
**Summary Appraisal Report
of the
Taos House (Hobbs MSD) Property
223 West Taos Avenue
Hobbs, New Mexico 88240**

**Prepared for
Hobbs Municipal School District
Attn: Gene Strickland, Director of Operations
P.O. Box 1030
Hobbs, New Mexico 88241**

**Prepared by
Oscar E. Kunkel, Jr., SRA
P.O. Box 757
Roswell, New Mexico 88202-0757
as of
November 20, 2012**

KUNKEL & ASSOCIATES

Providing Real Estate Valuation Solutions for Southeastern New Mexico

December 27, 2012

Hobbs Municipal School District
Attn: Gene Strickland, Director of Operations
P.O. Box 1030
Hobbs, New Mexico 88241

Re: Taos House (Hobbs MSD) Property

Dear Mr. Strickland:

At your request, I have prepared the accompanying Summary Appraisal Report of the Taos House (Hobbs MSD) property, which is located at 223 West Taos Avenue, Hobbs, New Mexico. My analyses and conclusions are presented in the accompanying 104-page appraisal report.

The intended use of this appraisal is to provide my opinion of Fee Simple Market Value on the subject property for possible sale purposes. The exposure time for the subject property is estimated to have been twelve months, or more.

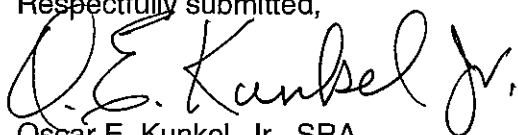
A summary of salient facts is on the following page. As a result of the investigation and analysis of the information gathered, **it is my opinion that the Fee Simple Market Value of the subject property, as of November 20, 2012 is:**

One Hundred Five Thousand Dollars

(\$105,000.00)

I, the undersigned, do hereby certify that to the best of my knowledge and beliefs, the statements contained in this report and upon which the opinions expressed are correct, subject to the limiting conditions herein set forth; also that this report has been made in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and with the federally mandated appraisal requirements in Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. **This appraisal report is considered to be a Summary Appraisal Report as defined and in accordance with the Uniform Standards of Professional Appraisal Practice, Standards Rule 2-2(b).** As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

Respectfully submitted,



Oscar E. Kunkel, Jr., SRA
(NM State Certified Appraiser # 314-G)

OEK:lh

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Location:	223 West Taos Avenue, Hobbs, New Mexico
Valuation Date:	November 20, 2012
Date of Inspection:	November 20, 2012
Type of Property:	Office Building
Property Rights Appraised:	Fee Simple Estate
Highest and Best Use:	Office Building/Storage Building/Worship Facility
Zoning:	None
Site Size:	21,769± S.F.
Improvements:	4,791 S.F.
Value Opinions:	
Cost Approach:	Not Developed
Land Valuation:	\$ 24,000
Sales Comparison Approach:	
Price Per Unit Method:	\$129,500
GIM Method:	\$119,500
Income Approach:	\$102,000
Final Opinion of Fee Simple Market Value:	<u>\$105,000</u>

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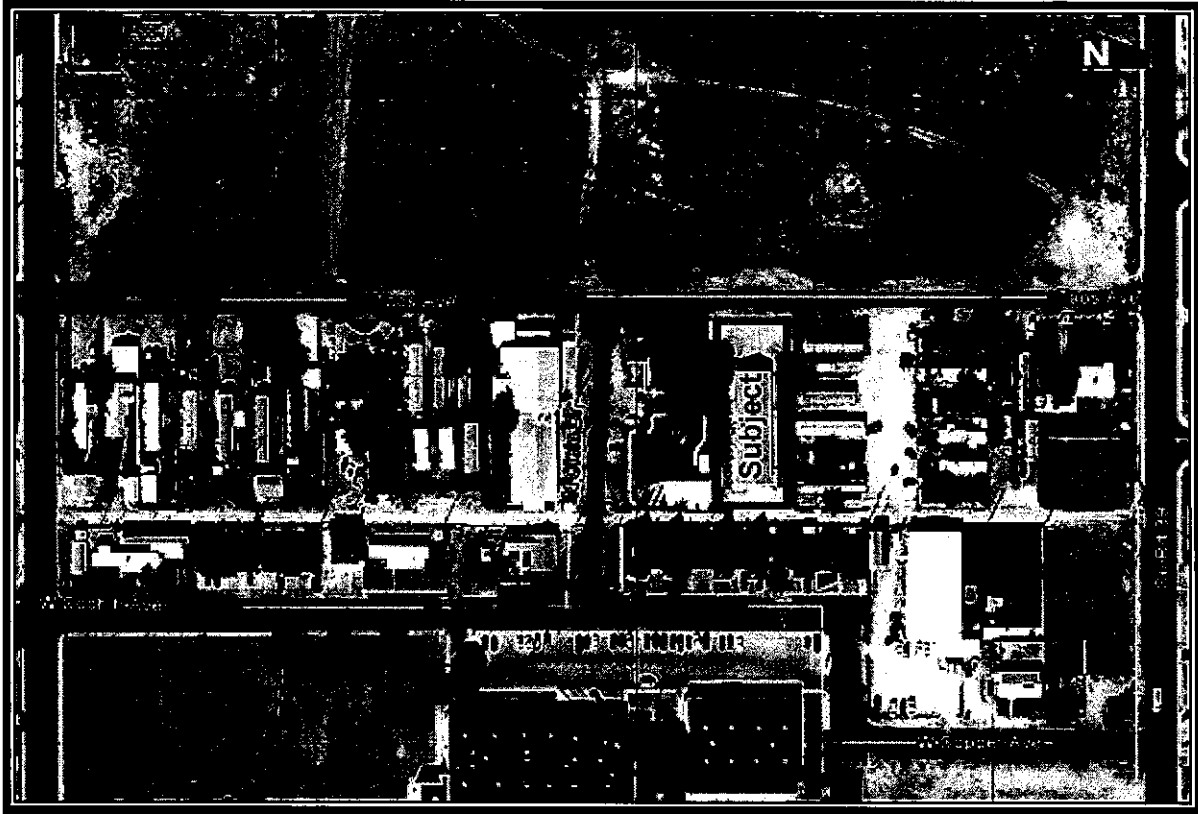
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AERIAL VIEW OF SUBJECT PROPERTY

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made subject to the following assumptions and limiting conditions:

1. The authors of this appraisal report are not required to give further consultation, testimony, or be in attendance in court with reference to the property in question, unless arrangements have been previously made.
2. The distribution of the total valuation in this appraisal report between land and improvements applies only under the stated program of utilization. The separate valuations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal of any interest less than the whole fee simple estate relates only to the fractional interest defined. The value of such a fractional interest plus the value of all other fractional interests may or may not equal the value of the entire fee simple estate considered as a whole.
3. Disclosure of the contents of this appraisal report is governed by the Bylaws and Regulations of the professional appraisal organizations with which the appraisers are affiliated, specifically, the Appraisal Institute.
4. When the signatories of this appraisal report are Members or Associate Members of the Appraisal Institute, then the Bylaws and Regulations of the Appraisal Institute require each Member and Associate Member to control the use and distribution of each appraisal report signed by such Member or Associate Member.

Therefore, except as hereinafter provided, neither all nor any portion of the contents of this appraisal report, especially any conclusions as to value or the identity of the appraisers, shall be disseminated to the public. Possession of this appraisal report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without prior written consent of the signatories. Selected portions of this appraisal report shall not be given to third parties without the prior written consent of the signatories of this appraisal report. Furthermore, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media, or other media for public communication without the prior written consent of the signatories of this appraisal report. Nor shall the appraisers, appraisal firm, or professional organization with which the appraisers are associated be identified without the prior written consent of the appraisers.

5. No responsibility is assumed for matters which are legal in nature, nor is any opinion of title rendered. The title is assumed to be marketable. The legal descriptions used in this appraisal report are assumed to be correct.
6. Liens against the subject property, if any, have been disregarded, and the property is appraised as though free and clear, under responsible ownership and competent management.
7. Information furnished by others and contained in this appraisal report is believed to be reliable, but no responsibility is assumed for its accuracy. The following persons provided information used in this report: Mr. Gene Strickland, Director of Operations (Hobbs MSD); Karen Soria, Assistant Director of Finance (Hobbs MSD); Lea County Assessor's and Treasurer's Offices; and numerous buyers, sellers, and renters of improved properties and vacant land in Hobbs.
8. No survey of the property has been made by the appraisers and no responsibility is assumed for the accuracy of surveys, diagrams, sketches, or maps included in this appraisal report. These items are provided solely for the purpose of assisting the reader to visualize the subject

property being appraised. It is assumed that the utilization of the land and improvements is within the boundaries of the property lines described and that there is no encroachment or trespass, unless noted in this appraisal report.

9. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or improvements which would render the property more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
10. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined, and considered in this appraisal report.
11. It is assumed that all required licenses, consents, certificates of occupancy, or other legislative or administrative authority from any local, state, or national government or private entity or organization, have been or can be obtained or renewed for any use on which the opinion of value contained in this appraisal report is based.
12. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in this appraisal report. No environmental impact studies were made in conjunction with this appraisal report. The opinion of value contained herein could be impacted by subsequent environmental impact studies, research, investigation, and resulting governmental actions.
13. Unless otherwise stated in this appraisal report, the existence of environmental hazards as defined in the federal Resource Conservation and Recovery Act regulations 40 CFR 261.3 or any other RCRA regulations pertaining to hazardous materials which may or may not be present on the property, were not called to our attention, nor did we become aware of such during our inspection. We have no knowledge of the existence of such materials on or in the property unless otherwise stated. However, we are not qualified to test for such substances or conditions. The presence of such hazardous substances or environmental conditions may affect the value of the property. The opinion of value is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
14. No guarantee exists, written or implied, that the subject property will sell or lease for the amounts provided herein.
15. No representations relating to the future value of the subject property have been made by the appraisers. The value conclusions herein are valid only as of the date of the appraisal, and reflect the appraiser's knowledge of market conditions as of that date.

