

PNM RESOURCES INC  
 Form 424B5  
 November 21, 2008  
Table of Contents

Filed Pursuant to Rule 424(b)(5)

SEC File No. 333-136713

**CALCULATION OF REGISTRATION FEE(1)**

Title of securities to be registered	Amount to be registered (1)	Proposed maximum		Amount of registration fee
		offering price per unit (2)	Proposed maximum aggregate offering price (2)	
Common Stock, no par value	3,417,003 shares	\$8.16	\$27,882,744	\$1,095.79

- (1) This Calculation of Registration Fee Table shall be deemed to update the Calculation of Registration Fee table in PNM Resources, Inc.'s Registration Statement on Form S-3 (File No. 333-136713) in accordance with Rules 456(b) and 457(r) of the Securities Act of 1933. These shares were previously registered pursuant to Registration Statement on Form S-3 (File No. 333-100186) filed by the registrant on September 30, 2002 and were not sold thereunder. Such registration statement is expiring on November 30, 2008.
- (2) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(c) of the Securities Act of 1933 based on the average of the high and low sale prices of the registrant's common stock as reported on the New York Stock Exchange on November 20, 2008.

**PROSPECTUS SUPPLEMENT**

(To Prospectus dated August 18, 2006)

**PNM RESOURCES, INC.**

**DIRECT PLAN**

**(a stock purchase and dividend reinvestment plan)**

**3,417,003 SHARES**

**COMMON STOCK**

**(no par value)**

PNM Resources, Inc., a New Mexico corporation, is an investor-owned holding company of energy and energy-related businesses. With this Prospectus Supplement, we are offering you the opportunity to participate in our PNM Resources, Inc. Direct Plan (the Plan or PNM Resources Direct). The Plan provides investors with a convenient and economical way to purchase shares of our common stock, and to reinvest cash dividends in additional shares of our common stock.

We may use newly issued shares, treasury shares, market shares, or a combination thereof as the source of our common shares purchased by participants under the Plan. The investment price of our common stock purchased on the open market will be the weighted average price, including the applicable trading fee (currently 6 cents per share), for the relevant investment date. The price of our common stock purchased

## Edgar Filing: PNM RESOURCES INC - Form 424B5

directly from us will be the average of the high and low sales prices of shares of our common stock reported on the New York Stock Exchange ( NYSE ) on the dividend payment date or investment date, as the case may be. The common stock of PNM Resources is traded on the NYSE under the ticker symbol PNM. The closing price of our common stock on November 20, 2008 was \$7.86.

Unlike an individual stock brokerage account, the timing of purchases and sales is subject to the provisions of the Plan. You should carefully read this prospectus to find out more about the Plan. If you wish to continue your participation in the Plan, you do not need to do anything at this time. If you are currently a participant, and after reviewing this prospectus, you do not wish to continue participation in the Plan, you should contact the Plan Administrator. You may terminate your participation in the Plan at any time.

**Investing in our shares of common stock involves risks. See RISK FACTORS on page S-1 and SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS on page S-3 of this prospectus supplement.**

The Plan does not represent a change in the dividend policy of PNM Resources. The payment of dividends is at the discretion of our board of directors and will depend on future earnings, our financial condition and other factors. Our board may change the amount and timing of dividends at any time and without notice.

**Table of Contents**

Our principal executive offices are located at Alvarado Square, Albuquerque, NM 87158. The telephone number is (505) 241-2700.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus supplement is November 21, 2008.

**Table of Contents**

**TABLE OF CONTENTS**

**Prospectus Supplement**

	<b>Page</b>
<u>Table of Contents</u>	i
<u>Plan Highlights</u>	ii
<u>About This Prospectus Supplement</u>	iii
<u>PNM Resources, Inc</u>	S-1
<u>Risk Factors</u>	S-1
<u>Where You Can Find More Information</u>	S-1
<u>Special Note Regarding Forward-Looking Statements</u>	S-3
<u>Summary of the Plan</u>	S-5
<u>Terms and Conditions of the Plan</u>	S-8
<u>Other Provisions</u>	S-14
<u>Use of Proceeds</u>	S-18
<u>Description of Common Stock</u>	S-18
<u>Plan of Distribution</u>	S-21
<u>Transfer Agent and Registrar</u>	S-21
<u>Legal Matters</u>	S-22
<u>Experts</u>	S-22
<u>Appendix A</u>	S-23

**Prospectus**

<u>About this Prospectus</u>	1
<u>Where You Can Find More Information</u>	1
<u>PNM Resources, Inc.</u>	3
<u>Special Note Regarding Forward-Looking Statements</u>	6
<u>Use of Proceeds</u>	7
<u>Description of Common Stock</u>	8
<u>Plan of Distribution</u>	10
<u>Legal Matters</u>	12
<u>Experts</u>	12

**Table of Contents**

**PNM RESOURCES, INC**

**DIRECT PLAN**

**(a stock purchase and dividend reinvestment plan)**

**PLAN HIGHLIGHTS**

You can open your PNM Resources Direct account with an initial investment of just \$50.

Other than a trading fee (currently 6 cents per share), you will not incur any transaction costs or brokerage charges to purchase shares through PNM Resources Direct.

Shareholders who own fewer than 100 shares of our stock are **automatically** enrolled in dividend reinvestment, which allows your investment to grow with each quarterly dividend distribution. You pay **no** trading fee or any other service charge for reinvesting your dividends.

Interested new investors and participants may enroll or make changes to their individual plan options on-line through Investor ServiceDirect® at [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd).

You may purchase additional shares of our stock through cash payments made by check, on-line through Investor ServiceDirect® or by automatic monthly withdrawals from a checking or savings account.

Investments of cash and cash dividends in our common stock will normally be made within 5 business days of receipt.

Under certain circumstances, PNM Resources may waive the maximum investment limit of \$100,000 per year in order to raise additional capital through the sale of newly issued shares under the Plan.

The Plan Administrator is The Bank of New York Mellon.

**You do not have control or authority to direct the price or time at which common stock is purchased or sold for Plan accounts. Therefore, you bear market risk associated with fluctuations in the price of common stock as the price of common stock may go up or down before a purchase or sale is made for your account.**

**Table of Contents**

**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of PNM Resources Direct. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. You should read this entire prospectus supplement as well as the accompanying prospectus and the documents incorporated by reference that are described under **Where You Can Find More Information** herein. In the event that the information in this prospectus supplement is different from or inconsistent with that contained in the accompanying prospectus, you should rely on the information contained in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus prepared by or on behalf of us, or information to which we have referred you. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. **You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of the respective dates of those documents in which the information is contained. Our business, financial condition, results of operations and prospects may have changed since those dates.**

Unless otherwise indicated or unless the context otherwise requires, all references in this prospectus supplement and the accompanying prospectus to PNMR, PNM Resources, we, our and us refer to PNM Resources, Inc. Unless otherwise indicated, financial information included or incorporated by reference herein is for PNM Resources, Inc. and its subsidiaries on a consolidated basis.

---

**Table of Contents**

**PNM RESOURCES, INC.**

PNM Resources, Inc. is an investor-owned holding company of energy and energy-related businesses. Our primary subsidiaries are Public Service Company of New Mexico ( PNM ), Texas-New Mexico Power Company, ( TNMP ), and First Choice Power, L.P., ( First Choice ). In addition, we have a 50 percent ownership interest in EnergyCo, LLC, ( EnergyCo ), an energy company not subject to traditional utility rate regulation.

PNM is an integrated public utility with regulated operations primarily engaged in the generation, transmission, distribution and sale of electricity, the transmission and distribution and sale of natural gas, and unregulated operations primarily focused on the sale and marketing of electricity into the wholesale market in the western United States. PNM has agreed to sell its natural gas operations to a third party purchaser. TNMP is a regulated electric utility providing transmission and distribution services in Texas. First Choice is a competitive retail electric provider operating in Texas.

EnergyCo was formed in January 2007 by PNMR and ECJV Holdings, LLC ( ECJV ), a wholly-owned subsidiary of Cascade Investment, L.L.C., one of PNMR's largest shareholders, to target opportunities in expanding U.S. markets throughout the Southwest, Texas and the West.

Our executive office is located at Alvarado Square, Albuquerque, New Mexico 87158, and our telephone number is (505) 241-2700.

**RISK FACTORS**

Before you invest in our common stock, you should carefully consider the risks set forth in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, and Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007, both of which are incorporated by reference in this prospectus supplement. See also *Where You Can Find More Information* about future filings which we will make with the Securities and Exchange Commission ( SEC ), some of which may contain additional risk factors, and are incorporated by reference into this prospectus supplement and *Special Note Regarding Forward-Looking Statements* on page S-3 below. If any of the risks actually occurs, our business, financial condition, results of operations and cash flows could be harmed. In that case, the trading price of our common stock could decline and you could lose all or part of your investment.

Please note that you do not have control or authority to direct the price or time at which common stock is purchased or sold for Plan accounts. Therefore, you bear market risk associated with fluctuations in the price of common stock as the price of common stock may go up or down before a purchase or sale is made for your account.

**WHERE YOU CAN FIND MORE INFORMATION**

PNMR files annual, quarterly and current reports and other information with the SEC. You may read and copy these documents at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room. The SEC also maintains an Internet website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the site is [www.sec.gov](http://www.sec.gov).

PNMR's Internet address is [www.pnmresources.com](http://www.pnmresources.com). The contents of the website are not a part of the registration statement of which this prospectus supplement and the accompanying prospectus are a part. PNMR's filings with the SEC, including annual

**Table of Contents**

reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are accessible free of charge at [www.pnmresources.com](http://www.pnmresources.com) as soon as reasonably practicable after PNMR electronically files such material with, or furnishes it to, the SEC. These reports are also available upon request in print from us free of charge.

PNMR is incorporating by reference in this prospectus supplement and the accompanying prospectus information PNMR files with the SEC, which means that PNMR is disclosing important information to you by referring you to those documents. Our combined filings with the SEC present separate filings by PNMR, PNM and TNMP. Information contained therein relating to an individual registrant is filed by that registrant on its own behalf and each registrant makes no representation as to information relating to other registrants. The information PNMR incorporates by reference is considered to be part of this prospectus supplement, unless PNMR updates or supersedes that information by the information contained in this prospectus supplement or the information PNMR files subsequently with the SEC that is incorporated by reference in this prospectus supplement. PNMR is incorporating by reference the following documents that it has filed with the SEC (except those portions of filings that relate to PNM or TNMP as separate registrants), other than any information in these documents that is deemed not to be filed with the SEC:

PNMR's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 as filed on February 29, 2008;

PNMR's Proxy Statement on Schedule 14A as filed on April 28, 2008;

PNMR's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2008, June 30, 2008 and September 30, 2008 as filed on May 7, 2008, August 14, 2008 and November 5, 2008, respectively; and

PNMR's Current Reports on Form 8-K or 8-K/A, as appropriate, as filed on January 17, 2008, February 28, 2008, March 11, 2008, March 14, 2008, May 7, 2008, May 9, 2008, May 12, 2008, May 21, 2008, June 26, 2008, July 22, 2008, August 1, 2008, August 7, 2008, August 13, 2008, August 14, 2008, August 26, 2008, September 16, 2008, September 19, 2008, October 16, 2008, October 31, 2008, November 4, 2008, November 13, 2008 and November 21, 2008.

