NOTICE

ARTESIA SPECIAL HOSPITAL DISTRICT
Eddy County, New Mexico
General Obligation Refunding Bonds
Series 2012

Preliminary Official Statement, subject to completion,
dated September 17, 2012

The Preliminary Official Statement, dated September 17, 2012 (the "Preliminary Official Statement") relating to the above-described bonds (the "Bonds") of the Artesia Special Hospital District (the "Issuer"), has been posted on the internet as a matter of convenience. Paper copies of the Preliminary Official Statement are available from the Issuer by contacting the financial advisor, RBC Capital Markets LLC, Kevin F. Powers at (505) 872-5999. The posted version of the Preliminary Official Statement has been formatted in Adobe Portable Document Format (Adobe Acrobat 9.0). Although this format should replicate the Preliminary Official Statement available from the Issuer, its appearance may vary for a number of reasons, including electronic communication difficulties or particular user software or hardware. Using software other than Adobe Acrobat 9.0 may cause the Preliminary Official Statement that you view or print to differ in format from the Preliminary Official Statement.

The Preliminary Official Statement and the information contained therein are subject to completion or amendment or other change without notice. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2012 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

For purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Preliminary Official Statement alone, and no other document or information on the internet, constitutes the "Official Statement " that the Issuer has deemed "final" as of its date in respect of the Bonds, except for certain pertinent information permitted to be omitted therefrom.

No person has been authorized to give any information or to make any representations other than those contained in the Preliminary Official Statement in connection with the offer and sale of the Series 2012 Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized. The information and expressions of opinion in the Preliminary Official Statement are subject to change without notice and neither the delivery of the Official Statement nor any sale made thereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of the Preliminary Official Statement.

By choosing to proceed and view the electronic version of the Preliminary Official Statement, you acknowledge that you have read and understood this Notice.

Preliminary Official Statement dated September 17, 2012

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 17, 2012

NEW ISSUE – Book-Entry-Only
BANK QUALIFIED

RATING: Moody's: Applied For

$8,900,000
ARTESIA SPECIAL HOSPITAL DISTRICT
Eddy County, New Mexico
General Obligation Refunding Bonds
Series 2012

Dated: Date of Delivery **Due: August 1, as shown below**

The Bonds are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Purchases of the Bonds will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through a DTC Participant. Beneficial owners of the Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. Interest on the Bonds is payable on each February 1 and August 1, commencing February 1, 2013. As long as DTC or its nominee is the registered owner of the Bonds, reference in this Official Statement to registered owner will mean Cede & Co., and payments of principal of and interest on the Bonds will be made directly to DTC by the Paying Agent. Disbursements of such payments to DTC Participants is the responsibility of DTC. See "The Bonds - Book-Entry Only System". The Treasurer of the District is the Registrar and Paying Agent for the Bonds.

MATURITY SCHEDULE

Maturity Date (August 1)	Principal Amount	Coupon	Yield	CUSIP*
2013	$ 45,000	%	%	
2014	1,395,000			
2015	1,425,000			
2016	1,460,000			
2017	1,495,000			
2018	1,525,000			
2019	1,544,000			

THE BONDS ARE NOT SUBJECT TO OPTIONAL REDEMPTION PRIOR TO MATURITY.

The Bonds are general obligations of the Artesia Special Hospital District, Eddy County, New Mexico, payable solely out of general (ad valorem) property taxes that are required to be levied against all taxable property in the District without limitation as to rate or amount. Proceeds of the Bonds will be used, together with legally available cash to refund and defease the Artesia Special Hospital District General Obligation Bonds, Series 2005 maturing on and after August 1, 2013. The Bonds will be designated as "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Code. (See "TAX MATTERS" herein).

The Bonds are offered when, as and if issued by the District, subject to the approval of Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel and certain other conditions. It is expected that the Bonds will be available for delivery on or about October 30, 2012, through the facilities of the Depository Trust Company, New York, New York.

Dated: September 17, 2012

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

No dealer, salesman or other person has been authorized by the Artesia Special Hospital District (the "District") or the Underwriters to give any information or to make any statements or representations, other than those contained in this Official Statement, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information set forth or included in this Official Statement has been provided by the District and from other sources believed by the District to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the District described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

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

The Bonds have not been registered under the Securities Act of 1933, in reliance upon exemptions contained in such Act. The registration and qualification of the Bonds in accordance with applicable provisions of the securities law of the states in which the Bonds have registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement is "deemed final" by the District for purposes of Rule 15c2-12 of the Municipal Securities Rulemaking Board. The District has covenanted to provide such annual financial statements and other information in the manner as may be required by regulations of the Securities and Exchange Commission or other regulatory body.

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

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Official Statement contains statements that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "project," "intend," "expect," and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

ARTESIA SPECIAL HOSPITAL DISTRICT
Eddy County, New Mexico
702 North 13th Street
Artesia, New Mexico 88210
(505) 748-3333

BOARD OF TRUSTEES

FINANCIAL ADVISOR
RBC Capital Markets LLC
6301 Uptown Blvd. NE, Suite 110
Albuquerque, New Mexico 87110
(505) 872-5999

PAYING AGENT/REGISTRAR
Artesia Special Hospital District
Attention: Treasurer
702 North 13th Street
Artesia, New Mexico 88210
(505) 748-3333

ADMINISTRATION
Chief Executive Officer: Kenneth Randall

BOND COUNSEL
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ESCROW AGENT
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201 3rd Street, N.W., Suite 1400
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OFFICIAL STATEMENT

$8,900,000*
Artesia Special Hospital District
Eddy County, New Mexico
General Obligation Refunding Bonds
Series 2012

INTRODUCTION AND SUMMARY

This Official Statement is furnished to prospective purchasers of the Artesia Special Hospital District, Eddy County, New Mexico General Obligation Refunding Bonds, Series 2012 (the "Bonds"), issued in the aggregate principal amount of $8,900,000* by Artesia Special Hospital District (the "District"). The offering of the Bonds is made only by way of this Official Statement, the Notice of Sale Resolution adopted by the Board of Trustees of the District (the "Board") on August 27, 2012 and the Award Resolution adopted by the Board on September 25, 2012 (together, the "Bond Resolution"). Additional information concerning the District, the Bonds and other aspects of this offering may be obtained either from the District or from RBC Capital Markets, LLC (the "Financial Advisor") at the address set forth in the section entitled "ADDITIONAL INFORMATION."

The following material is qualified in its entirety by the more complete information contained throughout this Official Statement, and detachment or other use of this "INTRODUCTION AND SUMMARY" without the entire Official Statement, including the cover page and the appendices, is unauthorized.

All terms used in this Official Statement that are not defined herein shall have the meanings given such terms in the Resolution.

The Issuer

The District is a political subdivision of the State of New Mexico organized for the purpose of establishment and operation of a public hospital facility. The District encompasses approximately 2,776 square miles in southern New Mexico, and includes the City of Artesia and unincorporated portions of Eddy County, New Mexico (the "County"). The District's boundary is coterminous with the portion of Artesia Public School District located within Eddy County.

Authority for Issuance

The Bonds are issued in accordance with the laws of the State of New Mexico, in particular, Sections 4-48A-15 and 6-15-12 through 6-15-22 NMSA 1978, as amended and supplemented. The District is authorized under those sections to issue bonds to provide funds for the purpose of refunding and defeasing its outstanding General Obligation Bonds, Series 2005 (the "Series 2005 Bonds"), maturing on and after August 1, 2013 (the "Refunded Series 2005 Bonds").

* Preliminary; subject to change.

The Bonds

The Bonds will be registered as to principal and interest, issued in denominations of $5,000 each, or integral multiples thereof, in conformance with the Constitution and laws of the State and pursuant to the Resolution. The Bonds shall mature in the principal amounts and on the dates shown on the cover page hereof. Interest shall be payable February 1, 2013 and on February 1 and August 1 of each year thereafter to registered owners shown on the books of the Registrar on the 15th day of the month preceding each regularly scheduled interest payment date thereafter (a "Record Date"). The Bonds will be issued only in fully registered form and will be initially registered and delivered to Cede & Co., the nominee of "DTC" pursuant to the book-entry-only system described herein.

Security

The Bonds are general obligations of the District and paid from ad valorem taxes that are levied on all taxable property within the District. Neither the State nor Eddy County has any responsibility to pay the debt service on the Bonds. See "SECURITY AND REMEDIES."

Purpose

The Bonds are being issued to refund and defease the Series 2005 Bonds maturing on and after August 1, 2013 (the "Refunded Series 2005Bonds"). The Refunded Series 2005 Bonds will be redeemed prior to maturity on August 1, 2013 at a redemption price of 100%. An escrow fund (the "Escrow Fund") will be established in accordance with the terms and provisions of an escrow agreement by and between the District and BOKF, N.A. dba Bank of Albuquerque, escrow agent for the Refunded Series 2005 Bonds, for deposit of proceeds of the Bonds and other available moneys to pay the outstanding principal of and interest on the Refunded Series 2005 Bonds.

Financial Statements

The District's audited financial statements as of and for the year ended June 30, 2011 including the opinions rendered thereon of certified public accountants, are attached as Exhibit B.

2012 Assessed Valuation	$2,142,892,953
2012 Estimated Actual Valuation	$6,693,332,961
District Net Debt as a Percentage of:	
Assessed Valuation	0.64%
Estimated Actual Valuation	0.20%
Direct and Overlapping Debt as a Percentage of:	
Assessed Valuation	1.28%
Estimated Actual Valuation	0.41%
Currently Outstanding District General Obligation Debt (including the Bonds):	$13,701,181
Estimated Direct & Overlapping GO Debt	$ 27,458,468
Estimated Population	16,000
District Net Debt Per Capita	$856.32
Direct & Overlapping Debt Per Capita	$1,716.15

See "DEBT AND OTHER FINANCIAL OBLIGATIONS – General Obligation Debt" herein.

Tax Matters

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the Bonds is excluded from gross income under present federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the “Tax Code”) and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code under present federal income tax laws except that such interest is required to be included in calculating the “adjusted current earnings” adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. Bond Counsel is further of the opinion that, assuming continuous compliance with certain covenants, interest on the Bonds is excluded from net income for the purposes of the tax imposed on individuals, estates and trusts under the New Mexico Income Tax Act or for purposes of the tax imposed on corporations under the New Mexico Corporate Income and Franchise Tax Act both as in effect on the date of delivery of the Bonds. (See “Tax Exemption” herein.) The District has designated the Bonds as “Qualified Tax Exempt Obligations” for the purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986 (see “Financial Institution Interest Deduction” herein).

Agents and Advisors

The District Treasurer will serve as Paying Agent and Registrar. Accounting & Consulting Group, LLP has audited the District's general purpose financial statements as of and for the year ended June 30, 2011. Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, has acted as bond counsel for the issuance of the Bonds and has also acted as special counsel to the District in connection with the preparation of this Official Statement and the sale of the Bonds. See "LEGAL MATTERS" herein. Bank of Albuquerque, N.A. will serve as Escrow Agent. Causey, Demgen & Moore, Certified Public Accountants, Denver, Colorado, will verify certain mathematical computations relating to adequacy of funds deposited to refund the Refunded Series 2005 Bonds. See "PURPOSE AND PLAN OF FINANCING" and "VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS" herein.

Additional Information

This Official Statement is accurate only as of its date, and no representation is made that the information contained herein has not changed since that date. This Official Statement is intended to be made available to investors through the Underwriter.

The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to those statutes, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of those statutes, regulations and documents may be obtained upon request directed to the District, and upon payment to the District of a charge for copying, mailing and handling, at Artesia General Hospital, 702 North 13th Street, Artesia, New Mexico 88210, telephone number (575) 748-4343, Attention: District Chairman.

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

THE BONDS

Description

The Bonds are general obligation refunding bonds to be issued by the District in the total principal amount of $8,900,000* and will be dated the Date of Delivery, which is expected to be on or about October 30, 2012. The Bonds will be issued as fully registered bonds in denominations of $5,000 or integral multiples thereof, bearing interest from their date to maturity at the rates specified on the cover page of this Official Statement payable semiannually on February 1 and August 1 each year, commencing on February 1, 2013, and maturing serially, as set forth on the cover page of this Official Statement.

The Bonds will be issued only in fully registered form and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the owners hereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

Authorization

The Bonds are being issued pursuant to the Board's powers under Sections 4-48A-15 and 6-15-12 through 6-15-22 NMSA 1978, as amended and supplemented, the Constitution and other laws of the State, and the Resolution.

Bond Registrar and Paying Agent

The District Treasurer will serve as the Bond Registrar (the "Registrar") and Paying Agent (the "Paying Agent") for the Bonds.

Payment of Principal and Interest; Record Date

The principal of the Bonds is payable to the registered owners of the Bonds at the principal office of the Paying Agent. Interest on the Bonds is payable by check or draft of the Paying Agent mailed on or before each interest payment date to the registered owners of the Bonds as of the close of business on the 15th day of the calendar month preceding the interest payment date (the "Regular Record Date") at the addresses appearing in the registration books maintained by the Registrar; but any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner thereof at the close of business on the Regular Record Date and shall be payable to the person who is the registered owner thereof at the close of business on the date to be fixed by the Registrar whenever moneys become available for the payment of defaulted interest (the "Special Record Date").

No Optional Redemption of Bonds

The Bonds are not subject to optional redemption prior to maturity.

Exchange or Transfer of Bonds

The Registrar/Paying Agent will maintain the books of the District for the registration of ownership of the Bonds. Upon the surrender for transfer of any Bond at the principal office of the

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* Preliminary; subject to change.

Registrar/Paying Agent, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his attorney duly authorized in writing, the Registrar/Paying Agent shall authenticate and deliver not more than three business days after receipt of the Bond to be transferred in the name of the transferee or transferees a new Bond or Bonds in fully registered form of the same aggregate principal amount of authorized denominations, and of the same maturity, interest rate and series, bearing a number or numbers not contemporaneously outstanding. Bonds may be exchanged at the principal office of the Registrar/Paying Agent for an equal aggregate principal amount of Bonds of other authorized denominations, and of the same maturity, series and interest rate. The Registrar/Paying Agent shall authenticate and deliver not more than three business days after receipt of the Bond to be exchanged a Bond or Bonds which the registered owner making the exchange is entitled to receive, bearing a number or numbers not contemporaneously outstanding. Exchanges and transfers of Bonds as herein provided shall be without charge to the owner or any transferee, but the Registrar/Paying Agent may require the payment by the owner of any Bond requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer. See "THE BONDS – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Tax Covenants

In the Resolution, the District covenants for the benefit of the owners of the Bonds that it will restrict the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

The District further covenants that it (a) will take or cause to be taken such actions which may be required of it for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes, and (b) will not take or permit to be taken any actions which would adversely affect that exclusion, and that it, or persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the Bonds to the governmental purpose of the borrowing, (ii) restrict the yield, as required, on investment property acquired with those proceeds, (iii) make timely rebate payments, if required, to the federal government, (iv) maintain books and records and make calculations and reports, and (v) refrain from certain uses of proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code. See "TAX EXEMPTION" herein.