Anyone acting in reliance upon the opinions, judgments, conclusions, or data contained herein, who has the potential for monetary loss due to reliance thereon, is advised to secure an independent review and verification of all such conclusions and/or facts. The user agrees to notify the appraisers, prior to any irrevocable loan or investment decision, of any error which could reasonably be determined from a thorough and knowledgeable review.

16. An appraisal is only one tool in the loan underwriting process. The credit worthiness, financial capacity, and management ability of a developer/owner has a significant impact upon the value of real property. The property is appraised as having knowledgeable ownership and competent management. If utilized for loan underwriting purposes, the lender bears the responsibility for verification of facts relating to the subject property and for prudent underwriting procedures.

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17. The opinion of value does not consider the effects, if any, of the current financing that may, or may not, encumber the subject property.
 18. The preparation of this appraisal report has been performed in good faith. Kunkel and Associates, Inc., its employees, agents or officers, may be held accountable only for any losses, claims, damages, liabilities, costs or expenses incurred by any users of this report in an amount not to exceed the fee charged to provide this report.
 19. Acceptance of and or use of this appraisal report constitutes acceptance of all assumptions and limiting conditions stipulated herein.
 20. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraisers have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance. If so, this could have a negative effect on the value of the property. Because the appraisers have no direct evidence relating to this issue, no consideration was given to the possible non-compliance with the requirements of ADA in providing the opinion of value on the property.
 21. I have appraised other office/service properties in Hobbs, New Mexico and I am competent to complete this appraisal in accordance with the Competency Rule, Pages U-11 and U-12, USPAP 2012-2013 Edition.
 22. **As agreed upon with Mr. Gene Strickland, Director of Operations (Hobbs MSD), prior to the preparation of this appraisal, this is a Summary Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.**
 23. The subject improvement consists of an office building that contains 4,791 square feet. This size is based upon my on-site measurement of the improvement. The subject site is rectangular in shape. It contains 21,769± square feet, per the available Assessor's Plat. A copy of the Assessor's Plat is included as an exhibit in the Site Description section of this appraisal report. **The client is advised to retain the services of a Registered Land Surveyor in order to be provided with a current Survey, the location of the improvements on the site, and an accurate site size.**

QUALIFICATIONS OF THE APPRAISER

OSCAR E. KUNKEL, Jr. (Bud)

DOB: 4-22-50

P.O. Box 757

Roswell, New Mexico 88202-0757

Phone (575) 623-5180

budkunkel@cableone.net

Employment: October 1983 to Present - Self-employed as a residential and commercial fee appraiser. Major area of appraisal activity is in the towns of Artesia, Carlsbad, Clovis, Hobbs, Lovington, Portales, Roswell, and Ruidoso - generally Southeastern and Southern New Mexico.

November 1978 to October 1983 - Manufacturing Engineering Supervisor in Radar Division of Equipment Group, Texas Instruments, Inc., Dallas, Texas.

December 1972 to November 1978 - Served as an Armor Officer with the 82nd Airborne Division at Fort Bragg, North Carolina, and as a Cavalry Officer with the 11th Armored Cavalry Regiment in Germany. Also served as a Nuclear Release Officer with the 5th U.S. Corps in Germany.

Education: Graduate of New Mexico State University, 1972

Appraisal Institute Course 1A - Real Estate Appraisal Principals, 1983

Appraisal Institute Course 8-2 - Residential Valuation, 1984

Appraisal Institute Course 1B - Capitalization Theory and Techniques Part A & B, 1990

Appraisal Institute – National USPAP Course, 2012

Numerous continuing education appraisal seminars sponsored by the Appraisal Institute

State License: State of New Mexico Real Estate Appraiser General Certificate License No. 314-G

Professional Affiliation: Appraisal Institute - Rio Grande Chapter - President, 1999. Region VIII (Texas & New Mexico) - Chapter Services Committee Representative 2001-2002. Region VIII - Director and Appraisal Institute Board of Directors 2006-2007. Appraisal Institute Strategic Planning Committee Member 2009. Appraisal Institute National Nominating Committee Member 2011. AI Holdings Board Member 2012. Received SRA designation in 1993.

Clients Include: Most banks in Southern New Mexico, several counties and cities in Southern New Mexico, numerous Federal and State governmental agencies, and numerous individuals, law firms, and accounting firms.

IDENTIFICATION OF THE PROPERTY

The subject property is located at 223 West Taos Avenue, Hobbs, New Mexico. This is on the south side of West Taos Avenue a short distance west of North Fowler Street. The subject's legal description is:

Part of Lot 7, Block 2, of the Spears Subdivision.

This legal description is per Special Warranty Deed Book 776, Pages 359-365. A copy of this instrument is identified as Exhibit "A" in the Addenda.

INTENDED USE OF THE APPRAISAL

It is my understanding this appraisal will be used to provide my opinion of the Fee Simple Market Value of the subject property for possible sale purposes. It is not intended for any other use.

DEFINITION OF MARKET VALUE

The definition of Market Value that appears in *12 CFR 34, Final Rule of the Office of the Comptroller of the Currency*, Department of the Treasury, published in the Federal Register, August 24, 1990, is used for the purposes of this report. *The Definition is as follows:*

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. *Buyer and seller are typically motivated;*

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2. *Both parties are well informed or well advised, and acting in what they consider their own best interests;*
 3. *A reasonable time is allowed for exposure in the open market;*
 4. *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
 5. *The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*

Note: This definition is also cited in close similarity in the {The Appraisal of Real Estate, 13th Edition, 2008, Pages 24-25, published by the Appraisal Institute.}

PROPERTY RIGHTS APPRAISED

The property rights appraised in this report are in fee simple interest and as though unencumbered. *Fee simple is defined:*

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

{The Appraisal of Real Estate, 13th Edition, 2008, Page 111, published by the Appraisal Institute.}

INTENDED USER OF THE APPRAISAL

The intended user of this appraisal is the client, Hobbs Municipal School District, at the request of Mr. Gene Strickland, Director of Operations. This appraisal report is prepared for the sole and exclusive use of Hobbs Municipal School District for possible sale purposes. No third parties are authorized to rely upon this appraisal report for any purpose whatsoever without the express written consent of the appraiser.

SCOPE OF THE APPRAISAL

The subject property is identified by street address. A location map shows the property location and the general market area. Market area information was collected and analyzed to provide indications of economic, social, governmental, and physical factors that may have an effect on the subject's Market Value. The subject property is described, providing the user of this report information about the site and the improvements.

The Cost Approach is not developed in this appraisal report due to the age of the improvements. However, the absence of the Cost Approach will not reduce the reliability of this appraisal report. A Land Value will be developed.

Only two approaches to value, the Sales Comparison Approach and the Income Approach will be developed in this appraisal report. The extent of the development of both approaches to value in this appraisal is based upon the amount and quality of the available information pertinent to each approach. Information on improved property sales, current rental information, operating costs, and capitalization rates is sought and developed.

To provide my opinion of the Fee Simple Market Value for the subject property, a Summary Appraisal is developed in accordance with USPAP Standards Rule 2-2(b). This appraisal report is a brief recapitulation of the data developed and analyzed by the appraiser to provide the value conclusion. Supporting documentation is retained in the appraiser's files.

STATEMENT OF OWNERSHIP

The subject property is owned by Hobbs Municipal School District. Ownership is per Special Warranty Deed Book 776, Pages 359-365, dated January 23, 1997, and filed February 5, 1997, in the Lea County Clerk's Office. A copy of this instrument is identified as Exhibit "A" in the Addenda.

DATE OF THE APPRAISAL AND INSPECTION

The appraisal date is as of November 20, 2012. Oscar E. Kunkel, Jr., inspected the subject property on November 20, 2012.

REGIONAL, COUNTY, AND CITY DATA

● **Regional Data**

The southeast quadrant of New Mexico includes the major cities of Alamogordo, Artesia, Carlsbad, Clovis, Hobbs, Lovington, Portales, Roswell, and Ruidoso. The larger cities that are within 200-plus miles of Hobbs include Lubbock, Midland-Odessa, El Paso, Texas and Albuquerque, New Mexico. These cities are included in the region because they are supplier cities to the population in Southeastern New Mexico.

The regional economy is dependent upon agriculture, extractive mineral production, manufacturing, tourism, military bases, and large federally funded projects/training facilities. The primary economic factors that influence the region are the oil and gas industry, farming, ranching, and the dairy industry. Roswell serves as the regional trade center for the southeastern quadrant of New Mexico, especially the agricultural portion of the economy. However, the east side of the region (Lea, Roosevelt, and Curry Counties) leans toward Texas for trade, as does Otero County in the south.