The description of our common stock contained in our Current Report on Form 8-K filed on December 31, 2001 and any amendment or report filed for the purpose of updating such description, including our Current Reports on Form 8-K as filed on August 17, 2006 and November 21, 2008.

PNMR also incorporates by reference into this prospectus supplement any filings PNMR makes with the SEC (excluding information furnished under Items 2.02 or 7.01 of Current Reports on Form 8-K) under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, after the initial filing of the registration statement that contains this prospectus.

You may obtain without charge a copy of any of the documents PNMR incorporates by reference, except for exhibits to such documents which are not specifically incorporated by reference into such documents, by contacting us at PNM Resources, Inc., Alvarado Square, Albuquerque, New Mexico, 87158, Attention: Investor Relations. You may also telephone your request at (505) 241-2868.



**Table of Contents**

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Statements made in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein, and other documents that we file with the SEC that relate to future events or our expectations, projections, estimates, intentions, goals, targets and strategies, are made pursuant to the Private Securities Litigation Reform Act of 1995. Forward-looking statements often can be identified by the words believe, expect, anticipate, estimate or similar expressions. Readers are cautioned that all forward-looking statements are based upon expectations and estimates and we assume no obligation or duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Since actual results may differ materially from those expressed or implied by these forward-looking statements, we caution readers not to place undue reliance on these statements. Our business, financial condition, cash flow and operating results are influenced by many factors, which are often beyond our control, that can cause actual results to differ from those expressed or implied by the forward-looking statements. These factors include:

Conditions affecting our ability to access the financial markets or EnergyCo's access to additional debt financing following the utilization of its existing credit facility, including actions by ratings agencies affecting our credit ratings and the credit ratings of our operating subsidiaries, the economic downturn, and current turmoil in the credit markets,

State and federal regulatory and legislative decisions and actions, including the PNM and TNMP electric rate cases filed in 2008,

The risk that the closing of the pending sale of the PNM natural gas utility may not occur due to regulatory or other reasons,

The performance of our generating units and transmission systems, including the Palo Verde Nuclear Generating Station, the San Juan Generating Station, the Four Corners Plant, and EnergyCo generating units, and transmission systems,

The risk that EnergyCo is unable to identify and implement profitable acquisitions, including development of the Cedar Bayou IV Generating Station, or that PNMR and ECJV will not agree to make additional capital contributions to EnergyCo,

The potential unavailability of cash from our subsidiaries or EnergyCo due to regulatory, statutory or contractual restrictions,

The impacts of the decline in the values of marketable equity securities on the trust funds maintained to provide pension and other postretirement benefits, including the levels of funding and expense,

The outcome of any appeals of the Public Utility Commission of Texas order in the stranded cost true-up proceeding,

The ability of First Choice to attract and retain customers,

Changes in Electric Reliability Council of Texas protocols,

Changes in the cost of power acquired by First Choice,



**Table of Contents**

Collections experience,

Insurance coverage available for claims made in litigation,

Fluctuations in interest rates,

Weather,

Water supply,

Changes in fuel costs,

The risk that PNM Electric may incur fuel and purchased power costs that exceed the cap allowed under its emergency Fuel and Purchased Power Adjustment Clause ( FPPAC ),

Availability of fuel supplies,

The effectiveness of risk management and commodity risk transactions,

Seasonality and other changes in supply and demand in the market for electric power,

Variability of wholesale power prices and natural gas prices,

Volatility and liquidity in the wholesale power markets and the natural gas markets,

Uncertainty regarding the ongoing validity of government programs for emission allowances,

Changes in the competitive environment in the electric and natural gas industries,

The ability to secure long-term power sales,

The risk that we, our subsidiaries and EnergyCo may have to commit to substantial capital investments and incur additional operating costs to comply with new environmental control requirements including possible future requirements to address concerns about global climate change,

## Edgar Filing: PNM RESOURCES INC - Form 424B5

The risks associated with completion of generation, including pollution control equipment at the San Juan Generating Station, and the EnergyCo Cedar Bayou IV Generating Station, transmission, distribution and other projects, including construction delays and unanticipated cost overruns,

The outcome of legal proceedings, including pending appeals of PNM's electric and gas rate cases and the emergency FPPAC,

Changes in applicable accounting principles, and

The performance of state, regional and national economies.

S-4

**Table of Contents**

**SUMMARY OF THE PLAN**

The following summary of the Plan may omit certain information that may be important to you. If you wish to receive a copy of the actual text of the Plan filed with the SEC as Exhibit 99.1 to our Current Report on Form 8-K filed August 31, 2006, please contact: PNM Resources, Inc., Investor Relations, Alvarado Square, Albuquerque, New Mexico 87158, telephone (505) 241-2868.

***Purpose***

The purpose of the Plan is to provide new and existing shareholders with a convenient and economical method of investing cash and cash dividends in shares of our common stock. Since new shares of our common stock, or shares held in our treasury, may be purchased directly from us, we may receive additional funds for general corporate purposes.

Nothing in this prospectus supplement and accompanying prospectus or other Plan information represents a recommendation by PNM Resources or anyone else that any person buy or sell PNM Resources common stock. We urge you to read this prospectus thoroughly before you make your own independent decision regarding whether or not to invest in PNM Resources common stock through this Plan.

The value of shares of PNM Resources common stock may increase or decrease from time to time. A Plan participant, like the owner of directly held shares, bears all risk of loss that may result from market fluctuations in the price of our common stock. Unlike an individual stock brokerage account, however, a Plan participant does not have control or authority to direct the price or time at which common stock held under the Plan for the Participant is purchased or sold. We cannot guarantee that shares purchased under the Plan will, at any particular time, be worth more than their purchase price. The Securities Investor Protection Corporation, the Federal Deposit Insurance Corporation, or any other entity does not insure Plan accounts.

***Participation How to Join***

***First time investors:***

After you have read this prospectus supplement and accompanying prospectus, you may complete the Enrollment Form included, or, you may enroll on-line through Investor ServiceDirect® at [www.bnymellon.com/shareowner](http://www.bnymellon.com/shareowner). Click the InvestDirect Search button, at the easy search screen select the ticker symbol button and enter PNM, then follow the instructions for authorizing your initial investment and indicate whether you want to participate in the full or partial dividend reinvestment portion of the Plan.

If you purchase or currently own less than 100 shares, you will automatically be enrolled in the dividend reinvestment portion of the Plan, unless you request to receive cash dividends. All investments must be made in U.S. dollars and drawn on a U.S. bank.

You may make your initial investment by:

1. authorizing an electronic debit of at least \$50 but not more than \$100,000 from your U.S. bank account. This alternative is available to on-line investors only; or

## **Table of Contents**

2. mailing a check for at least \$50 but not more than \$100,000 drawn on a U.S. bank account to the Plan administrator along with your Enrollment Form.

Follow the instructions on the on-line Enrollment Wizard to indicate your selection and, if paying by check, print out the instruction sheet and submit the sheet as indicated with your check, together with your Enrollment Form. You can then make an election to have your dividends reinvested and/or make optional cash investments as described more fully below.

The Plan Administrator may confirm certain transactions affecting the amount of shares in your Plan account and produce Plan statements in paper form from time to time and will mail these to you at the address you give when you enroll in the Plan.

### ***Current shareholders:***

Our shareholders whose common stock is registered with us are automatically eligible to participate in the dividend reinvestment portion of the Plan, and may make optional cash investments and sell shares through the Plan. If you are a shareholder of record holding less than 100 shares, you will automatically be enrolled in *the full dividend reinvestment portion* of the Plan and your quarterly PNM Resources dividend will be applied to purchasing additional shares of stock. If you own fewer than 100 shares but would prefer to have your dividend paid to you in cash, you must contact the Plan Administrator and request a cash payment. As a shareholder participating in the Plan with less than 100 shares, you will have access to your account on-line through Investor ServiceDirect® at [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd) and by telephone at 1-877-663-7775 and you will receive annual account statements, but you may no longer elect the partial dividend reinvestment option.

If you are a shareholder of record owning 100 shares or more you may elect to reinvest all or part of your dividends pursuant to the Plan. As a shareholder participating in the Plan with more than 100 shares, you will have access to your account on-line through Investor ServiceDirect® at [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd) and by telephone at 1-877-663-7775 and you will receive quarterly account statements.

Dividend payments not reinvested will be paid to you in the usual manner.

### ***For current shareholders and new investors:***

You may sign up for automatic monthly investments, change your investment amount or make additional investments at any time by accessing your account on-line through Investor ServiceDirect® at [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd) and using the account management feature or by telephone at 1-877-663-7775.

You may establish additional investment accounts for children or dependents by following the instructions on the on-line Enrollment Wizard applicable to custodial or trust accounts or by telephone at 1-877-663-7775.

### **How the Optional Cash Investments Work**

In addition to having your dividend payments reinvested in our common stock, you may buy additional shares by investing a minimum of \$50 at any one time not to exceed the maximum of \$100,000 per year. You may submit your optional cash investments by check or by authorizing electronic transfers. Do not send cash or money order. You can make individual automatic deductions from your bank account through Investor ServiceDirect® by accessing your account on-line through the Plan Administrator's website [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd). Upon receipt of the funds, the Plan Administrator will normally invest initial and optional cash investments at least once every five (5) business days.

**Table of Contents**

Optional cash investments of more than \$100,000 per year by any current participant and any initial cash investment by a new investor in excess of \$100,000 may only be made pursuant to a request for waiver that has been granted by us as described in more detail on page S-15 of this prospectus supplement. Investors may make individual cash investments or invest regularly over a period of time.

***Your Funds Will Be Fully Invested***

Funds invested pursuant to the Plan are fully invested in whole and fractional shares (computed to four decimal places) of our common stock either through the purchase of shares directly from us or the purchase of shares in the open market (or through a combination of these methods). We pay dividends on both whole shares and fractions of shares.

***Share Safekeeping***

For your convenience, shares purchased through the Plan will be maintained by the Plan Administrator in non-certificated (book-entry) form. Additionally, the Plan offers a safekeeping service whereby you may deposit, free of any service charges, certificates representing your shares of common stock and have your ownership of such common stock maintained on the Plan Administrator's records as part of your account. This feature protects against loss, theft or destruction of stock certificates. A share certificate will be delivered to you free of charge, upon request.

