PNM Common Stock prior to the Reorganization. However, no assurance can be given as to the amount of future dividends, which will necessarily be dependent on future earnings and financial requirements of Holding Company and its subsidiaries. The most recent quarterly dividend declared by the Board of Directors on PNM Common Stock was $.73 per share, payable on February 28, 1986 to holders of record on February 7, 1986.

Subject to the earnings and financial condition of PNM, dividends on PNM Preferred Stock will continue to be paid at the prescribed times and rates. See "THE REORGANIZATION—Treatment of PNM Preferred Stock." If Holding Company issues preferred stock subsequent to the Reorganization, dividends could not be paid on Holding Company Common Stock unless provision had been made for the payment of all past and current dividends on such preferred stock of Holding Company. See "THE REORGANIZATION—Articles of Incorporation and Bylaws of Holding Company—*Capitalization.*"

ELECTION OF DIRECTORS

Three directors will be elected at the Annual Meeting to hold office for the ensuing three years in accordance with PNM's Restated Articles of Incorporation providing for staggered terms of directors of three years each. The three directors elected at this meeting will hold office until the Annual Meeting of Stockholders of PNM in 1989, or until their successors have been elected and qualified. It is intended that votes will be cast pursuant to proxies for the following nominees, all of whom are presently directors:

Name	Address
Jerry D. Geist	Albuquerque, New Mexico
Robert B. Rountree	Albuquerque, New Mexico
E.R. Wood	Santa Fe, New Mexico

If at the time of the meeting any of the proposed nominees named herein should be unable to serve in this capacity, a circumstance not now anticipated by management, it is intended that the proxies will vote for such substitute nominees as may be nominated by management.

As described above under the caption "THE REORGANIZATION—Management After the Reorganization," if the Reorganization is consummated, the Board of Directors of Holding Company will be composed at the Effective Time of the same individuals who are then serving as directors of PNM, including the directors elected at the Annual Meeting.

Each of the directors of PNM and each of the nominees for election at the Annual Meeting has advised PNM that as of December 31, 1985 he beneficially owned directly or indirectly equity securities of PNM as set forth below:

Name, Address and Age	Term of Office Will Expire	Principal Occupation and Business Experience During Past Five Years	Shares of Common Stock Owned Beneficially as of December 31, 1985(e)
(a) (b) (d) Jerry D. Geist (51) Albuquerque, New Mexico (a director since April 1974)	May 16, 1989	Chairman of the Board and President of PNM (since November 23, 1982), President of PNM (to November 23, 1982)	18,537
(a) (b) Robert B. Rountree (61) Albuquerque, New Mexico (a director since April 1983)	May 16, 1989	Senior Vice President of PNM	13,859
(a) (b) (d) E.R. Wood (74) Santa Fe, New Mexico (a director since January 1968)	May 16, 1989	President, Wood & Hill Corp., Investments (since October 28, 1983), President, Santa Fe Motor Company (to October 28, 1983)	3,040

Name, Address and Age	Term of Office Will Expire	Principal Occupation and Business Experience During Past Five Years	Shares of Common Stock Owned Beneficially as of December 31, 1985(e)
(b) John P. Bundrant (54) Albuquerque, New Mexico (a director since January 1983)	May 17, 1988	President and Chief Operating Officer, Electric Operations of PNM (since February 5, 1985), Executive Vice President of PNM (to February 5, 1985), Sector Vice President of PNM (to November 1, 1983), Vice President, Division Operations of PNM (to April 28, 1981)	10,041
(d) Ashton B. Collins, Jr. (54) Albuquerque, New Mexico (a director since April 1979)	May 17, 1988	President, Reddy Communications, Inc., a management consulting and services firm	508
(c) Russell H. Stephens (71) Las Vegas, New Mexico (a director since April 1970)	May 17, 1988	Realtor, Stephens-Irish Agency, Inc., an insurance and real estate corporation	1,011
(c) Claude E. Leyendecker (63) Deming, New Mexico (a director since July 1970)	May 19, 1987	Chairman of the Board and Chief Executive Officer, United New Mexico Bank at Mimbres Valley	2,229
Arturo G. Ortega (65) Albuquerque, New Mexico (a director since February 1985)	May 19, 1987	Attorney, senior member of law firm of Ortega and Snead, P.A.	1,005
(c) Robert R. Rehder (55) Albuquerque, New Mexico (a director since April 1975)	May 19, 1987	Professor of Management, Robert O. Anderson Graduate School of Management, University of New Mexico	215

(a) A Nominee for Election at the Annual Meeting
(b) A Member of the Executive Committee
(c) A Member of the Audit Committee
(d) A Member of the Compensation Committee
(e) As of December 31, 1985, directors and officers of PNM as a group owned 138,724 shares of PNM Common Stock, or less than one percent of the total number of shares outstanding.

PNM is advised that none of its directors or nominees for directors own beneficially any shares of PNM Preferred Stock, the only other class of equity securities of PNM presently outstanding, or any shares in its subsidiary companies.

The Board of Directors has standing Audit, Compensation and Executive Committees whose members are indicated in the above table. The Audit Committee reviews the financial statements of PNM and receives reports and other communications from its internal and outside independent auditors. The Compensation Committee reviews compensation policies of PNM and recommends to the Board the compensation to be paid to its officers. The Executive Committee of the Board of Directors exercises the power of the Board of Directors in the management of the business affairs and property of PNM during intervals between the meetings of the Board of Directors. PNM has no Nominating or similar committee.

During the past fiscal year there were held five regular meetings and one special meeting of the Board of Directors, four meetings of the Audit Committee, four meetings of the Compensation Committee and four meetings of the Executive Committee of the Board. No director attended fewer than 75 percent of the aggregate of all the meetings held by the Board and by all committees of the Board on which he served.

EXECUTIVE COMPENSATION

The following table shows cash compensation for services rendered in all capacities to PNM and its subsidiaries during the last fiscal year to each of the five most highly compensated executive officers whose cash remuneration exceeded $60,000 and cash compensation to all executive officers of PNM as a group:

(A) Name of Individual or Number in Group	(B) Capacities in Which Served During 1985	(C) Cash Compensation From Utility Operations	(C) Cash Compensation From Non-Utility Operations*	(C) Deferred Compensation From Utility Operations	(C) Deferred Compensation From Non-Utility Operations
John P. Bundrant	President and Chief Operating Officer, Electric Operations, Director	$ 204,764	$ 12,993	$ 14,024	$ 895
Jerry D. Geist.....	Chairman of the Board and President, Director	282,046	184,937	340	167
James F. Jennings, Jr.	President and Chief Operating Officer, Meadows Resources, Inc., a wholly owned subsidiary	—	307,642	—	25,785
Albert J. Robison.....	Senior Vice President and Chief Financial Officer	162,731	90,147	425	82
Robert B. Rountree...	Senior Vice President, Director	26,818	312,189	56	451
11 executive officers as a group, including the five persons listed above		1,442,932	1,037,449	52,231	32,224

* In addition to amounts reported in the Cash Compensation Table above, Messrs. Geist and Rountree received $152,719 and $175,443, respectively, for non-utility services rendered in 1982, 1983 and 1984 but paid in 1985. Mr. Robison received $5,000 for non-utility services rendered in 1984 but paid in 1985.

Included in the above table is compensation pursuant to the Employee Stock Purchase Plan (the "ESPP"), the Master Employee Savings Plan and Trust (the "Savings Plan"), the executive incentive compensation plans of PNM and Meadows and the Bellamah Community Development Executive Deferred Compensation Plan (the "BCD Plan").

ESPP. The ESPP is open to all full-time employees of PNM and its wholly owned subsidiaries who have been employed as long as one year. Under the ESPP, PNM will contribute one-half (½) of the purchase price of shares of PNM's Common Stock subscribed for by the participating employee. The ESPP was first adopted and approved by the Board of Directors of PNM on January 27, 1970, and was subsequently approved by PNM's stockholders at the annual meeting of stockholders the following April. The ESPP is administered by a Stock Purchase Committee of four employees, two of whom must be officers of PNM. The ESPP has not been qualified under Section 401(a) of the Code and therefore the amount of PNM's contribution to the ESPP on behalf of each employee participant is taxable to such employee as additional salary or wages. The maximum number of shares which any participating employee, including officers, may purchase cannot exceed in any one year such number of shares, the cost of which would exceed ten percent (10%) of the participating employee's annual salary including PNM's contribution, and the minimum number of shares which may be purchased in any one year is ten (10) shares.