Transportation throughout the region is primarily by personal vehicle. The primary highways through the region are U.S. Highways 285, 70, 380, 82, 54, 62, and 180, along with State Highways 18 and 32. These highways are generally two-lane asphalt paved roads. Construction was completed on U.S. Highway 285 with a new four-lane highway in 2003-2005, that now extends from Interstate Highway 40 at Clines Corners south to Carlsbad. Construction was completed in early 2006 on U.S. Highway 70, which runs southwest to northeast across New Mexico from Las Cruces to Clovis. This highway, which is a four-lane highway, provides an alternate four-lane route across New Mexico south of

Interstate Highway 40. Due to the large size of the region and the limited population, the highway network is very important. It allows for essential family transportation as well as the movement of goods and raw materials/products into and out-of the region by truck. The Burlington Northern Santa Fe Railway Company services the region. Rail transportation is limited mostly to the movement of extractive minerals, grain, and commodities for livestock use. The closest rail passenger terminals are in Albuquerque, New Mexico and El Paso, Texas. Bus transportation is provided by TNM&O Coaches, Inc., a regional bus carrier that services Texas, New Mexico, and Oklahoma. Air transportation from various communities in the southeast quadrant of New Mexico was provided by Mesa Airlines to Albuquerque for several years, but was discontinued on January 1, 2008. American Eagle also recently discontinued a year-long service between Roswell and Los Angeles International Airport (LAX) due to an insufficient number of passengers to support the flights. New Mexico Airlines currently provides daily round-trip flights on a nine seat single-prop airplane between Alamogordo, Carlsbad, and Hobbs and from these cities to Albuquerque. Continental Airlines began operating two daily flights between Hobbs and Houston, on July 1, 2011, to better serve the transportation needs of people involved in the oil and gas, uranium enrichment, and solar industries in Southeastern New Mexico. Great Lakes Airlines provides daily flights between Clovis and Albuquerque. On September 5, 2007, American Eagle began two daily jet flights between Dallas/Fort Worth and Roswell. A third daily flight was added on April 7, 2008, and a fourth flight began April 5, 2011, Sunday through Friday. Roswell is still negotiating with various airlines to provide air service to Albuquerque. Service by major airlines is available in Albuquerque, New Mexico, Lubbock, Midland-Odessa, and El Paso, Texas. The existing air transportation system is considered to be adequate for the current population.

● **Military Bases**

The 2005 Base Realignment and Closure Commission (BRAC) had considered

closing all, or portions of, Cannon Air Force Base, Holloman Air Force Base, White Sands Missile Range, and Fort Bliss near El Paso, Texas. Remarkably, none of these local bases were closed, which was good news for New Mexico and the El Paso region of Texas.

In July 2006, the Pentagon announced a new mission for Cannon Air Force Base. Cannon AFB, which is located approximately seven miles southwest of Clovis, New Mexico, activated the 27th Special Operations Wing in October 2007. The 27th Special Operations Wing is a part of the Air Force Special Operations Command (AFSOC). This Special Operations Wing plans and executes specialized and contingency operations and provides intelligence, surveillance, reconnaissance, and close air support in support of special operations forces. Per the Cannon Air Force Base Economic Impact Statement for Fiscal Year 2010, the Air Force Base encompasses 4,543 acres and has approximately 3,585 active duty military personnel. Cannon currently provides 853± civilian jobs in the Clovis/Portales area and is believed to have an estimated \$478 million dollar per year economic impact on the Clovis/Portales economy. This economic impact is expected to increase when Cannon AFB becomes fully functional for the 27th Special Operations Wing. General Donald Wurster (Air Force Special Operations Commander) stated in January 2011 that Cannon Air Force Base plans to build or remodel 1,038 residences by 2016. There was \$150 million in construction on the base in 2010. Cannon Air Force Base currently has 74 aircraft and will increase to 135 aircraft by 2014.

Holloman Air Force Base, approximately six miles southwest of Alamogordo, was originally established in 1942. The 49th Wing—host wing at Holloman Air Force Base—supports national security objectives by deploying worldwide to support peacetime and wartime contingencies. The wing provides combat-ready airmen, F-22 Raptors, and trains MQ-1 Predator and MQ-9 Reaper pilots and sensor operators. Per the Holloman Air Force Base Economic Impact Statement for Fiscal Year 2010, the Air Force Base encompasses 59,904 acres and has approximately 4,037 active duty military personnel. Holloman

provides 1,232± civilian jobs in the Alamogordo area and is believed to have an estimated \$693 million dollar per year economic impact on the Alamogordo/Las Cruces economy.

An announcement was made July 29, 2010 that Holloman AFB will be receiving two F-16 training squadrons. This announcement comes at the same time the Air Force announced actions to consolidate the F-22 Raptor fleet, which includes the deactivation of one F-22 squadron at Holloman and the redistribution of that squadron's aircraft to other F-22 units. Additionally, the remaining squadron will eventually relocate to Tyndall AFB, Florida. The F-22s were grounded in May 2011 by Air Combat Command, but the timeline for their relocation from Holloman AFB is still expected to be in the second quarter of fiscal year 2013. The first F-16s from Luke Air Force Base, Arizona, are scheduled to arrive in April 2013 (18 months behind the original schedule), with associated personnel starting to arrive in January 2013, according to Colonel David Krumm, 49th Wing commander. He anticipates the number of airmen coming to Holloman to be 450. Three major projects, totaling about \$18 million, are expected to be done in fiscal year 2012—a taxiway for the incoming F-16s and two new facilities.

● **Agriculture**

Farming and ranching is located throughout the region. There is some irrigated farming in the Hobbs-Lovington area. There is some dryland farming in Curry and Roosevelt Counties. The estimated irrigated acreage in the region is 300,000 acres. Farming is limited by water availability. Ranching spans the region where there is insufficient water for farming. The livestock raised are sheep, goats, and cattle, along with some horses used for racing and livestock handling. Dairy heifer raising has become an economic factor because of the numerous dairies in the region. Approximately 180 dairies and 321,000 head of dairy cattle are located in New Mexico. New Mexico ranks ninth in the nation for milk production. The top ten states as of the end of November 2010 are: California, Wisconsin, Idaho, New York, Pennsylvania, Minnesota, Texas, Michigan, New

Mexico, and Washington. The New Mexico dairy industry consistently produces the highest amount of milk per cow. About half of the milk produced in New Mexico is processed into cheese. The Leprino Cheese Plant in Roswell now has 600-plus employees. Leprino sells cheese to businesses such as Pizza Hut and Domino's Pizza. Another new product (string cheese) was added to the product mix in 2010. This added about 30 jobs at the plant in 2010. Leprino processes about six million pounds of milk per day.

The Southwest Cheese Company plant officially opened in Clovis, New Mexico on October 10, 2006. Southwest Cheese was a 50/50 joint venture between Glanbia, plc, and the Greater Southwest Agency. Glanbia, plc is an international firm based in Kilkenny, Ireland. The Greater Southwest Agency is owned by Dairy Farmers of America, Select Milk Producers, Lone Star Milk Producers, and Zia Milk Producers. The cheese plant is a 340,000 square foot plant employing 300 people. In April 2009, a \$90 million expansion was announced to be fully commissioned in 2010. The new expansion will increase jobs by approximately 50 positions. When the expansion is complete, at full capacity, the plant will be processing 10.5 million pounds of milk daily. Currently Southwest Cheese is producing 388 million pounds of cheese per year from 2.5 billion pounds of milk. Cheeses produced are Cheddar, Monterey Jack, Colby, and Pepper Jack in 40 and 640 pound blocks of cheese. This expansion will make 1.1 million pounds of American style cheese and 70,000 pounds of high value-added whey daily. Southwest Cheese is one of the largest natural cheese and high protein whey processing plants in the world.

Because of the development of many large dairies in the region, farming has rebounded from the downturn in the mid-to-late 1980's. The current recession has caused demand for milk products to decline sharply nationwide. That has resulted in the prices received by dairy farmers to be below the cost of production. In other areas of the United States, the negative cash flow has driven many dairies out of business and more are likely to follow. Due to a variety of factors, Southeastern New Mexico has thus far been fortunate

in the current market slump, as few dairies have closed. There are currently 125± operating dairies in the region. Milk prices had increased to a level that the dairies were operating at a profit for approximately 12-plus months in 2010-2011. However, due to the recent significant increase in prices of commodities and the downward trend in milk prices, the dairy industry is again selling milk at below the cost of production, since the December 2011 to January 2012 timeframe. It is unknown when this imbalance will again correct itself.

Crops grown on the farmland primarily include milo, corn, alfalfa, cotton, peanuts, and some chili pepper. In 2010, New Mexico was the second largest pecan producing state in the United States. However, the value of the pecans produced was \$156,800,000, which is the highest dollar value of pecan production of any state in the United States. This is at least partially due to the continued increase in the pecan production in Southeastern New Mexico, due to the new pecan orchard development in the Roswell/Artesia area primarily by Chase Farms. Corn silage production has increased with the increased number of dairies. Feed and commodity prices have stabilized at higher prices.

● **Energy & Mining**

The extractive minerals portion of the regional economy includes oil and gas production and potash and sulfur mining. Oil and gas production is located throughout the region, but is primarily north and east of Roswell, east of Artesia and Carlsbad, and in the Hobbs-Lovington area. Artesia has the largest oil refinery, Navajo Refinery, in New Mexico. The refining process begins at the Navajo facility in Lovington. The oil is then transported via underground pipeline to Artesia where the refining process converts the crude oil into usable retail products, such as gasoline, diesel fuel, and jet fuel. The refinery in Artesia has been expanded over the years allowing it to refine up to 100,000 barrels per day, which is their full capacity. Employment at Navajo has stabilized at approximately 470 employees at this level of production. Refined products are piped to El Paso, Texas and from El Paso to Albuquerque, New Mexico, and from El Paso to Mexico and Tucson and Phoenix, Arizona.