Book-Entry-Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. One fully registered bond for each maturity, in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc.; the American Stock Exchange, LLC; and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly, (the "Indirect Participants"). The rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

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

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

For every transfer and exchange of Bonds or an interest therein, the Beneficial Owner may be charged a service charge together with a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

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

Redemption notices shall be sent to Cede Co. If fewer than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC not Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal and interest payments on the Bonds will be made to DTC or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the District, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

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

When reference is made to any action that is required or permitted to be taken by the Beneficial Owners, such reference relates only to those permitted to act by statute, regulation or otherwise on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent to DTC, and the District does not have responsibility for distributing such notices to the Beneficial Owners.

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

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

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

SECURITY AND REMEDIES

General

The Bonds are general obligations of the District payable from ad valorem taxes, which may be levied against all taxable property within the District without limitation of rate or amount. The Bonds are secured by the obligation of the Board of Trustees of the District to levy and collect upon all taxable property within the District a tax rate levy sufficient, together with other legally available revenues, to meet the debt service on the Bonds. Such annual levy for debt service creates a statutory tax lien that can be enforced personally against the owner of the property or enforced by sale of the property. Neither the State nor any other political subdivision has any responsibility to pay the debt service on the Bonds.

Legal Matters

Various State laws and constitutional provisions apply to the assessment and collection of ad valorem property taxes. There is no assurance that there will not be any amendment, change in the interpretation of, or addition to the applicable laws, provisions and regulations that would have a material effect, directly or indirectly, on the affairs of the District.

Limitations on Remedies Available to Owners of Bonds

There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal of or interest on the Bonds. Consequently, remedies available to the owners of the Bonds may have to be enforced from year to year.

The enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the District in issuing the Bonds, are subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; usual equity principles, which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

PURPOSE AND PLAN OF FINANCING

The Bonds are being offered for the purpose of refunding that portion of the District's outstanding Series 2005 Bonds maturing in the years 2013 through 2019.

The principal and interest due on the Refunded Series 2005 Bonds are to be paid on August 1, 2013, from funds to be deposited pursuant to the Escrow Agreement between the District and BOKF, N.A. dba Bank of Albuquerque, as escrow agent (the "Escrow Agent"). The Resolution provides that the District will deposit with the Escrow Agent, from proceeds of the sale of the Bonds received from the Underwriter and cash, the amount necessary to accomplish the discharge and payment of the Refunded Series 2005 Bonds on and until August 1, 2013. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Series 2005 Bonds.

Causey, Demgen & Moore, Certified Public Accountants, Denver, Colorado, will verify at the time of delivery of the Bonds, the mathematical accuracy of the schedules that demonstrate the Federal Securities will mature and pay interest in such amounts that, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay the principal of and interest on the Refunded Series 2005 Bonds on August 1, 2013. Such maturing principal of and interest on the Federal Securities will not be available to pay the Bonds. See "VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS" herein.

By depositing the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the District will effect the defeasance of the Refunded Series 2005 Bonds in accordance with the law. It is the opinion of Bond Counsel that, as a result of such defeasance, the Refunded Series 2005 Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent, and such Refunded Series 2005 Bonds will not be deemed to be outstanding obligations of the District payable from taxes or for the purpose of applying any limitation on the issuance of debt.

SOURCES AND USES OF FUNDS

The sources and uses of funds relating to the Bonds, other than accrued interest, are set forth in the following table.

SOURCES OF FUNDS	
Bond proceeds	$
TOTAL SOURCE OF FUNDS	$
USES OF FUNDS	
Deposit to Escrow Fund	$
Cost of Issuance	
TOTAL USES OF FUNDS	$

DEBT AND OTHER FINANCIAL OBLIGATIONS

General Obligation Debt

Section 4-48A-12(B) NMSA 1978 prohibits a special hospital district to incur general obligation debt in an aggregate amount in excess of three percent of the value of the taxable property within such district as shown by the last preceding general assessment. That debt limitation is in excess of any other existing debt limitations provided by law.

The total assessed valuation of taxable property within the District is $1,585,606,615 for tax year 2011. Therefore, the maximum general obligation debt may not exceed $47,658,198.45.

After the Bonds are issued, the ratio of total outstanding general obligation debt of the District to the 2011 total assessed valuation will be no greater than as summarized:

2011 Total Assessed Valuation	$2,142,892,953
2011 Estimated Actual Valuation(1)	6,693,332,961
Bonded Indebtedness (including this issue)	$ 14,665,000
Less Debt Service Fund Balance	963.819
NET DEBT(2)	$ 13,701,181
Ratio of Estimated Net Debt to 2011 Assessed Valuation	0.64%
Ration of Estimated Net Debt to 2011 Estimated Actual Valuation	0.20%
Per Capita Net Bonded Debt	$856.32
Estimated Population	16,000

(1) Actual valuation is computed by adding the 2010 exemptions to the 2011 assessed valuation and multiplying by three.

(2) Amount is net of debt service accumulation. The cash balance as of August 31, 2012 was $1,109,492. The amount attributable to principal reduction is 86.87%.

Debt Service Requirements to Maturity*

The following represents annual debt service expenses on the District's outstanding debt.

TYE 10/31	Present Requirements Principal	Present Requirements Interest	Present Requirements Total	Series 2012 Refunding Principal	Series 2012 Refunding Interest*	Total Principal	Total Interest	Total Requirements
2013	1,945,000	214,463	2,159,463	360,000	133,919	2,305,000	348,382	2,653,382
2014	575,000	143,638	718,638	1,345,000	170,700	1,920,000	314,338	2,234,338
2015	600,000	120,638	720,638	1,375,000	143,800	1,975,000	264,438	2,239,438
2016	625,000	98,738	723,738	1,405,000	116,300	2,030,000	215,038	2,245,038
2017	650,000	75,613	725,613	1,440,000	88,200	2,090,000	163,813	2,253,813
2018	675,000	51,563	726,563	1,470,000	59,400	2,145,000	110,963	2,255,963
2019	700,000	26,250	726,250	1,500,000	30,000	2,200,000	56,250	2,256,250
Total	$5,770,000	$730,900	$6,500,900	$8,895,000	$742,319	$14,665,000	$1,473,219	$16,138,219

*Preliminary; subject to change.

Statement of Estimated Direct and Overlapping Debt

The following calculation analyzes the debt load and per capita debt of the District payable from property taxes. In addition to outstanding debt of the District, the calculation takes into account debt attributable to taxing entities that is the responsibility of taxpayers within the boundaries of the District.

	2012* Assessed Valuation	G/O Debt Outstanding	Percent Applicable	Amount
State of New Mexico	$54,341,665,382	$296,890,000	3.94%	$11,707,471
Eddy County	4,066,706,884	-	52.69%	-
City of Artesia	338,291,537	-	100.00%	-
Artesia Schools	2,150,792,017	1,090,000	99.63%	1,085,997
Artesia General Hospital	2,142,892,953	14,665,000	100.00%	14,665,000
Total Direct & Overlapping				$27,458,468

Ratio of Estimated Direct & Overlapping Debt to 2012* Assessed Valuation	1.28%
Ratio of Estimated Direct & Overlapping Debt to 2012* Estimated Actual Valuation	0.41%
Per Capita Direct and Overlapping Debt	$1,716.15
Estimated Population	16,000

* Preliminary, subject to change.

TAX BASE

Analysis of Assessed Valuation

Assessed Valuation of property within the District is calculated as follows: Of the total estimated actual valuation of all taxable property in the District, 33 1/3% is legally subject to ad valorem taxes. After deduction of certain personal exemptions, the 2011 Assessed Valuation is $1,585,606,515. The actual value of personal property within the District (see "Assessments" below) is determined by the Eddy County Assessor. The actual value of certain corporate property within the District (see "Centrally Assessed" below) is determined by the State of New Mexico, Taxation and Revenue Department, Property Tax Division.

Artesia Special Hospital District
Eddy County, New Mexico
Analysis of Assessed Valuation

	2012*	2011	2010	2009	2008	2007
Assessments						
Value of Land		$49,601,783	$48,573,855	$47,497,452	$46,410,344	$45,357,157
Improvements		254,221,339	240,600,769	230,643,251	206,463,410	197,327,646
Personal Property		26,500,825	23,907,507	36,057,899	26,838,648	27,838,608
Mobile Homes		8,084,341	8,005,683	7,942,033	7,222,842	6,789,217
Livestock		4,265,402	4,372,900	5,783,705	6,099,533	6,259,034
Assessor's Total Valuation		$342,673,690	$325,460,714	$327,924,340	$293,034,777	$283,571,662
Less Exemptions						
Head of Family		$5,854,232	$5,885,079	$5,801,224	$5,810,175	$5,597,054
Veterans		2,597,836	2,651,079	2,526,844	2,507,234	2,418,453
Other		79,765,966	75,538,940	75,393,395	68,039,169	68,470,733
Total Exemptions		$88,218,034	$84,075,098	$83,721,463	$76,356,578	$76,486,240
Assessors Net Valuation	$403,758,353	$254,455,656	$241,385,616	$244,202,877	$216,678,199	$207,085,422
Central Assessed	$330,995,041	$307,366,133	$290,709,799	$199,766,602	$193,785,281	$174,769,506
Oil and Gas	$1,408,139,559	$1,023,784,726	$709,526,405	$1,168,922,644	$823,317,114	$713,234,717
Total Assessed Valuation	$2,142,892,953	$1,585,606,515	$1,241,621,820	$1,612,892,123	$1,233,780,594	$1,095,089,645

A further analysis of Assessed Valuation classified as Residential and Non-Residential the last five years follows:

Residential	$163,483,836	$154,928,896	$145,358,601	$134,904,816	$119,874,514	$113,372,100
Non-Residential	571,269,558	406,892,893	386,736,814	309,064,663	290,588,966	268,482,828
Oil and Gas	1,408,139,559	1,023,784,726	709,526,405	1,168,922,644	823,317,114	713,234,717
	$2,142,892,953	$1,585,606,515	$1,241,621,820	$1,612,892,123	$1,233,780,594	$1,095,089,645

Source: State of New Mexico, Taxation & Revenue Department, Property Division, and Eddy County Assessor
** Preliminary*

History of Assessed Valuation

The following is a history of assessed valuation for the District, Eddy County and the City of Artesia.

Artesia Special Hospital District
Eddy County, New Mexico
History of Assessed Valuation

Tax Year	Artesia Special Hospital District	Growth %	City of Artesia	Growth %	Eddy County	Growth %
2002	$687,593,262	-3.18%	$109,362,121	10.86%	$1,145,452,013	-5.50%
2003	606,348,836	-11.82%	112,742,882	3.09%	1,569,194,465	36.99%
2004	750,395,892	23.76%	131,463,593	16.60%	1,963,294,457	25.11%
2005	856,728,211	14.17%	159,543,730	21.36%	2,183,717,972	11.23%
2006	1,003,494,759	17.13%	178,130,713	11.65%	2,576,570,476	17.99%
2007	1,101,719,645	9.79%	210,520,166	18.18%	2,576,875,700	0.01%
2008	1,233,780,594	11.99%	226,381,308	7.53%	2,774,234,990	7.66%
2009	1,612,892,123	30.73%	230,664,563	1.89%	3,521,938,935	26.95%
2010	1,241,621,820	-23.02%	301,547,510	30.73%	2,562,876,559	-27.23%
2011	1,585,606,515	27.70%	353,064,018	17.08%	3,165,680,448	23.52%

Source: Eddy County Assessor's Office

Tax Rates

Article VIII, Section 2, of the New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within the District to $20.00 per $1,000 of assessed value. This limitation does not apply to levies for public debt and levies for additional taxes if authorized at an election by a majority of the qualified voters of the District voting on the question. The following table summarizes the tax situation on residential property located within the District County for the Fiscal Year ending June 30, 2012 and the previous four years. The District expects no change in the level of its taxes in the foreseeable future but is unable to predict what overlapping entities might do. A high level of taxation may adversely impact the District's ability to repay bonds.

RESIDENTIAL TAX RATES - Per $1,000 Assessed Valuation
Within 20 Mill Limit for General Purposes

	2011-12	2010-11	2009-10	2008-09	2007-08
State of New Mexico	$0.000	$0.000	$0.000	$0.000	$0.000
Eddy County	6.489	6.587	6.842	6.809	6.598
City of Artesia	1.821	1.850	1.928	1.957	1.887
Artesia Schools	0.419	0.425	0.442	0.443	0.428
Total	$8.729	$8.862	$9.212	$9.209	$8.913

Over 20 Mill Limit - Interest, Principal, Judgment, etc.

	2011-12	2010-11	2009-10	2008-09	2007-08
State of New Mexico	$1.362	$1.530	$1.150	$1.250	$1.221
Eddy County	0.000	0.000	0.000	0.000	0.000
City of Artesia	0.000	0.000	0.000	0.000	0.000
Artesia Schools	6.891	6.919	6.995	7.000	6.982
Total	$8.253	$8.449	$8.145	$8.250	$8.203

Total Levy

	2011-12	2010-11	2009-10	2008-09	2007-08
State of New Mexico	$1.362	$1.530	$1.150	$1.250	$1.221
Eddy County	6.489	6.587	6.842	6.809	6.598
City of Artesia	1.821	1.850	1.928	1.957	1.887
Artesia General Hospital	4.134	4.827	4.411	4.824	5.638
Artesia Schools	7.310	7.344	7.437	7.443	7.410
Total Residential in City of Artesia	$21.116	$22.138	$21.768	$22.283	$22.754
Total Non-Residential in City of Artesia	22.721	$23.582	$22.786	$23.299	$24.084
Total Oil and Gas	22.721	$23.582	$22.786	$23.299	$24.084

Source: New Mexico Department of Finance & Administration

Major Taxpayers

The ten largest taxpayers in the District have a combined valuation of $255,159,926, representing 16.09% of the total assessed valuation within the District.