Savings Plan. A Tax Reduction Act Stock Ownership Plan ("TRASOP") was adopted by the Board of Directors of PNM in July 1976, to be effective for the plan year commencing January 1, 1975. The Code allowed employers to claim an additional one percent (1%) of qualified investment before 1983 (the "Investment Credit") as a credit for Federal income tax purposes, if they contributed to the TRASOP Common Stock of PNM or cash for the purchase of shares of Common Stock, in amounts equal to the Investment Credit.

The Economic Recovery Tax Act of 1981 provides for an income tax credit for contributions to a TRASOP by an employer, based on a percentage of the compensation of employees covered by the plan, in lieu of the Investment Credit. The provisions of the Code presently provide for the income tax credit to be available for taxable years 1983 through 1987. The Savings Plan was approved by the Board of Directors on July 24, 1984, effective as of January 1, 1983, and incorporates such provisions of the Code in the "Tax Credit Account" provisions of the Savings Plan. After amendment of the Savings Plan and qualification of the Savings Plan under the Code, assets held by the TRASOP were transferred in 1985 to a trust created for the Savings Plan, and the TRASOP was superseded by the Savings Plan. Contributions to the Savings Plan, all of which are subject to certain limitations, are made through the following four accounts: (i) the Tax Credit Account, funded by the employer; (ii) the Income Tax Savings Account, authorized under Section 401(k) of the Code, funded by the participant through payments by the employer; (iii) the IRA Qualified Account, funded by the participant; and (iv) the Basic Savings Account, funded by the participant. Enrollment in any or all of the accounts is optional at the eligible employee's discretion. Investments under the Savings Plan are made in one or more investment funds, which funds may be changed from time to time. Currently, the following four funds are made available: the PNM Common Stock fund, an equity mutual fund, a money market fund and a fixed-income fund. Employer contributions to the Tax Credit Account are invested only in the PNM Common Stock fund. The participant can direct investment of contributions to the other accounts in one or more of the available investment funds. Eligible employees who may participate in the Savings Plan are generally persons who (i) are employed by PNM or by any company that is a member of the controlled group of PNM (as defined in the Code) and that adopts the Savings Plan; (ii) are not members of a collective bargaining unit with which retirement benefits are the subject of good faith bargaining; and (iii) have either accumulated one year of credited service while employed by PNM or by any company that is a member of the controlled group, or participated previously in the Savings Plan, in the TRASOP or in the Master Employee Savings Plan and Trust for Collective Bargaining Employees (a plan that is similar to the Savings Plan except that it is open to members of a collective bargaining unit whose agreement with the employer specifically provides for participation in such plan).

The Tax Credit Account is funded by the employer by means of a payroll-based employee stock ownership credit available to the employer under Section 41 of the Code. The amount of the tax credit is based on a percentage of compensation paid (as reduced by Income Tax Savings Account contributions) during the year to participants enrolled in the Tax Credit Account at any time during such year and employed on the last day of such year. Under current law, this percentage cannot exceed ½% of compensation paid in each year for the period 1983-1987. There are currently no provisions in the tax law for tax credits after 1987. In addition, there are no contributions for any years in which the employer does not elect to take the tax credit. Except under certain circumstances such as termination of employment, assets (including shares of PNM's Common Stock) attributable to Tax Credit Account contributions may not be withdrawn by the participant until 84 months after the end of the year for which such contributions were made.

Executive Incentive Compensation Plans. In order to provide financial incentives for key employees of PNM, including officers, PNM's Board of Directors has adopted executive incentive compensation plans. Under the annual plans, performance criteria for the year are established, with a primary factor to be the actual earnings of PNM expressed as a return on equity. In addition, significant emphasis is placed on the actual operating cost efficiency during the year. During 1985, approximately 102 employees were eligible to participate in such plans, of whom 37 were officers. PNM's performance in 1985 resulted in $668,327 being made available under the plans to such officers as a group. Such amount was distributed during January and February 1986. In addition, PNM's Board of Directors has adopted longer-term executive incentive compensation plans for certain key employees. Under such long-term plans, performance would be measured over the three-year period 1984-1986. Performance criteria vary depending on the area of responsibility of the participant, and include return on equity, corporate credit rating, rate control performance and qualitative Board appraisal. Any incentive awards would be determined at the end of 1986, and any payments would be made over the three-year period, 1987, 1988 and 1989. The incentive award to an individual would be determined as a percentage of base salary. No incentive awards would be made if certain minimum performance criteria are not met or exceeded.

Meadows has also adopted incentive compensation plans for its key employees including officers based upon annual performance criteria and the salary of the individual participant, in the case of one of the plans under which benefits are paid annually, and based upon earnings of Meadows averaged over three-year periods under another plan which provides for payments of cash awards three years following their grant. A venture capital incentive plan has been adopted by Meadows to provide extra compensation to those employees who have brought about the acquisition or success of profitable ventures by allowing participation in an award pool based on the net gain on an individual venture project after allowing for a specific yearly increase in acquisition cost, but not beyond 7 years. Losses are also taken into account but are not carried forward beyond the year of computation. Awards are paid in 3 annual installments unless the employee leaves the employ of Meadows, as is also the case with the other Meadows plans. During 1985, approximately 20 Meadows employees were eligible to participate in the plans of whom 5 were officers. Such officers were paid $108,400 in 1986 for benefits which accrued in 1985 under the plans.

BCD Plan. Messrs. Geist and Rountree are participants in the BCD Plan, an Executive Deferred Compensation Plan adopted by Bellamah Community Development ("BCD"). BCD, a partnership which includes Meadows as a general partner, was formed in 1981, is headquartered in Albuquerque, New Mexico, and is involved in land development in five western states: New Mexico, Arizona, Colorado, Oklahoma and Texas. Messrs. Geist and Rountree are members of BCD's Management Committee, established under the terms of the BCD partnership agreement, and in such capacity are participants in the BCD Plan. Under the terms of the BCD Plan, a designated portion of pre-tax earnings of BCD for each year are accrued for all BCD incentive programs, including the BCD Plan. Deferred compensation credited in any given year (year one) will be disbursed 25% in April of year two, 25% in January of year three, 25% in January of year four and 25% in January of year five. Amounts credited to an individual under the BCD Plan may be forfeited

prior to payment under certain circumstances. The participants in the BCD Plan are determined each year by the Management Committee based on a determination as to those executives primarily responsible for the success of BCD. The share for each individual is based on the success of that individual's particular area of responsibility within BCD.

Retirement Plan. PNM and its subsidiaries have a non-contributory Retirement Plan (the "Retirement Plan") covering employees who have at least one year of accredited service and have attained the age of 21. The amount of the contribution to the Retirement Plan for 1985 constituted 7.35% of the earnings of participants. The amount of the contribution in respect to any one person cannot be determined by PNM actuaries. Directors who are not employees do not participate in the Retirement Plan. Maximum annual benefits payable at age 65 to participants who retire at age 65 are illustrated in the following table:

Average of Highest Annual Base Salary For 3 Consecutive Years	Estimated Maximum Annual Retirement Benefits Service Years(1)			
	15	20	25	30
$100,000	$30,000	$ 40,000	$ 50,000	$ 60,000
125,000	37,500	50,000	62,500	75,000
150,000	45,000	60,000	75,000	90,000
175,000	52,500	70,000	87,500	105,000
200,000	60,000	80,000	100,000	120,000
225,000	67,500	90,000	112,500	135,000
250,000	75,000	100,000	125,000	150,000

(1) Notwithstanding the calculations in this table, benefits would be limited by the maximum benefit limitation of the Code, currently $90,000 for an employee with 30 years of service and retiring at the age of 62.

PNM anticipates that a supplemental executive retirement plan will be negotiated with Mr. Jennings. Generally, it is expected that such plan will include ten (10) years of additional credited service toward calculation of retirement benefits, but the specific terms of such plan remain subject to negotiation.