***You May Sell, Withdraw or Transfer Your Shares at Any Time***

You may sell or withdraw shares of our common stock credited to your account, including those shares deposited into the Plan for safekeeping, through the Plan. Currently there is a \$15.00 processing fee, plus a trading fee of \$0.06 per share, for sale transactions and liquidations. A statement will be mailed to you for each transaction that takes place. Additionally, you may transfer or make gifts to others of our common stock by contacting the Plan Administrator. There is no fee for this service.

***Plan Administrator***

The Bank of New York Mellon will administer the Plan and act as agent for the participants. The Bank of New York Mellon has designated its affiliates, BNY Mellon Shareowner Services and BNY Mellon Securities, LLC, and other agents to perform certain services for the Plan.

You may contact the Plan Administrator as directed below:

Call BNY Mellon Shareowner Services:	1-877-663-7775
On-line over the Internet at:	<a href="http://www.bnymellon.com/shareowner">www.bnymellon.com/shareowner</a>
International Telephone Inquiries:	1-201-680-6578
For the Hearing Impaired (TDD):	1-800-231-5469

You may write the Plan Administrator at the following address:

BNY Mellon Shareowner Services

P.O. Box 358035

Pittsburgh, PA 15252-8035

## **Table of Contents**

Please include your daytime telephone number, your Investor I.D. and a reference to PNM Resources, Inc. on all correspondence.

### **TERMS AND CONDITIONS OF THE PLAN**

#### ***Am I Eligible to Participate in the Plan?***

You are eligible to participate in the Plan if you meet the requirements outlined below.

**If you do not currently own our stock.** If you do not currently own any of our stock you may join the Plan, after receiving a copy of this prospectus supplement and accompanying prospectus, by making an initial investment of at least \$50, but not more than \$100,000. Investments must be made in U.S. currency drawn on a U.S. bank. Prior to investing in our common stock, each participant is responsible for reviewing the applicable laws of his or her country of residence to determine if there are any restrictions on investment.

You can get started in the Plan by enrolling on-line through Investor ServiceDirect® at [www.bnymellon.com/shareowner](http://www.bnymellon.com/shareowner) (see Participation How to Join) or by returning a completed Enrollment Form to the Plan Administrator, along with your check payable to PNM Resources Direct/BNY Mellon. Do not send cash or money order. The Plan Administrator will arrange for the purchase of shares for your account but will not pay interest on amounts held pending investment. Please allow two (2) weeks for your account to be established, initial shares to be purchased and a statement to be mailed to you.

**If you currently own our stock.** If you already own less than 100 shares of our stock and the shares are registered in your name, you are automatically enrolled in the full dividend reinvestment portion of the Plan. If you already own 100 shares or more of our stock and the shares are registered in your name, you may join the dividend reinvestment portion of the Plan by enrolling on-line (see Participation How to Join) by telephone or by returning a completed Enrollment Form to the Plan Administrator. In either case, participants are eligible for the optional purchase portion of the Plan.

If your shares are held in a brokerage, bank or other intermediary account, and you wish to participate directly in the Plan, you should instruct your broker, bank or trustee to register some or all of your shares of our common stock directly in your name.

**If you are already enrolled.** If you are currently enrolled in the Plan, and do not want to change your participation, no further action is required for your continued participation. However, if you wish to change your participation in any way (e.g., from partial to full reinvestment), you must submit a new Enrollment Form or access the account management feature on-line through Investor ServiceDirect® at [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd) or by telephone at 1-877-663-7775. If you own less than 100 shares of our stock, partial reinvestment of cash dividends is not available.



## **Table of Contents**

### ***What are my investment options?***

Once enrolled in the Plan, you may purchase additional shares of common stock through reinvestment of your dividends and/or by cash investments as described below:

**Dividend reinvestment.** If you are a shareholder of record and you own less than 100 shares, you will automatically be enrolled in the Plan and will have your dividends reinvested in additional shares (unless you contact the Plan Administrator as directed on page S-7 of this prospectus supplement to request cash dividends). In addition, you will receive an annual statement and will have electronic access to your account on-line through Investor ServiceDirect® at [www.bnymellon.com/shareowner](http://www.bnymellon.com/shareowner) or by telephone at 1-877-663-7775. If you are a shareholder of record owning 100 shares or more, you may choose to reinvest all or a portion of the regular cash dividends paid on your shares held in the Plan toward the purchase of additional shares of our common stock. In addition, you will receive a quarterly account statement and have electronic access to your account on-line through Investor ServiceDirect® at [www.bnymellon.com/shareowner](http://www.bnymellon.com/shareowner) or by telephone at 1-877-663-7775.

You may change your dividend reinvestment election at any time by notifying the Plan Administrator. For a particular dividend to be reinvested, your notification must be received before the record date for that dividend. (The record date is approximately 14 days before the dividend payment date.)

You may, of course, choose not to reinvest any of your dividends, in which case the Plan Administrator will remit any dividends to you by check or automatic deposit to a bank account you designate.

If you elect to reinvest your dividends, you must choose one of the following:

**Full dividend reinvestment.** This means you will purchase additional shares through the Plan by investing all your cash dividends.

**Partial dividend reinvestment.** If you own 100 shares or more and choose to reinvest less than all your dividends, you may receive a cash dividend payment based on the number of full shares you specify and reinvest the dividends on all remaining shares. This allows you to receive a fixed amount of cash each quarter (assuming the dividend stays the same).

**Optional cash investments.** You may purchase additional shares of our common stock by using the Plan's optional cash investment feature. You must invest at least \$50 at any one time but not more than \$100,000 per year. Upon receipt of your funds, the Plan Administrator will invest initial and additional cash investments as promptly as practicable, normally at least once every 5 business days.

Shares will be posted to your account in whole and fractional shares immediately upon settlement, usually within 3 business days. You will receive a confirmation of your transaction by paper statement at the postal address you give us when you enroll in the plan.

In the unlikely event that, due to unusual market conditions, the Plan Administrator is unable to invest your funds within 35 days, the Plan Administrator will return the funds to you by check. *No interest will be paid on funds held by the Plan Administrator pending investment.*

**Table of Contents**

For automatic monthly purchases, the amounts you have authorized will be withdrawn from your banking account on the 24<sup>th</sup> day of each month, or the next succeeding business day if the 24<sup>th</sup> falls on a weekend or holiday. The funds will be credited to your account and invested within 5 business days of receipt by the Plan Administrator.

The Plan Administrator will use your investment to purchase as many full and fractional shares as possible. Fractional share amounts will be computed to four decimal places.

You may make optional cash investments by sending a check (not cash) to the Plan Administrator payable to PNM Resources Direct/BNY Mellon, or by authorizing individual electronic transfers from your bank account by accessing your account on-line through Investor ServiceDirect® at bnymellon.com/shareowner/isd. To facilitate processing of your investment when you send a check, please use the transaction stub attached to your Plan statement. Mail your investment and transaction stub to the address specified on the statement. A \$35 fee will be assessed for a check or electronic debit that is returned for insufficient funds. Please see the fee schedule attached as Appendix A.

***How are my shares typically purchased and how is the purchase price for the shares determined?***

Shares of our common stock purchased under the Plan will be, at our election, newly issued shares purchased directly from us, treasury shares purchased directly from us, shares purchased by a broker, or a combination thereof. If shares are purchased under the Plan directly from us and by the Plan Administrator through its broker, each participant's Plan account will be credited with its pro rata portion of the number of shares purchased directly from us and by the broker. We have full discretion as to whether the common stock purchased under the Plan will be purchased on the open market or purchased directly from us, based on our need for capital.

**Common Stock purchased in the open market.** The investment price of our common stock purchased in the open market with reinvested dividends, with initial cash investments or with optional cash investments will be the weighted average price, including applicable brokerage trading fees, incurred in connection with the purchase of such shares for the relevant investment date. No interest will be paid on funds held by the Plan Administrator pending investment. The Plan Administrator will normally invest cash dividends within 5 business days of the dividend payment date and will normally invest initial and optional cash investments at least once every 5 business days. The brokerage trading fee is currently 6 cents per share. We will pay this fee for shares purchased with reinvested dividends and so the weighted average price for such shares will not include this trading fee. See Appendix A.

**Common Stock purchased directly from us.** The price of our common stock purchased directly from us with reinvested dividends, initial cash investments or optional cash investments will be the average of the high and low sale prices of shares of our common stock reported on the NYSE on the dividend payment date, initial cash investment date or optional cash investment date, as the case may be. No interest will be paid on funds held by the Plan Administrator pending investment. The Plan Administrator will normally invest initial and optional cash investments at least once every 5 business days.

The weighted average price used to calculate the investment price of open market purchases assumes the use of multiple open market purchases to invest plan participant investments. For example, if plan investments required the acquisition of 5,000 shares for allocation to 100 investors and the plan needed the following three separate purchases in the open market to acquire the 5,000 shares, the weighted average would be calculated as follows:

1,000 shares @ \$9.50 =	\$9,500
3,000 shares @ \$9.75 =	\$29,250
1,000 shares @ \$9.625 =	<u>\$9,625</u>
\$48,375 /5,000 =	\$9.675

**Table of Contents**

Under the above example, \$9.675 would be the investment price of our common stock purchased on the open market with reinvested dividends. The current trading fee paid by participants for common stock purchased on the open market for initial and optional cash investments is 6 cents per share. Thus, under the above example, \$9.735 would be the investment price of our common stock purchased on the open market so that an initial or optional cash investment of \$1000 would purchase 102.7221 shares as shown below:

Your investment	\$ 1,000.00
Weighted average share price	\$ 9.675
Brokerage trading fee	\$ 0.060
Total price per share	\$ 9.735

Total shares purchased = \$1,000.00/\$9.735 = 102.7221

The same computational method, however, is not used for shares purchased directly from us because shares purchased in the open market are based upon specific open market transactions that need to be allocated to participants at actual cost. Newly issued shares issued by the Company are not based on specific transactions that need to be allocated but are based on the market, for that day, which is determined based on the average of the low and the high prices of the common stock for the entire day.

Thus, for shares purchased directly from the Company, the issuance price of those shares will be based on the average of the high and low prices of stock trades during the day. If, for example, there were only three trades on a day, at prices indicated in the previous example for market purchases, the average of the high and low prices would be \$9.625 per share  $((\$9.50 + \$9.75)/2)$ .

Your account will be credited with that number of shares, including fractional shares computed to four decimal places, equal to the amount invested with respect to your Plan account, divided by the price per share of such shares for all purchases for all Plan participants during the applicable period.

**You do not have control or authority to direct the price or time at which common stock is purchased or sold for Plan accounts. Therefore, you bear market risk associated with fluctuations in the price of common stock as the price of common stock may go up or down before a purchase or sale is made for your account.**

Unless you request one, certificates for shares of common stock purchased under the Plan will not be issued. The number of shares purchased for your account under the Plan will be shown on your statement of account in book-entry form.

Certificates for any number of whole shares credited to your account under the Plan will be issued upon your request. Any remaining full shares and fractions of a share will continue to be credited to your account. Certificates for fractions of shares will not be issued.