	Taxpayer	Business	2011 Assessed Valuation	% of District A.V.
1	Navajo Refining Company	Oil Refinery	$151,173,050	9.53%
2	DCP Midstream LP	Natural Gas Processor	28,294,851	1.78%
3	Agave Energy Company	Utility	15,409,537	0.97%
4	Central Valley Electric	Utility	13,262,641	0.84%
5	Southwest Public Service	Utility	13,215,015	0.83%
6	HEP Pipeline	Oil Production	11,184,977	0.71%
7	Transwestern Pipeline Company	Oil Production	6,492,095	0.41%
8	Enterprise Field Services	Oil Production	5,670,437	0.36%
9	Yates Petroleum	Oil Production	5,543,917	0.35%
10	Frontier Field Services	Oil Production	4,913,406	0.31%
	Top Ten Total		$255,159,926	16.09%
	Hospital District's 2011 Assessed Valuation		$1,585,606,515	
	Source: Eddy County Assessor's Office			

Yield Control Limitation

State law limits property tax increases from the prior property tax year. Specifically, no taxing entity may set a rate or impose a tax (excluding oil and gas production ad valorem and oil and gas production equipment ad valorem taxes) or assessment that will produce revenues that exceed the prior year's tax revenues from residential and non-residential property multiplied by a "growth control factor." The growth control factor is the percentage equal to the sum of (a) "percent change I" plus (b) the prior property tax year's total taxable property value plus "net new value," as defined by Statute, divided by such prior property tax year's total taxable property value; but if that percentage is less than 100 percent, then the growth control factor is (a) "percent change I" plus (b) 100%. "Percent change I" is based upon the annual implicit price deflator index for state and local government purchases of goods and services (as published in the United States Department of Commerce monthly publication entitled "Survey of Current Business," or any successor publication) and is a percent (not to exceed 5%) that is derived by dividing the increase in the prior calendar year's index over the index for the calendar year next preceding the prior calendar year (unless there was a decrease, in which case zero if used) by the index for such calendar year next preceding the prior calendar year. *The growth control factor applies to authorized operating levies* *and to any capital improvements levies, but does not apply to levies for paying principal and interest on public general obligation debt.*

Limitations on Residential Property Tax Increases

A 1998 amendment to the State Constitution allows the State Legislature to enact legislation providing for the assessment of residential properties at levels different than the current estimated market value of a home on the basis of age, income, or home ownership. Section 7-36-21.2 NMSA 1978, as amended, limits increases in the value of residential property for taxation purposes beginning with the Tax Year 2001 (the "Statutory Valuation Cap"). The statute provides that, with respect to properties within a county assessing properties in the aggregate at or greater than 85% of their market value, a property's new valuation shall not exceed 103% of the previous year's valuation or 106.1% of the valuation two years prior to the tax year in which the property is being valued. This does not apply to residential properties in their first year of valuation, physical improvements made to the property or instances where the owner or the zoning of the property has changed in the year prior to the tax year for which the value of the property is being determined.

The Statutory Valuation Cap has been recently challenged in a number of venues, and the most recent challenge was certified to the New Mexico Court of Appeals. On March 28, 2012, the New Mexico Court of Appeals upheld the Statutory Valuation Cap and its application under Section 7-36-21.2 NMSA 1978. The Court of Appeals ruling may be appealed to the New Mexico Supreme Court. The final judicial resolution of this issue could have a material effect on how property is valued within the District and related property tax collections.

Other amendments to State laws affecting residential property taxes are proposed from time to time and may be proposed in the future by the Legislature. Such amendments, if enacted, could result in an increase to the tax rate imposed on residential property tax within the District in order to pay the principal of and interest on general obligation bonds issued by the District, including the Bonds.

Tax Collections on Locally Assessed and Centrally Assessed Property

General (ad valorem) taxes for all units of government are collected by each county treasurer and distributed monthly to the various political subdivisions to which they are due. Property taxes are due in two installments. The first half installment is due on November 10 and becomes delinquent on December 10. The second half installment is due on April 10 and becomes delinquent on May 10. Collection statistics for all political subdivisions for which each county treasurer collects taxes are presented here:

Tax Collections for Eddy County						
Tax Year	Fiscal Year	Net Taxes Charged to Treasurer	Current Tax Collections (1)	Current Collections as a % of Net Levied	Current/ Delinquent Tax Collections (2)	Current/Delinquent Collections as a % of Net Levied
2011	11/12	$ 31,070,173	$ 29,748,070	95.74%	$ 29,882,166	96.18%
2010	10/11	29,680,154	28,811,493	97.07%	29,720,373	100.14%
2009	09/10	26,792,558	26,032,499	97.16%	27,620,586	103.09%
2008	08/09	23,788,674	23,196,557	97.51%	23,590,759	99.17%
2007	07/08	20,865,653	19,484,054	93.38%	20,525,571	98.37%
2006	06/07	18,742,480	17,497,554	93.36%	18,452,774	98.45%
2005	05/06	17,299,453	16,635,934	96.16%	16,907,408	97.73%
2004	04/05	15,470,415	14,950,124	96.64%	16,247,480	105.02%
2003	03/04	14,329,080	13,787,124	96.22%	14,323,093	99.96%
2002	02/03	13,138,173	12,529,696	95.37%	13,131,884	99.95%

(1) Current collections through June 30 of each year
(2) As of July 2012.
Source: Eddy County Treasurer's Office

Interest on Delinquent Taxes

Pursuant to Section 7-38-49 NMSA 1978, if property taxes are not paid for any reason within thirty days after the date they are due, interest on the unpaid taxes shall accrue from the thirtieth day after they are due until the date they are paid. Interest accrues at the rate of one percent per month or any fraction of a month.

Penalty for Delinquent Taxes

Pursuant to Section 7-38-50 NMSA 1978, if property taxes become delinquent, a penalty of one percent of the delinquent tax for each month, or any portion of a month, they remain unpaid shall be imposed, but the total penalty shall not exceed five percent of the delinquent taxes. The minimum penalty imposed is $5.00. A county can suspend application of the minimum penalty requirement for any tax year.

If property taxes become delinquent because of an intent to defraud by the property owner, 50% of the property taxes due or $50.00, whichever is greater, shall be added as a penalty.

Remedies Available for Non-Payment of Taxes

Pursuant to Section 7-38-47 NMSA 1978, property taxes are the personal obligation of the person owning the property on the date on which the property was subject to valuation for property taxation purposes. A personal judgment may be rendered against the taxpayer for payment of taxes that are delinquent, together with any penalty and interest on the delinquent taxes.

Taxes on real property are a lien against the real property. A lien runs in favor of the State and secures the payment of property taxes and any penalty and interest until such payments are made. Such lien is a first lien and paramount to any other interest in the property, perfected or unperfected. Pursuant to Section 7-38-65 NMSA 1978, delinquent taxes on real property may be collected by selling the real property on which taxes are delinquent.

Pursuant to Section 7-38-53 NMSA 1978, delinquent property taxes on personal property may be collected by asserting a claim against the owner(s) of the personal property for which taxes are delinquent.

Protest

Pursuant to Section 7-38-39 NMSA 1978, after receiving his or her property tax bill and after making payment prior to the delinquency date of all property taxes due in accordance with the bill, a property owner may protest the value or classification determined for his or her property for property taxation purposes, the allocation of value of his or her property to a particular governmental unit, the application to his or her property of an administrative fee adopted pursuant to Section 7-38-36.1 NMSA 1978 or a denial of a claim for an exemption by filing a claim for refund in the district court. Pursuant to Section 7-38-41 NMSA 1978, the portion of any property taxes paid to the County Treasurer that is not admitted to be due and is the subject of a claim for refund will be deposited in a "property tax suspense fund." Moneys in the property tax suspense fund may not be used for the payment of debt service on the Bonds.

FINANCES OF THE DISTRICT

The District and Artesia General Hospital

In September 1978, the District was created pursuant to the New Mexico Special Hospital District Act, Sections 4-48A-1 *et seq.* NMSA 1978. The District constructed a 45,000 square foot main hospital facility which opened and began operating as Artesia General Hospital ("AGH" or the "Hospital") on November 14, 1981. The District continued to operate AGH until October 31, 1999, when the District began leasing the hospital to VHA Southwest Community Health Corporation ("CHC"), a Texas not-for-profit corporation. AGH is a New Mexico not-for-profit corporation and a wholly owned subsidiary of CHC. In 2004 and 2006 the District issued general obligation bonds to finance the development of a new 73,000 square foot patient care facility adjacent to the existing hospital facility. The Hospital is currently licensed for and utilizes 49 beds, and is designated as a Sole Community Hospital Provider by the New Mexico Human Services Department, and is licensed to maintain and operate rural health clinics by the New Mexico Department of Health. The City of Artesia is designated by the U.S. department of Health and Human Services as a Medically Underserved Area/Population.

Pursuant to an operating agreement entered into by the District and Artesia General Hospital in 1999 (the "AGH Operating Agreement") and as authorized by Sections 4-48A-16 and -17 NMSA 1978, the District imposes an operating mill levy on all taxable property in the District (the "Operating Levy"), as described in the following paragraph. The AGH Operating Agreement was renewed on November 1, 2009 for a period of five years and will be automatically renewed for one successive five-year period. Artesia General Hospital also leases the hospital building and underlying land, and a storage building from the District. The term of the current lease agreement began on November 1, 2009 and expires on October 31, 2014, during which the hospital is obligated to pay $378,000 in annual rent. The District has enacted a policy that all rent received by it under the lease agreement shall be used to supplement or replace the Operating Levy and any other tax enacted by the District following expiration of the Operating Levy, and shall be used solely for the purpose of defraying costs of operating and maintaining the Hospital Facilities, providing medical services and programs, and paying the incidental costs of the District.

Budget Process

As authorized by Sections 4-48A-16 and -17 NMSA 1978, the District's budget for the Fiscal Year ending June 30, 2013 includes revenues generated from a property tax levy of $3.00 per $1,000.00 of net taxable value of all taxable property within the District (the "Operating Levy"), the revenues of which are passed through to Artesia General Hospital to fund hospital operations. The $3.00 levy generated $3,486,525 in the Fiscal Year ending June 30, 2010 and $4,646,729 in the Fiscal Year ending June 30, 2011.

The Operating Levy was enacted in 2009 for the years 2010 through 2013 pursuant to the approving vote of a majority of the qualified electors of the District who voted on the question. Previously the District enacted a voter-approved operating levy of $2.50 per $1,000.00 of taxable property within the District effective from 2004 through 2007, which was increased, with voter approval, to $3.00 per $1,000.00 in in 2006 for the years 2006 through 2009.

In the event that the Operating Levy is not reapproved by the qualified electors of the District after its expiration, Artesia General Hospital will need to fund its operations by other means or reduce its operating costs. A substantial reduction in services provided by Artesia General Hospital could have an adverse impact on the District's ability to collect property taxes necessary to pay debt service on the Bonds.

Financial Statement

The following Statement of Revenues, Expenditures and Changes in Fund Balances has been included herein for informational purposes only. Figures were taken from the audit reports prepared by Accounting & Consulting Group, LLP, the District's independent auditors (the "Auditor"). The District has not requested the consent of the Auditor to the inclusion of the Fiscal Year ending June 30, 2011 audit report and excerpts thereof in this Official Statement, and the Auditor has not conducted a post-audit review of those Financial Statements. Audited figures are excerpts of the audit reports and do not purport to be complete. Reference is made to the complete audit reports which are available upon request.

Artesia Special Hospital District
Statements of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2011, 2010, 2009, 2008 and 2007

	2011	2010	2009	2008	2007
Operating Revenues					
Mill levy taxes					
Ad-valorem taxes	$ 1,661,082	$ 1,145,596	$ 1,493,319	$ 1,020,650	$ 1,174,751
Oil and gas taxes	3,202,430	2,719,077	2,847,356	2,833,881	1,932,280
Less amounts passed through to AGH	(4,863,512)	(3,437,889)	(3,617,229)	(3,170,671)	(3,107,031)
Less amounts passed through to AGH Reserve	-	(426,784)	(723,446)	(657,241)	-
Lease income	378,000	293,668	250,004	250,004	125,004
Other	352	1,883	10,067	845	3,692
Total operating revenues	378,352	295,551	260,071	277,468	128,696
Operating Expenses					
Miscellaneous	800	7,684	96	24,892	5,395
Contract Labor	-	-	-	-	4,710
Advertising	-	3,652	1,363	1,234	5,576
Insurance	10,342	5,541	10,506	10,830	10,506
Professional fees	32,273	49,700	46,173	67,061	80,441
Indigent Care	60,152	49,525	2,778	8,712	0
Depreciation and amortization	2,143,889	1,914,587	1,753,902	1,700,942	1,049,151
Total operating expenses	2,247,456	2,030,689	1,814,818	1,813,671	1,155,779
Operating income (loss)	(1,869,104)	(1,735,138)	(1,554,747)	(1,536,203)	(1,027,083)
Nonoperating Revenues (Expenses):					
Mill Levy funds used for capital expenditures	-	2,097,401	-	-	-
GO Bond mill levy	2,961,600	2,320,978	3,089,834	3,386,268	2,503,935
Investment income	37,329	76,568	79,195	116,195	407,905
Interest expense	(719,450)	(784,244)	(846,129)	(816,189)	(814,714)
Total nonoperating revenues and expenses	2,279,479	3,710,703	2,322,900	2,686,274	2,097,126
Excess of revenues over expenses before capital grants, Contributions, and additions to permanent endowments	410,375	1,975,565	768,153	1,150,071	1,070,043
Contributions restricted to capital improvements	-	160,000	-	1,020	-
Capital grants			308,650	995,908	48,171
Increase in net assets	410,375	2,135,565	1,076,803	2,146,999	1,118,214
Net assets – beginning of the year	14,940,544	12,804,979	11,728,176	9,581,177	8,462,963
Net assets – end of the year	$ 15,350,919	$ 14,940,544	$ 12,804,979	$ 11,728,176	$ 9,581,177

Artesia Special Hospital District
Statements of Net Assets
June 30, 2011, 2010, 2009, 2008 and 2007

	2011	2010	2009	2008	2007
ASSETS:					
Current Assets					
Cash and cash equivalents (Note 2)	$ 1,497,046	$ 1,321,541	$ 2,263,771	$ 2,494,249	$ 1,411,821
Investments	1,260,403	1,258,382	-	-	-
Mill levy receivable, net (Note 5)	1,090,841	743,877	873,892	1,088,090	658,583
Accrued interest receivable	281	76	4,658	7,297	15,462
Prepaid expenses	4,689	4,689	-	-	-
Total current assets	3,853,260	3,328,565	3,267,321	3,714,636	2,085,866
Noncurrent cash and investments					
Cash restricted by donor for cardiac and general care	5,045	5,032	5,014	24,866	859,823
Cash restricted by donor for dialysis unit	-	-	1,674,929	859,817	339,759
Cash restricted by bond indenture for debt service	4,087,196	3,719,327	3,766,536	3,015,870	3,033,537
Land	60,052	60,052	60,052	60,052	60,052
Depreciable capital assets, net of Accumulated depreciation (Note 7)	27,317,341	29,344,003	28,966,041	29,685,784	24,373,346
Bond issuance costs net of accumulated amortization of $30,804 in 2011 and $23,357 in 2010 $19,910 in 2009 and $14,463 in 2008 $ 5,447 in 2007 and $3,230 in 2006	78,144	83,591	89,038	94,485	99,932
Total noncurrent assets	31,547,778	33,212,005	34,472,572	34,124,953	37,346,622
Total assets	$ 35,401,038	$ 36,540,570	$ 37,828,931	$ 37,934,074	$ 39,532,420
LIABILITIES AND NET ASSETS:					
Current Liabilities					
Accounts payable (Note 6)	$ 2,798	$ 2,443	$ 6,305	$ 172,967	$ 2,216,094
Retainage payable (Note 6)	-	-	-	21,746	250,022
Accrued interest (Note 6)	297,643	324,320	354,891	384,617	426,898
Due to AGH	678,001	461,357	421,401	483,804	687,971
Due to Dialysis Unit	-	-	1,759,209	1,028,056	-
Current portion of long-term debt	1,790,000	1,740,000	1,670,000	1,625,000	2,255,000
Estimated third-party payor settlements (Note 4)	-	-	-	7,595	7,595
Total current liabilities	2,768,442	2,528,120	4,211,806	3,723,785	5,843,580
Long Term Liabilities					
Long-term debt, net of current maturities (Note 8)	17,281,677	19,071,906	20,812,146	22,482,113	24,107,663
Total liabilities	20,050,119	21,600,026	25,023,952	26,205,898	29,951,243
Net Assets					
Invested in capital assets, net of related debt	8,305,716	8,592,149	6,537,642	5,922,574	4,284,724
Restricted, expendable for:					
General care	5,045	5,032	154,672	154,672	154,672
Debt service	4,087,196	3,719,327	3,766,536	3,015,870	3,033,537
Unrestricted	2,952,962	2,624,036	2,346,129	2,635,060	2,108,244
Total net assets	15,350,919	14,940,544	12,804,979	11,728,176	9,581,177
Total liabilities and net assets	$ 35,401,038	$ 36,540,570	$ 37,828,931	$ 37,934,074	$ 39,532,420

ECONOMIC AND DEMOGRAPHIC INFORMATION

The Economy

The Artesia Special Hospital District serves residents of the City of Artesia (2000 U.S. Census 10,692) and the surrounding region.