Management Benefit Plans. In January 1981, the Board of Directors approved benefit programs for a select group of management employees. The programs were intended to enable PNM to attract, motivate and retain key management employees. Messrs. Bundrant, Geist, Robison, Rountree, one other executive officer and 99 other key management employees are eligible to participate in one or more of the programs. Under the programs, as originally adopted, key management employees had the opportunity to provide 50% of their salary to a named beneficiary in the event of their death so long as they were eligible to participate in the plan. Such employees also had the opportunity to earn, while occupying officer and certain management positions, additional credit for years of service towards retirement (the "Accelerated Management Performance Plan"). In addition, certain additional supplemental retirement benefits were provided only to those individuals eligible to retire and invited by the Board of Directors to remain full time with PNM.

In 1985, the Accelerated Management Performance Plan was amended to phase out the provision for accumulation of additional credits by January 1, 1990. Also, the survivor benefit plan was replaced in 1985 with a management life insurance program. Based on years of service and accelerated retirement credits, the management life insurance program provides one or three times annual salary, with a maximum coverage of $400,000. Present coverage is: Mr. Geist, $285,000; Mr. Bundrant, $147,500; Mr. Rountree, $172,000; and Mr. Robison $400,000.

Messrs. Geist, Bundrant and Rountree are now eligible to retire. Through December 31, 1985, Mr. Geist was entitled to earn additional supplemental retirement benefit credits annually in the amount of 3% and Messrs. Bundrant and Rountree were entitled to 2.8% annually, respectively.

Credits earned are multiplied by average earnings as defined under the Retirement Plan (without consideration or inclusion of certain deferred compensation) to determine the amount of the annual supplemental retirement benefit. Such annual benefit, however, may not exceed, when combined with benefits payable under the Accelerated Management Performance Plan, 90 percent of such average earnings. Accumulation of additional supplemental retirement benefits under the supplemental retirement benefit plan was discontinued effective December 31, 1985, at which time Messrs. Geist, Bundrant and Rountree had accumulated credits of 19.905%, 12.16% and 25%, respectively.

In July 1985, the Board of Directors approved a Supplemental Executive Retirement Plan to provide for supplemental retirement benefits to certain valued employees to encourage them to remain in the employ of PNM. To participate, employees must be specifically designated by the Chairman of the Board and President. Under such plan, participating employees will receive supplemental retirement benefits equal to the additional retirement benefits they would have been entitled to receive under the terms of PNM's Retirement Plan described above but for the limitations imposed by the Code on benefits under the Retirement Plan. Messrs. Geist (having been designated to participate by the Board of Directors), Rountree, Bundrant and one other executive officer are participants in this plan.

Other Compensation. After reasonable inquiry, PNM has concluded that the aggregate amount of any other compensation provided by PNM in the form of personal benefits or otherwise to the executive officers as a group does not exceed $275,000.

Compensation of Directors. Each director received during 1985 monthly compensation of $750 prior to May 1, 1985, and $1,000 effective May 1, 1985, for services as a director. Members of the Executive Committee received an additional $200 per month. In addition, directors who were not full-time employees of PNM received $300 in 1985 for each meeting of the Board or a Committee attended prior to May 1, 1985, and $350 for each meeting effective May 1, 1985.

Termination of Employment Arrangement. Pursuant to an arrangement between Meadows and Mr. Jennings, Meadows would be obligated to make certain payments to Mr. Jennings in the event Mr. Jennings resigns or is terminated under certain circumstances. The amount of such payments would depend on the period of employment with Meadows and the amount of time required for Mr. Jennings to obtain other full-time employment, but could result in the payment to Mr. Jennings on a monthly basis of his highest monthly salary for a period of two years. Based on Mr. Jennings' 1985 salary, the amount of each of twenty-four monthly payments would be approximately $13,750.

SELECTION OF AUDITORS

Action is to be taken with respect to the approval of the selection, by the Board of Directors, of the firm of Peat, Marwick, Mitchell & Co. as independent auditors to audit the consolidated financial statements of PNM and subsidiaries for the fiscal year ending December 31, 1986. This firm has been the independent auditors of PNM since 1951. Peat, Marwick, Mitchell & Co. has no financial interest in PNM or any of its subsidiaries. A representative of Peat, Marwick, Mitchell & Co. will be present at the Annual Meeting of Stockholders to answer appropriate questions and to make any statement as such representative might desire.

The persons named in the proxy, unless otherwise instructed thereon, will vote all proxies in favor of the selection of Peat, Marwick, Mitchell & Co. as independent auditors.

LEGAL OPINION

The legality of Holding Company Common Stock to be issued in connection with the Reorganization is being passed upon for PNM by Keleher & McLeod, P.A., Albuquerque, New Mexico.

The statements as to matters of law and legal conclusions under "Rates and Regulation" and under "Environmental Factors" under Item 1—"Business" and under Item 3—"Legal Proceedings" in the 1985 Form 10-K have been reviewed by Keleher & McLeod, P.A. All such statements are set forth in reliance upon the opinion of said firm, and in reliance upon its authority as an expert.

PNM is advised that as of January 31, 1986, the members of the firm of Keleher & McLeod, P.A. acting in connection with this matter owned 2,351 shares of common stock of PNM.

AUDITORS

The consolidated financial statements and schedules of PNM and subsidiaries as of December 31, 1985 and 1984 and for each of the years in the three-year period ended December 31, 1985 in the 1985 Form 10-K have been incorporated by reference herein in reliance upon the reports of Peat, Marwick, Mitchell & Co., independent certified public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

OTHER BUSINESS

The management of PNM knows of no other business which is likely to be brought before the meeting. If other matters not now known to the management come before the Annual Meeting, the persons named in the accompanying form of proxy expect to vote in accordance with their judgment on such matters.

REQUESTS FOR REPORTS

Holders of PNM Common Stock of record on March 31, 1986, may receive upon request at no charge a copy of PNM's 10-K Report for its most recent fiscal year required to be filed with the SEC pursuant to the Securities Exchange Act of 1934 including any financial statements and schedules filed therewith. Such report is available upon written request to James B. Mulcock, Jr., Senior Vice President, Corporate Affairs and Secretary, Alvarado Square, Albuquerque, N.M. 87158.

DEADLINE FOR PROPOSALS BY STOCKHOLDERS

In order to be considered for inclusion in PNM's (and, if the Reorganization is consummated, the Holding Company's) Proxy Statement for the 1987 Annual Meeting of Stockholders, proposals from stockholders must be received by PNM at Alvarado Square, Albuquerque, New Mexico 87158, or Holding Company at 1650 University Blvd., N.E., Albuquerque, New Mexico 87102, on or before December 12, 1986.

By Order of the Board of Directors

JAMES B. MULCOCK, JR.
Secretary of the Company

Date furnished to security holders: April 11, 1986

AGREEMENT OF REORGANIZATION AND PLAN OF MERGER

AGREEMENT OF REORGANIZATION AND PLAN OF MERGER dated as of April 3, 1986 among PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation ("PNM"), PNM HOLDING COMPANY, a New Mexico corporation ("Holding Company"), and PNM MERGER COMPANY, a New Mexico corporation ("Mergerco").

WHEREAS, on the date of this Agreement, PNM has authority to issue 90,000,000 shares, consisting of 10,000,000 shares of Cumulative Preferred Stock, without par value ("PNM Preferred Stock"), of which 3,220,800 shares were issued and outstanding as of March 31, 1986, and 80,000,000 shares of Common Stock, $5.00 par value ("PNM Common Stock"), of which 40,215,878 shares were issued and outstanding and 3,735,281 shares were reserved for issuance pursuant to the Plans (as hereinafter defined) as of March 31, 1986.

WHEREAS, on the date of this Agreement, Holding Company has authority to issue 110,000,000 shares, consisting of 10,000,000 shares of Preferred Stock, without par value, none of which are issued and outstanding, and 100,000,000 shares of Common Stock, $5.00 par value ("Holding Company Common Stock"), of which all issued and outstanding shares will, prior to the Effective Time (as defined below), be owned beneficially and of record by PNM;

WHEREAS, on the date of this Agreement, Mergerco has authority to issue 1,000 shares of Common Stock, $1 par value ("Mergerco Common Stock"), of which 100 shares are issued and outstanding and held beneficially and of record by Holding Company;

WHEREAS, the respective Boards of Directors of PNM, Holding Company and Mergerco have determined that it is advisable and in the best interests of each of such corporations that Mergerco merge with and into PNM upon the terms and subject to the conditions herein provided (the "Merger") for the purpose of reorganizing PNM into a holding company structure; and

WHEREAS, the respective Boards of Directors of PNM, Holding Company and Mergerco have, by resolutions duly adopted, approved this Agreement and directed that it be executed by the undersigned officers and that it be submitted to a vote of their respective stockholders.