## **Table of Contents**

### **How do I sell my shares out of the Plan?**

You may sell any number of shares held in book-entry form by notifying the Plan Administrator by phone at 1-877-663-7775, by accessing your account on-line through Investor ServiceDirect® at [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd) or in writing. Your sale request will be processed and your shares will, subject to market conditions and other factors, generally be sold within 24 hours of receipt of your request. The sale price will be the weighted average price of all shares sold for Plan participants during the period. Please note that the Plan Administrator cannot and does not guarantee the actual sale date or price, nor can it stop or cancel any outstanding sales or issuance requests. All requests are final. The Plan Administrator will mail a check to you (less applicable sales fees) on the settlement date, which is 3 business days after your shares have been sold. Please allow an additional 5 to 7 business days from the settlement date for the post office to deliver your check.

Currently, there is a \$15.00 processing fee, plus a trading fee of \$0.06 per share, for sale transactions and liquidations.

Alternatively, you may choose to sell your shares through a stockbroker of your choice, in which case you would have to request a certificate for your shares from the Plan Administrator prior to such sale.

### ***What is Safekeeping?***

Shares of our common stock that you buy under the Plan will be maintained in your Plan account for safekeeping. You will receive a periodic Plan statement detailing the status of your holdings. Safekeeping protects your shares against loss, theft or accidental destruction. Safekeeping also provides a convenient way for you to keep track of your shares. Only shares held in safekeeping may be sold through the Plan.

If you own additional shares of our common stock in certificated form, you may deposit your certificates into your Plan account, free of charge. To use this service, send your certificates to BNY Mellon Shareowner Services by registered mail or traceable delivery service with written instructions to deposit them into your Plan account for safekeeping. The Plan Administrator will provide loss insurance coverage for your certificates with a value not exceeding \$100,000 in any one shipping package that is mailed to its address at 480 Washington Boulevard, Jersey City, New Jersey 07310 by USPS registered mail or by traceable delivery service. Do not endorse the certificates or complete the assignment section.

Note: Mail loss insurance covers only the replacement of shares of stock and in no way protects against any loss resulting from fluctuations in the value of such shares.

### ***May I gift my shares out of the Plan?***

You may gift or transfer your shares to any recipient you choose by:

making an initial \$50 cash investment to establish an account in the recipient's name or

transferring shares from your account to the recipient.

## **Table of Contents**

You must transfer a whole number of shares unless you transfer your entire account. You may transfer shares to new or existing shareholders. The Plan Administrator will automatically place such new accounts in full dividend reinvestment status. New participants, at their discretion, may elect another option. If you participate in the *dividend reinvestment portion* of the Plan and your request to either transfer all your shares or make a partial sale and transfer the balance of your shares is received between the ex-dividend date (the day after the last day during the quarter on which stock can be transferred with the new owner receiving that quarter's dividend payout), and the dividend record date, the processing of your request may be held until after your account is credited with reinvested dividends.

You must have your signature guaranteed by a financial institution participating in the Medallion Signature Guarantee program. The Medallion Guarantee program ensures that the individual signing the certificate or transfer instructions is in fact the registered owner as the name appears on the stock certificate or stock power.

If you need additional assistance, please contact the Plan Administrator.

### ***How do I get my stock certificates?***

You may withdraw all or some of the shares from your Plan account by notifying the Plan Administrator. Certificates will be issued for whole shares only. If your request involves a fractional share, a check (less any applicable fees) for the value of the fractional share will be mailed to you.

Certificates will be issued in the name(s) in which the account is registered, unless otherwise instructed. If the certificate is issued in a name other than that on your Plan account registration form, the signature on the instructions or stock power must be guaranteed by a financial institution participating in the Medallion Signature Guarantee program, as described above.

### ***What are the fees relating to participation in the Plan?***

The current fees are described in Appendix A. The Plan Administrator will deduct the applicable fees from the investment amount or proceeds from a sale.

### ***How is my investment tracked?***

If you participate in the dividend reinvestment portion of the Plan and you hold 100 shares or more, the Plan Administrator will mail you a quarterly Plan statement showing all transactions (shares, amounts invested, purchase prices) for your account, including year-to-date and other account information. If you own less than 100 shares, you will receive an annual statement.

Supplemental statements or notices will be sent when you make an initial or optional cash investment or a deposit, transfer or withdrawal of shares.

Please retain your Plan statements to establish the cost basis of shares purchased under the Plan for income tax and other purposes.

You should notify the Plan Administrator promptly of any change in address since all notices, statements and reports will be mailed to your address of record.

---

## **Table of Contents**

### ***How do I terminate participation in the dividend reinvestment portion of the Plan?***

You may discontinue the reinvestment of your dividends at any time by giving notice to the Plan Administrator. The Plan Administrator must receive such notice before the close of business on the record date for any dividend payment in order to terminate your dividend reinvestment participation prior to such dividend payment date. The Plan Administrator will continue to hold your shares unless you request a certificate for any full shares and a check for any fractional share. You may also request the sale of all or part of any such shares or have the Plan Administrator electronically transfer your shares to your brokerage account.

After you terminate your participation in the dividend reinvestment portion of the Plan, you may rejoin at any time by re-enrolling with the Plan Administrator. However, the Plan Administrator has the right to reject such enrollment if you repeatedly join and withdraw from the Plan, or for any other reason. The Plan Administrator's exercise of such right is intended to minimize unnecessary administrative expenses and to encourage use of the Plan as a long-term shareholder investment service.

### ***What are the material federal income tax consequences of my participation in the Plan?***

Your reinvested dividends will be treated for federal income tax purposes in the same manner they would have been treated had you received such dividends in cash on the applicable dividend payment date. Your tax basis in the shares purchased will be equal to the amount of the cash dividends and optional cash investments applied to the purchases of such shares. Your holding period for the shares acquired pursuant to the Plan will begin on the day after the date the shares are purchased. You may recognize gain or loss when your shares (including fractional shares) are sold or otherwise disposed of in a taxable exchange, whether by the Administrator on your behalf or by you upon withdrawal of your shares from the Plan. The amount of such gain or loss will be the difference between the amount you receive for the shares and your tax basis in such shares. YOU SHOULD CONSULT WITH YOUR OWN TAX ADVISER TO DETERMINE THE PARTICULAR TAX CONSEQUENCES THAT MAY RESULT FROM YOUR PARTICIPATION IN THE PLAN AND THE SUBSEQUENT SALE OR OTHER DISPOSITION OF SHARES ACQUIRED UNDER THE PLAN, INCLUDING THE EFFECT OF ANY APPLICABLE STATE, LOCAL AND FOREIGN TAX LAWS.

## **OTHER PROVISIONS**

### ***How do I view the status of my account?***

You can view the status of your account at any time by logging onto Investor ServiceDirect® at [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd) or by telephoning 1-877-663-7775. New investors establish a Personal Identification Number (PIN) when setting up their account. For existing shareholders to gain access, use the 12-digit Investor Identification Number (which can be found in a bolded box on your dividend check stub) to establish a PIN.

### ***How do I change or stop the automatic investment feature?***

Simply access your account through Investor ServiceDirect® on [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd) or by telephoning 1-877-663-7775, choose the Purchase/Sell menu and indicate your change in the Periodic Purchase selection. Your request must be received at least three business days before the 24<sup>th</sup> day of the month.

## **Table of Contents**

### ***Plan modification or termination***

We reserve the right to suspend, modify or terminate the Plan at any time. You will receive notice of any such suspension, modification or termination. We, together with the Plan Administrator, also reserve the right to change any administrative procedures of the Plan.

### ***Suspension or termination***

We reserve the right to deny, suspend or terminate participation by a shareholder who is using the Plan for purposes inconsistent with the intended purpose of the Plan. In such event, the Plan Administrator will notify you in writing and will continue to keep your shares safe but will no longer accept optional cash investments or reinvest your dividends. The Plan Administrator will issue a certificate to you upon request.

### ***Limitation of liability***

The Plan provides that neither we nor the Plan Administrator in administering the Plan nor any independent agent will be liable for any act done in good faith or for the good faith omission to act in connection with the Plan. This includes, without limitation, any claims of liability:

for failure to terminate your account upon your death or adjudicated incompetence prior to receiving written notice of such death or adjudicated incompetence; or

relating to purchase or sale prices reflected in your Plan account or the dates of purchases or sales of your Plan shares; or

for any loss or fluctuation in the market value after purchase or sale of such shares. The foregoing does not represent a waiver of any rights you may have under applicable securities laws.

### ***How do I make an initial or optional cash investment over the maximum yearly amount?***

If you wish to make an initial or optional cash investment in excess of \$100,000 and be eligible for a potential discount from the market price, you must obtain our prior written approval. To obtain our approval, you must submit a request for waiver. To make this request, you should obtain a Request For Waiver form by contacting the Plan Administrator's Waiver Department at 1-201-680-5300. Completed Request For Waiver forms should be sent to the Waiver Department via facsimile at 1-201-680-4688.

If we approve your request, the Plan Administrator will notify you via return facsimile or e-mail. You must then send the authorized amount to the Plan Administrator in the form of a personal check or electronic funds transfer drawn on a U.S. bank. The Plan Administrator must receive your investment no later than the close of business on the last day before the applicable pricing period start date. Any funds received by the Plan Administrator after the applicable date will be returned to the investor without interest.

We have the sole discretion whether to approve any request to make an initial or optional cash investment in excess of the \$100,000 yearly maximum. We may grant those requests for waiver in order of receipt or by any other method that we determine to be appropriate. We also may determine the amount that you may invest pursuant to a waiver. In deciding whether to approve your request for waiver, we may consider the following material factors:

whether, at the time of your request, the Plan Administrator is acquiring shares of common stock for the Plan directly from us or in the open market or in privately negotiated transactions with third parties;

**Table of Contents**

whether we need cash to fund a specific project at the current time, at some time in the foreseeable future, or whether funds can be used for a general operational purpose;

if we decide that there is a need for additional funds, then we would consider whether this Plan was the most beneficial means of raising additional cash compared to an underwritten offering or the issuance of new debt or the use of current debt;

whether the potential issue price is above or below book value, the general stock market trends at the time of consideration, the general utility trends regarding stock prices at the time of consideration, and our recent stock price trend;

whether you have participated in the Plan in the past, your current level of participation and whether you are known as a short seller of stock;

whether granting the waiver request will facilitate obtaining new, diversified and long-term investment in PNM Resources through the Plan; and

whether the total amount of waiver requests exceeds our cash-raising goal and if so we may adjust potential investments down if the requests are greater than required to meet our goal.

We will probably not grant waiver requests when the Plan Administrator is acquiring shares in the open market or through privately negotiated transactions. In addition, if, at the time of your request, we do not need additional funds, determine that issuing new shares is not the most beneficial means of obtaining additional funds, or determine that the purchase price is below book value, then we may not grant your waiver request.

If you do not receive a response from us within 3 business days of submitting your waiver request, you should assume that we have denied your request.