The City of Artesia was incorporated in 1905 and operates under a Mayor-Council form of government. The City was settled after the discovery of artesian wells in the area and was an agricultural oasis until the early 1920's when many of the area's artesian wells began to dwindle. In 1924 the Illinois #3 oil well cave-in occurred and opened up the Artesia oil fields locally and the Permian Basin regionally. Today, the oil and gas industry continues to flourish along with farming and ranching. Artesia is a very progressive community with strong assets in its labor force, abundant energy (both gas and electricity) and water. The average annual temperature is 59.3 degrees and the area experiences an average annual rainfall of 12.23 inches.

Transportation

The City of Artesia is located in the Pecos Valley in southeastern New Mexico, 239 miles from Albuquerque, the State's largest city, 35 miles from Carlsbad, 41 miles from Roswell, and 175 miles from Lubbock, Texas. The City is served by U.S. Highways 285 and 82. Additional transportation needs are serviced by the Burlington North Santa Fe Railroad, TNM&O Coaches and by airports located in the cities of Roswell and Carlsbad. Mesa Airlines services both Carlsbad and Roswell.

Population

Based on information obtained from the Bureau of Business & Economic Research, the following table shows both the historical and projected population data for the City of Artesia, Eddy County and the State.

Year	City of Artesia	Eddy County	State of New Mexico
1940	4,071	24,311	531,818
1950	8,244	40,640	681,187
1960	12,000	50,783	951,023
1970	10,315	41,119	1,017,055
1980	10,385	47,855	1,303,143
1990	10,775	48,605	1,515,069
2000	10,650	51,658	1,819,046
2005	10,481	53,514	1,970,983
2010	11,301	55,274	2,112,986
2011*	--	54,152	2,982,224

Source: US Department of Commerce, Bureau of the Census

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Agriculture

Eddy County is a significant producer of agricultural products in New Mexico. The primary products are hay, cotton, sorghum, pecans, cattle and wheat. An estimated 300 jobs have been generated in the Artesia area with the creation of 5 dairy operations in the area. The following chart shows cash receipts for livestock and crops (in $1,000s) for Eddy County and New Mexico since 2003:

	Eddy County		Total	Total
Year	Livestock	Crops	Eddy County	New Mexico
2010	$71,373	$51,937	$123,310	$3,239,622
2009	57,201	37,497	94,698	2,637,404
2008	75,800	46,040	121,840	3,061,449
2007	99,709	58,947	158,656	3,077,115
2006	76,828	38,322	115,150	2,500,938
2005	77,166	39,224	116,390	2,614,491
2004	82,995	33,123	116,118	2,564,862
2003	68,716	35,276	103,992	2,149,666
2002	58,866	33,256	92,122	1,950,750
2001	72,027	27,956	99,983	2,213,828

Source: NM Department of Agriculture

Natural Resources

New Mexico continues to be among the top five producers of oil and natural gas in the country, ranking 5th in crude oil production and 4th in proven oil reserves. Oil and gas production is an important factor of the economic base of Eddy County. In 2003, Eddy County ranked 2nd in oil production by county in New Mexico and 3rd in gas production by county in New Mexico. The two companies responsible for growth in the production of oil in the Artesia area are Yates Petroleum Corporation and the Navajo Refining Company. Yates Corporation employs over 300 persons while Navajo Refining, the largest facility of its kind in the State, has over 450 employees with a payroll in excess of $17 million.

Oil and natural gas production in New Mexico is confined in 2 basins: San Juan and Permian. A portion of the Permian Basin of Texas and New Mexico lies within the eastern portion of the District. A portion of the gas is coalbed methane, in which New Mexico is 1st in production and reserves. Approximately 36% of the State's natural gas production is located in southeastern New Mexico (Lea, Eddy, Chaves and Roosevelt Counties). Approximately 97% of the State's oil production is located in southeastern New Mexico. Eddy County is the second largest oil producer in the State, accounting for 37.3% of the value of the State's total oil production in 2004 and the third largest producer of gas, accounting for approximately 18.2% of the value of the State's total gas production in 2004.

Eddy County is also a large producer of potash. Potash is a mined salt containing water-soluble potassium. Potassium Chloride (sylvite) and potassium/magnesium sulfate (langbeinite) are mined by underground methods in Eddy and Lea Counties near Carlsbad. More than 85% of all potash production and more than 70% of all potash sold comes from Eddy County where two companies operate three underground mines and employ approximately 1,000 workers. New Mexico ranks first in the U.S. in potash production.

The following tables set forth the history of oil and gas production in Eddy County and the State of New Mexico.

Crude Oil

Calendar Year	Eddy County		New Mexico	
	Volume (Barrels)	Value (000's)	Volume (Barrels)	Value (000's)
2003	26,566,509	792,483	67,715,933	1,985,530
2004	24,266,545	946,317	65,526,390	2,399,278
2005	21,798,224	1,153,947	61,903,476	3,080,155
2006	20,731,860	1,288,910	60,186,585	3,706,299
2007	21,715,008	1,348,950	59,213,297	6,761,620
2008	22,311,166	2,307,037	61,878,561	6,230,676
2009	24,308,244	1,341,633	62,353,958	3,333,533
2010	27,087,011	2,012,011	58,485,470	4,306,709
2011	33,182,132	2,923,185	72,740,871	6,317,527
2012*	24,695,878	2,325,114	47,640,941	4,616,143

Natural Gas

Calendar Year	Eddy County		New Mexico	
	Volume (MCF)	Value (000's)	Volume (MCF)	Value (000's)
2003	316,184,516	1,583,147	1,523,545,616	7,089,039
2004	294,415,519	1,630,124	1,549,230,660	7,858,969
2005	280,381,018	2,047,663	1,547,720,286	10,316,651
2006	271,087,803	1,711,030	1,525,969,201	10,405,876
2007	266,524,171	1,778,784	1,508,985,029	10,254,722
2008	266,091,879	2,297,269	1,399,508,571	12,772,531
2009	228,464,174	941,395	1,381,753,018	5,727,586
2010	217,987,912	1,193,999	1,155,151,796	6,414,098
2011	220,271,283	1,330,720	1,225,311,905	7,105,030
2012*	136,501,570	672,504	734,922,899	3,386,821

* Through August 2012

Source: New Mexico ONGARD Service Center Website

The following table sets forth a comparative age distribution profile for the City of Artesia, Eddy County, the State and the United States as of January 1, 2011.

Age	Eddy County	New Mexico	United States
0 - 17	27.2%	25.7%	24.5%
18 - 24	9.1%	9.8%	9.7%
25 - 44	24.0%	26.1%	27.0%
45 - 54	14.3%	13.9%	14.6%
55 and older	25.5%	24.5%	24.2%

Source: The Nielsen Company, 2012.

Income

The following two tables reflect median household Effective Buying Income ("EBI") and the percent of households by EBI groups as reported in Sales and Marketing Management's annual surveys of buying power. EBI, a classification developed by Sales and Marketing Management Magazine, is personal income less personal tax and non-tax payments. Personal income includes wages and salaries, other labor income, proprietors' income, rental income, dividends, personal interest income and transfer payments. Deductions are made for federal, state and local taxes, non-tax payments such as fines and penalties, and personal contributions for social security insurance.

Income Range	Eddy County	State of New Mexico	United States
Under $25,000	29.84%	29.63%	23.77%
$25,000 - $34,999	12.18%	12.68%	11.13%
$35,000 - $49,999	16.16%	16.56%	15.53%
$50,000 - $74,999	20.02%	18.29%	19.49%
$75,000 & Over	21.80%	22.84%	30.08%
2011 Est Median Household Income	$42,172	$42,030	$49,726
2012 Est Median Household Income	$42,407	$41,958	$49,581

Source: Nielsen Solution Center, 2012.

The following table sets forth annual per capita personal income levels for Eddy County, the State and the United States. The per capita income level in Eddy County and in the State over this period has been consistently lower than the national average.

Year	Eddy County	New Mexico	United States
2010	$ 40,748	$ 33,342	$ 39,937
2009	36,463	32,389	38,846
2008	40,382	33,490	40,947
2007	34,854	31,675	39,506
2006	32,572	30,209	37,725
2005	29,931	28,641	35,452
2004	27,390	27,092	33,909
2003	26,398	25,639	32,295
2002	24,944	24,977	31,481
2001	24,410	24,751	31,157
2000	21,460	22,746	30,319

Employment

The following table provides a history of labor force and unemployment rates for Eddy County, the State and the United States.

	Eddy County		New Mexico		United States
Year	Labor Force	Percent Unemployment	Labor Force	Percent Unemployment	Percent Unemployment
2002	23,888	5.90%	871,512	5.50%	5.80%
2003	24,170	6.00%	888,468	5.90%	6.00%
2004	24,181	5.70%	901,833	5.80%	5.50%
2005	24,459	4.70%	913,453	5.20%	5.10%
2006	25,050	3.50%	924,516	4.10%	4.60%
2007	26,137	2.80%	936,464	3.50%	4.60%
2008	27,363	3.10%	946,487	4.50%	5.80%
2009	27,958	5.30%	937,158	6.80%	9.30%
2010	28,397	5.70%	934,380	7.90%	9.60%
2011	29,118	4.50%	927,785	7.40%	8.90%

Source: New Mexico Department of Workforce Solutions

Major Employers

The following table shows major employers in the City of Artesia, in order of workforce size.

Company	Business Type	Employees
Navajo Refining Company	Oil & Gas	470
Yates Petroleum Corp.	Oil & Gas	375
Artesia Public Schools	Public Schools	375
Federal Law Enforcement Training Center	Government	300
City of Artesia	Government	175
Penasco Valley Telecommunications	Telecommunications	152
Pride Petroleum	Oil & Gas	125
BJ Services	Oil Field Services	100
Mack Energy	Oil & Gas	100
Artesia General Hospital	Healthcare	100

Covered Wage and Salary Employment by NAICS Code Classification

The New Mexico Department of Labor publishes quarterly reports of covered employment and wages. Beginning with 2001 data, employment was classified according to the new North American Industry Classification System (NAICS).

Sector	2005	2006	2007	2008	2009	2010
Grand Total	$ 35,154	$ 37,432	$ 40,768	$ 44,075	$ 43,448	$ 50,854
Total Private	34,107	36,490	39,776	43,180	42,319	51,116
Ag. For. Fish. & Hunting	23,011	24,395	26,319	28,522	30,640	31,325
Mining	55,919	57,884	61,889	72,383	67,896	100,685
Utilities	43,014	44,398	45,147	48,946	49,882	52,766
Construction	32,222	35,712	37,282	41,227	42,504	41,270
Manufacturing	50,750	57,516	72,052	62,193	61,781	66,577
Wholesale Trade	44,109	45,209	47,501	53,792	51,800	58,099
Retail Trade	20,987	22,299	23,637	24,987	24,507	25,209
Transportation & Warehousing	36,547	39,378	42,896	41,920	36,885	42,682
Information	31,920	34,932	38,208	38,642	38,852	D
Finance & Insurance	31,864	33,000	34,597	35,258	36,550	43,545
Real Estate & Rental & Leasing	42,309	47,624	51,904	58,437	53,444	52,825
Professional & Technical Services	39,490	49,208	54,695	41,756	44,356	D
Management of Companies & Enterprises	50,444	41,111	42,910	48,879	51,483	D
Administrative & Waste Services	42,093	42,689	44,856	52,522	58,596	61,082
Educational Services	22,697	21,934	25,629	27,157	24,533	25,248
Health Care & Social Assistance	29,484	32,051	36,035	37,316	36,929	37,048
Arts, Entertainment & Recreation	13,783	12,488	14,745	17,488	16,124	16,061
Accommodation & Food Services	10,724	11,248	12,262	12,894	13,512	14,113
Other Services, ex. Public Administration	17,983	20,119	20,957	20,401	20,084	20,223
Unclassified	17,878	18,412	17,304	12,251	N/A	D
Total Government	40,273	42,133	45,969	48,985	49,233	49,518
Federal	65,550	67,827	70,814	76,203	76,671	77,890
State	29,624	31,937	33,072	35,125	36,937	36,198
Local	36,417	37,428	41,150	43,373	42,405	42,234

Note: All years have been revised in accordance with U.S. Dept. of Labor, Bureau of Labor Statistics, databases.

Source: U.S. Dept. of Labor, Bureau of Labor Statistics, *Quarterly Census of Employment and Wages.*

TAX EXEMPTION

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing law and assuming continuous compliance with certain covenants made by the District, the interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations. Bond Counsel is further of the opinion that, under existing law, interest on the Bonds is excludable from net income for purposes of the tax imposed on individuals, estates and trusts under the New Mexico Income Tax Act or for purposes of the tax imposed on corporations under the New Mexico Corporate Income and Franchise Tax Act. Bond Counsel will express no opinion regarding other federal or New Mexico income tax consequences resulting from the receipt or accrual of interest on the Bonds. A form of the opinion of Bond Counsel is attached to this Official Statement as Appendix D.

The opinion on federal tax matters will be based on and will assume continuous compliance with certain covenants of the District to be contained in the transcript of proceedings and that are intended to evidence and assure that the Bonds are and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. Bond Counsel has not and will not independently verify the accuracy of any of the certifications and representations made by the District.