NOW, THEREFORE, in consideration of the mutual agreements and covenants set forth herein, the parties hereby agree as follows:

1. *Merger.* Subject to and in accordance with the provisions of this Agreement, Articles of Merger substantially in the form of Exhibit A hereto (the "Articles") shall be executed by each of PNM and Mergerco and thereafter delivered to the New Mexico Corporation Commission for filing, as provided in Section 53-14-4 of the New Mexico Business Corporation Act. The Merger shall become effective at the time (the "Effective Time") a Certificate of Merger is issued to the Surviving Corporation (as hereinafter defined) by the New Mexico Corporation Commission. At the Effective Time, the separate existence of Mergerco shall cease, and Mergerco shall be merged with and into PNM (Mergerco and PNM being sometimes referred to herein as the "Constituent Corporations" and PNM, the corporation designated in the Articles as the surviving corporation, being sometimes referred to herein as the "Surviving Corporation").

2. *Conversion of Shares.* At the Effective Time:

(a) Each share of PNM Common Stock outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into one share of Holding Company Common Stock, which shall thereupon be validly issued, fully paid and nonassessable. Shares of PNM Common Stock held in the treasury shall be retired and cancelled.

(b) Each share of PNM Preferred Stock outstanding immediately prior to the Effective Time shall remain outstanding as, and shall continue to be, validly issued, fully paid and nonassessable Preferred Stock of the Surviving Corporation.

(c) The shares of Mergerco Common Stock outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted

into that number of shares of Common Stock of the Surviving Corporation equal to the number of shares of PNM Common Stock issued and outstanding immediately prior to the Merger, which shares shall thereupon be validly issued, fully paid and nonassessable.

(d) Each share of Holding Company Common Stock outstanding immediately prior to the Effective Time shall be retired and cancelled.

3. *Stock Certificates.* Following the Effective Time, each holder of an outstanding certificate or certificates theretofore representing shares of PNM Common Stock may, but shall not be required to, surrender the same to Holding Company or its transfer agent for cancellation or transfer, and each such holder or transferee will be entitled to receive certificates representing the same number of shares of Holding Company Common Stock as the shares of PNM Common Stock previously represented by the stock certificates surrendered. Until so surrendered or presented for transfer, each outstanding certificate which, prior to the Effective Time, represented PNM Common Stock, shall be deemed for all corporate purposes to represent the ownership of the same number of shares of Holding Company Common Stock as though such surrender or transfer and exchange had taken place. If any certificate representing Holding Company Common Stock is to be issued in a name other than that of the registered holder of the certificate formerly representing PNM Common Stock presented for transfer, it shall be a condition of issuance that (a) the certificate so surrendered shall be properly endorsed or accompanied by a stock power and shall otherwise be in proper form for transfer and (b) the person requesting such issuance shall pay to Holding Company or its transfer agent any transfer or other taxes required by reason of issuance of certificates representing Holding Company Common Stock in a name other than that of the registered holder of the certificate presented, or establish to the satisfaction of Holding Company or its registered agent that such taxes have been paid or are not applicable.

4. *Articles of Incorporation and Bylaws.* From and after the Effective Time, and until thereafter amended in accordance with their respective terms and applicable law, the Restated Articles of Incorporation and Bylaws of PNM as in effect immediately prior to the Effective Time shall be and continue to be the Restated Articles of Incorporation and Bylaws of the Surviving Corporation.

5. *Directors and Officers.* The persons who are directors and officers of PNM immediately prior to the Effective Time shall continue as directors and officers, respectively, of the Surviving Corporation and shall continue to hold office as provided in the Restated Articles of Incorporation and Bylaws of the Surviving Corporation. If, at or following the Effective Time, a vacancy shall exist in the Board of Directors or in the position of any officer of the Surviving Corporation, such vacancy may be filled in the manner provided in the Bylaws of the Surviving Corporation.

6. *Further Assurances.* PNM, Holding Company and Mergerco, respectively, shall take all such action as may be necessary or appropriate in order to effectuate the Merger. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full title to all properties, assets, rights, approvals, immunities and franchises of either of the Constituent Corporations, the officers and directors of each of the Constituent Corporations as of the Effective Time shall take all such further action.

7. *Rights Relating to PNM Common Stock.* Each right to purchase shares of PNM Common Stock (including, without limitation, rights to purchase PNM Common Stock pursuant to PNM's Employee Stock Purchase Plan, Dividend Reinvestment Plan, Master Employee Savings Plan and Trust, Master Employee Savings Plan and Trust for Collective Bargaining Employees, and Consumer Stock Plan (collectively the "Plans") for which Plans 3,735,281 total shares were reserved for issuance as of March 31, 1986) granted and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and become a right to purchase the same number of shares of Holding Company Common Stock at the same price per share, and upon the same terms and subject to the same conditions as applicable immediately prior to the Effective Time under the relevant right. Such number of shares of Holding Company Common Stock shall be reserved for purposes of the Plans as is equal to the

number of shares of PNM Common Stock so reserved as of the Effective Time. As of the Effective Time, Holding Company hereby assumes the Plans, and all obligations of PNM under the Plans.

8. *Conditions to the Merger.* The consummation of the Merger is subject to the satisfaction of the following conditions prior to the Effective Time:

(a) The Merger shall have received the requisite approval of the holders of capital stock of each of the Constituent Corporations;

(b) A registration statement or registration statements relating to the shares of Holding Company Common Stock to be issued or reserved for issuance as a result of the Merger shall be effective under the Securities Act of 1933, as amended, and shall not be the subject of any "stop order";

(c) The shares of Holding Company Common Stock to be issued or reserved for issuance as a result of the Merger shall have been approved for listing, upon official notice of issuance, by the New York Stock Exchange;

(d) PNM shall have received an opinion, in form and substance satisfactory to PNM, from Skadden, Arps, Slate, Meagher & Flom, special counsel to PNM, or a ruling from the Internal Revenue Service (the "IRS"), substantially to the effect that on the basis of facts and representations set forth in such opinion or such ruling consistent with the state of facts existing at the Effective Time, for Federal income tax purposes, (1) the conversion of PNM Common Stock into Holding Company Common Stock in the Merger will be treated as a tax-free transaction under the Internal Revenue Code of 1954, as amended (the "Code"); (2) no gain or loss will be recognized by holders of PNM Common Stock as a result of the conversion of their shares of PNM Common Stock into Holding Company Common Stock in the Reorganization; (3) the tax basis of the shares of Holding Company Common Stock received by holders of PNM Common Stock in the Reorganization will be the same as the basis of the shares of PNM Common Stock exchanged therefor; (4) the holding period of the shares of Holding Company Common Stock received by holders of PNM Common Stock in the Reorganization will include the holding period of the shares of PNM Common Stock exchanged therefor, provided such PNM Common Stock is held as a capital asset at the time of the Reorganization; (5) no gain or loss will be recognized by either PNM, Mergerco or Holding Company as a result of the Reorganization; and (6) the affiliated group of corporations, of which PNM is the common parent immediately before the Reorganization, will continue in existence for consolidated return purposes, and Holding Company will be the common parent of such affiliated group after consummation of the Reorganization.

(e) PNM shall have received an opinion, in form and substance satisfactory to PNM, from Keleher & McLeod, P.A., counsel to PNM, as to the legality of Holding Company Common Stock to be issued in connection with the Merger;

(f) Issuance by the Securities and Exchange Commission of an order granting an application claiming an exemption from registration and regulation as a registered public utility holding company under the Public Utility Holding Company Act of 1935;

(g) Approval by the Federal Savings and Loan Insurance Corporation for Holding Company to become a savings and loan holding company; and

(h) PNM shall have received all consents and approvals, in form and substance satisfactory to PNM, which are necessary or appropriate for the consummation of the Merger and all other transactions contemplated thereby.