If requests for a waiver are submitted for any pricing period for an aggregate amount in excess of the amount we are then willing to accept, we may honor these requests in order of receipt, or by any other method that we determine, in our sole discretion, to be appropriate.

We reserve the right to modify, suspend or terminate participation in the Plan by otherwise eligible registered holders or beneficial owners of our common stock for any reason whatsoever including eliminating practices that are inconsistent with the purposes of the Plan, which are to provide a convenient and economical method of investing in our stock and to encourage long-term investment. If it becomes apparent that an individual is buying and immediately selling our common stock to take advantage of the discount provision described below, we will take action to prevent that type of activity, e.g., by not granting any future waiver requests for that person.

***Once a waiver request for a cash investment over \$100,000 has been granted, how are shares priced and purchased?***

Shares purchased pursuant to a granted waiver request will be purchased directly from us. If a request for waiver is approved, the price of shares purchased from us pursuant to the request for waiver will be determined using a pricing period of not less than one but



**Table of Contents**

not more than 10 trading days as determined by us commencing on a date set by us. Initial and optional cash investments made pursuant to a request for waiver will be applied to the purchase of shares of common stock as soon as practicable on or after the business day following the last day of the pricing period. This date is referred to as the Waiver Investment Date .

Initial and optional cash investments made pursuant to a request for waiver will be acquired at a price equal to the average of the daily high and low sales prices computed up to 7 decimal places, if necessary, of our common stock as reported on the New York Stock Exchange, or NYSE, only, and not a Composite Average, for the applicable trading days immediately preceding the Waiver Investment Date (assuming that we do not set a threshold price for the pricing period or offer a discount from the purchase price as discussed further below). A trading day is any day on which our stock is reported as bought or sold over the NYSE. All funds properly received by the Plan Administrator up to the close of business on the last business day before the pricing period begins will be invested by the Plan Administrator in shares of PNM Resources common stock as soon as practicable on or after the Waiver Investment Date. Funds received after this date will be returned to you without interest. Setting a particular 1-10 trading day pricing period for a particular Waiver Investment Date will not affect the setting or a pricing period for any other Waiver Investment Date.

For purposes of determining the price per share for investments made pursuant to a request for waiver, we may set a minimum purchase price per share, or Threshold Price, for any pricing period. This Threshold Price is a minimum price that would be used under an alternative method for setting the per share purchase price that is described in the next paragraph. We will determine whether to set a Threshold Price, and, if so, its amount, at least 3 business days before the first day of the pricing period. We will notify the Plan Administrator of the Threshold Price, if any. In deciding whether to set a Threshold Price, we will consider one, all or a combination of the following factors:

the general trend of the stock market as a whole, the general trend of the utility sector of the stock market, and the general trend of our stock.

whether any previous offerings under the waiver provisions of the Plan been over or under subscribed.

do we have an immediate need for the cash, do we foresee an upcoming transaction that will require new cash and are there external events affecting the decision.

Participants may ascertain whether a Threshold Price has been set or waived for any given pricing period by calling the Plan Administrator's Waiver Department at 1-201-680-5300 or such other number as we may establish from time to time.

We will fix the Threshold Price for a pricing period as a dollar amount that the average of the high and low sales prices as reported by the NYSE for each trading day of that pricing period (not adjusted for discounts, if any) must equal or exceed. We will exclude from the pricing period and from the determination of the purchase price any trading day within the pricing period that does not meet the Threshold Price. Thus, for example, if we choose to use a 10 day pricing period and the Threshold Price is not met for 2 of the 10 trading days in a pricing period, then we will base the purchase price upon the remaining 8 trading days in which the Threshold Price was met.

In addition, we will return a pro rata portion of each cash investment made pursuant to an approved request for waiver for each trading day of a pricing period for which the Threshold Price is not met as soon as reasonably practical after the pricing period, without interest. The returned amount will be a percentage of the cash investment corresponding to the percentage of trading days

## **Table of Contents**

below the Threshold Price. Thus, for example, if we chose a 10 day trading period and the Threshold Price is not met for two (2) of the ten (10) trading days in a pricing period, then we will return two-tenths ( $\frac{2}{10}$ th or 20%) of the initial or optional cash investment to you without interest after conclusion of the pricing period. This does not constitute a discount to the purchase price; however, it does reduce the total number of shares that you may purchase with respect to a Waiver Investment Date.

The establishment of the Threshold Price and the possible return of a portion of the payment apply only to initial or optional cash investments exceeding \$100,000 per year made pursuant to a granted request for waiver. Setting a Threshold Price for a pricing period will not affect the setting of a Threshold Price for any other pricing period. We may waive our right to set a Threshold Price for any particular pricing period. Neither we nor the Plan Administrator are required to give you notice of the Threshold Price for any pricing period. We may alter or amend at our sole discretion these pricing periods at any time and from time to time, prior to the commencement of any pricing period and prior to the granting of any waiver with respect to such period.

At our sole discretion, we may offer participants making a cash investment in excess of \$100,000 a discount of up to 3% from the regular purchase price on any particular Waiver Investment Date. The maximum discount rate, if any, on initial or optional cash investments in excess of \$100,000 per year may be obtained at least 3 business days before the first day of the applicable pricing period by calling the Plan Administrator's Waiver Department at 1-201-680-5300.

Setting a discount from the purchase price for initial and optional cash investments in excess of \$100,000 per year for a particular pricing period will not affect the setting of a discount for any other pricing period. We may increase, decrease, or waive our right to set a discount from the purchase price for any particular pricing period. Neither we nor the Plan Administrator is required to give you notice of the discount for any pricing period. When setting the discount, if any, we will consider our capital needs, whether we want to issue equity to meet our capital needs and how quickly we desire to close the investment. For example, to the extent we desire to issue equity in a particular pricing period to meet our capital needs, we are more likely to establish a discount to encourage participants to make cash investments.

## **USE OF PROCEEDS**

We expect to use the net proceeds received from the issuance and sale of common stock offered hereby to repay debt and for general corporate purposes, including capital expenditures.

## **DESCRIPTION OF COMMON STOCK**

The following descriptions of our common stock and the relevant provisions of the articles of incorporation of PNM Resources, as amended through October 27, 2008 (our Articles of Incorporation), and by-laws are summaries and are qualified by reference to our Articles of Incorporation filed with the SEC as an exhibit to our Current Report on Form 8-K filed November 21, 2008 (incorporated by reference herein) and the by-laws previously filed with the SEC as an exhibit to our Current Report on Form 8-K as filed June 27, 2007 (incorporated by reference herein). The following also summarizes certain applicable provisions of the New Mexico Business Corporation Act and the New Mexico Public Utility Act and those summaries are qualified by reference to those Acts.

Our authorized capital stock consists of 120,000,000 shares of common stock, no par value and 10,000,000 shares of preferred stock, no par value. As of November 20, 2008, 86,498,465 shares of our common stock and 477,800 shares of our Convertible Preferred Stock, Series A (Series A Preferred Stock) were outstanding. Each share of Series A Preferred Stock is convertible at the option of the holder at any time into 10 shares of common stock, subject to certain anti-dilution adjustments.

## **Table of Contents**

### **Dividend Rights**

After giving effect to any prior rights of our preferred stock, we will pay dividends on our common stock as determined by our Board of Directors (the Board) out of legally available funds. Our ability to pay dividends depends primarily upon the ability of our subsidiaries to pay dividends or otherwise transfer funds to us. Various financing arrangements, charter provisions and regulatory requirements may impose certain restrictions on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances.

Unless waived by the holders of at least two-thirds of the number of then outstanding shares of Series A Preferred Stock, no dividend on our common stock shall be determined unless a dividend on the Series A Preferred Stock is declared and paid at the same time in an amount equal to the dividend that would be received by a holder of the number of shares (including fractional shares) of common stock into which such Series A Preferred Stock is convertible on the record date for such dividend.

### **Voting Rights**

Holders of common stock are entitled to one vote for each share held by them on all matters submitted to our shareholders. Holders of our common stock do not have cumulative voting rights in the election of directors. The New Mexico Business Corporation Act and our Articles of Incorporation and by-laws generally require the affirmative vote of a majority of the shares represented at a shareholder meeting and entitled to vote for shareholder action, including the election of directors. Under the New Mexico Business Corporation Act, some corporate actions, including amending the articles of incorporation and approving a plan of merger, consolidation or share exchange, require the affirmative vote of a majority of the outstanding shares entitled to vote, which could include, in certain circumstances, classes of preferred stock.

Our Articles of Incorporation limit the Board to designating voting rights for classes of preferred stock only (1) when dividends on the preferred stock are not paid, (2) when proposed changes to the Articles of Incorporation would adversely affect preferred shareholders' rights and privileges or (3) if the Board issues a series of preferred stock convertible into common stock and confers upon the holders of such convertible preferred stock the right to vote as a single class with holders of common stock on all matters submitted to a vote of holders of common stock at a meeting of shareholders other than for election of directors, with the same number of votes as the number of shares of common stock into which the shares of such preferred stock are convertible, provided that at all times the aggregate preferred stock outstanding with such voting rights is convertible into no more than 12 million shares of common stock. The 477,800 currently outstanding shares of Series A Preferred Stock are convertible into 4,778,000 shares of common stock, subject to certain anti-dilution adjustments.

Holders of each outstanding share of Series A Preferred Stock are entitled to vote as a single class with holders of our common stock on all matters except the election of directors and are entitled to the number of votes corresponding to the number of shares of common stock into which such Series A Preferred Stock is convertible on the record date for determining shareholders entitled to vote.

Our Articles of Incorporation do not allow our directors to create classes of directors. All directors are elected annually.

### **Liquidation Rights**

In the event we are liquidated or dissolved, either voluntarily or involuntarily, the holders of our preferred stock will have priority (after any of our creditors) with respect to the distribution of assets. After the holders of our preferred stock are paid their aggregate liquidation preference, the holders of our common stock will be entitled, subject to the rights, if any, of the holders of our preferred stock, to share ratably (according to the number of shares held by them) in all of our remaining assets available for distribution.

## **Table of Contents**

Each share of Series A Preferred Stock is entitled to a liquidation preference of \$1.00 per share. After that claim is satisfied, holders of our common stock are entitled to, ratably, an amount equal to \$1.00, divided by the number of shares of common stock into which a share of Series A Preferred Stock is then convertible, and multiplied by the number of shares of common stock then outstanding. After that claim is satisfied, all remaining assets will be distributed to the holders of the Series A Preferred Stock and common stock ratably on the basis of the number of shares of outstanding common stock and, in the case of the Series A Preferred Stock, the number of shares of common stock into which the outstanding shares of Series A Preferred Stock are then convertible.

### **Preemptive Rights**

The holders of our common stock do not have a preemptive right to purchase shares of our authorized but unissued shares, or securities convertible into shares or carrying a right to subscribe to or acquire shares, except under the terms and conditions as may be provided by our Board in its sole judgment.