Navajo completed Phase II of a major capital project initiative in the second quarter of 2010, providing the refinery with the capability to process up to 40,000 barrels per day of heavy type crudes with the installation of a new solvent deasphalter and the revamp of the crude and vacuum units. The refinery expects to spend several million dollars in capital costs in 2011-2012 on several projects including the upgrading of equipment to comply with EPA requirements, installing a new storm water surge tank, and upgrading several other processes at the refinery's Artesia waste water treatment plant.

Oil and gas prices had reached all time highs a couple of years ago of \$4.25-plus per gallon for regular gasoline and \$135.00-plus per barrel for oil. Currently, regular gasoline prices in the region are about \$3.35-\$3.50 per gallon and oil prices have recently been approximately \$85.00+ per barrel. Prices for oil and gasoline have seen some decrease in the past few months.

Potash and sulfur, used in the manufacture of fertilizer, are mined in the Carlsbad area. There are currently three operational potash mines and four processing facilities east of Carlsbad. These mines and the processing facilities employ approximately 1,300 people. It was announced in November 2008 that Intrepid Potash wanted to begin a solution mining process in parts of an old potash mine approximately 20 miles northeast of Carlsbad. Intrepid expects the HB Solar Solution Mine to net about 150,000 to 200,000 tons of potash a year using this solution mining process. This project was originally expected to begin by mid-December 2008. However, in January 2009, the Bureau of Land Management decided to require an environmental impact statement on the proposal by Intrepid, which delayed the operation. The final environmental impact statement was released on February 3, 2012 and the Record of Decision allowing the project to move forward was signed by the BLM on March 19, 2012. The HB Solar Solution mine will create 30-40 long-term jobs in addition to 150 to 200 construction jobs. It will also contribute more than \$90 million in federal and state royalties and an estimated \$120 to \$130 million in capital construction expenditures.

Along with the HB Solar Solution Mine Project, Intrepid is also proceeding with construction of a new compaction plant to replace the current compaction facility at the North plant. The North compaction project is expected to be completed in two phases to coincide with the anticipated production increases from the HB Solar Solution mine and the expansion of mining and milling capacity at the West mine, with completion of the first phase planned for 2013 and completion of the second phase planned for 2014. Total capital investment for the project is expected to be approximately \$95 to \$100 million.

Intercontinental Potash Corporation (IPC) was awarded 16 potassium prospecting permit applications in 2008 by the Bureau of Land Management for the Ochoa Project in Southeastern New Mexico. These permits are for an initial term of two years that can be extended up to four years, if in the opinion of the BLM, exploration has occurred in an expeditious manner. These permits are on 36,589 acres of land in Lea County. The federal sub-surface prospecting permits are subject to a royalty of \$1.00 per ton of polyhalite mined for the first 1,000,000 tons and \$0.50 per ton thereafter, with a 2.5% royalty of net sales to be imposed by the federal government. In 2010, IPC was granted an additional five federal sub-surface potassium prospecting permits to cover an area of 11,555 acres in Lea County, for Phase I of the project.

Also in 2010, IPC obtained 17 state land mining leases covering 25,890 acres in Lea County. IPC has also applied for two sets of federal sub-surface prospecting permits covering 38,644 acres in New Mexico. These two sets of permits are waiting approval. IPC will produce Sulphate of Potash, also known as SOP. Approximately five million tons of SOP are sold annually. Regular potash, Sylvite or Muriate of Potash (MOP) is a chloride mineral. SOP has no chloride and low salt, which is better for fertilizer for lands that are saline and soils for crops like fruits, vegetables, tobacco, potatoes, and the horticultural industries.

The results of Phase I and Phase II of the drill program have been positive in finding

excellent thicknesses of polyhalite and very high grades of polyhalite. Phase II provided further resource delineation and provided information required to determine the optimal mine location. A prefeasibility study, carried out by Gustavson Associates, LLC was recently completed and filed on December 30, 2011. The study concludes that this project, The Ochoa Project, warrants continued efforts to advance the project with definition drilling, metallurgical testing, continued development and permitting, and preparation of a Feasibility Study. Construction is planned to start in late 2013 upon completion of an environment impact statement. IPC expects production to commence in the fourth quarter of 2015 and full capacity to be reached by the second quarter 2017. Their projected employment is approximately 400; with about 30 engineers, supervisors and managers in the salary range of \$44,800-\$134,400, and a general mine and plant staff with a pay range of \$20 to \$37 per hour.

In December 2010 Xcel Energy and SunEdison broke ground on a 54 MW photovoltaic solar deployment to be built on five separate sites in Lea and Eddy counties (four in Lea County and one in Eddy County). All five sites were in-service as of November 17, 2011. Each site is comprised of utility-scale, photovoltaic solar power arrays that are expected to deliver more than 112 million kilowatt hours of clean solar energy in the first year of operation alone. It is expected that the 54 MW deployment will generate more than 2 million megawatt hours of clean, renewable energy over 20 years—enough energy to power more than 192,000 average U.S. residences for one year. The 54 MW deployment is the largest in New Mexico.

In late September 2012, Joule (a company headquartered out of Massachusetts) decided to proceed with the SunSprings demonstration plant in Hobbs. This is the first plant of its kind. The SunSprings plant will convert solar energy into liquid fuels without costly raw materials, pretreatment, or downstream processing. Joule is seeking to achieve replicable results while using their uniquely modular system. The SunSprings plant will begin with

production of Sunflow-E to compete in the ethanol market and later develop Sunflow-D to compete in the diesel market. Joule has two other locations, one is in Leander, Texas and one is in The Hague, Netherlands.

● **Manufacturing**

Manufacturing in Southeastern New Mexico is not a large portion of the economy, but this sector is also improving. Louisiana Energy Services (LES) and Urenco have been issued a license from the U.S. Nuclear Regulatory Commission (NRC) to enrich uranium for nuclear power plants. This proposed \$3 billion facility began construction in early 2007 a short distance east of Eunice. The first production facilities were completed in late 2008. The Nuclear Regulatory Commission authorized startup of this facility on June 10, 2010. This is the first major nuclear facility to be licensed in the United States in the past three decades. The NRC approval of the LES facility is a turning point for the nuclear industry in the United States. The National Enrichment Facility was rebranded URENCO USA/LES on January 2, 2010. The U.S. Nuclear Regulatory Commission announced approval August 24, 2011 for URENCO USA/LES to bring online two additional sequential enrichment systems, known as cascades. As of the end of 2011, URENCO USA/LES capacity stands at 400 tSW/a (tons of separative work per year). Construction will continue at the plant until it reaches the planned 5,700 tSW/a capacity that is anticipated to produce sufficient enriched uranium for nuclear fuel to provide approximately 10% of America's electricity needs. URENCO USA/LES currently employs approximately 350 employees along with another approximately 1,000 construction workers. Lea County purchased a 27.226 acre tract of land to be used by the Lea County Economic Development Corporation for service support company development. This tract is west of URENCO USA/LES in the southeast corner of the intersection of SR 18 and SR 176. Jal and Eunice have seen several businesses opened for support services for the facility. A large amount of HVAC (air-conditioning and filtering) services will be required by URENCO USA/LES for preventive

maintenance to maintain a 'clean room' in a dust free environment.

URENCO USA/LES and International Isotopes, Inc. have reached an agreement that International Isotopes, Inc. will provide uranium deconversion services for the URENCO USA/LES National Enrichment Facility, which will produce enriched uranium for commercial nuclear power plants. International Isotopes, Inc. plans on breaking ground on the \$3 billion facility in 2012. This new facility will be 14 miles west of Hobbs. This facility will also produce tons of depleted uranium tails each year. International Isotopes will use the uranium tails in its proposed facility to simultaneously deconvert the tails and extract fluorine gases that can be used in manufacturing solar panels, computer screens, and medical equipment. This facility will not be a nuclear facility because the process used will be a chemical one. However, the NRC has oversight because the uranium tails are involved. The NRC is now formally reviewing the application and an environmental impact statement is being prepared that may take up to 24 months. In September 2010, International Isotopes Inc. (INIS) announced completion of an agreement with URENCO USA/LES to provide assistance to INIS on its NRC and State of New Mexico permitting process. On August 24, 2011, INIS announced it now holds title to 640 acres west of Hobbs about 25 miles from the URENCO/LES facility following a land transfer agreement with the State of New Mexico and the Economic Development Corporation of Lea County. Approximately 40 acres of this site will be used to build its new facility, once licensed by the NRC.

Transportation Manufacturing Corporation (TMC) was the largest regional manufacturing employer. It was located at the Roswell International Air Center (RIAC), south of Roswell. TMC built buses that were marketed nationally and even worldwide. However, due to weak demand, TMC was forced to lay-off approximately 50 percent of its hourly workers in the fall of 1991. NovaBUS purchased TMC in late 1994. NovaBUS announced in 2002 that its bus manufacturing business was for sale. Millennium Transport, a new bus manufacturing company, began production in 2006. However, Millennium filed

for Chapter 11 bankruptcy in 2008 and there is no longer bus manufacturing at the RIAC. Fortunately for Roswell and the region, other businesses have come into the area to utilize the facilities available at the RIAC. These businesses serve both the aviation and manufacturing industries.