9. *Amendment; Waiver.* The parties hereto, by mutual consent of their respective Boards of Directors, may amend, modify or supplement this Agreement or waive any condition set forth in Section 8 hereof in such manner as may be agreed upon by them in writing, at any time before or after approval of this Agreement by the stockholders of PNM; *provided, however,* that no such amendment, modification, supplement or waiver shall, in the sole judgment of the Board of Directors of PNM, materially and adversely affect the rights of the stockholders of PNM.

10. *Deferral.* Consummation of the transactions herein provided for may be deferred by the Board of Directors of PNM or any authorized officer of PNM for a reasonable period of time if said

Board or officer determines that such deferral would be in the best interests of PNM and its stockholders.

11. *Abandonment.* This Agreement may be terminated and the Merger and other transactions herein provided for abandoned at any time, whether before or after approval of this Agreement by the stockholders of PNM, by action of the Board of Directors of PNM if said Board of Directors determines for any reason that the consummation of the transactions provided for herein would for any reason be inadvisable or not in the best interests of PNM or its stockholders, or that any regulatory or other consents or approvals deemed necessary or advisable by the Board of Directors have not been obtained within a reasonable time after shareholder approval.

12. *Miscellaneous.*

(a) This Agreement may be executed in one or more counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

(b) The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

(c) This Agreement shall be governed by, and construed in accordance with, the laws of the State of New Mexico.

IN WITNESS WHEREOF, PNM, Holding Company and Mergerco have each caused this Agreement to be executed by their respective duly authorized officers as of the date first written above.

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: /s/ J.D. GEIST
Name: J. D. Geist
Title: Chairman of the Board and President

PNM HOLDING COMPANY

By: /s/ ROBERT B. ROUNTREE
Name: Robert B. Rountree
Title: Senior Vice President

PNM MERGER COMPANY

By: /s/ JAMES B. MULCOCK, JR.
Name: James B. Mulcock, Jr.
Title: Senior Vice President and Secretary

EXHIBIT A
TO
APPENDIX I

ARTICLES OF MERGER
OF
PNM MERGER COMPANY
INTO
PUBLIC SERVICE COMPANY OF NEW MEXICO

Pursuant to the provisions of section 53-14-4 of the New Mexico Business Corporation Act, the undersigned corporations adopt the following Articles of Merger for the purpose of merging them into one of such corporations:

FIRST: The names of the undersigned corporations and the states under the laws of which they are respectively organized are:

Public Service Company of New Mexico	New Mexico
PNM Merger Company	New Mexico

SECOND: The name of the surviving corporation is Public Service Company of New Mexico.

THIRD: The Agreement of Reorganization and Plan of Merger, attached hereto, marked Exhibit "A" and incorporated herein by reference (the "Plan of Merger"), was approved by the stockholders of each of the undersigned corporations in the manner prescribed by the New Mexico Business Corporation Act.

FOURTH: As to each of the undersigned corporations, the number of shares outstanding, and the designation and number of outstanding shares of each class entitled to vote as a class on such Plan of Merger, are as follows:

Name of Corporation	Number of Shares Outstanding	Entitled to Vote as a Class	
		Designation of Class	Number of Shares
Public Service Company of New Mexico		Common	
PNM Merger Company		Common	

FIFTH: As to each of the undersigned corporations, the total number of shares voted for and against the Plan of Merger, respectively, and, as to each class entitled to vote thereon as a class, the number of shares of such class voted for and against such Plan of Merger, respectively, are as follows:

Name of Corporation	NUMBER OF SHARES				
	Total Voted For	Total Voted Against	Entitled to Vote as a Class		
			Class	Voted For	Voted Against
Public Service Company of New Mexico			Common		
PNM Merger Company			Common		

DATED: , 1986

PUBLIC SERVICE COMPANY OF NEW MEXICO

By _____
J.D. Geist, Chairman of the Board and President

and _____
J.B. Mulcock, Jr., Senior Vice President, Corporate Affairs and Secretary

PNM MERGER COMPANY

By _____
J.D. Geist, President

and _____
J.B. Mulcock, Jr., Vice President and Secretary

STATE OF NEW MEXICO:
COUNTY OF BERNALILLO: } ss.:

I, _____, a notary public, do hereby certify that on this _____ day of _____, 1986, personally appeared before me _____, who, being by me first duly sworn, declared that he is the Chairman of the Board and President of PUBLIC SERVICE COMPANY OF NEW MEXICO, that he signed the foregoing document as Chairman of the Board and President of the corporation, and that the statements therein contained are true.

_____
Notary Public

STATE OF NEW MEXICO:
COUNTY OF BERNALILLO: } ss.:

I, _____, a notary public, do hereby certify that on this _____ day of _____, 1986, personally appeared before me _____, who, being by me first duly sworn, declared that he is the President of PNM MERGER COMPANY, that he signed the foregoing document as President of the corporation, and that the statements therein contained are true.

_____
Notary Public

ARTICLES OF INCORPORATION
OF
PNM Holding Company

The undersigned acting as incorporator of a Corporation under the New Mexico Business Corporation Act adopts the following Articles of Incorporation for such Corporation.

ARTICLE FIRST.
Name

The name of the Corporation is: PNM Holding Company.

ARTICLE SECOND.
Period of Duration

The period of its duration is perpetual.

ARTICLE THIRD.
Purpose

The nature of the business, or objects or purposes proposed to be transacted, promoted or carried on shall be any lawful business permitted under the New Mexico Business Corporation Act, as amended, which shall include as follows:

(1) primarily, to acquire, purchase, own and hold the stock of other corporations, and to do every act and thing covered generally by the denomination "holding company", including the directing of the operations of other corporations through the ownership of stock therein;

(2) to acquire by purchase or otherwise, and to own and hold all property, real, personal and mixed, and all rights, contracts, privileges and franchises, suitable or convenient for any of the objects or purposes of the Corporation, and to lease, exchange, mortgage, pledge, sell, convey, or otherwise dispose of the same;

(3) to purchase or otherwise acquire, hold, sell, assign, transfer, mortgage, pledge, hypothecate and otherwise dispose of or otherwise deliver any shares of capital stock, bonds, debentures, or other evidences of indebtedness or ownership of any public or private corporation, or association or joint stock company, domestic or foreign, and to pay therefor (in whole or in part) in cash or other property, or by the issue and delivery of the capital stock, bonds, notes, or other obligations of the Corporation, or in any other lawful manner;

(4) to borrow such sums of money for such time and upon such terms as the Corporation may deem advisable, and to issue for money borrowed, property acquired or other lawful purposes of the Corporation, notes, bonds, debentures or other obligations of the Corporation in any form, and to secure any indebtedness or other obligation of the Corporation, or in the performance of which the Corporation might be interested, by the mortgage, pledge, assignment or conveyance in trust of any or all real and personal property and franchises of the Corporation;

(5) to carry on the business of the Corporation either within or beyond the limits of the State of New Mexico, and, in general, to do and perform any and all things necessary, convenient or proper for the carrying out or accomplishment of the objects or purposes specified in this ARTICLE THIRD, or any of them, or any objects or purposes incidental thereto, and to possess and enjoy all of the rights, powers, privileges, authority and immunities which may be granted to bodies corporate under the laws of the State of New Mexico.

ARTICLE FOURTH.

Authorized Number of Shares

A. Authorized Capital Shares..

The aggregate number of shares which the Corporation shall have the authority to issue shall be One Hundred Ten Million (110,000,000) shares, of which One Hundred Million (100,000,000) shares shall be Common Stock of the par value of Five Dollars ($5.00) each and Ten Million (10,000,000) shares shall be Preferred Stock without par value.