As discussed above, each share of Series A Preferred Stock is convertible at the option of the holder at any time into 10 shares of common stock, subject to certain anti-dilution adjustments.

### **Listing**

Our common stock is listed on the New York Stock Exchange under the PNM symbol.

### **Transfer Agent and Registrar**

The transfer agent and registrar for the common stock is BNY Mellon Shareowner Services, Jersey City, New Jersey.

### **Certain Other Matters**

Our Articles of Incorporation and by-laws include a number of provisions that may have the effect of discouraging persons from acquiring large blocks of our stock or delaying or preventing a change in our control. The material provisions that may have such an effect include:

authorization for our Board to issue our preferred stock in series and to fix rights and preferences of the series (including, among other things, whether, and to what extent, the shares of any series will have voting rights, within the limitations described above, and the extent of the preferences of the shares of any series with respect to dividends and other matters);

advance notice procedures with respect to any proposal other than those adopted or recommended by our Board; and

provisions specifying that only a majority of the Board, the chairman of the Board, the president or holders of not less than one-tenth of all our shares entitled to vote may call a special meeting of stockholders.

Under the New Mexico Public Utility Act, approval of the New Mexico Public Regulation Commission is required for certain transactions which may result in our change in control or exercise of control.

**Table of Contents**

**PLAN OF DISTRIBUTION**

Subject to the discussion below, we will distribute newly issued shares of our common stock sold under the Plan. BNY Mellon Securities, LLC, a registered broker/dealer, will assist in the identification of investors and other related services, but will not be acting as an underwriter with respect to shares of our common stock sold under the Plan. There are no trading fees or service charges allocated to participants in the Plan in connection with their purchases of such newly issued shares of common stock.

In connection with the administration of the Plan, we may be requested to approve investments made pursuant to waiver requests by or on behalf of participants or other investors who may be engaged in the securities business.

Persons who acquire shares of our common stock through the Plan and resell them shortly after acquiring them, including coverage of short positions, under certain circumstances, may be participating in a distribution of securities that would require compliance with Regulation M under the Exchange Act, and may be considered to be underwriters within the meaning of the Securities Act. We will not extend to any such person any rights or privileges other than those to which it would be entitled as a participant, nor will we enter into any agreement with any such person regarding the resale or distribution by any such person of the shares of our common stock so purchased. We may, however, accept investments made pursuant to Requests for Waiver by such persons.

From time to time, financial intermediaries, including brokers and dealers, and other persons may engage in positioning transactions in order to benefit from any waiver discounts applicable to investments made pursuant to waiver requests under the Plan. Those transactions may cause fluctuations in the trading volume of our common stock. Financial intermediaries and such other persons who engage in positioning transactions may be deemed to be underwriters. We have no arrangements or understandings, formal or informal, with any person relating to the sale of shares of our common stock to be received under the Plan. We reserve the right to modify, suspend or terminate participation in the Plan by otherwise eligible persons to eliminate practices that are inconsistent with the purpose of the Plan.

We will pay any and all trading fees and related expenses incurred in connection with purchases of our common stock under the Plan, except that a trading fee (currently \$0.06 per share) is included in the share price for open market purchases. Upon withdrawal by a participant from the Plan by the sale of shares of our common stock held under the Plan, the participant will receive the proceeds of that sale less a transaction and trading fee and any required tax withholdings or transfer taxes.

You will not incur fees, commissions or expenses in connection with purchases made under the Plan, other than the current trading fee included in the open market share price of \$0.06 per share. This trading fee will not be charged to you for shares purchased with reinvested dividends. If you direct the Plan Administrator to sell shares of common stock credited to your account, however, the Administrator will deduct from the sales proceeds: (1) any applicable service fee (currently \$15.00 per sale transaction) plus (2) the applicable trading fee (currently \$0.06 per share) and (3) if a wire request is made, a wire fee (currently \$25 per wire request). The current fees are set forth in Appendix A.

**TRANSFER AGENT AND REGISTRAR**

Our Transfer Agent and Registrar is BNY Mellon Shareowner Services, 480 Washington Boulevard, Jersey City, NJ 07310.

**Table of Contents**

**LEGAL MATTERS**

Certain legal matters in connection with the common stock offered hereby have been passed upon for us by Charles L. Moore, Esq., Associate General Counsel. As of October 31, 2008, Charles L. Moore, Esq. held options to acquire 20,000 shares of our common stock (8,662 of which were exercisable).

**EXPERTS**

The financial statements, the related financial statement schedules, incorporated in this prospectus by reference from PNM Resources, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007, and the effectiveness of PNM Resources, Inc.'s internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference (which reports (1) express an unqualified opinion and include explanatory paragraphs regarding the adoption of Financial Accounting Standards Board Financial Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* in 2005, Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* and Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132R* in 2006, and the adoption of Financial Accounting Standards Board Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* in 2007 and (2) express an unqualified opinion on the effectiveness of internal control over financial reporting). Such financial statements and financial statement schedules have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

**Table of Contents**

**APPENDIX A**

**FEE SCHEDULE**

Enrollment fee for new investors	No charge
Initial purchase of shares	Trading fee included in share price (currently \$0.06 per share), applicable when shares are acquired by the Plan Administrator through its broker
Reinvestment of dividends	No charge. We will pay the applicable trading fee when shares are acquired by the Plan Administrator through its broker
Optional cash investments	Trading fee included in share price (currently \$0.06 per share), applicable when shares are acquired by the Plan Administrator through its broker
Sale of shares (partial or full):	
Transaction fee	\$15 per sale transaction or liquidation
Trading fee	Currently \$0.06 per share
Wire fee (optional)	Currently \$25 per wire request
Gift or transfer of shares	No charge
Safekeeping of stock certificates	No charge
Certificate issuance	No charge
Returned checks or rejected automatic debit	\$35 per check or transaction
Duplicate statements:	
Current year	No charge
Prior year(s)	\$20 flat fee per request per each prior year

**PLAN FEES ARE AT THE DISCRETION OF PNM RESOURCES, INC. INVESTORS SHOULD NOT RELY SOLELY ON THE ABOVE SCHEDULE AS FEES ARE SUBJECT TO CHANGE. FOR MORE INFORMATION, PLEASE CONTACT THE PLAN ADMINISTRATOR AT 1-877-663-7775**

**Table of Contents**

**Prospectus**

**Common Stock**

We intend to offer from time to time, at prices and on terms to be determined at or prior to the time of sale, shares of our common stock, no par value. We will specify the number of shares of common stock being offered and the underwriters for the offering, together with the terms and conditions for such offer, the public offering price, the underwriting discounts and commissions and our net proceeds from the sale thereof, in supplements to this prospectus. You should read both the prospectus and the applicable prospectus supplement carefully before you invest.

Our common stock is quoted on the New York Stock Exchange under the symbol PNM.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is August 18, 2006.



**Table of Contents**

**TABLE OF CONTENTS**

	<b>page</b>
<b><u>Prospectus</u></b>	
<u>About this Prospectus</u>	1
<u>Where You Can Find More Information</u>	1
<u>PNM Resources, Inc.</u>	3
<u>Special Note Regarding Forward-Looking Statements</u>	6
<u>Use of Proceeds</u>	7
<u>Description of Common Stock</u>	8
<u>Plan of Distribution</u>	10
<u>Legal Matters</u>	12
<u>Experts</u>	12

**Table of Contents**

**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a shelf registration process. This prospectus provides you with a general description of our common stock. Each time we sell shares of common stock, we will describe in a supplement to this prospectus the specific terms of that offering. The applicable prospectus supplement may also add, update or change information in this prospectus. Please carefully read both this prospectus and the applicable prospectus supplement, together with additional information referred to in *Where You Can Find More Information*, before investing in the common stock.

Unless otherwise indicated or unless the context otherwise requires, all references in this prospectus and any accompanying prospectus supplement to PNM, PNM Resources, we, our and us refer to PNM Resources, Inc. and its subsidiaries.

We are not offering the common stock in any state where the offer is not permitted.

You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of each of those documents.

**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and special reports and other information with the SEC. You may read and copy documents we file at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room. The SEC also maintains an Internet website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the site is *www.sec.gov*.

Our Internet address is *www.pnmresources.com*. The contents of the website are not a part of this Registration Statement. Our filings with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), are accessible free of charge at <http://www.pnmresources.com> as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. These reports are also available upon request in print from us free of charge.

**Table of Contents**

We are incorporating by reference in this prospectus information we file with the SEC, which means that we are disclosing important information to you by referring you to those documents. The information we incorporate by reference is considered to be part of this prospectus, unless we update or supersede that information by the information contained in this prospectus or the information we file subsequently with the SEC that is incorporated by reference in this prospectus or a prospectus supplement. We are incorporating by reference the following documents that we have filed with the SEC, other than any information in these documents that is deemed not to be filed with the SEC:

Our Annual Report on Form 10-K/A (Amendment No. 2) for the fiscal year ended December 31, 2005 as filed on August 8, 2006;

Our Definitive Proxy Statement on Schedule 14A as filed on April 7, 2006;

Our Quarterly Report on Form 10-Q/A (Amendment No. 1) for the quarter ended March 31, 2006 as filed on August 8, 2006;

Our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 as filed on August 9, 2006;

Our Current Reports on Form 8-K as filed on January 20, February 17, March 31, April 21, May 26, July 21 and August 17, 2006;  
and

The description of our common stock contained in our Current Report on Form 8-K filed on December 31, 2001 and any amendment or report filed for the purpose of updating such description, including our Current Report on Form 8-K as filed on August 17, 2006. We also incorporate by reference into this prospectus any filings we make with the SEC (excluding information furnished under Items 2.02 or 7.01 of Current Reports on Form 8-K) under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, after the initial filing of the registration statement that contains this prospectus and before termination of this offering.

You may obtain without charge a copy of any of the documents we incorporate by reference, except for exhibits to such documents which are not specifically incorporated by reference into such documents, by contacting us at PNM Resources, Inc., Alvarado Square, Albuquerque, New Mexico, 87158, Attention: Investor Relations. You may also telephone your request at (505) 241-2477.

---

**Table of Contents**

**PNM RESOURCES, INC.**

We are an investor-owned holding company of energy and energy-related businesses. We were incorporated in the State of New Mexico on March 3, 2000. Our primary subsidiaries are Public Service Company of New Mexico ( PNM ), Texas-New Mexico Power Company ( TNMP ), First Choice Power, L.P. ( First Choice ) and Altura Power L.P. ( Altura ). We intend to develop both our retail and wholesale business by expanding our current operations and by acquiring additional value-enhancing assets.