The Code prescribes a number of qualifications that must be met and conditions that must be satisfied in order for the interest on state and local government obligations such as the Bonds to be and remain excludable from gross income for federal income tax purposes. Some of these provisions, including provisions for the rebate by the issuer of certain investment earnings to the federal government, require future or continued compliance after issuance of the obligations in order for the interest to be and continue to be so excludable from the date of issuance. Noncompliance with these requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to regular federal income taxes. The District covenants in the Bond Resolution to take all actions that may be required of it in order for the interest on the Bonds to be and remain excludable from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

Code provisions applicable to corporations (as defined for federal income tax purposes) that impose an alternative minimum tax on a portion of the excess of adjusted current earnings over other alternative minimum taxable income may subject a portion of the interest of the Bonds earned by corporations to the corporate tax imposed on certain corporations a branch profits tax imposed on certain foreign corporations doing business in the United States, and a tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes can result in certain adverse federal income tax consequences on items of income or deductions for certain taxpayers, including among them financial institutions, insurance companies, recipients of Social Security and Railroad Retirement benefits, and those that are deemed to incur or continue indebtedness to acquire or carry tax exempt obligations. The applicability and extent of those or other tax consequences will depend upon the particular tax status or other items of income and expense of the owners of the Bonds. Bond Counsel expresses no opinion regarding such consequences.

American Jobs Act of 2011

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. One such proposal is the American Jobs Act of 2011 (S.1549) (the "Jobs Bill") which was introduced in the Senate on September 13, 2011 at the request of the President. If enacted in its current form, the Jobs Bill could adversely impact the marketability and market value of the Bonds and prevent certain bondholders (depending on the financial and tax circumstances of the particular bondholder) from realizing the full benefit of the tax exemption of interest on the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

FINANCIAL INSTITUTION INTEREST DEDUCTION

The Code generally provides that a financial institution may not deduct that portion of its interest expense which is allocable to tax-exempt interest. The interest expense which is allocable to tax-exempt interest is an amount which bears the same ratio to the institution's interest expense as the institution's average adjusted basis of tax-exempt obligations acquired after August 7, 1986 bears to the average adjusted basis of all assets of the institution. Tax exempt obligations may be treated as if issued prior to August 7, 1986 (and therefore are not subject to this rule) if they are "qualified tax exempt obligations" as defined in the Code and are designated for this purpose by the issuer. The District has designated the Bonds as "qualified tax-exempt obligations" for this purpose; however, under provisions of the Code dealing with financial institution preference items, certain financial institutions, including banks, are denied 20% of their otherwise allowable deduction for interest expense with respect to obligations incurred or continued to purchase or carry the Bonds. In general, interest expense with respect to obligations incurred or continued to purchase or carry the Bonds will be in an amount which bears the same ratio as the institution's average adjusted basis in the Bonds bears to the average adjusted basis of all assets of the institution.

Amendments to the Code could be enacted in the future and there is no assurance that any such future amendments which may be made to the Code will not adversely affect the ability of banks or other financial institutions to deduct any portion of its interest expense allocable to tax-exempt interest.

ORIGINAL ISSUE DISCOUNT

The Bonds may be offered at a discount (“original issue discount”) equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a Bond accrues periodically over the term of the Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual or original issue discount increases the holders’ tax basis in the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders of Bonds offered at original issue discount should consult their tax advisor for an explanation of the accrual rules.

ORIGINAL ISSUE PREMIUM

The Bonds may be offered at a premium (“original issue premium”) over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Bond through reductions in the holders’ tax basis in the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Bond rather than creating a deductible expense or loss. Holders of Bonds offered at an original issue premium should consult their tax advisor for an explanation of the amortization rules.

INTERNAL REVENUE SERVICE AUDIT PROGRAM

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

CONTINUING DISCLOSURE INFORMATION

The District will make a written undertaking for the benefit of the holders of the Bonds required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, Section 240.15c 2-12) (the "Rule"). The District undertakes to provide the following information:

(a) Annual Financial Information;

(b) Audited Financial Statements, if any; and

(c) Event Notices.

While any Bonds are outstanding, the District will provide the Annual Financial Information on or before March 31 of each year (the "Report Date"), beginning March 31, 2013, to Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA") annually and to provide notice to EMMA of certain events, pursuant to the requirements of the Rule. It will be sufficient if the District provides to EMMA the Annual Financial Information by specific reference to documents previously provided to EMMA, or filed with the Securities and Exchange Commission and, if such a document is a "final official statement" within the meaning of the Rule, available from the Municipal Securities Rulemaking Board.

If the Audited Financial Statements are not provided as part of the Annual Financial Information, the District will provide the Audited Financial Statements when and if available while any Bonds are outstanding to EMMA.

If an Event occurs while any Bonds are outstanding, the District will provide an Event Notice in a timely manner not more than 10 business days after the Event to EMMA.

The District will provide in a timely manner to EMMA or the Municipal Securities Rulemaking Board notice of any failure by the District while any Bonds are outstanding to provide to EMMA Annual Financial Information on or before the Report Date, any changes in its fiscal year-end, or any amendment to its undertaking described in this section.

The following are the definitions of the capitalized terms used in this section:

"Annual Financial Information" means the financial information (which will be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP") for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB") or operating data with respect to the District), provided at least annually, consisting of information of the type set forth under the headings "DEBT AND OTHER FINANCIAL OBLIGATIONS" and "FINANCES OF THE DISTRICT" in this Official Statement. Such Annual Financial Information shall also include Audited Financial Statements, or if Audited Financial Statements are unavailable, then unaudited financial statements.

"Audited Financial Statements" means the District's annual financial statements, prepared in accordance with GAAP for governmental units as prescribed by GASB, which financial statements have been audited by such auditor as is then required or permitted by the laws of the State.

"Event" means any of the following events with respect to the Bonds:

- principal and interest payment delinquencies;
- non-payment related defaults, if material;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- modifications to the rights of the holders of the Bonds, if material;
- bond calls, if material, or tender offers;
- defeasances;
- release, substitution or sale of property securing repayment of the securities, if material;
- rating changes;
- bankruptcy, insolvency, receivership or a similar event with respect to the District or an obligated person;
- the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- appointment of a successor or additional trustee, or a change of name of a trustee, if material.

"Event Notice" means written or electronic notice of an Event.

Unless otherwise required by law and subject to technical and economic feasibility, the District will employ such methods of information transmission as are requested or recommended by the designated recipients of the District's information.

The continuing obligation of the District to provide Annual Financial Information, Audited Financial Statements, if any, and Event Notices will be in effect from and after the issuance and delivery of the Bonds and will extend to the earliest of (i) the date all principal and interest on the Bonds has been paid or legally defeased pursuant to the terms of the Resolution; (ii) the date on which the District is no longer an "obligated person" with respect to the Bonds within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require the undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

The District's undertaking described in this section may be amended from time to time, without the consent of any Bond owner upon the District's receipt of an opinion of independent counsel experienced in federal securities laws to the effect that such amendment:

(a) is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the District;

(b) the undertaking, as amended, would have complied with the Rule at the time of the initial issue and sale of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; and

(c) the amendment does not materially impair the interests of the owners of the Bonds.

Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information and Audited Financial Statements for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

The obligations of the District under the undertaking described in this section are for the benefit of the owners (including beneficial owners) of the Bonds. Each owner is authorized to take action to seek specific performance by court order to compel the District to comply with its obligations under the undertaking, which action will be the exclusive remedy available to it or any other owner. The District's breach of its obligations under the undertaking will not constitute an event of default under the Resolution and none of the rights and remedies provided by the Resolution will be available to the owners with respect to such a breach.

Compliance with Prior Undertakings

The District has previously entered into continuing disclosure agreements in accordance with SEC Rule 15c2 12. The District believes that it is in material compliance with the requirements of outstanding continuing disclosure agreements entered into in connection with general obligation bonds issued by the District.

LITIGATION

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

RATINGS

The Bonds have received a rating of "____" from Moody's Investors Service ("Moody's"). An explanation of the significance of the rating given by Moody's may be obtained from Moody's at 99 Church Street, New York, New York 10007.

Such ratings reflect only the views of Moody's, and there is no assurance that such ratings will continue for any given period of time after obtained or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Neither the District nor the initial purchasers of the Bonds have undertaken any responsibility to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of such ratings once received or to oppose any such proposed revision.

LEGAL MATTERS

The legality of the Bonds will be approved by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel, whose unqualified opinion approving the legality of the Bonds will be furnished at the closing.

TRANSCRIPT AND CLOSING DOCUMENTS

A complete transcript of proceedings and a no-litigation certificate (described above under "LITIGATION") will be delivered by the District when the Bonds are delivered. The District will at that time also provide a certificate relating to the accuracy and completeness of this Official Statement.

ADDITIONAL INFORMATION

All summaries of the statutes, resolutions, opinions, contracts, agreements, financial and statistical data and other related reports described in this Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection during normal business hours at the offices of the District located at Artesia General Hospital, 702 North 13th Street, Artesia, New Mexico 88210, (505) 748-3333 or at the offices of RBC Capital Markets, LLC, 6301 Uptown Blvd. NE, Suite 110, Albuquerque, New Mexico 87110.

VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS

The mathematical accuracy of (i) the computations of the adequacy of the principal amounts and the interest thereon of the government securities and other funds to be deposited in the Escrow Fund, to provide for the payment of, the principal of, premium and interest on the Refunded Series 1997 Bonds when due or upon early redemption thereof as described under the caption "PURPOSE AND PLAN OF FINANCING" herein, and (ii) the computations made supporting the conclusion that the yield on the Bonds for federal income tax purposes will be verified by Causey, Demgen & Moore, Certified Public Accountants, Denver, Colorado. Such verification will be based, in part, upon information supplied to the certified public accountant by the Underwriter.

TRANSCRIPT AND CLOSING DOCUMENTS

A complete transcript of proceedings and a no-litigation certificate (described above under "LITIGATION") will be delivered by the District when the Bonds are delivered. The District will at that time also provide a certificate relating to the accuracy and completeness of this Official Statement.

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OFFICIAL STATEMENT CERTIFICATION

As of the date hereof this Official Statement is true to the best of my knowledge, complete and correct in all material respects, and does not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they are made, not misleading.

The preparation of this Official Statement and its distribution have been authorized by the Board. The Official Statement is hereby duly approved by the Board as of the date on the cover page hereof.

ARTESIA SPECIAL HOSPITAL DISTRICT

By:____
Dennis Maupin, Chairman, Board of Trustees

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APPENDIX A

OPINION OF BOND COUNSEL

October _____, 2012

Board of Trustees
Artesia Special Hospital District
Artesia, New Mexico

We have acted as bond counsel to the Artesia Special Hospital District (the "District") in connection with the issuance of its $____________ General Obligation Refunding Bonds (the "Bonds") dated October ___, 2012, with interest payable on February 1, 2013, and semi-annually thereafter on each August 1 and February 1 until maturity, and being bonds in registered form maturing on August 1 in the years 2013 through 2019, inclusive. The Bonds are being issued by the District for the purpose of refunding the District's General Obligation Bonds, Series 2005 maturing on and after August 1, 2013.

We have examined the transcript of proceedings (the "Transcript") relating to the issuance of the Bonds and the law under authority of which the Bonds are issued. Based on our examination, we are of the opinion that, under the law existing on the date of this opinion, subject to the provisions of federal bankruptcy law and other laws affecting creditors' rights:

1. The Bonds constitute valid and binding general obligations of the District, and the principal of and interest on the Bonds, unless paid from other sources, are to be paid from the proceeds of the levy of ad valorem taxes on all property within the District subject to ad valorem taxes levied by the District, which levy is unlimited as to rate or amount.

2. Assuming continuing compliance by the District with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and with the covenants contained in the Transcript regarding the use, expenditure and investment of Bond proceeds, interest on the Bonds is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation. Interest on the Bonds is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds is included as an adjustment in calculating corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax. Failure of the District to comply with its covenants and with the requirements of the Code may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issuance.

3. Interest on the Bonds is excludable from net income for purposes of the tax imposed on individuals, estate and trusts under the New Mexico Income Tax Act and for purposes of the tax imposed on corporations under the New Mexico Corporate Income and Franchise Tax Act.

Other than as described herein, we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Bonds.

The opinions expressed herein represent our legal judgment based upon existing law, legislation, regulations and rulings as of the date of issuance and delivery of the Bonds that we deem relevant to render such opinions and are not a guarantee of a result, and we express no opinion as of any date subsequent hereto or with respect to any pending legislation.

We are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Bonds.

Respectfully submitted,

APPENDIX B

AUDITED FINANCIAL STATEMENTS – JUNE 30, 2011

ARTESIA SPECIAL HOSPITAL DISTRICT

EDDY COUNTY, NEW MEXICO

FINANCIAL STATEMENTS

AS OF JUNE 30, 2011 AND 2010

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INTRODUCTORY SECTION

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Artesia Special Hospital District
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June 30, 2011

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Artesia Special Hospital District
Official Roster
June 30, 2011

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FINANCIAL SECTION

Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
The Board of Trustees and
Management of Artesia Special Hospital District
Artesia, New Mexico

We have audited the accompanying financial statements of the business-type activities of Artesia Special Hospital District (the District), a political subdivision of the State of New Mexico as of and for the years ended June 30, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report thereon dated October 7, 2011. We also have audited Schedule III - Schedule of Revenues and Expenses with Budget Comparison presented as supplementary information for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Artesia Special Hospital District, as of June 30, 2011 and 2010, and the respective changes in financial position thereof, and cash flows, and the budgetary comparison for the enterprise fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* on pages 13 through 17 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

2700 San Pedro NE Albuquerque NM 87110 T: 505.883.2727 F: 505.884.6719 www.acgnm.com

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparison of the District. The supplemental schedules, Schedule I – Schedule of Collateral Pledged by Depository for Public Funds and Schedule II – Schedule of Deposit and Investment Accounts, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Schedule I – Schedule of Collateral Pledged by Depository for Public Funds and Schedule II – Schedule of Deposits and Investment Accounts have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Certified Public Accountants

Albuquerque, New Mexico
October 7, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Artesia Special Hospital District's (District) financial performances provides an overview of the District's financial activities for the fiscal years ended June 30, 2011 and 2010. Please read it in conjunction with the District's financial statements.