B. Preferred Stock.

Shares of Preferred Stock may be issued from time to time in one or more series as may from time to time be determined by the Board of Directors. Each series shall be distinctly designated. All shares of any one series of the Preferred Stock shall be alike in every particular, except that there may be different dates from which dividends thereon, if any, shall be cumulative, if made cumulative. The powers, preferences and relative, participating, optional and other rights of each such series, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding. Subject to the provisions of subparagraph (4) of Paragraph D of this ARTICLE FOURTH, the Board of Directors is hereby expressly granted authority to fix by resolution or resolutions adopted prior to the issuance of any shares of each particular series of Preferred Stock, the designation, powers, preferences and relative, participating, optional and other rights, and the qualifications, limitations and restrictions thereof, if any, of such series, including, but without limiting the generality of the foregoing, the following:

(1) the distinctive designation of, and the number of shares of Preferred Stock which shall constitute the series, which number may be increased (except as otherwise fixed by the Board of Directors) or decreased (but not below the number of shares thereof then outstanding) from time to time by action of the Board of Directors;

(2) the rate and times at which, and the terms and conditions upon which, dividends, if any, on shares of the series shall be paid, the extent of preferences or relation, if any, of such dividends to the dividends payable on any other class or classes of stock of the Corporation, or on any series of Preferred Stock or of any other class or classes of stock of the Corporation, and whether such dividends shall be cumulative or non-cumulative;

(3) the right, if any, of the holders of shares of the series to convert the same into, or exchange the same for, shares of any other class or classes of stock of the Corporation, or of any series of Preferred Stock and the terms and conditions of such conversion or exchange;

(4) whether shares of the series shall be subject to redemption, and the redemption price or prices including, without limitation, a redemption price or prices payable in shares of the Common Stock and the time or times at which, and the terms and conditions upon which, shares of the series may be redeemed;

(5) the rights, if any, of the holders of shares of the series upon voluntary or involuntary liquidation, merger, consolidation, distribution or sale of assets, dissolution or winding up of the Corporation;

(6) the terms of the sinking fund or redemption or purchase account, if any, to be provided for shares of the series; and

(7) the voting powers, if any, of the holders of shares of the series which may, without limiting the generality of the foregoing, include (i) the right to more or less than one vote per share on any or all matters voted upon by the stockholders and (ii) the right to vote, as a series by itself or together with other series of Preferred Stock or together with all series of Preferred Stock as a class, upon such matters, under such circumstances and upon such conditions as the

Board of Directors may fix, including, without limitation, the right, voting as a series by itself or together with other series of Preferred Stock or together with all series of Preferred Stock as a class, to elect one or more directors of this Corporation in the event there shall have been a default in the payment of dividends on any one or more series of Preferred Stock or under such other circumstances and upon such conditions as the Board of Directors may determine.

No holder of any share of any series of Preferred Stock shall be entitled to vote for the election of directors or in respect of any other matter except as may be required by the New Mexico Business Corporation Act, as amended, or as is permitted by the resolution or resolutions adopted by the Board of Directors authorizing the issue of such series of Preferred Stock.

C. Common Stock.

(1) After the requirements with respect to preferential dividends on Preferred Stock (fixed in accordance with the provisions of paragraph B of this ARTICLE FOURTH), if any, shall have been met and after this Corporation shall have complied with all the requirements, if any, with respect to the setting aside of sums as sinking funds or redemption or purchase accounts (fixed in accordance with the provisions of paragraph B of this ARTICLE FOURTH) and subject further to any other conditions which may be fixed in accordance with the provisions of paragraph B of this ARTICLE FOURTH, then, but not otherwise, the holders of Common Stock shall be entitled to receive such dividends, if any, as may be declared from time to time by the Board of Directors.

(2) After distribution in full of the preferential amount (fixed in accordance with the provisions of paragraph B of this ARTICLE FOURTH), if any, to be distributed to the holders of Preferred Stock in the event of voluntary or involuntary liquidation, distribution or sale of assets, dissolution or winding-up of the Corporation, the holders of the Common Stock shall be entitled to receive all the remaining assets of the Corporation, tangible and intangible, of whatever kind available for distribution to stockholders, ratably in proportion to the number of shares of the Common Stock held by each.

(3) Except as may otherwise be required by law, these Articles of Incorporation or the provisions of the resolution or resolutions as may be adopted by the Board of Directors pursuant to paragraph B of this ARTICLE FOURTH, each holder of Common Stock shall have one vote in respect of each share of Common Stock held by such holder on each matter voted upon by the stockholders and any such right to vote shall not be cumulative.

D. Other Provisions.

(1) The relative powers, preferences and rights of each series of Preferred Stock in relation to the powers, preferences and rights of each other series of Preferred Stock shall, in each case, be as fixed from time to time by the Board of Directors in the resolution or resolutions adopted pursuant to authority granted in paragraph B of this ARTICLE FOURTH, and the consent by class or series vote or otherwise, of the holders of the Preferred Stock of such of the series of the Preferred Stock as are from time to time outstanding shall not be required for the issuance by the Board of Directors of any other series of Preferred Stock whether the powers, preferences and rights of such other series shall be fixed by the Board of Directors as senior to, or on a parity with the powers, preferences and rights of such outstanding series, or any of them; provided, however, that the Board of Directors may provide in such resolution or resolutions adopted with respect to any series of Preferred Stock that the consent of the holders of a majority (or such greater proportion as shall be therein fixed) of the outstanding shares of such series voting thereon shall be required for the issuance of any or all other series of Preferred Stock.

(2) Subject to the provisions of subparagraph (1) of this paragraph D, shares of any series of Preferred Stock may be issued from time to time as the Board of Directors shall determine and on such terms and for such consideration as shall be fixed by the Board of Directors.

(3) Shares of the Common Stock may be issued from time to time as the Board of Directors shall determine and on such terms and for such consideration as shall be fixed by the Board of Directors.

(4) No holder of any of the shares of any class or series of stock or securities convertible into such shares of any class or series of stock, or of options, warrants or other rights to purchase or acquire shares of any class or series of stock or of other securities of the Corporation shall have any preemptive right to purchase, acquire or subscribe for any unissued stock of any class or series or any additional shares of any class or series to be issued by reason of any increase of the authorized capital stock of the Corporation of any class or series, or bonds, certificates of indebtedness, debentures or other securities convertible into or exchangeable for stock of the Corporation of any class or series, or carrying any right to purchase or acquire stock of any class or series, but any such unissued stock, additional authorized issue of shares of any class or series of stock or securities convertible into or exchangeable for stock, or carrying any right to purchase or acquire stock, may be issued and disposed of pursuant to resolution of the Board of Directors to such persons, firms, corporations or associations, and upon such terms as may be deemed advisable by the Board of Directors in the exercise of its sole discretion.

(5) The affirmative vote of the holders of two-thirds of the outstanding capital stock of the Corporation entitled to vote shall be required in order to approve any merger, consolidation, plan to exchange all the issued or outstanding shares of one or more classes of stock of this Corporation for shares of another Corporation, or sale of all or substantially all of the Corporation's assets or to amend the provisions of these Articles of Incorporation.

(6) The Corporation reserves the right to increase or decrease its authorized capital stock, or any class or series thereof, or to reclassify the same and to amend, alter, change or repeal any provision contained in the Articles of Incorporation, of this Corporation, or in any amendment thereto, in the manner now or hereafter prescribed by law, but subject to such conditions and limitations as are hereinbefore prescribed, and all rights conferred upon stockholders in the Articles of Incorporation, of this Corporation, or any amendment thereto, are granted subject to this reservation.

(7) Unless any statute of the State of New Mexico shall expressly provide to the contrary and subject to the limitations hereinbefore set forth in this ARTICLE FOURTH, the Corporation may acquire, hold and dispose of any shares of its stock of any class heretofore issued and outstanding.

ARTICLE FIFTH.

Directors

The number of directors of the Corporation shall be nine. Such directors shall be classified with respect only to the time for which they shall severally hold office, by dividing the number of directors into three equal classes, known as classes "A", "B" and "C". In 1986, at the first annual meeting, nine directors shall be elected, three of whom shall be class A directors, who shall hold office for one year after they have been so elected, until the first annual meeting subsequent to their election in 1986; three of whom shall be class B directors, who shall hold office for two years after they have been so elected, or until the second annual meeting subsequent to their election in 1986; and three of whom shall be class C directors, who shall hold office for three years after they have been so elected, or until the third annual meeting subsequent to their election in 1986, the successors to the class of directors whose terms shall expire shall be elected to hold office for the term of three years, so that the term of office of one class of directors shall expire each year; provided, however, that the term of office of the directors of each class shall continue until the election and qualification of the successors to the directors of such class.

ARTICLE SIXTH.

Address of Initial Registered Office and Name of Initial Registered Agent

The address of the Corporation's initial registered office is:

1650 University Blvd., N.E.
Albuquerque, New Mexico 87102

The name and address of the Corporation's initial registered agent is:

J. D. Geist
1650 University Blvd., N.E.
Albuquerque, New Mexico 87102

ARTICLE SEVENTH.