In June 2010, AerSale announced its acquisition of a division of Great Southwest Aviation in Roswell and plans to acquire over \$1 billion in assets over the next five years. AerSale disassembles and sells parts off-of old aircraft and leases planes and engines. They currently employ approximately 116, but their plan is to eventually have approximately 300 employees at the Roswell facility by the end of August 2012. These employees will have an average salary of \$40,000 per year. AerSale disassembles and sells parts from dozens of DC-8's previously owned by UPS and has committed to purchase 56 commercial aircraft in order to receive state incentives. AerSale leases about 200,000 square feet of aircraft hangers and facilities at the RIAC. Another large RIAC employer anticipating strong growth is Dean Baldwin Aircraft Painting. Dean Baldwin currently employs approximately 165 full time employees at their Roswell location. The company has shown a large increase in employment, revenue, and the number of airplanes serviced. The Roswell facility sees between 200-300 planes a month, also servicing and painting planes in all six bays every eight to ten days. Currently, a military contract is being discussed to further expand their customer base. Dean Baldwin is in the process of expanding and developing a new facility in Indiana.

A 5-megawatt wind farm and manufacturing plant is being built south of Clovis. Vert-I-Go Wind, LLC. is a subsidiary of Abundant Energy of Plano, Texas. Vert-I-Go has purchased six acres and plans to build one wind turbine per acre. Vert-I-Go builds midsize vertical-axis wind turbines. They have also leased an 11,000 square foot building in Clovis for an assembly facility. Vert-I-Go expects to create 60 jobs by 2013.

● **Lea County Data**

Lea County is located in the southeastern corner of the southeast quadrant of New Mexico. It is bordered by Texas on the east and south sides. The county seat is Lovington. The county contains 4,394 square miles. The elevation averages approximately 3,615 feet. Per the 2010 U.S. Census population estimates, Lea County has a population of 64,727. This is a 16.6% increase since the 2000 Census population estimate of 55,511.

Per the current New Mexico Department of Labor statistics, Lea County had an unemployment rate of 3.8% per the October 2012 report. This is a decrease compared with the October 2011 unemployment rate of 4.3%. As presented in the following Lea County Employment/Unemployment Chart, the number of unemployed workers in Lea County continues to decline and is currently approximately 60% the number of unemployed workers in October 2010. The following chart provides a three year history of employment statistics for Lea County for the month of October:

LEA COUNTY EMPLOYMENT/UNEMPLOYMENT CHART

Date	Civilian Labor Force	Employed	Unemployed	
			Number	Rate
Oct-10	28,264	26,252	2,012	7.1%
Oct-11	29,418	28,150	1,268	4.3%
Oct-12	31,671	30,469	1,202	3.8%

Source: New Mexico Department of Workforce Solutions Table A – Civilian Labor Force, Employment, Unemployment

The county property tax is regulated by the county and state. Property taxes are not excessive when compared to surrounding states. Therefore, property taxes are not considered to be repressive.

Major employers in the Lea County economic base include the following developments. A 1,264-capacity, state operated, medium-security prison was completed in

1998, four miles northwest of Hobbs off State Highway 18, on the grounds of a WWII airbase. The Lea County Correctional Facility is a 350,000 square-foot private prison located on 60 acres leased from Lea County and annexed by the City of Hobbs. The facility employs approximately 312 staff and security personnel.

Per information provided by Ms. Donna Johnson, Seminole Economic Development, a fractional distillation plant completed construction in 2008 between Hobbs and Seminole, Texas just east of the New Mexico state line. This plant, which employs 15 operators and technicians, purifies CO₂, propane, and natural gas. The estimated cost to build this plant was \$200 - \$300 million.

Per Ms. Beth Cunningham, Lea County Economic Development, Colorado Energy Management completed construction of a 550-megawatt electrical power generating plant west of Hobbs in 2008. The estimated cost to build this facility was \$300 million. There will be 35 full time employees working at the power plant, with 10 of those employees being highly compensated. This power plant, along with the URENCO/LES development and Lea County's plans to promote alternative energy and its oil and gas economic base, led to Lea County rebranding itself as the EnergyPlex in April 2010.

● **Hobbs City Data**

Hobbs is located in the southeast quadrant of New Mexico in Lea County a short distance west of the Texas border. Per the 2000 Census, the population was 28,657. Per the 2010 Census, the population was 34,122. This is a 19.1% increase from the 2000 figures.

Transportation is primarily by personal vehicle and transport trucks. The major access routes through Hobbs are U.S. Highways 62 and 180 and New Mexico Highway 18. Utilities, city services, and health care are adequate for a city the size of Hobbs. The school system in Hobbs is generally considered to be adequate. School enrollment information from the New Mexico Public Education Department shows that enrollment has shown a

small, steady increase in Hobbs over the previous three school years (2008-2010) and a significant increase the past two school years. The following chart provides five years of enrollment figures:

HOBBS PUBLIC SCHOOL ENROLLMENT

Year	Enrollment
2008-2009	7,945
2009-2010	8,047
2010-2011	8,262
2011-2012	8,724
2012-2013	9,078

Gross Receipts Taxes had significantly decreased in Hobbs from FY 2008-2009 of \$42,688,402 to FY 2009-2010 of \$33,380,271. This was approximately a 22% decrease in Gross Receipts Taxes from the previous fiscal year. The Gross Receipts Tax decline was primarily due to Hobbs heavy dependence on the oil and gas industry. Gross Receipts Taxes collected for FY 2010-2011 surpassed the collections from FY 2008-2009. Gross Receipts Taxes for FY 2011-2012 have also surpassed any prior year and were higher by just over \$15 million dollars from FY 2010-2011. This is a 33% increase, due to the very strong oil and gas industry and the more diversified economy in Lea County. Hobbs has expanded its available services and consumer retail options for the Hobbs/Lovington area and for those portions of the Texas Panhandle that are close to Hobbs. Lodger's Taxes have also surpassed previous years and have significantly exceeded the \$1 million dollar mark. The FY 2011-2012 Lodger's Taxes increased by 61% from FY 2010-2011. Gross Receipts Taxes for the first five months of the fiscal year 2012-2013 have already exceeded the \$27 million mark. The 2012-2013 Lodger's Taxes have shown an increase of 1.6% from the 2011-2012 average per month. The following Hobbs Gross Receipts Tax Chart and

Hobbs Lodger's Tax Chart provides the previous six-plus years of Gross Receipts Taxes and Lodger's Taxes collected:

HOBBS GROSS RECEIPTS TAXES
FY JULY – JUNE

Year	Taxes
2006-2007	\$36,612,132
2007-2008	\$40,358,387
2008-2009	\$42,688,402
2009-2010	\$33,380,271
2010-2011	\$45,507,712
2011-2012	\$60,618,814
2012-2013	\$27,297,377

*As November 30, 2012

HOBBS LODGER'S TAXES
FY JULY – JUNE

Year	Taxes
2006-2007	\$ 626,155
2007-2008	\$ 734,069
2008-2009	\$ 869,494
2009-2010	\$ 668,262
2010-2011	\$ 795,559
2011-2012	\$1,283,544
2012-2013	\$543,590

*As of November 30, 2012

The principal industry in the Hobbs area is oil and gas. The oil and gas portion of the economy has generally been stable to stronger. However, even considering the unsettled world market conditions and the limited refining capacity in the United States, the United States economic conditions had reduced demand and prices had been declining from the all time highs reached in mid-2008. Oil and gas prices had reached all time highs a couple of years ago of \$4.25-plus per gallon for regular gasoline and \$135.00-plus per barrel for oil. Currently, regular gasoline prices in the region are about \$3.35-\$3.50 per gallon and oil prices have recently been approximately \$85.00-plus per barrel.

Demand in the residential portion of the economy had steadily increased in recent years. That resulted in a shortage of individual residences and rental units three to five years ago. Per Mr. Bobby Shaw, Realtor/Broker and Mr. Kevin Naegele, a local real estate appraiser, residential subdivision development has stopped in Hobbs. The Western States Development Group began development of a 1200± residential lot subdivision (Ranchview) in March 2007 on the north side of East Bender Boulevard. They completed Phase 1, in

late 2010. The Hobbs Land Development Subdivision (Homestead Estates) is located on the south side of East Bender Boulevard and was to have 937 lots. This subdivision had been approved and Phase 1 broke ground with the infrastructure being mostly installed almost two years ago. This project has subsequently been halted. The following chart provides information on New Residential Housing Permits/Construction in Hobbs:

**NEW RESIDENTIAL HOUSING
PERMITS/CONSTRUCTION – HOBBS**

Year	Permits
2007	117
2008	114
2009	17
2010	22
2011	38
2012	78*

*As of November 30, 2012

New residential construction had decreased significantly since 2007/2008. The 2009-2011 figures show limited new construction in the housing market in Hobbs. However, current housing starts have shown an almost 205% increase in eleven months of 2012. The average price per residence for new residential construction was \$184,994 in 2011. It has averaged \$148,612 for the past eight months in 2012. Additional investigation has identified that new construction has increased outside the Hobbs city limits in suburban areas. Therefore, even though the total numbers of new residential construction permits within the Hobbs city limits appears to be increasing, the actual numbers of new permits for in-town, good quality, single-family residences appears to be stable. Additionally, residential sales do not seem to indicate any signs of significant price reduction by sellers. Residential property values appear to be reasonably stable in Hobbs.