PNM is an integrated public utility primarily engaged in the generation, transmission, distribution, and sale of electricity within the State of New Mexico; the transmission, distribution and sale of natural gas within the State of New Mexico; and the sale and marketing of electricity in the Western United States. With our June 2005 acquisition of TNP Enterprises ( TNP ), PNM Resources acquired the operations of both of TNP s wholly owned subsidiaries, TNMP and First Choice. TNMP is a regulated public utility operating in both Texas and New Mexico. In Texas, TNMP provides regulated transmission and distribution services. In New Mexico, TNMP provides integrated electric services that include the transmission, distribution, purchase and sale of electricity. First Choice is a competitive retail electric provider ( REP ) in the State of Texas.

We serve a number of growing communities, including Albuquerque, Santa Fe, and Alamogordo in New Mexico, as well as suburban areas around Dallas-Fort Worth, Houston, and Galveston in Texas. Our regulated operations include the utility operations of PNM and TNMP, while our unregulated operations include wholesale operations, as well as First Choice. As of December 31, 2005, PNM Resources had 3,382 employees and 2,393 megawatts of generation from property it owns or leases and power purchased through various long-term power purchase agreements.

On June 6, 2005, we completed our acquisition of all the outstanding common shares of TNP. TNP was a privately owned holding company for TNMP and First Choice. As of December 31, 2005, TNMP provided electric service to approximately 260,000 customers in Texas and New Mexico. Its affiliate, First Choice, is a retail electric provider that had approximately 210,000 customers in Texas as of December 31, 2005. The customers reported above for TNMP Electric and First Choice include approximately 150,000 of TNMP s customers who have chosen First Choice as their REP. For more detailed information concerning the TNP acquisition, you should also read Management s Discussion and Analysis of Financial Conditions and Results of Operations and the Notes to Consolidated Financial Statements contained in certain of the documents incorporated by reference in this prospectus.

On April 18, 2006, our indirect subsidiary Altura, completed the acquisition of the Twin Oaks business ( Twin Oaks ), which included a 305-megawatt coal fired Twin Oaks power plant facility ( Twin Oaks Power Plant ) located 150 miles south of Dallas, Texas.

***Regulated Operations***

***Public Service Company of New Mexico***

PNM operates primarily through its two utility segments: PNM Electric and PNM Gas. PNM Electric consists of the distribution and generation of electricity for retail electric customers in New Mexico. It provides retail electric service to a large area of north central New Mexico, including the cities of Albuquerque and Santa Fe, and certain other areas of New Mexico. Customer rates for retail electric service are set by the New Mexico Public Regulation Commission and PNM Electric expects to file a new rate case in 2007. In 2005, PNM Electric had revenues of \$574.0 million. The largest retail electric customer served by PNM accounted for approximately 8.3% of its total retail electric revenues for the year ended December 31, 2005. The Albuquerque metropolitan area accounted for approximately 53% of PNM s 2005 total electric utility operating revenues, and no other franchise area represented more than approximately 10%.

As of December 31, 2005, PNM owned or leased 2,897 circuit miles of electric transmission lines, interconnected with other utilities in New Mexico, east and south into Texas, west into Arizona, and north into Colorado and Utah. Due to rapid load growth

---

**Table of Contents**

in our service territory in recent years and the lack of transmission development, most of the capacity on this transmission system is fully committed and there is very little or no additional access available on a firm commitment basis. These factors result in physical constraints on the system and limit the ability to deliver power into PNM's service area from outside of New Mexico.

PNM Gas distributes natural gas to most of the major communities in New Mexico, including Albuquerque and Santa Fe. In 2005, PNM Gas had revenues of \$511.4 million. The Albuquerque metropolitan area accounted for approximately 50% of the total PNM Gas revenues in 2005. No single sales service customer accounted for more than 0.9% of PNM's gas sales in 2005. On May 30, 2006, PNM Gas filed a petition with the New Mexico Public Regulation Commission requesting \$20.7 million in increased base and miscellaneous gas service rates and a return on equity of 11% to be implemented with the first billing cycle of April 2007.

*Texas-New Mexico Power Company*

TNMP provides transmission and distribution services to retail electric providers in two electricity markets: Texas and New Mexico. In Texas, TNMP provides regulated transmission and distribution services. In New Mexico, TNMP provides integrated electricity services: purchasing, transmitting, distributing, and selling electricity to its New Mexico customers. TNMP provides service, either directly or through retail electric providers, to approximately 260,000 customers in Texas and New Mexico. TNMP serves a market niche of small to medium-sized communities: only three of the 84 communities in TNMP's service territory have populations exceeding 50,000. TNMP's New Mexico operations lie entirely within the Western Electricity Coordinating Council Region and its service territory includes areas in southwest and south central New Mexico. TNMP owns no generation assets. Its New Mexico generation needs are met through a contract with PNM, which expires in December 2006.

As of December 31, 2005, 30 retail electric providers served customers that receive transmission and distribution services from TNMP. First Choice was TNMP's largest customer and accounted for approximately 56% of the retail electric revenues for the year ended December 31, 2005. TNMP also holds long-term, non-exclusive franchise agreements for its electric transmission and distribution services, with varying expiration dates. These agreements accounted for approximately 7% of TNMP's 2005 total electric utility operating revenues. TNMP intends to negotiate and execute new or amended franchise agreements with municipalities as they expire.

Rate regulation in Texas and New Mexico is premised on the full recovery of prudently incurred costs and a reasonable rate of return on equity. Allowed return on equity is set at 11.25% and 10.00% in Texas and New Mexico, respectively. TNMP's capital expenditure requirements for maintenance and expansion of the transmission and distribution network are highly predictable and consistent. Management believes that current facilities have sufficient capacity to adequately serve existing customers and only limited additional capital commitments are needed to serve customer growth for the foreseeable future.

***Unregulated Operations***

*Wholesale Operations*

The wholesale business consists of the generation and sale of electricity into the wholesale market based on two product lines that include long-term contracts and short-term sales. The source of these sales is supply created by selling the unused capacity of jurisdictional assets as well as the capacity of our wholesale plants excluded from retail rates. Both regulated and unregulated generation is jointly dispatched in order to improve reliability, provide the most economic power to retail customers and maximize profits on any wholesale transactions. Long-term contracts include sales to firm requirements and other wholesale customers with multi-year arrangements. As of December 31, 2005, these contracts ranged from 1 to 14.5 year terms with an average term of 5.3 years. Short-term sales include transactions entered into for less than one year. They include forward market opportunities, which do not qualify as normal sale and purchase transactions as defined by applicable accounting rules, and thus are generally marked to market. Short-term sales generally include spot market, hour ahead, day ahead, and week ahead contracts with terms of 30 days or

---

**Table of Contents**

less. Also included in short-term sales are sales of any excess generation not required to fulfill PNM's retail load and contractual commitments. Short-term sales also cover the revenue credit to retail customers as specified in a regulatory order. Results of the operations of the Twin Oaks power plant facility are included in wholesale operations subsequent to the April 18, 2006 acquisition date.

*Luna*

In April 2006, construction of Luna, a combined-cycle power plant near Deming, New Mexico, was completed and the plant became operational. PNM owns one-third of the plant and managed the construction project. Luna will operate as a PNM merchant facility and PNM's 190-megawatt share of its power will be sold to wholesale electric customers in the Southwest.

*Twin Oaks*

The acquisition of Twin Oaks, which included Twin Oaks Power Plant, was completed in April 2006. The entire 305-megawatt output of Twin Oaks Power Plant is sold under an existing contract through September 2007. When that contract expires, it will be replaced with another existing contract for 75 percent of the plant's capacity through 2010. The Twin Oaks purchase agreement also includes the development rights for a possible 600-megawatt expansion of Twin Oaks Power Plant. The necessary permits for the expansion are expected in 2007. PNM has not made a decision regarding the Twin Oaks Power Plant expansion, but it is considering a variety of options, including self development or sale to a third party.

*First Choice Power*

First Choice is an REP in the State of Texas. Organized in 2000 to act as TNMP's affiliated REP, First Choice had approximately 210,000 Texas customers at the end of 2005. Of these, First Choice has approximately 150,000 price-to-beat ( PTB ) customers and 60,000 competitive customers. PTB customers are former customers of TNMP that have chosen to remain with First Choice, while competitive customers are those that First Choice has actively acquired from other REPs following deregulation of the Texas market. First Choice is one of 71 REPs competing for small non-residential customers and one of 52 REPs competing for large non-residential customers and aggregated cities within the Electric Reliability Council of Texas ( ERCOT ) region, including Dallas-Fort Worth, Houston, Corpus Christi and McAllen-Harlingen. Aggregated cities are groups of cities, which have aggregated their loads in order to sign a single contract with an REP so as to secure power at better prices than each would be able to obtain on its own. First Choice sources its power from one primary contract: a fixed heat rate contract with Constellation Power Source, Inc. ( Constellation ), a subsidiary of Constellation Energy Group, that serves all projected energy requirements through the end of 2006.

In 2003, First Choice and Constellation executed a power supply agreement that resulted in Constellation being the primary supplier of power for First Choice's customers through the end of 2006. Following the expiration of First Choice's power supply agreement with Constellation at the end of 2006, we will seek lower-cost, more competitive electricity sources. Additionally, we will be able to use the uncontracted portion of Twin Oaks' output to meet First Choice's electricity needs. First Choice regularly revises its load forecast due to growing customer additions and changes in customer usage in a deregulated Texas market. The acquisition of Twin Oaks represents the latest step in implementing our strategy of expanding our merchant generation fleet to serve a growing wholesale market in the Southwest and ERCOT.

**Table of Contents**

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Statements made in this prospectus and other documents that we file with the SEC that relate to future events or our expectations, projections, estimates, intentions, goals, targets and strategies, are made pursuant to the Private Securities Litigation Reform Act of 1995. Forward-looking statements often can be identified by the words believe, expect, anticipate, estimate or similar expressions. Readers are cautioned that all forward-looking statements are based upon current expectations and estimates and we assume no obligation or duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Since actual results may differ materially from those expressed or implied by these forward-looking statements, we caution readers not to place undue reliance on these statements. Our business, financial condition, cash flow and operating results are influenced by many factors, which are often beyond our control, that can cause actual results to differ from those expressed or implied by the forward-looking statements. These factors include:

The potential unavailability of cash from PNMR's subsidiaries due to regulatory, statutory and contractual restrictions,

The outcome of any appeals of the PUCT order in the stranded cost true-up proceeding,

The ability of First Choice to attract and retain customers,

Changes in ERCOT protocols,

Changes in the cost of power acquired by First Choice,

Collections experience,

Insurance coverage available for claims made in litigation,

Fluctuations in interest rates,

The risk that the Twin Oaks power plant will not be successfully integrated into PNMR,

Conditions in the financial markets affecting PNMR's permanent financing for the Twin Oaks power plant acquisition,

Weather, including impacts on PNMR and its subsidiaries of hurricanes in the Gulf Coast region,

Water supply,

Changes in fuel costs,

Availability of fuel supplies,

The effectiveness of risk management and commodity risk transactions,

Seasonality and other changes in supply and demand in the market for electric power,

Variability of wholesale power prices and natural gas prices,

Volatility and liquidity in the wholesale power markets and the natural gas markets,

Changes in the competitive environment in the electric and natural gas industries,

The performance of generating units, including PVNGS, and transmission systems,

The market for electrical generating equipment,

The ability to secure long-term power sales,

The risks associated with completion of generation, transmission, distribution and other projects, including construction delays and unanticipated cost overruns,

State and federal regulatory and legislative decisions and actions,

The outcome of legal proceedings,

Changes in applicable accounting principles, and

The performance of state, regional and national economies.