Initial Board of Directors

The number of directors constituting the initial board of directors shall be nine (9). The names and addresses of the persons constituting the initial board of directors are:

Name	Address
Jerry D. Geist	1650 University Blvd., N.E. Albuquerque, New Mexico 87102
Robert B. Rountree	1650 University Blvd., N.E. Albuquerque, New Mexico 87102
E. R. Wood.....	1570 Pacheco Street, Suite B-1 Santa Fe, New Mexico 87501
John P. Bundrant	Alvarado Square Albuquerque, New Mexico 87158
Ashton B. Collins, Jr.....	4300 San Mateo Blvd., N.E., Suite 320-A Albuquerque, New Mexico 87110
Russell H. Stephens.....	526 Sixth Street Las Vegas, New Mexico 87701
Claude E. Leyendecker	223 South Gold Avenue Deming, New Mexico 88031
Arturo G. Ortega	201 Twelfth Street, N.W. Albuquerque, New Mexico 87102
Robert R. Rehder	Robert O. Anderson School of Management University of New Mexico Albuquerque, New Mexico 87131

ARTICLE EIGHTH.

Data Respecting Incorporator

The name and address of the Incorporator is:

J. D. Geist
1650 University Blvd., N.E.
Albuquerque, New Mexico 87102

Incorporator

/s/ J. D. GEIST

DATED: March 31, 1986

NEW MEXICO BUSINESS CORPORATION ACT PROVISIONS

Section 53-15-3. Right of shareholders to dissent and obtain payment for shares.

A. Any shareholder of a corporation may dissent from, and obtain payment for the shareholder's shares in the event of, any of the following corporate actions:

(1) any plan of merger or consolidation to which the corporation is a party, except as provided in Subsection C of this section;

(2) any sale or exchange of all or substantially all of the property and assets of the corporation not made in the usual and regular course of its business, including a sale in dissolution, but not including a sale pursuant to an order of a court having jurisdiction in the premises or a sale for cash on terms requiring that all or substantially all of the net proceeds of sale be distributed to the shareholders in accordance with their respective interests within one year after the date of sale;

(3) any plan of exchange to which the corporation is a party as the corporation the shares of which are to be acquired;

(4) any amendment of the articles of incorporation which materially and adversely affects the rights appurtenant to the shares of the dissenting shareholder in that it:

(a) alters or abolishes a preferential right of such shares;

(b) creates, alters or abolishes a right in respect of the redemption of such shares, including a provision respecting a sinking fund for the redemption or repurchase of such shares;

(c) alters or abolishes an existing preemptive right of the holder of such shares to acquire shares or other securities; or

(d) excludes or limits the right of the holder of such shares to vote on any matter, or to cumulate his votes, except as such right may be limited by dilution through the issuance of shares or other securities with similar voting rights; or

(5) any other corporate action taken pursuant to a shareholder vote with respect to which the articles of incorporation, the bylaws or a resolution of the board of directors directs that dissenting shareholders shall have a right to obtain payment for their shares.

B. (1) A record holder of shares may assert dissenters' rights as to less than all of the shares registered in his name only if the holder dissents with respect to all the shares beneficially owned by any one person and discloses the name and address of the person or persons on whose behalf the holder dissents. In that event, his rights shall be determined as if the shares as to which he has dissented and his other shares were registered in the names of different shareholders.

(2) A beneficial owner of shares who is not the record holder may assert dissenters' rights with respect to shares held on his behalf, and shall be treated as a dissenting shareholder under the terms of this section and Section 53-15-4 NMSA 1978 if he submits to the corporation at the time of or before the assertion of these rights a written consent of the record holder.

C. The right to obtain payment under this section shall not apply to the shareholders of the surviving corporation in a merger if a vote of the shareholders of such corporation is not necessary to authorize such merger.

D. A shareholder of a corporation who has a right under this section to obtain payment for his shares shall have no right at law or in equity to attack the validity of the corporate action that gives

rise to his right to obtain payment, nor to have the action set aside or rescinded, except when the corporate action is unlawful or fraudulent with regard to the complaining shareholder or to the corporation.

Section 53-15-4. Rights of dissenting shareholders.

A. Any shareholder electing to exercise his right of dissent shall file with the corporation, prior to or at the meeting of shareholders at which the proposed corporate action is submitted to a vote, a written objection to the proposed corporate action. If the proposed corporate action is approved by the required vote and the shareholder has not voted in favor thereof, the shareholder may, within ten days after the date on which the vote was taken or if a corporation is to be merged without a vote of its shareholders into another corporation any of its shareholders may, within twenty-five days after the plan of the merger has been mailed to the shareholders, make written demand on the corporation, or, in the case of a merger or consolidation, on the surviving or new corporation, domestic or foreign, for payment of the fair value of the shareholder's shares, and, if the proposed corporate action is effected, the corporation shall pay to the shareholder, upon the determination of the fair value, by agreement or judgment as provided herein, and, in the case of shares represented by certificates, the surrender of such certificates the fair value thereof as of the day prior to the date on which the vote was taken approving the proposed corporate action, excluding any appreciation or depreciation in anticipation of the corporate action. Any shareholder failing to make demand within the prescribed ten-day or twenty-five-day period shall be bound by the terms of the proposed corporate action. Any shareholder making such demand shall thereafter be entitled only to payment as in this section provided and shall not be entitled to vote or to exercise any other rights of a shareholder.

B. No such demand may be withdrawn unless the corporation consents thereto. If, however, the demand is withdrawn upon consent, or if the proposed corporate action is abandoned or rescinded or the shareholders revoke the authority to effect the action, or if, in the case of a merger, on the date of the filing of the articles of merger the surviving corporation is the owner of all the outstanding shares of the other corporation, domestic and foreign, that are parties to the merger, or if no demand or petition for the determination of fair value by a court has been made or filed within the time provided in this section, or if a court of competent jurisdiction determines that the shareholder is not entitled to the relief provided by this section, then the right of the shareholder to be paid the fair value of his shares ceases and his status as a shareholder shall be restored, without prejudice, to any corporate proceedings which may have been taken during the interim.

C. Within ten days after such corporate action is effected, the corporation, or, in the case of a merger or consolidation, the surviving or new corporation, domestic or foreign, shall give written notice thereof to each dissenting shareholder who has made demand as provided in this section and shall make a written offer to each such shareholder to pay for such shares at a specified price deemed by the corporation to be the fair value thereof. The notice and offer shall be accompanied by a balance sheet of the corporation, the shares of which the dissenting shareholder holds, as of the latest available date and not more than twelve months prior to the making of the offer, and a profit and loss statement of the corporation for the twelve-months' period ended on the date of the balance sheet.

D. If within thirty days after the date on which the corporate action was effected the fair value of the shares is agreed upon between any dissenting shareholder and the corporation, payment therefor shall be made within ninety days after the date on which the corporate action was effected, and, in the case of shares represented by certificates, upon surrender of the certificates. Upon payment of the agreed value, the dissenting shareholder shall cease to have any interest in the shares.

E. If, within the period of thirty days, a dissenting shareholder and the corporation do not so agree, then the corporation, within thirty days after receipt of written demand from any dissenting shareholder, given within sixty days after the date on which corporate action was effected, shall, or at its election at any time within the period of sixty days may, file a petition in any court of competent jurisdiction in the county in this state where the registered office of the corporation is located praying that the fair value of the shares be found and determined. If, in the case of a merger or consolidation, the surviving or new corporation is a foreign corporation without a registered office in this state, the petition shall be filed in the county where the registered office of the domestic corporation was last located. If the corporation fails to institute the proceeding as provided in this section, any dissenting shareholder may do so in the name of the corporation. All dissenting shareholders, wherever residing, shall be made parties to the proceeding as an action against their shares quasi in rem. A copy of the petition shall be served on each dissenting shareholder who is a resident of this state and shall be served by registered or certified mail on each dissenting shareholder who is a nonresident. Service on nonresidents shall also be made by publication as provided by law. The jurisdiction of the court shall be plenary and exclusive. All shareholders who are parties to the proceeding shall be entitled to judgment against the corporation for the amount of the fair value of their shares. The court may, if it so elects, appoint one or more persons or appraisers to receive evidence and recommend a decision on the question of fair value. The appraisers shall have such power and authority as specified in the order of their appointment or on an amendment thereof. The judgment shall be payable to the holders of uncertificated shares immediately, but to the holders of shares represented by certificates only upon and concurrently with the surrender to the corporation of certificates. Upon payment of the judgment, the dissenting shareholder ceases to have any interest in the shares.