Hobbs, as a whole, has adequate space for growth. The majority of the new development in Hobbs is north of Bender Boulevard. The development is both residential and commercial/industrial. Most of the new development is along Joe Harvey Boulevard and Navajo Road. A Wal-Mart Supercenter, located at the northeast corner of the intersection of West Joe Harvey Boulevard and the North Lovington Highway, was completed in the fall of 2002. A new Chili's Restaurant and a new Applebee's Restaurant were opened in 2003 west of North Grimes Street on the north side of West Joe Harvey Boulevard. A new Walgreen's Drugstore opened in 2009 in the southwest corner of the intersection across the street from the Home Depot. A Lowe's Home Improvement Center, on the north side of West Joe Harvey Boulevard, east of Calle Sur Street, was completed in early 2010. A new Taco Bell restaurant was completed in early 2012 on the corner of West Joe Harvey Boulevard and Calle Sur Street on an outparcel of the Lowe's Home Improvement Center. A new Toyota automobile dealership was completed in early 2009 on the east side of North Grimes Street a short distance south of West Joe Harvey Boulevard. A new Tia Juana's Restaurant was completed in September 2008 on the east side of the North Lovington Highway, one block south of the intersection with West Joe Harvey Boulevard.

The New Mexico Racing Commission selected the Hubbard Racing Corporation from Ruidoso, New Mexico, to develop the Zia Park Racetrack and Casino complex just south of the Lea County Events Center. This new development is having a significantly positive impact on commercial development further north along the North Lovington Highway and the north part of Hobbs in general. The Black Gold Casino opened in November 2004 and Zia Park Racetrack opened on September 23, 2005. The Casino was expected to attract approximately 1.2 million patrons per year. However, the first year of operations indicated approximately 2.0 million patrons per year. An announcement was made November 8, 2006 that the racetrack and casino were sold to Penn National Gaming,

Inc. for \$200 million. Penn National Gaming, Inc. reported in 2009 that track and casino operations generated \$81.7 million in gross revenues and \$22 million in net revenue for that year. Gross revenues for 2010 were \$84,980,000 with net revenues of \$23,244,000. There are usually 100 employees year-round with 250± employees during the racing season from September to December. The Black Gold Casino has 18,500± square feet of gaming space with 750 slot machines. There are three restaurants in the facility. The property has a one-mile oval racetrack for quarter horse and thoroughbred racing with a year-round simulcast parlor. The immediate area surrounding the racetrack/casino is expected to slowly evolve from oilfield service industry development to retail and commercial development catering to the racetrack and casino patrons. Per Melinda Allen, Director of Research and Business Development with the Economic Development Corporation of Lea County, there are currently 1,091 hotel rooms available in Hobbs, not counting those that are under construction or have recently been announced. There is a new extended stay hotel currently under construction at 3930 North Lovington Highway, just north of a fairly new strip shopping center and northwest of the Wal-Mart Supercenter. New hotels are being developed to accommodate the demand being created by the numerous economic activities and development that is taking place in the Hobbs/Lea County area. A large apartment development (Windscape) with 225 units completed construction in early 2008 just north of West Joe Harvey Boulevard and is generally at full occupancy. This apartment complex is planning to add more units in the near future. A second 125-unit apartment complex (Eagle Ridge) located on the west side of North Dal Paso Street was completed in 2009. It is currently at 100% occupancy. Apartments in the Hobbs area are in high demand and most apartment complexes have waiting lists.

It is obvious that new commercial and light-industrial development in Hobbs has been positively impacted by the oil and gas industry and the many other segments of the local economy that continue to increase economic activity in the Hobbs area. However, the

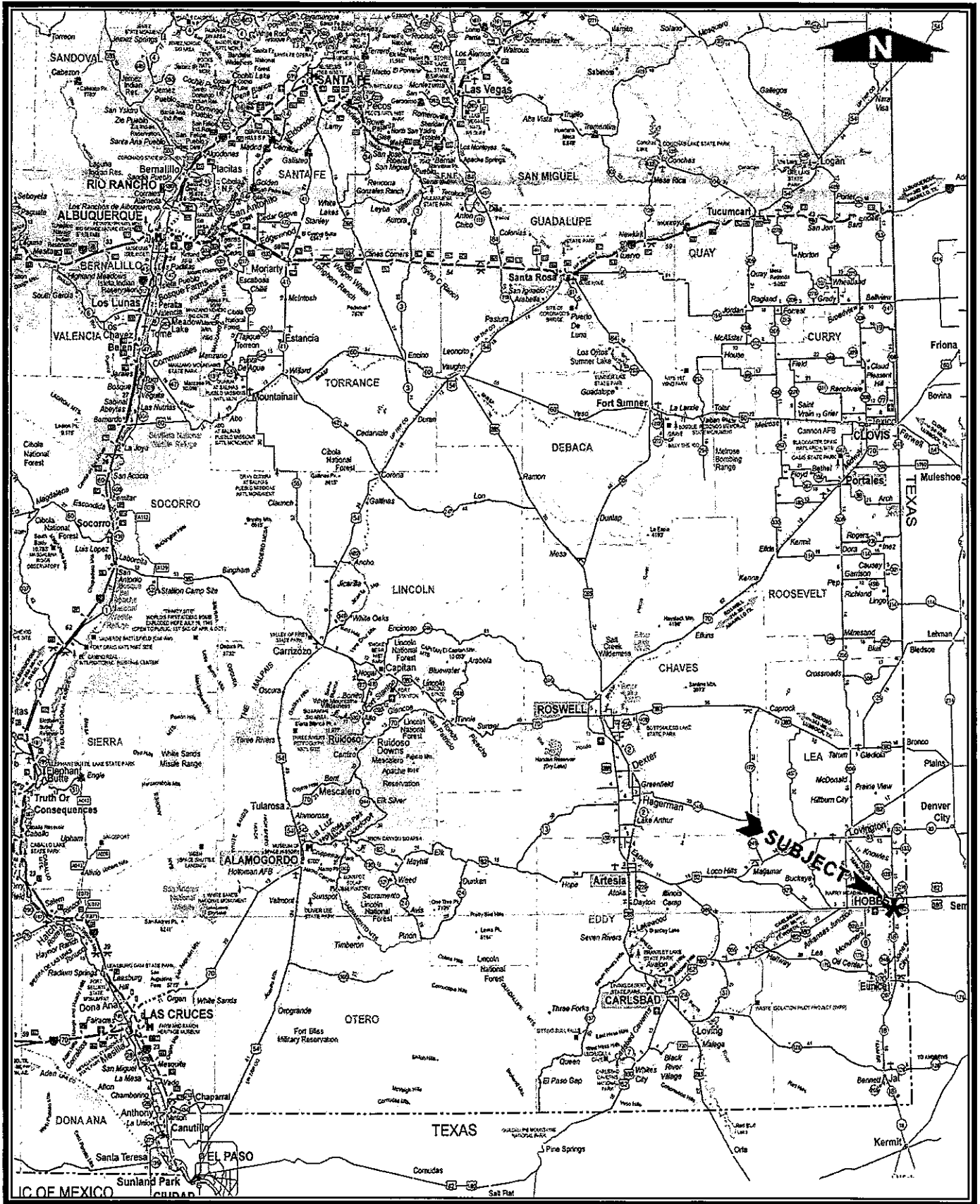
agricultural portion of the Hobbs economy (especially the ranching portion of the economy) has not been nearly as strong as the commercial, extractive mineral, and manufacturing segments of the economy. The ranching portion of the economy has been significantly negatively impacted by the extensive drought in a very large area over the past several years. Many ranchers have significantly reduced the number of cattle on their ranches, or in some cases, have sold all of their cattle, due to lack of forage and the extremely high costs to purchase feed. Therefore, in general, farmland values and ranchland values, at best, have remained stable over the past few years.

● **Summary**

Supply and demand have remained fairly stable to slowly declining in the farming/ranching segments of the Regional economy. The influx of people needed to work at the racetrack and casino complex along with support personnel for the racetrack and the LES project has increased demand for rental housing. The oil and gas industry has continued to improve with significant rehiring in the area. The commercial and manufacturing segments of the economy continue to be strong. The unemployment rate indicates that the tight labor market in Lea County again currently has very few excess workers. New residential construction has slowed considerably over the past few years, but the values of existing residences have remained stable. There has been an increase in new residential construction in the Hobbs area in 2012.

While overall economic development continues to increase, the ultimate result should be a more diversified economy, less susceptible to the cycles of the oil and gas industry. Even though the previously higher oil prices have served to stimulate the local economy, efforts to diversify the economy are being undertaken to ensure that if oil prices decline, it does not decimate the Hobbs/Lea County area, as did the last oil bust in 1986. This will assist in the long-term stabilization of the Lea County and Hobbs economy.

A Regional Map follows.



REGIONAL MAP

MARKET AREA DATA

The subject property is located at 223 West Taos Avenue, a short distance west of North Fowler Street. This is located in the northerly portion of Hobbs on the south side of Taos Avenue about half-way between the commercial development on North Grimes Street on the west and North Dal Paso on the east. North Fowler Street is a secondary north/south arterial that provides good vehicular access between Navajo Drive on the north and Bender Boulevard on the south. Most of the traffic on North Fowler Street is residential traffic. However, as North Grimes Street and North Dal Paso have become more congested due to the increasing development in the northerly end of Hobbs, more traffic has been channeled onto Fowler. The increase in commercial development in Hobbs is partially due to the retail trade zone that surrounds Hobbs. The subject's general market area consists of the entire City of Hobbs and the suburban areas surrounding the Hobbs city limits. There is an estimated 100,000 population base within a 55-mile radius surrounding Hobbs. This includes the population in Seminole and Andrews, Texas. This is the largest population retail trade zone in Southeastern New Mexico.