Financial Highlights

- The District's change in unrestricted net assets between 2011 and 2010 was $328,926 or a 12.5% increase mainly due to operating revenues exceeding the operating expenses by $274,785, excluding depreciation. Non-operating revenues exceeded non-operating expenses primarily because general obligation bond mill levy collections are used to pay both principal and interest but the principal payments are not an expense item. Principal payment on general obligation bond debt was $1,740,000 in 2011.
- The District reported an operating loss of $1,735,138 in 2010 and an operating loss of $1,869,104 in 2011 mainly due to Mill Levy collections passed through to Artesia General Hospital and increased depreciation and amortization expenses. While the District receives operating mill levy collections that exceed depreciation deductions, these collections are passed through to Artesia General Hospital ("AGH") under the terms of the District's lease agreement with the AGH. The District does receive lease income from AGH that is sufficient to cover all operating expenses except depreciation. Excluding depreciation, the District has an operating profit of $274,785 in 2011. The large depreciation deductions are due to the completion of a $20,000,000 expansion of the District's hospital facilities in November 2006 along with the completion of a renovation project in 2010. This expansion was funded by proceeds from the $20,000,000 and $8,000,000 general obligation bond issuances approved by voters in August 2004 and November 2006, respectively.
- Personal property values increased in 2010-2011 resulting in an Operating mill levy tax revenue increase of $998,839 or 25.9%.
- The 2011 General Obligation Bond mill levy was $2,961,600 in 2011 and $2,320,978 in 2010.
- There were no construction in progress expenditures during the years ended June 30, 2011 and 2010 respectively.

Using This Annual Report

The District's financial statements consist of three statements— Statements of Net Assets; Statements of Revenues, Expenses and Changes in Net Assets; and Statements of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, or enabling legislation.

The Statements of Net Assets and Statements of Revenues, Expenses, and Changes in Net Assets

One of the most important questions asked about the District finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets—the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the District.

The District is a unique organization in the fact that it does not have normal operations. The District is a governmental entity that its sole purpose is to own District assets and collect Mill Levy funds. The District has suffered large losses over the years but it is mainly depreciation expense. The cash portion of the District is sound.

Table 1: Assets, Liabilities, and Net Assets

	2011	2010	2009
Assets:			
Current assets	$ 3,853,260	$ 3,328,565	$ 3,267,321
Capital assets	27,377,393	29,404,055	29,026,093
Other non-current assets	4,170,385	3,807,950	5,535,517
Total assets	$ 35,401,038	$ 36,540,570	$ 37,828,931
Liabilities:			
Long term obligations outstanding	$ 19,071,677	$ 20,811,906	$ 22,482,146
Other current and non-current liabilities	978,442	788,120	2,541,806
Total Liabilities	20,050,119	21,600,026	25,023,952
Net assets:			
Invested in capital assets net of related debt	8,305,716	8,592,149	6,537,642
Restricted for capital improvements	-	-	-
Restricted for general care	5,045	5,032	5,014
Restricted for cardiac care			
Restricted for debt service	4,087,196	3,719,327	3,766,536
Unrestricted	2,952,962	2,624,036	2,495,787
Total net assets	15,350,919	14,940,544	12,804,979
Total liabilities and net assets	$ 35,401,038	$ 36,540,570	$ 37,828,931

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balances during the reporting period?"

The District's Net Assets

The District's net assets are the difference between its assets and liabilities reported in the Statements of Net Assets. The District's net assets increased $410,375 or 2.75% as you can see from Table 2.

Operating Results and Changes in the District's Net Assets

Table 2: Operating Results and Changes in the District's Net Assets

	2011	2010	2009
Operating revenues			
Mill levy taxes	$ 4,863,512	$ 3,864,673	$ 4,340,675
Less amouns passed			
through to: AGH	(4,863,512)	(3,437,889)	(3,617,229)
AGH reserve	-	(426,784)	(723,446)
Lease income	378,000	293,668	250,004
Other	352	1,883	10,067
Total operating revenues	378,352	295,551	260,071
Operating expenses			
Miscellaneous	800	7,684	96
Professional fees	32,273	49,700	46,173
Advertising	-	3,652	1,363
Insurance	10,342	5,541	10,506
Rents and leases	-	-	2,778
Indigent care	60,152	49,525	-
Depreciation and			
amortization	2,143,889	1,914,587	1,753,902
Total operating expenses	2,247,456	2,030,689	1,814,818
Operating income (loss)	(1,869,104)	(1,735,138)	(1,554,747)
Nonoperating revenues and expenses			
Mill levy funds used for capital			
expenditures	-	2,097,401	-
G.O. bond mill levy	2,961,600	2,320,978	3,089,834
Investment income	37,329	76,568	79,195
Interest expense	(719,450)	(784,244)	(846,129)
Total nonoperating revenues (expenses)	2,279,479	3,710,703	2,322,900
Excess of revenues over expenses			
before capital grants, contributions,			
and additions to permanent endowments	410,375	1,975,565	768,153
Restricted contributions	-	160,000	-
Capital Grants	-	-	308,650
Increase in net assets	410,375	2,135,565	1,076,803
Net assets beginning of year	14,940,544	12,804,979	11,728,176
Net assets end of year	$ 15,350,919	$ 14,940,544	$ 12,804,979

Operating Income/(Loss)

Operating income/(loss) consists of three main items. One, the mill levy funds ($4,863,512 in 2011) are collected and paid directly to the management company operating the Hospital. The mill levy funds consist of ad valorem taxes, which are received 60 days after collection and oil and gas revenue, which are received 30 days after collection. Eddy County oversees the distribution of these funds. The management company must spend these funds on the operation of the District. The second component is lease income. The lease income is from the management company for the lease of the hospital. A new lease agreement began in November of 2009 and expires in October of 2014. The third component is other which primarily consists of bad debt recoveries and various other payments from operations from years past.

Non-operating Revenues and Expenses

Non-operating revenues and expenses consist primarily of the General Obligation Bond mill levy. The other components of non-operating revenues and expenses relate to investment income and investment expense. The District's cash is invested in Certificate of Deposits and Money Market Accounts.

Grants, Contributions, and Endowments

The District did not receive any capital grant revenue from state agencies for the purchase of equipment in 2011.

The District Cash Flows

Changes in the District cash flows are consistent with changes in operating losses and non-operating revenues and expenses, discussed earlier.

Significant variances between final budget and actual

There were no significant variances noted between the final budget and actual revenue and expenses.

Capital Assets

At the end of 2011, the District had $27,377,393 invested in capital assets, net of accumulated depreciation, as detailed in Note 7 to the financial statements. In 2011, the District purchased equipment costing $92,882 and completed land improvements costing $18,898 for total capital asset additions of $111,780.

In 2005 the District began a 65,000 square feet expansion of its hospital facilities. This expansion was funded by proceeds from the issuance of $20,000,000 in general obligation bonds approved by voters in August 2004. Actual construction of the expansion project was completed in November 2006.

The District also began renovations of existing hospital facilities in December 2006 funded by proceeds from the issuance of $8,000,000 in general obligation bonds approved by voters in August 2006. The renovation work was completed in May 2009.

Debt

The District had $17,281,677, net of current maturities of $1,790,000, of General Obligation Bonds outstanding as outlined in Note 8 to the financial statements. Debt was incurred for renovations and new construction for the Hospital.

Subsequent Events

There were no subsequent events after the fiscal year ended June 30, 2011 and before the completion of the financial statements noted.

Contacting the District Financial Management

The financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Board Chairman, at Artesia Special Hospital District, P. O. Box 628, Artesia, New Mexico 88210.

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BASIC

FINANCIAL STATEMENTS

Artesia Special Hospital District
Statements of Net Assets
June 30, 2011 and 2010

Assets

		2011		2010
Current Assets				
Cash and cash equivalents (Note 2)	$	1,497,046	$	1,321,541
Investments		1,260,403		1,258,382
Mill levy receivable, net (Note 5)		1,090,841		743,877
Accrued interest receivable		281		76
Prepaid expenses		4,689		4,689
Total current assets		3,853,260		3,328,565
Noncurrent cash and investments				
Cash restricted by donor for cardiac and general care		5,045		5,032
Cash restricted by bond indenture for debt service		4,087,196		3,719,327
Land		60,052		60,052
Depreciable capital assets, net of accumulated depreciation (Note 7)		27,317,341		29,344,003
Bond issuance costs net of accumulated amortization of $30,804 in 2011 and $23,357 in 2010		78,144		83,591
Total noncurrent assets		31,547,778		33,212,005
Total assets	$	35,401,038	$	36,540,570

The accompanying notes are an integral part of these financial statements.

Artesia Special Hospital District
Statements of Net Assets
June 30, 2011 and 2010

Liabilities and Net Assets

	2011	2010
Current Liabilities		
Accounts payable (Note 6)	$ 2,798	$ 2,443
Due to AGH	678,001	461,357
Accrued interest (Note 6)	297,643	324,320
Current portion of long-term debt	1,790,000	1,740,000
Total current liabilities	2,768,442	2,528,120
Long Term Liabilities		
Long-term debt, net of current maturities (Note 8)	17,281,677	19,071,906
Total liabilities	20,050,119	21,600,026
Net Assets		
Invested in capital assets, net of related debt	8,305,716	8,592,149
Restricted, expendable for:		
General care	5,045	5,032
Debt service	4,087,196	3,719,327
Unrestricted	2,952,962	2,624,036
Total net assets	15,350,919	14,940,544
Total liabilities and net assets	$ 35,401,038	$ 36,540,570

The accompanying notes are an integral part of these financial statements.

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Artesia Special Hospital District
Statements of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2011 and 2010

	2011	2010
Operating Revenues		
Mill levy taxes		
Ad-valorem taxes	$ 1,661,082	$ 1,145,596
Oil and gas taxes	3,202,430	2,719,077
Less amounts passed through to AGH	(4,863,512)	(3,437,889)
Less amounts passed through to AGH Reserve	-	(426,784)
Lease income	378,000	293,668
Other	352	1,883
Total operating revenues	378,352	295,551
Operating Expenses		
Miscellaneous	800	7,684
Advertising	-	3,652
Insurance	10,342	5,541
Professional fees	32,273	49,700
Indigent Care	60,152	49,525
Depreciation and amortization	2,143,889	1,914,587
Total operating expenses	2,247,456	2,030,689
Operating income (loss)	(1,869,104)	(1,735,138)
Nonoperating Revenues (Expenses):		
Mill Levy funds used for capital expenditures	-	2,097,401
GO Bond mill levy	2,961,600	2,320,978
Investment income	37,329	76,568
Interest expense	(719,450)	(784,244)
Total nonoperating revenues and expenses	2,279,479	3,710,703
Excess of revenues over expenses before capital grants, contributions, and additions to permanent endowments	410,375	1,975,565
Contributions restricted to capital improvements	-	160,000
Increase in net assets	410,375	2,135,565
Net assets - beginning of the year	14,940,544	12,804,979
Net assets - end of the year	$ 15,350,919	$ 14,940,544

The accompanying notes are an integral part of these financial statements.

Artesia Special Hospital District
Statements of Cash Flows
For the years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Receipts from customers and users	$ 352	$ 1,883
Receipts from leases	378,000	418,668
Payments to vendors	(103,212)	(124,653)
Net cash provided by operating activities	**275,140**	**295,898**
Cash flows from non-capital financing activities:		
Mill levy taxes	4,646,729	3,908,997
Pass through of mill levy taxes to AGH	(4,646,729)	(3,486,525)
Net cash provided by non-capital financing activities	**-**	**422,472**
Cash flows from capital and related financing activities:		
Gift revenue	-	160,000
GO Bond mill levy	2,831,280	2,406,669
Purchase of capital assets	(111,780)	(2,287,102)
Interest payments on long-term debt	(746,356)	(815,055)
Principal payments on long-term debt	(1,740,000)	(1,670,000)
Net cash provided (used) by capital and related financing activities	**233,144**	**(2,205,488)**
Cash flows from investing activities:		
Investment income	37,124	81,150
Purchase of investments	(2,021)	(1,258,382)
Net cash provided (used) by investing activities	**35,103**	**(1,177,232)**
Net increase (decrease) in cash	**543,387**	**(2,664,350)**
Cash - beginning of year	**5,045,900**	**7,710,250**
Cash - end of year	**$ 5,589,287**	$ **5,045,900**
Unrestricted cash and cash equivalents	**$ 1,497,046**	$ **1,321,541**
Restricted cash and cash equivalents		
Restricted by donor for cardiac and general care	5,045	5,032
Restricted for debt service	4,087,196	3,719,327
Total cash and cash equivalents	**$ 5,589,287**	$ **5,045,900**

The accompanying notes are an integral part of these financial statements.

Artesia Special Hospital District

Statements of Cash Flows

For the years ended June 30, 2011 and 2010

	2011	2010
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ (1,869,104)	$ (1,735,138)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation and amortization	2,143,889	1,914,587
Increase (decrease) in:		
Accounts payable	355	(3,862)
Decrease (increase) in:		
Accounts receivable	-	125,000
Prepaid Insurance	-	(4,689)
Net cash provided by operating activities	$ 275,140	$ 295,898

The accompanying notes are an integral part of these financial statements.

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NOTE 1. DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

In September 1978, the Artesia Special Hospital District (District) was created pursuant to the New Mexico Special Hospital District Act and under that authority operated Artesia General Hospital (Hospital) until October 31, 1999. The Hospital, which is licensed for 38 beds, began operation on November 14, 1981. The Board of Trustees are elected by the residents of the District pursuant to Chapter 4, Article 48A-6 NMSA 1978 and they are authorized by New Mexico statute to call for a resolution imposing ad valorem taxes on all properties located within the Special Hospital District. The Artesia Special Hospital District has no component units and is not a component unit of another governmental entity.

As of October 31, 1999, the District entered into a series of agreements to lease the hospital to VHA Southwest Community Health Corporation (CHC), a Texas not-for-profit corporation, which CHC will operate through a wholly owned subsidiary, Artesia General Hospital (AGH), a New Mexico not-for-profit corporation. The agreement between the District and CHC/AGH is explained through the following documents:

District Operating Agreement between the District and CHC

CHC retains certain reserved powers as necessary to perform its oversight responsibilities of the ongoing operation of AGH, which, in turn, must remain committed to serving the healthcare needs of all the citizens of Artesia to the extent and manner that the citizens expect from Artesia General Hospital. The District must pay to AGH unit the total amount of the mill levy tax that the District receives each year. The agreement with AGH was renewed on November 1, 2009 for a period of five years and will be automatically renewed for one successive five-year period.

Facility and Equipment Lease Agreement between the District (as landlord) and AGH (tenant)

The leased property consists of land, a hospital building and storage building located in Artesia. Virtually all personal property is located at this site as well as in two suites in a medical office building and an offsite storage facility.

Under the lease agreement, covering the period from November 1, 2009 to October 31, 2014, the tenant will pay rent to the landlord in the amount of $378,000 annually. The tenant must keep and maintain the entire premises in good condition, promptly making all necessary repairs and replacements and maintain adequate coverage through fire, casualty and liability insurance.

Summary of Significant Accounting Policies

The summary of significant accounting policies of the District is presented to assist in the understanding of the District’s financial statements. The financial statements and notes are the representation of the District’s management who is responsible for their integrity and objectivity. The financial statements of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

NOTE 1. DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting - Enterprise Fund Accounting - The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. As initially provided in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, and made permanent for enterprise funds by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents – Cash and Cash Equivalents include investments with an original maturity of three months or less. Cash and temporary investments consist of checking accounts and a certificate of deposit is maintained at a local financial institution. The certificate of deposit is carried at cost, which approximates fair value.