F. The judgment shall include an allowance for interest at such rate as the court may find to be fair and equitable, in all the circumstances, from the date on which the vote was taken on the proposed corporate action to the date of payment.

G. The costs and expenses of any such proceeding shall be determined by the court and shall be assessed against the corporation, but all or any part of the costs and expenses may be apportioned and assessed as the court deems equitable against any or all of the dissenting shareholders who are parties to the proceeding to whom the corporation made an offer to pay for the shares if the court finds that the action of the shareholders in failing to accept the offer was arbitrary or vexatious or not in good faith. Such expenses include reasonable compensation for and reasonable expenses of the appraisers, but exclude the fees and expenses of counsel for and experts employed by any party; but if the fair value of the shares as determined materially exceeds the amount which the corporation offered to pay therefor, or if no offer was made, the court in its discretion may award to any shareholder who is a party to the proceeding such sum as the court determines to be reasonable compensation to any expert employed by the shareholder in the proceeding, together with reasonable fees of legal counsel.

H. Upon receiving a demand for payment from any dissenting shareholder, the corporation shall make an appropriate notation thereof in its shareholder records. Within twenty days after demanding payment for his shares, each holder of shares represented by certificates demanding payment shall submit the certificates to the corporation for notation thereon that such demand has been made. His failure to do so shall, at the option of the corporation, terminate his rights under this section unless a court of competent jurisdiction, for good and sufficient cause shown, otherwise directs. If uncertificated shares for which payment has been demanded or shares represented by a certificate on which notation has been so made is [are] transferred, any new certificate issued therefor shall bear similar notation, together with the name of the original dissenting holder of the shares, and a transferee of the shares acquires by such transfer no rights in the corporation other

than those which the original dissenting shareholder had after making demand for payment of the fair value thereof.

I. Shares acquired by a corporation pursuant to payment of the agreed value therefor or to payment of the judgment entered therefor, as in this section provided, may be held and disposed of by the corporation as in the case of other treasury shares, except that, in the case of a merger or consolidation, they may be held and disposed of as the plan of merger or consolidation may otherwise provide.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Directors and Officers.

Section 7 of Article II of Holding Company's By-Laws contains the following provisions with respect to indemnification of directors and officers:

> "Each person who shall have served as a director or an officer of the Company, or, at the request of the Company, as a director or an officer of any other corporation, partnership or joint venture, whether profit or nonprofit, in which the Company (a) owns shares or capital stock, (b) has an ownership interest, (c) is a member, or (d) is a creditor, and regardless of whether or not such person is then in office, and the heirs, executors, and administrators and personal representatives of any such person, shall be indemnified by the Company to the full extent of the authority of the Company to so indemnify as authorized by the law of New Mexico."

Section 53-11-4.1 of the Business Corporation Act of the State of New Mexico provides that a corporation shall have power to indemnify any person made (or threatened to be made) a party to any proceeding (whether threatened, pending or completed) by reason of the fact that the person is or was a director (or, while a director, is or was serving in any of certain other capacities) if: (1) the person acted in good faith; (2) the person reasonably believed: (a) in the case of conduct in the person's official capacity with the corporation, that the person's conduct was in its best interests; and (b) in all other cases, that the person's conduct was at least not opposed to its best interests; and (3) in the case of any criminal proceeding, the person had no reasonable cause to believe the person's conduct was unlawful. Indemnification may be made against judgments, penalties, fines, settlements and reasonable expenses actually incurred by the person in connection with the proceeding, but may be limited or unavailable with respect to certain proceedings. In some instances, indemnification of a director may be mandatory or, upon the application of a director, may be ordered by a court. Reasonable expenses incurred by a director may, under certain circumstances, be paid or reimbursed in advance of a final disposition of a proceeding. Unless limited by its articles of incorporation, a corporation may (or, as the case may be, shall) indemnify and advance expenses to an officer of the corporation to the same extent as to a director under Section 53-11-4.1. Also, unless limited by its articles of incorporation, a corporation has (1) the power to indemnify and to advance expenses to an employee or agent of the corporation to the same extent that it may indemnify and advance expenses to directors under the statute and (2) additional power to indemnify and to advance expenses to an officer, employee or agent who is not a director to such further extent, consistent with law, as may be provided by its articles of incorporation, bylaws, general or specific action of its board of directors, or contract.

Insurance is maintained on a regular basis by PNM against liabilities arising on the part of directors and officers out of their performance in such capacities or arising on the part of PNM out of its identical indemnification provisions, subject to certain exclusions and to the policy limits. It is anticipated that Holding Company would maintain substantially similar insurance.

Item 21. Exhibits and Financial Statement Schedules.

Exhibit No.	
1	Not applicable.
2	Agreement of Reorganization and Plan of Merger, dated April 3, 1986, by and among Public Service Company of New Mexico, PNM Holding Company and PNM Merger Company (attached to the Proxy Statement/Prospectus as Appendix I).
3.1	Articles of Incorporation of Registrant (attached to the Proxy Statement/Prospectus as Appendix II).

Exhibit No.	
3.2	By-Laws of Registrant.
4	Not applicable.
5	Opinion of Keleher & McLeod, P.A.
6	Not applicable.
7	Not applicable.
8	Not applicable.
9	Not applicable.
10	Not applicable.
11	Not applicable.
12	Not applicable.
13	Not applicable.
14	Not applicable.
15	Not applicable.
16	Not applicable.
17	Not applicable.
18	Not applicable.
19	Not applicable.
20	Not applicable.
21	Not applicable.
22	Not applicable.
23	Not applicable.
24.1	Consent of Keleher & McLeod, P.A. (contained in the opinion included as Exhibit 5 to this Registration Statement).
24.2	Consent of Skadden, Arps, Slate, Meagher & Flom.
24.3	Consent of Peat, Marwick, Mitchell & Co.
25	Power of Attorney. (Contained in Part II—"SIGNATURES")
26	Not applicable.
27	Not applicable.
28	Form of proxy to be mailed to holders of Public Service Company of New Mexico common stock.
29	Not applicable.

Item 22. Undertakings.

A. The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

B. (1) The undersigned registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(2) The registrant undertakes that every prospectus (i) that is filed pursuant to paragraph (1) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Act

and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

C. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

D. The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11 or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

E. The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Albuquerque, State of New Mexico, on the 3rd day of April, 1986.

PNM HOLDING COMPANY

By /s/ J. D. GEIST
(J. D. Geist)
Chairman of the Board and President

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities and on the dates indicated. Each person whose signature to this registration statement appears below hereby appoints A. J. Robison as his attorney-in-fact to sign on his behalf, individually and in the capacity stated below, and to file any and all amendments and post effective amendments to this registration statement, which amendment or amendments may make such changes and additions as such attorney-in-fact may deem necessary or appropriate.

Signature	Title	Date
Principal Executive Officer:		
/s/ J. D. GEIST (J. D. Geist)	Chairman of the Board and President and Director	April 3, 1986
Principal Financial Officer:		
/s/ A. J. ROBISON (A. J. Robison)	Senior Vice President, Chief Financial Officer and Treasurer	April 3, 1986
Principal Accounting Officer:		
/s/ B. D. LACKEY (B. D. Lackey)	Vice President and Corporate Controller	April 3, 1986
/s/ J. P. BUNDRANT (J. P. Bundrant)	Director	April 3, 1986
/s/ A. B. COLLINS, JR. (A. B. Collins, Jr.)	Director	April 3, 1986
/s/ C. E. LEYENDECKER (C. E. Leyendecker)	Director	April 3, 1986
/s/ A. G. ORTEGA (A. G. Ortega)	Director	April 3, 1986
/s/ R. R. REHDER (R. R. Rehder)	Director	April 3, 1986
/s/ R. B. ROUNTREE (R. B. Rountree)	Director	April 3, 1986
/s/ R. H. STEPHENS (R. H. Stephens)	Director	April 3, 1986
/s/ E. R. WOOD (E. R. Wood)	Director	April 3, 1986