The immediate market area is at the south end of the northerly growth pattern of Hobbs. Some of the larger developments that are north and northwest of the subject are the Wal-Mart Supercenter, the Home Depot, the Lea County Events Center, the College of the Southwest, the New Mexico Junior College, new hotels, restaurants, and the Lea County Regional Hospital. Zia Park Racetrack and the Black Gold Casino (which are located several miles northwest of the subject) are continuing the northerly pattern of growth.

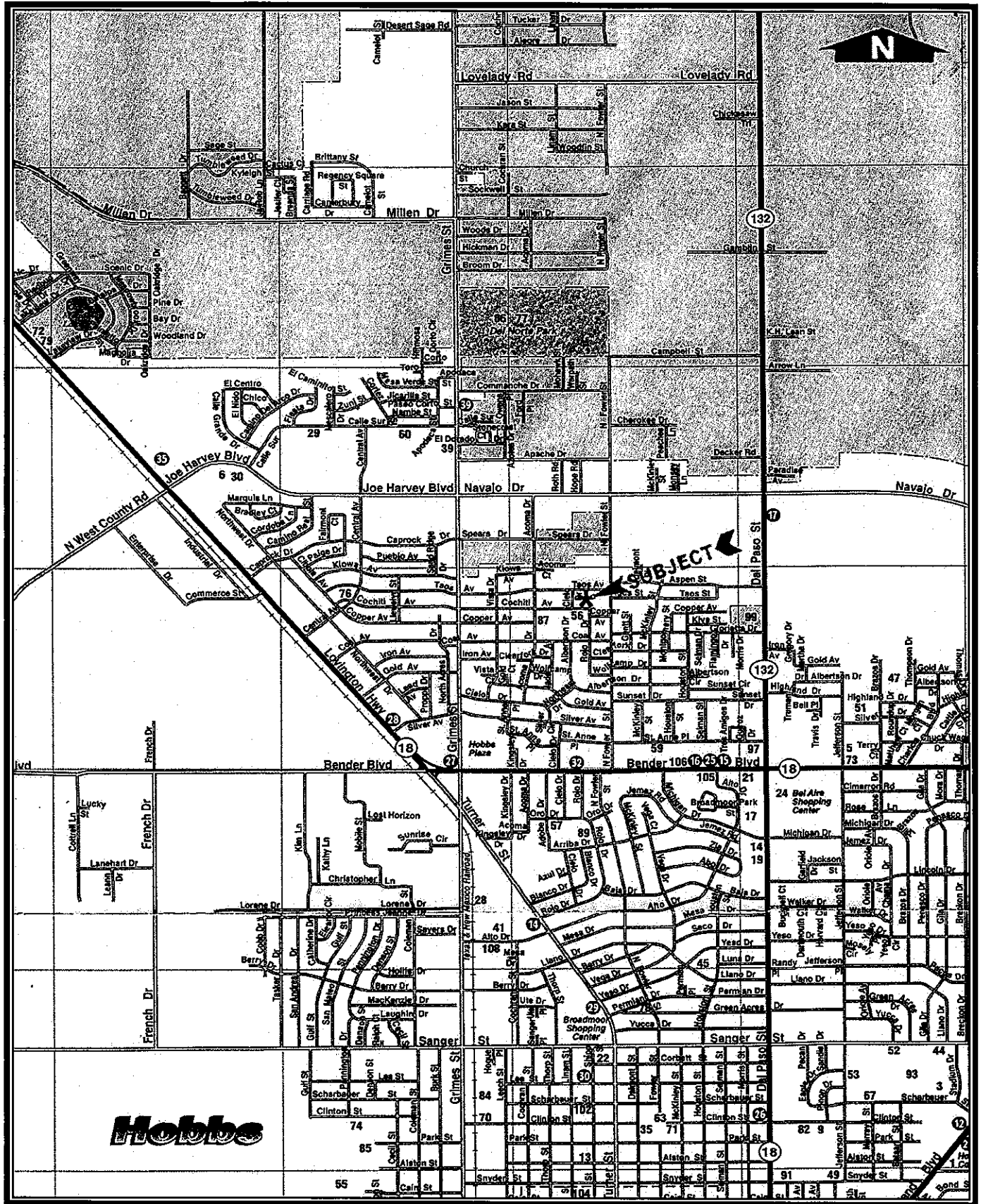
The properties on the east side of North Fowler Street are generally older, lower quality, lower condition residences in the \$75,000 to \$125,000 price range. The west side of North Fowler Street has newer (25-40 years old) residences that are larger, better quality and generally well maintained in the \$150,000 to \$225,000-plus price range. Immediately

north of the subject is a large amount of vacant land. This vacant land will likely not be developed in the near future. The immediate market area is an extremely slow growth area, primarily due to the older lower quality development that is not conducive to new development in the area. Immediately east and west of the subject are older lower quality/condition manufactured residences. South and west of the subject is Mills Elementary School. There is also a pre-school southeast of the subject. Several blocks south, along Bender Boulevard, is commercial development that is generally 10 to 30-plus years old. This development ranges from restaurants to retail stores of all types and various service businesses. This area along Bender Boulevard has been the prime retail/service area over the previous twenty-plus years in Hobbs. Overall, the subject area is mostly surrounded by low growth, low quality, average condition, residential properties. The subject area is certainly not conducive to development of new office/retail/service improvements.

The good access to the area in which the subject is located should have a positive influence on the subject property. However, the manufactured residences immediately east and west of subject do not enhance the use of the subject property as an office. There are virtually no other commercial properties in the immediate market area. Most commercial properties are along Navajo Drive, North Dal Paso Street, Bender Boulevard, and North Grimes Street, which are generally .5 miles, or more, distance from the subject.

Utilities, streets, and city services are generally adequate throughout the entire market area. The immediate market area is generally perceived to be at the south end of the commercial growth area for Hobbs. However, no immediate major changes in the market area are anticipated with extremely limited demand for additional development in the area.

A Market Area Map follows.



MARKET AREA MAP

SITE DESCRIPTION

● **Location**

The subject property is located at 223 West Taos Avenue, Hobbs, New Mexico. This is located a short distance west of North Fowler Street on the south side of West Taos Avenue.

● **Site Size and Site Dimensions**

Site sizes and dimensions are per the Lea County Assessor's Office. The subject site contains of 21,769± square feet. The north and south property lines are 99.4 feet long and the east and west property lines are 219 feet long.

● **Access and Visibility**

Primary access to the subject property is from West Taos Avenue. West Taos Avenue is a two-lane, two-way traffic avenue with no curbs or gutters. The site has 99.4 feet of street frontage on West Taos Avenue. Visibility for eastbound/westbound traffic along West Taos Avenue is average. There is alley access at the rear of the site.

● **Parking**

There is one ingress/egress off of West Taos Avenue into the subject's north parking area. This is a paved parking area with five parking spaces. One of the parking spaces is marked for handicap accessibility. The parking area is in below-average condition. It has numerous cracks and needs to be striped. There is a gravel parking area at the rear of the site that is accessible from the alley. It has approximately eight parking spaces. Each space has a concrete parking stop. Parking is considered to be marginally adequate for the subject property.

● **Zoning**

There are no zoning regulations in Hobbs.

● **Utilities**

All utilities and services are available to the subject property and were in use on the date of inspection. The following utility services and providers are available in the market area:

UTILITY SERVICE/PROVIDERS

Electricity:	Xcel Energy
Gas:	Zia Natural Gas Co.
Internet/Telephone:	Windstream
Water:	City of Hobbs
Sewer:	City of Hobbs
Solid Waste:	Waste Management
Cable:	U.S. Cable

● **Topography, Drainage, and Flood Information**

The subject site appears to be level at an elevation of approximately 3,640 feet above sea level. The general slope in the area is to the south and southeast. Drainage is adequate. Per Flood Insurance Rate Map Number 35025C1335D, dated December 16, 2008, the site is in Flood Zone X. Flood Zone X is an area determined to be outside the 500-year floodplain.

● **Landscaping and Fencing**

Landscaping is minimal. There are some grass areas along the east and west sides of the improvement. There are several areas with rock landscaping along the north and east sides of the improvement. The grass areas are not well maintained. The rock areas are free of weeds and debris. They have had average maintenance. The east and west property lines have chainlink fencing that belongs to the adjoining property owners. It is three to four foot high chainlink fencing that is in average condition. There is a small amount of pole mounted mesh wire fencing at the rear of the site along the alley. This fencing is in poor condition. Fencing does not secure the subject site.

● **Signage**

There is some letter signage attached to the building. There are letters missing or damaged. It appears to say "HMS, FEDERAL PROGRAM OFFICE, 223 W. TAOS." This signage is located on the north side of the subject's improvements. Signage is limited and is in fair condition.