Capital Assets - State law sets a capitalization threshold of $5,000 for acquisitions of property and equipment. The District has elected to follow State policy. Acquisitions of capital assets are recorded at cost. Improvements and replacements of building and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of revenues, expenses and changes in net assets. The District does not have any infrastructure.

Capital assets donated for healthcare operations are recorded as additions to the donor-restricted plant, replacement and expansion funds at fair value at the date of receipt, and as a transfer to the general fund balance when the assets are placed in service.

Depreciation is provided over the estimated useful life of the asset and is computed using the straight-line method. Useful lives are assigned using industry guidelines published by the American Hospital Association and typically range from 3 to 40 years.

Donor-Restricted Funds – Contributed funds, the use of which is specified by donors or grantors, are recorded as additions to restricted fund balance. Resources restricted by donors for specific operating purposes are reported in other operating revenue to the extent used within the period. Restricted amounts are released from restricted fund balance when the restriction imposed by the donor has been satisfied.

Mill Levy – An operating mill levy, approved by the voters of Eddy County, expires in 2013 (See Note 5 for additional information regarding renewal). The District recorded $4,863,512 in 2011 and $3,864,673 in 2010 in mill levy operating revenues. The amounts were used in accordance with the provisions of the property tax referendum. A General Obligation (GO) bond mill levy, approved by voters of Eddy County in November 2004 and August 2006 will expire in 2019. The District recorded $2,961,600 in 2011 and $2,320,978 in 2010 of mill levy revenue under the GO bond mill levy. The amounts will be used in accordance with the provisions of the property tax referendum.

The District receives mill levy taxes from the Treasurer of Eddy County. The County serves as the intermediary collecting agency and remits the District's share of mill levy tax collections. The District does not maintain detailed records of mill levy taxes receivable by the individual taxpayer.

NOTE 1. DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mill levy property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. The District recognizes revenue from mill levy property taxes in the period for which they are levied, net of estimated refunds and uncollectible amounts.

<u>Grants and Contributions</u> –From time to time, the District receives grants from the State of New Mexico and the City of Artesia as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

<u>Restricted Resources</u> – When the District has both restricted and unrestricted resources available to finance a particular program, it is the District's policy to use restricted resources before unrestricted resources.

<u>Net Assets</u> – Net assets of the District are classified in three components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net assets* are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District, including amounts deposited with trustees as required by revenue bond indentures. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt* or *restricted.* The Statement of Net Assets reports $4,092,241 of restricted net assets, of which $0 is restricted by enabling legislation.

<u>Operating Revenues and Expenses</u> – The District statements of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with passing mill levy taxes through to the operating company, collecting lease income, and collecting old debts. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to administer the operating revenues.

<u>Revenue Recognition for Derived Tax Revenues</u> – It is the policy of the District to recognize non-exchange revenues for which there are time requirements in the period in which those time requirements are met, regardless of whether the revenues are due or whether an enforceable legal claim to the assets exists. If no time requirements are specified in enabling legislation, revenues are recognized when the District has an enforceable legal claim to the assets or when they are received, whichever occurs first.

<u>Budgets and Budgetary Accounting</u> – Prior to the beginning of each fiscal year, the budget for the general fund of the District is prepared on the non-GAAP budgetary basis by the Chairman and is presented to the District's Board of Trustees (the Board) for review and approval. Upon Board approval, the budget is sent to the Department of Finance and Administration of the State of New Mexico (DFA) for tentative approval. Final approval is granted after the beginning of the fiscal year when net assets for the prior year are known. Expenditures legally cannot exceed the total budget. Any budget amendments are first reviewed and approved by the Board and then sent to the DFA for state approval. The board is authorized to transfer budgeted amounts between departments; however, any revisions that alter total expenditures must be approved by the DFA. As of June 30, 2011 and 2010, the District was not aware of any non-compliance with these requirements.

NOTE 1. DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risk Management – The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Investments in debt and equity securities - Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating revenue when earned.

Bond issuance cost and amortization – Bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

Comparability - Certain prior year balances have been reclassified to conform to the June 30, 2011 financial statement presentation.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state were insured up to $250,000 in aggregate and separate from the $250,000 coverage for public unit demand deposits at the same institution. The TAGP program expired on December 31, 2010. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The separate coverage on non-interest bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From December 31, 2010 to July 20, 2011 accounts held by an official custodian for a government unit are insured as follows:

· Up to $250,000 for the combined total of all time and savings deposits (including NOW accounts), and
· Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

Through July 20, 2011, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. New Mexico State Statutes require collateral to be pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. As of June 30, 2011 and 2010, $6,350,308 and $5,867,804 of the District's bank balances were exposed to custodial credit risk.

The collateral pledged is listed on Schedule I on this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, District or political subdivision of the State of New Mexico.

	First American	Western Bank	Total
Year ended June 30, 2011			
Total amount of deposits	$ 5,589,905	$ 1,260,403	$ 6,850,308
FDIC Coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	5,339,905	1,010,403	6,350,308
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the District's name	5,339,905	692,911	6,032,816
Uninsured and uncollateralized	$ -	$ 317,492	$ 317,492
Collateral requirement (50% of uninsured public funds)	$ 2,669,953	$ 505,202	$ 3,175,155
Pledged securities	5,543,598	692,911	6,236,509
Over (under) collateralization	$ 2,873,645	$ 187,709	$ 3,061,354

	First American	Western Bank	Total
Year ended June 30, 2010			
Total amount of deposits	$ 5,109,422	$ 1,258,382	$ 6,367,804
FDIC Coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	4,859,422	1,008,382	5,867,804
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the District's name	4,859,422	683,235	5,542,657
Uninsured and uncollateralized	$ -	$ 325,147	$ 325,147
Collateral requirement (50% of uninsured public funds)	$ 2,429,711	$ 504,191	$ 2,933,902
Pledged securities	6,015,528	683,235	6,698,763
Over (under) collateralization	$ 3,585,817	$ 179,044	$ 3,764,861

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

Reconciliation to the Statement of Net Assets

		2011		2010
Deposits	$	6,850,308	$	6,367,804
Reconciling items		(618)		(63,522)
Carrying amount	$	6,849,690	$	6,304,282

The carrying amounts of deposits and investments shown above are included in the District's statements of net assets as follows:

		2011		2010
Cash and cash equivalents	$	1,497,046	$	1,321,541
Investments		1,260,403		1,258,382
Non-current cash and investments				
Restricted by donor for cardiac and general care		5,045		5,032
Restricted for debt service		4,087,196		3,719,327
Total	$	6,849,690	$	6,304,282

NOTE 3. RESTRICTED NET ASSETS

Restricted net assets are expendable for the following purposes:

		2011		2010
General care	$	5,045	$	5,032
Debt Service		4,087,196		3,719,327
Total restricted net assets	$	4,092,241	$	3,724,359

NOTE 4. CONTINGENCIES

The estimated third party payor settlements recorded at June 30, 2009 could differ from actual settlements based on the results of cost report audits. Medicaid cost reports for all years and Medicare cost reports for all years up to October 1, 1999 have been audited and settled as of the date of the prior year Independent Auditor's Report. There are no amounts receivable and payable relating to final settlements as of June 30, 2011. All settled cost reports can be re-opened and are, therefore, subject to subsequent adjustment. In the opinion of management, adequate reserves for estimated final settlements have been provided as of June 30, 2011.

NOTE 5. MILL LEVY TAXES RECEIVABLE

A New Mexico law adopted in 1980 and amended in 1981 allows counties to provide expanded tax support to qualified Districts. Mill levy taxes are reported as revenue in the period for which they were levied. Due to additional information obtained from Eddy County, the District changed their estimate for uncollectible ad-valorem taxes in 2007. The allowable-uncollectible amount represented taxes protested by Navajo Refinery Company for 2005, 2006, and 2007 and amounts protested by Qwest for 2006 and 2007. In 2011 the taxes under protest were settled in favor of the tax payer and the District did not receive any part of these amounts. Therefore, the allowance was reduced to $612, based on an estimate of all amounts outstanding.

The District received cash operating mill levy proceeds of $4,646,488 and $3,908,997 in 2011 and 2010 respectively and passed through to AGH and Dialysis Unit the amounts of $4,646,729 and $3,486,525 in 2011 and 2010, respectively.

NOTE 5. MILL LEVY TAXES RECEIVABLE (continued)

Mill levies were used in accordance with the provisions of the 1980 Hospital Funding Act, as amended. The new mill levy was passed in August 2006 and expired in 2009. In August of 2009 the mill levy was voted in favor of renewal for tax years 2011 to 2013.

The District recorded General Obligation Bond mill levy revenues of $2,961,600 and $2,320,978 in 2011 and 2010, respectively. This mill levy was passed by the voters in November 2004 and August 2006. Bonds are scheduled to be paid off August 2019.

The total Mill levy receivable was $1,090,841 and $743,877 at June 30, 2011 and 2010 respectively. Mill levy receivable consists of the following at June 30, 2011 and 2010:

		2011		2010
Mill levy receivable				
Ad-valorem	$	61,220	$	38,638
Oil and gas		1,030,233		705,625
Less: allowance for uncollectible amounts		(612)		(386)
Mill levy receivable	$	1,090,841	$	743,877

NOTE 6. ACCOUNTS RECEIVABLE AND PAYABLE

Accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the District at June 30, 2011 and 2010 consisted of these amounts:

Accounts Receivable and Accrued Interest		**2011**		**2010**
Mill levy receivable, net of uncollectible amounts	$	1,090,841	$	743,877
Accrued interest receivable		281		76
Total accounts receivable and accrued interest	$	1,091,122	$	743,953

Accounts Payable and Accrued Expenses		**2011**		**2010**
Accounts payable to contractors and others	$	2,798	$	2,443
Accrued bond interest payable		297,643		324,320
Total accounts payable and accrued expenses	$	300,441	$	326,763

NOTE 7. CAPITAL ASSETS

Capital assets, additions, retirements, and balances for the year ended June 30, 2011 are as follows:

	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
Non-depreciable assets:				
Land	$ 60,052	$ -	$ -	$ 60,052
	60,052	-	-	60,052
Depreciable assets:				
Land improvements	1,229,969	18,898	-	1,248,867
Buildings and improvements	33,862,405	-	-	33,862,405
Equipment	9,925,132	92,882	-	10,018,014
	45,017,506	111,780	-	45,129,286
Accumulated depreciation				
Land improvements	(582,965)	(94,337)	-	(677,302)
Buildings and improvements	(8,410,682)	(1,365,272)	-	(9,775,954)
Equipment	(6,679,856)	(678,833)	-	(7,358,689)
	(15,673,503)	(2,138,442)	-	(17,811,945)
Net capital assets	$ 29,404,055	$ (2,026,662)	$ -	$ 27,377,393

Depreciation expense for the periods ended June 30, 2011 and 2010 was $2,138,442 and $1,909,140 and interest capitalized for the years ended June 30, 2011 and 2010 was $23,901 and $23,902, respectively.

NOTE 7. CAPITAL ASSETS (continued)

Capital assets, additions, retirements, and balances for the year ended June 30, 2010 are as follows:

	Balance June 30, 2009	Additions	Disposals	Balance June 30, 2010
Non-depreciable assets:				
Land	$ 60,052	$ -	$ -	$ 60,052
	60,052	-	-	60,052
Depreciable assets:				
Land improvements	1,229,969	-	-	1,229,969
Buildings and improvements	33,445,032	417,373	-	33,862,405
Equipment	8,055,403	1,869,729	-	9,925,132
	42,730,404	2,287,102	-	45,017,506
Accumulated depreciation				
Land improvements	(489,771)	(93,194)	-	(582,965)
Buildings and improvements	(7,056,871)	(1,353,811)	-	(8,410,682)
Equipment	(6,217,721)	(462,135)	-	(6,679,856)
	(13,764,363)	(1,909,140)	-	(15,673,503)
Net capital assets	$ 29,026,093	$ 377,962	$ -	$ 29,404,055

NOTE 8. LONG-TERM DEBT

A schedule of changes in the District's General Obligation Bonds for 2011 and 2010 follows:

	Balance June 30, 2010	Additions	Reductions/ Adjustments	Balance June 30, 2011	Amounts Due Within One Year
2005 GO Bond	$ 14,910,000	$ -	$ 1,240,000	$ 13,670,000	$ 1,290,000
2006 GO Bond	5,900,000	-	500,000	5,400,000	500,000
2006 Premium	1,906	-	229	1,677	-
Total Long-Term Debt	$ 20,811,906	$ -	$ 1,740,229	$ 19,071,677	$ 1,790,000

	Balance June 30, 2009	Additions	Reductions/ Adjustments	Balance June 30, 2010	Amounts Due Within One Year
2005 GO Bond	$ 16,105,000	$ -	$ 1,195,000	$ 14,910,000	$ 1,240,000
2006 GO Bond	6,375,000	-	475,000	5,900,000	500,000
2006 Premium	2,146	-	240	1,906	-
Total Long-Term Debt	$ 22,482,146	$ -	$ 1,670,240	$ 20,811,906	$ 1,740,000

NOTE 8. LONG-TERM DEBT (continued)

Bonds outstanding at June 30, 2011, consist of the following issues:

General Obligation Bonds Series : 2005
Original Issue : $20,000,000
Principal : August 1
Interest : February 1 and August 1
Rates : 3.25% - 4.50%
Purpose: To erect, remodel, make additions to and furnish and provide equipment to the Hospital or any combination of these purposes.

Scheduled principal and interest repayments on long-term debt obligations are as follows:

Fiscal Year Ending June 30,		Principal		Interest		Total
2012	$	1,290,000	$	483,850	$	1,773,850
2013		1,345,000		439,419		1,784,419
2014		1,395,000		393,150		1,788,150
2015		1,455,000		343,275		1,798,275
2016		1,510,000		290,444		1,800,444
2017-2020		6,675,000		545,338		7,220,338
Total	$	13,670,000	$	2,495,476	$	16,165,476

General Obligation Bonds Series : 2006
Original Issue : $8,000,000
Principal : August 1
Interest : February 1 and August 1
Rates : 3.75% - 4.50%
Purpose: To renovate and make additions to the Hospital.

Scheduled principal and interest repayments on long-term debt obligations are as follows:

Fiscal Year Ending June 30,		Principal		Interest		Total
2012	$	500,000	$	197,606	$	697,606
2013		525,000		176,466		701,466
2014		550,000		154,637		704,637
2015		575,000		132,137		707,137
2016		600,000		109,688		709,688
2017-2020		2,650,000		202,794		2,852,794
Total	$	5,400,000	$	973,328	$	6,373,328

The District has established an Interest and Sinking fund for the payment of principal and interest on the Bonds. The Bond fund will be used at all times while the Bonds are outstanding. This fund is used primarily to achieve a proper matching of revenues and debt service requirements on the Bonds during each year.