**Table of Contents**

**USE OF PROCEEDS**

Unless we indicate otherwise in the prospectus supplement, we expect to use the net proceeds from the sale of the common stock for financing capital expenditures and future acquisitions, to refund or redeem debt and for other general corporate purposes. We will describe in the applicable prospectus supplement any specific allocation of the proceeds to a particular purpose that we have made at the date of such prospectus supplement. We will temporarily invest any net proceeds that we do not immediately use in short-term marketable securities.

---

**Table of Contents**

**DESCRIPTION OF COMMON STOCK**

The following descriptions of our common stock and the relevant provisions of the articles of incorporation of PNM Resources, as amended through June 21, 2006 (our Articles of Incorporation ), and by-laws are summaries and are qualified by reference to our Articles of Incorporation previously filed with the SEC as an exhibit to our Quarterly Report on Form 10-Q as filed August 9, 2006 for the quarter ended June 30, 2006 (incorporated by reference herein) and the by-laws previously filed with the SEC as an exhibit to our Current Report on Form 8-K as filed February 17, 2006 (incorporated by reference herein). The following also summarizes certain applicable provisions of the New Mexico Business Corporation Act and the New Mexico Public Utility Act and those summaries are qualified by reference to those Acts.

Our authorized capital stock consists of 120,000,000 shares of common stock, no par value and 10,000,000 shares of preferred stock, no par value. As of August 1, 2006, 69,592,245 shares of our common stock were outstanding and no shares of our preferred stock have been issued to date.

**Dividend Rights**

After giving effect to any prior rights of our preferred stock, if any should become outstanding, we will pay dividends on our common stock as determined by our Board of Directors (the Board ) out of legally available funds. Our ability to pay dividends depends primarily upon the ability of our subsidiaries to pay dividends or otherwise transfer funds to us. Various financing arrangements, charter provisions and regulatory requirements may impose certain restrictions on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances.

**Voting Rights**

Holders of common stock are entitled to one vote for each share held by them on all matters submitted to our shareholders. Holders of our common stock do not have cumulative voting rights in the election of directors. The New Mexico Business Corporation Act and our Articles of Incorporation and by-laws generally require the affirmative vote of a majority of the shares represented at a shareholder meeting and entitled to vote for shareholder action, including the election of directors. Under the New Mexico Business Corporation Act, some corporate actions, including amending the articles of incorporation and approving a plan of merger, consolidation or share exchange, require the affirmative vote of a majority of the outstanding shares entitled to vote, which could include, in certain circumstances, classes of preferred stock.

Our Articles of Incorporation limit the Board to designating voting rights for classes of preferred stock only (1) when dividends on the preferred stock are not paid, (2) when proposed changes to the Articles of Incorporation would adversely affect preferred shareholders' rights and privileges or (3) if the Board issues a new series of preferred stock convertible into common stock and confers upon the holders of such convertible preferred stock the right to vote as a single class with holders of common stock on all matters submitted to a vote of holders of common stock at a meeting of shareholders other than for election of directors, with the same number of votes as the number of shares of common stock into which the shares of such preferred stock are convertible, provided that at all times the aggregate number of preferred stock outstanding with such voting rights is convertible into no more than 12 million shares of common stock.

Our Articles of Incorporation previously permitted our directors to create classes of directors in accordance with the bylaws. Previously, the bylaws provided for 3 classes of directors so that approximately one-third ( 1/3 ) of the directors were elected at each annual meeting to serve a 3-year term. In February 2006, the Board amended the bylaws to declassify the Board and provide for the annual election of all directors and adopted, subject to shareholder approval, amendments to revise Article VI of our Articles of Incorporation to eliminate the authority of the Board to classify itself by amending the bylaws. The Board has set the current number of directors at 9. In May 2006, the shareholders adopted these amendments.

## **Table of Contents**

### **Liquidation Rights**

In the event we are liquidated or dissolved, either voluntarily or involuntarily, the holders of our preferred stock will have priority (after any of our creditors) with respect to the distribution of assets. After the holders of our preferred stock are paid their aggregate liquidation preference, the holders of our common stock will be entitled, subject to the rights, if any, of the holders of our preferred stock, to share ratably (according to the number of shares held by them) in all of our remaining assets available for distribution.

### **Preemptive Rights**

The holders of our common stock do not have a preemptive right to purchase shares of our authorized but unissued shares, or securities convertible into shares or carrying a right to subscribe to or acquire shares, except under the terms and conditions as may be provided by our Board in its sole judgment.

### **Listing**

Our common stock is listed on the New York Stock Exchange under the PNM symbol.

### **Transfer Agent and Registrar**

The transfer agent and registrar for the common stock is Mellon Investor Services, South Hackensack, New Jersey.

### **Certain Anti-takeover Matters**

Our Articles of Incorporation and by-laws include a number of provisions that may have the effect of discouraging persons from acquiring large blocks of our stock or delaying or preventing a change in our control. The material provisions that may have such an effect include:

authorization for our Board to issue our preferred stock in series and to fix rights and preferences of the series (including, among other things, whether, and to what extent, the shares of any series will have voting rights, within the limitations described above, and the extent of the preferences of the shares of any series with respect to dividends and other matters);

advance notice procedures with respect to any proposal other than those adopted or recommended by our Board; and

provisions specifying that only a majority of the Board, the chairman of the Board, the president or holders of not less than one-tenth of all our shares entitled to vote may call a special meeting of stockholders.

Under the New Mexico Public Utility Act, approval of the New Mexico Public Regulation Commission is required for certain transactions which may result in our change in control or exercise of control.

**Table of Contents**

**PLAN OF DISTRIBUTION**

We may sell shares of our common stock, in or outside of the United States, to underwriters or dealers, through agents, directly to purchasers or through a combination of these methods. The applicable prospectus supplement will contain specific information relating to the terms of the offering, including, to the extent not otherwise included in the prospectus:

the name or names of any underwriters or agents;

the purchase price of the common stock;

our net proceeds from the sale of the common stock;

any underwriting discounts or agency fees and other items constituting underwriters' or agents' compensation; and

any initial public offering price and any discounts or concessions allowed or re-allowed or paid to dealers.

**By Underwriters**

If underwriters are used in the sale, the shares of common stock will be acquired by the underwriters for their own account. Underwriters may offer the common stock directly or through underwriting syndicates represented by one or more managing underwriters. The underwriters may resell the common stock in one or more transactions, including negotiated transactions, at a fixed public offering price, which may be changed, or at varying prices determined at the time of sale. The obligations of the underwriters to purchase the shares of common stock will be subject to certain conditions. The initial public offering price and any discounts or concessions allowed or re-allowed or paid to dealers may be changed from time to time.

**By Dealers**

If dealers are used in the sale, unless otherwise specified in the applicable prospectus supplement, we will sell the shares of common stock to the dealers as principals. The dealers may then resell the common stock to the public at varying prices to be determined by the dealers at the time of resale. The applicable prospectus supplement will contain more information about the dealers, including the names of the dealers and the terms of our agreement with them.

**By Agents and Direct Sales**

We may sell the shares of common stock directly to the public, without the use of underwriters, dealers or agents. We may also sell the common stock through agents we designate from time to time. The applicable prospectus supplement will contain more information about the agents, including the names of the agents and any commission we agree to pay the agents.

We also may engage a broker-dealer from time to time to act as agent or principal for the offer of our common stock in one or more placements pursuant to a distribution agreement. If we and the broker-dealer agree, we will sell to the broker-dealer as agent or as principal, and the broker-dealer will seek to solicit offers to purchase on an agency basis and/or will purchase on a principal basis, our common stock. The number and purchase price (less an underwriting discount) of the shares we sell to the broker-dealer will be mutually agreed on the relevant trading day. The common stock sold under the distribution agreement will be sold at prices related to the prevailing market price for such securities, and therefore exact figures regarding the share price, proceeds that will be raised or commissions to be paid will be described in a prospectus supplement to this prospectus or in other filings made in accordance with and as permitted by the Securities Act of 1933, as amended (the Securities Act ) and the Exchange Act. The broker-dealer may



**Table of Contents**

make sales of our common stock pursuant to the distribution agreement in privately negotiated transactions and/or any other method permitted by law deemed to be an at-the-market offering as defined in Rule 415 promulgated under the Securities Act including sales made on the New York Stock Exchange, the current trading market for our common stock.

**General Information**

Underwriters, dealers and agents that participate in the distribution of the common stock may be deemed underwriters as defined in the Securities Act, and any discounts or commissions we pay to them and any profit made by them on the resale of the common stock may be treated as underwriting discounts and commissions under the Securities Act. Any underwriters or agents will be identified and their compensation from us will be described in the applicable prospectus supplement.

We may agree with the underwriters, dealers and agents to indemnify them against certain civil liabilities, including liabilities under the Securities Act, or to contribute with respect to payments which the underwriters, dealers or agents may be required to make.

Underwriters, dealers and agents may be customers of, engage in transactions with or perform services for, us in the ordinary course of their businesses.

**Table of Contents**

**LEGAL MATTERS**

Certain legal matters in connection with the offering of the common stock will be passed upon for us by Charles L. Moore, Esq., Associate General Counsel, and certain other matters will be passed upon for us by Troutman Sanders LLP. Underwriters' counsel will render an opinion as to the validity of the common stock for any underwriters, dealers, purchasers or agents.

**EXPERTS**

The consolidated financial statements, the related financial statement schedules, and management's report on the effectiveness of internal control over financial reporting incorporated in this prospectus by reference to PNM Resources, Inc.'s Annual Report on Form 10K/A for the year ended December 31, 2005, filed August 8, 2006, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference (which reports (1) express an unqualified opinion on the financial statements and financial statement schedules and include explanatory paragraphs regarding the adoption of Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations, effective January 1, 2003, and Financial Accounting Standards Board Financial Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations in 2005, the change in actuarial valuation measurement date for the pension plan and other post-retirement benefits from September 30 to December 31 during 2003, PNM Resources, Inc.'s acquisition of TNP Enterprises, Inc. in 2005, and the disclosures regarding the allocation of goodwill among the acquired entities being restated, (2) express an unqualified opinion on management's assessment regarding the effectiveness of internal control over financial reporting but note the exclusion from Management's Annual Report on Internal Control Over Financial Reporting of an assessment of the internal control over financial reporting at TNP Enterprises, Inc., and its subsidiaries, which were acquired on June 6, 2005, and (3) express an unqualified opinion on the effectiveness of internal control over financial reporting), and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.