NOTE 9. RELATED PARTY

A member of the Board is also the owner of an insurance agency that provides insurance for the District. The total amount of services provided for fiscal year 2011 is $111.

NOTE 10. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2011, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is October 7, 2011 which is the date on which the financial statements were issued.

NOTE 11. SUBSEQUENT PRONOUNCEMENTS

In November 2010, GASB Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements,* Effective Date: For financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The standard is expected to have no effect on the District in upcoming years.

In November 2010, GASB Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34,* Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The standard is expected to have no effect on the District in upcoming years.

In December 2010, GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30*, *1989 FASB and AICPA Pronouncements*, Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The District will implement this standard during fiscal year June 30, 2013.

In June 2011, GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* Effective Date: The provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the District in upcoming years.

In June 2011, GASB Statement No. 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions*—an amendment of GASB Statement No. 53 Effective Date: The provisions of Statement 64 are effective for financial statements for periods beginning after June 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the District in upcoming years.

APPENDIX C

OFFICIAL NOTICE OF MEETING AND BOND SALE
$8,900,000
ARTESIA SPECIAL HOSPITAL DISTRICT
COUNTY OF EDDY, NEW MEXICO
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012

PUBLIC NOTICE IS HEREBY GIVEN that the Board of Trustees (the "Board"), the governing body of the Artesia Special Hospital District, Artesia, County of Eddy, New Mexico (the "District") will, at the hour of 11:00 a.m. on September 25, 2012, or such other date and time as indicated below (the "Rescheduled Bid Date" and "Rescheduled Deadline," respectively, and together with the Original Bid Date and the Original Deadline, the "Bid Date" and "Deadline," respectively), receive and publicly open sealed or electronic transmission bids at the offices of Hinkle, Hensley, Shanor & Martin, LLP, 119 S. Roselawn, Suite 306, Artesia, New Mexico 88210, Attention: Artesia Special Hospital District Chairman, at the hour of 11:00 a.m., prevailing Mountain Time, on the 25th day of September, 2012, for the purchase of Artesia Special Hospital District General Obligation Refunding Bonds, Series 2012 (the "Bonds"). Such bids may be submitted in a sealed envelope or electronically (at the option of the bidder) as further provided herein. If submitted electronically, bids must be submitted via "PARITY" as further provided herein. The Board will meet in regular session at 4:00 p.m. on September 25, 2012 at the Artesia General Hospital, Artesia, New Mexico, to take action to award the Bonds.

This Notice is not a disclosure document. Prior to submitting a bid to the Board for the Bonds, a full review should be made of the entire Preliminary Official Statement for the Bonds (the "Preliminary Official Statement"). The offering of Bonds to potential investors is made only by means of the Preliminary Official Statement.

DESCRIPTION OF ISSUE: The Bonds will constitute general obligation debt of the District, payable from general taxes that may be levied against all taxable property within the District.

MATURITY SCHEDULE: The Bonds will be issued in the aggregate principal amount of $8,900,000, will be dated the date of delivery, will be issued as fully registered bonds and will mature on August 1 of each year as follows:

$8,900,000*

ARTESIA SPECIAL HOSPITAL DISTRICT
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2012

Year Maturing (August1)	Amount Maturing
2013	$ 45,000
2014	1,395,000
2015	1,425,000
2016	1,460,000
2017	1,495,000
2018	1,525,000
2019	1,555,000

REDEMPTION: The Bonds are not subject to optional redemption prior to their maturity.

ADJUSTMENT OF PRINCIPAL AMOUNTS, MODIFICATION OR CLARIFICATION PRIOR TO THE EXAMINATION OF BIDS: The Chairman may, after consultation with the Board's financial and bond advisors, in the Chairman's sole discretion and prior to the examination of bids, (i) adjust the aggregate principal amount set forth herein; (ii) adjust individual maturities; and/or (iii) modify or clarify any other term hereof by issuing a notification of the adjusted amounts, modification or clarification via Thomson Municipal News ("TM3") and/or Bloomberg Financial Services no later than 8:30 a.m., local time, on the Bid Date.

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE AFTER RECEIPT OF BIDS: The Board reserves the right, after receipt of bids, to adjust the principal amount and maturity schedule for Bonds by increasing or decreasing the principal amount of each maturity, no later than two (2) hours following receipt of bids to maintain stable property tax collections in the District; notice of any adjustment will be given promptly to the best bidder and any adjustment will be done in a "spread neutral" manner.

RESCHEDULING OF BID DATE AND DEADLINE: The Chairman may, after consultation with the Board's financial and bond advisors, in the Chairman's sole discretion on notice given at least twenty-four (24) hours prior to September 25, 2012 (the "Original Deadline"), reschedule the bid date and Original Deadline, and may, at that time or a subsequent time on at least twenty-four (24) hours prior notice, in each case via TM3 and/or Bloomberg Financial Services, establish a rescheduled bid date and rescheduled deadline and a place where electronic bids will be publicly examined.

For purposes of the written sealed bids, and bids received through the electronic bidding process, the time as maintained by PARITY shall constitute the official time.

BIDS DELIVERED TO THE BOARD: Sealed bids, plainly marked "Bid for Bonds," should be addressed to "Board of Trustees of the Artesia Special Hospital District" and delivered to the offices of Hinkle, Hensley, Shanor & Martin, LLP, 119 S. Roselawn, Suite 306, Artesia, New Mexico 88210, Attention: Artesia Special Hospital District Chairman, prior to 11:00 a.m., local time, on September 25, 2012, the date of the bid opening. Such bids must be submitted on the Official Bid Form, without alteration or interlineation or through the electronic bidding procedures described below.

ELECTRONIC BIDDING PROCEDURES: Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Subscription to i-Deal's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The Board will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Official Notice of Bond Sale ("Notice"), and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Board. The Board and RBC Capital Markets, LLC ("District's Financial Advisor") shall not be responsible for any malfunction or mistake made by or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice conflict with information provided by PARITY, as the approved provider of electronic bidding services, this Notice shall control. Further information about PARITY, including any fee charged, may be obtained from BIDCOMP/PARITY, 1359 Broadway, 2nd Floor, New York, New York 10018, i-Deal Prospectus:(212) 849-5024 or (212) 849-5025; BidComp/Parity: (212) 849-5021.

For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the Board, as described under "BASIS OF AWARD" below. All electronic bids shall be deemed to incorporate the provisions of this Notice and the Official Bid Form.

INTEREST RATE, BID LIMITATIONS, AND MAXIMUM PREMIUM LIMITATION: The maximum net effective interest rate permitted on the Bonds is ten percent (10%), and no interest rate on any maturity of the Bonds may be greater than ten percent (10%) per annum. It is permissible to bid different or split rates of interest; provided, however, that: (a) no bid shall specify more than one interest rate for each maturity; (b) each interest rate specified must be stated in a multiple of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%) per annum; and (c) the maximum interest rate specified for any maturity may not exceed the minimum interest rate specified for any other maturity by more than two percent (2%).

The Bonds will not be sold for less than par.

Bidders are required to submit a bid specifying the lowest rate or rates of interest and premium, if any, which may not exceed five percent (5%) of the par amount of the Bonds at which such bidder will purchase the Bonds. For informational purposes only, each bidder is requested to specify: (a) the True Interest Cost on the Bonds stated as a nominal annual percentage rate (see "BASIS OF AWARD" below), (b) gross interest cost, (c) premium, if any, and (d) net interest cost. Only unconditional bids shall be considered. Bids should be submitted on the Official Bid Form, which may be obtained from the District's Financial Advisor (see "FURTHER INFORMATION" below).

BASIS OF AWARD: The Bonds will be awarded to the best bidder, considering the interest rate or rates specified and the premium offered, if any, and subject to the right of the Board to reject any and all bids and re-advertise. The best bid will be determined and will be awarded on the basis of the True Interest Cost of the Bonds (i.e., using a True Interest Cost method) for each bid received, and an award will be made (if any is made) to the responsible bidder submitting the bid that results in the lowest actuarial yield on the Bonds. "True Interest Cost" of the Bonds, as used herein, means that yield, which if used to compute the present worth, as of the date of the Bonds, of all payments of principal and interest to be made on the Bonds, from their date to their respective maturity dates, as specified in the maturity schedule and without regard to the possible optional prior redemption of the Bonds, using the interest rates specified in the bid, produces an amount equal to the principal amount of the Bonds plus any premium bid. Such calculation shall be based on a 360-day year consisting of twelve thirty day months and a semiannual compounding interval. The Board reserves the right to waive any irregularity or informality in any bid, except time of filing.

GOOD FAITH DEPOSIT: Only unconditional bids will be considered. Not later than 2:00 p.m. (prevailing Mountain Time) on September 25, 2012, and prior to the official award of the Bonds, the best bidder must send a good faith deposit of $178,000 for the Bonds by wire transfer to an account specified by the District. If such wire transfer is not received from the best bidder by 2:00 p.m. (prevailing Mountain Time) on September 25, 2012, the next best bidder may be awarded the Bonds. No interest on the deposit will accrue to the best bidder. The deposit will be applied to the purchase price of the Bonds.

The good faith deposit shall be returned if the bid is not accepted by the Board. If the successful bidder fails or neglects to complete the purchase of the Bonds within forty-five (45) days following the acceptance of the bid or within ten (10) days after the Bonds are offered for delivery, whichever is later, the amount of the deposit shall be forfeited to the District as liquidated damages, and, in that event, the Board may accept the bid of the one making the next best bid. If all bids are rejected, the Board shall readvertise the Bonds for sale in the same manner as herein provided for the original advertisement. If there be two or more equal bids and such bids are the best bids received, the Board shall determine which bid shall be accepted.

PAYMENT OF PURCHASE PRICE: The purchaser will be required to make payment of the balance of the purchase price of the Bonds (after credit for the purchaser's good faith deposit, without interest to the purchaser) in immediately available funds at a bank designated by the Board.

TIME OF AWARD AND DELIVERY: The Board will take action awarding the Bonds or rejecting all bids not later than 24 hours after the expiration of the time herein prescribed for the receipt of the bids. Delivery of the Bonds will be made to the successful bidder through the facilities of The Depository Trust Company, New York, New York, within 60 days of the acceptance of the bid. If for any reason delivery cannot be made within 60 days, the successful bidder shall have the right to purchase the Bonds during the succeeding 30 days upon the same terms, or at the request of the successful bidder, during the succeeding 30 days, the good faith deposit will be returned, and such bidder shall be relieved of any further obligation. It is anticipated that the delivery of the Bonds will be on or about October 30, 2012.

MOODY'S RATING: The Board will apply and pay for a Moody's Investor's Service, Inc., rating on the Bonds.

FURTHER INFORMATION: Information concerning the Bonds, information regarding electronic bidding procedures, bid submission and other matters related to the Bonds, including printed copies of this Notice, the Official Bid Form, and the Preliminary Official Statement ("Preliminary Official Statement"), may be obtained from the District's Financial Advisor, RBC Capital Markets, LLC, 6301 Uptown Boulevard, NE, Suite 110, Albuquerque, New Mexico 87110. This Notice, the Official Bid Form and the Preliminary Official Statement are available for viewing in electronic format at www.i-dealprospectus.com. The District has prepared the Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but will not prepare any other document or version for such purpose except as described below. In addition, any NASD registered broker-dealers or dealer banks with The Depository Trust Company clearing arrangements who bid on the Bonds are advised that they may either: (a) print out a copy of the Preliminary Official Statement on their own printer or (b) at any time prior to the sale date, elect to receive a photocopy of the Preliminary Official Statement in the mail by requesting it from the District's Financial Advisor. All bidders must review the Preliminary Official Statement, and by submitting a bid for the Bonds, each bidder certifies that such bidder has done so prior to participating in the bidding.

The Board will agree in a separate agreement to provide certain periodic information and notices of material events in accordance with Securities and Exchange Commission Rule 15c2-12 ("Rule"), as described in the Preliminary Official Statement under "Continuing Disclosure of Information." The Preliminary Official Statement is deemed final by the District for purposes of Rule 15c2-12(b)(1) except for the omission of the following information: the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings, other terms of the securities depending on such matters, and the identity of the purchaser. The Board will furnish to the successful bidder or bidders, acting through a designated senior representative, in accordance with instructions received from such successful bidder(s) in order to comply with the Rule, within seven (7) business days from the sale date an aggregate of 50 copies of the final Official Statement, reflecting interest rates and other terms relating to the initial reoffering of the Bonds. The cost of preparation of the Official Statement shall be borne by the Board except for the cost of any final Official Statement in excess of the number specified shall be borne by the successful bidder(s).

TRANSCRIPT AND LEGAL OPINIONS: The legality of the Bonds will be approved by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Attorneys at Law, Albuquerque, New Mexico, whose opinion approving the legality of the Bonds will be furnished to the successful bidder at no cost to the successful bidder. The opinion will state in substance that the Bonds are valid and legally binding upon the Board, that all of the taxable property in the District is subject to the levy of a tax to pay the same without limitation of rate or amount, and that interest on the Bonds is excludable from gross income for purposes of federal income tax. The successful bidder (without cost to such bidder) will also be furnished with a complete transcript of the legal proceedings, including a no-litigation certificate stating that to the knowledge of the signer or signers thereof, as of the date of the delivery of the Bonds, no litigation is pending affecting their validity or the levy or collection of such taxes for their payment.

BOOK-ENTRY ONLY OBLIGATIONS: The Bonds will be issued in book-entry only form through the facilities of the Depository Trust Company

BANK QUALIFIED: The Board will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code.

CUSIP NUMBERS: CUSIP identification numbers may be typed or printed on the Bonds, but neither the failure to provide such number on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser thereof to accept delivery of and to pay for the Bonds in accordance with the terms hereof. All expenses in relation to the CUSIP Service charge for the assignment of the numbers will be the responsibility of and will be paid for by the purchaser.

BLUE SKY LAWS: The Board has not investigated the eligibility of any institution or person to purchase or participate in the underwriting of the Bonds under any applicable legal investment, insurance, banking, or other laws.

By submitting a bid, the initial purchaser represents that the sale of the Bonds in states other than New Mexico will be made only under exemptions from registration, or, wherever necessary, the initial purchaser will register the Bonds in accordance with the securities laws of the state in which the Bonds are offered or sold. The Board agrees to cooperate with the initial purchaser, at the initial purchaser's written request and expense, in registering the Bonds or obtaining an exemption from registration in any state where such action is necessary but will not consent to service of process in any such jurisdiction.

DATED at Artesia, New Mexico, this 27th day of August, 2012.

BOARD OF TRUSTEES OF THE
ARTESIA SPECIAL HOSPITAL DISTRICT

By: ________________________________
Chairman

ATTEST:

By: ________________________________
Secretary-Treasurer

(End of Form of Notice of Bond Sale)