● **Soils**

Kb—Kimbrough loam, 0 to 1 percent slopes

Map Unit Setting

Elevation: 3,600 to 4,200 feet

Mean annual precipitation: 12 to 15 inches

Mean annual air temperature: 58 to 60 degrees F

Frost-free period: 195 to 205 days

Map Unit Composition

Kimbrough and similar soils: 85 percent

Description of Kimbrough

Setting

Landform: Plains, playa rims *Landform position (two-dimensional):* Shoulder *Landform position (three-dimensional):* Talf, dip *Down-slope shape:* Linear, convex *Across-slope shape:* Linear, concave *Parent material:* Calcareous alluvium and/or calcareous eolian deposits derived from sedimentary rock

Properties and qualities

Slope: 0 to 1 percent *Depth to restrictive feature:* 4 to 20 inches to petrocalcic *Drainage class:* Well drained *Capacity of the most limiting layer to transmit water (Ksat):* Very low to moderately low (0.00 to 0.06 in/hr) *Depth to water table:* More than 80 inches *Frequency of flooding:* None *Frequency of ponding:* None *Calcium carbonate, maximum content:* 30 percent *Gypsum, maximum content:* 1 percent *Maximum salinity:* Nonsaline (0.0 to 2.0 mmhos/cm) *Sodium adsorption ratio, maximum:* 2.0 *Available water capacity:* Very low (about 2.4 inches)

Interpretive groups

Farmland classification: Not prime farmland *Land capability classification (irrigated):* 6e *Land capability (nonirrigated):* 6s *Hydrologic Soil Group:* D *Ecological site:* Very Shallow 16-21" PZ (R077CY037TX)

Typical profile

0 to 16 inches: Loam *16 to 26 inches:* Cemented material

Data Source Information: USDA - Natural Resources Conservation Service; Soil Survey Area: Lea County, New Mexico; Survey Area Data: Version 9, Dec 9, 2008

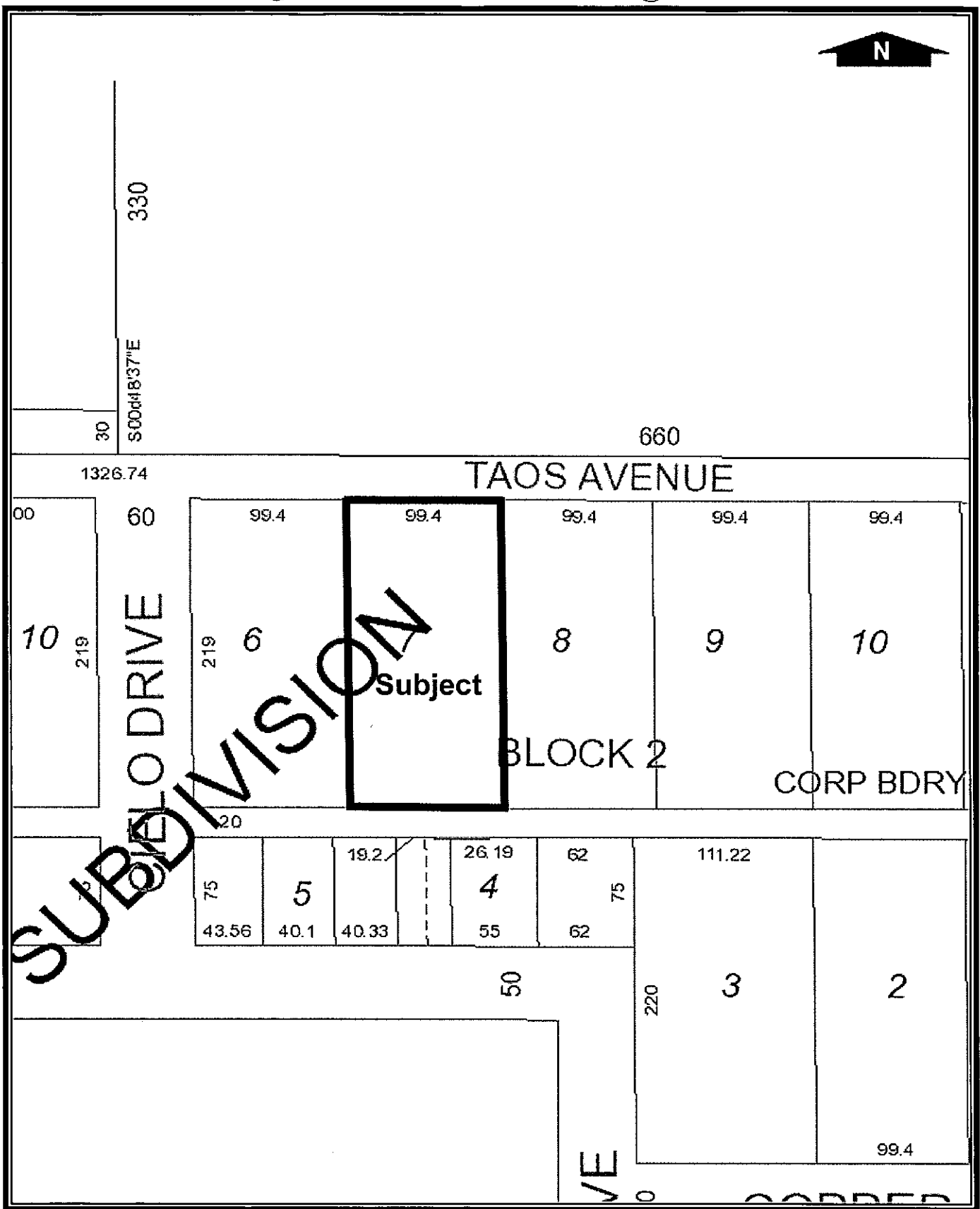
No report of soil or subsoil conditions was made available for this appraisal. During my inspection, no obvious signs of settlement were observed. Based upon the presence of the existing improvements and improvements in the general market area, the area does not appear to have any significant soil problems. I have assumed that the soil and subsoil on

the subject site are stable and adequate for building support, considering the current structures.

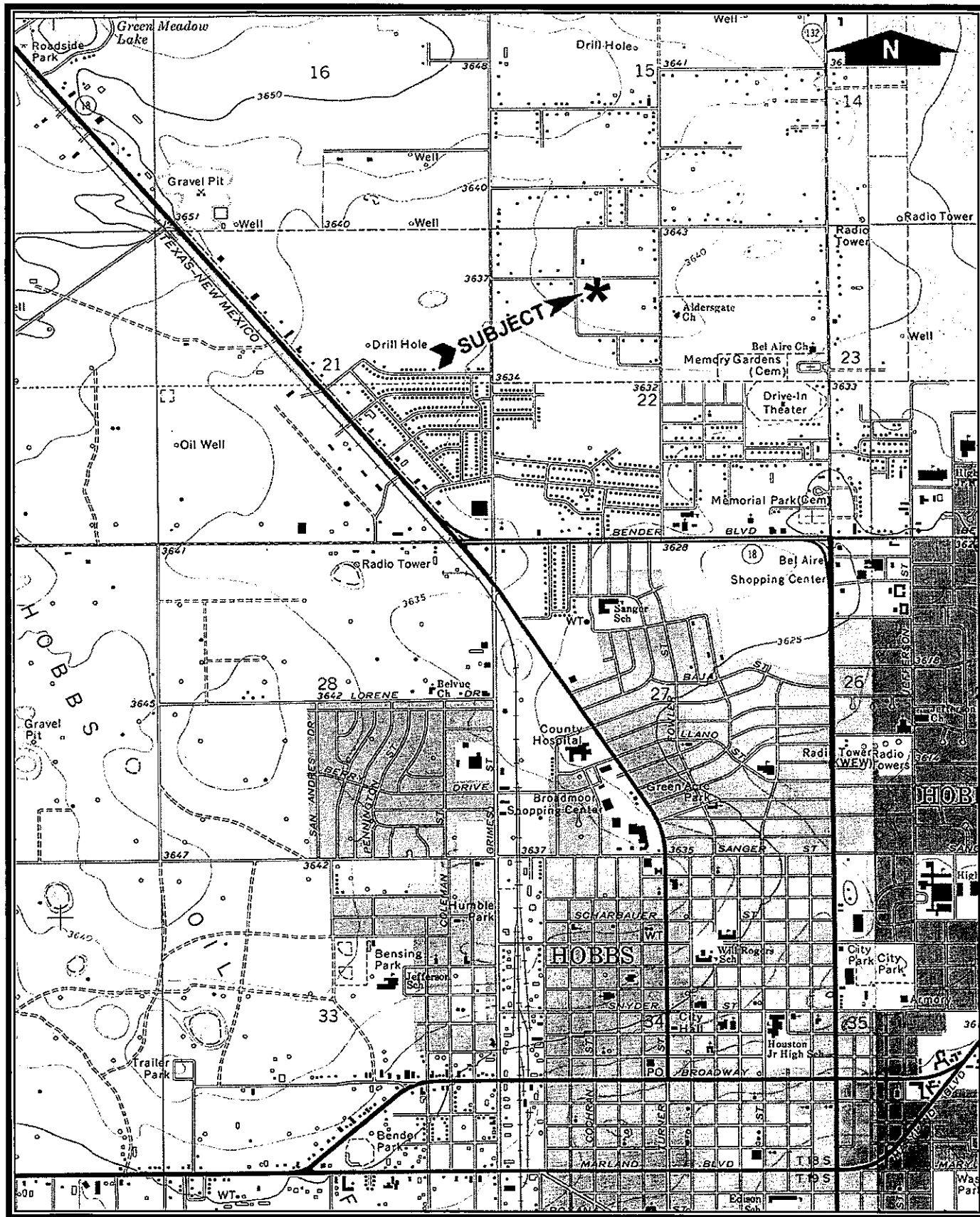
A copy of the Aerial Photograph, Assessor's Plat, Topographic Map, Flood Map, Soils Map, and pictures of the site follow.



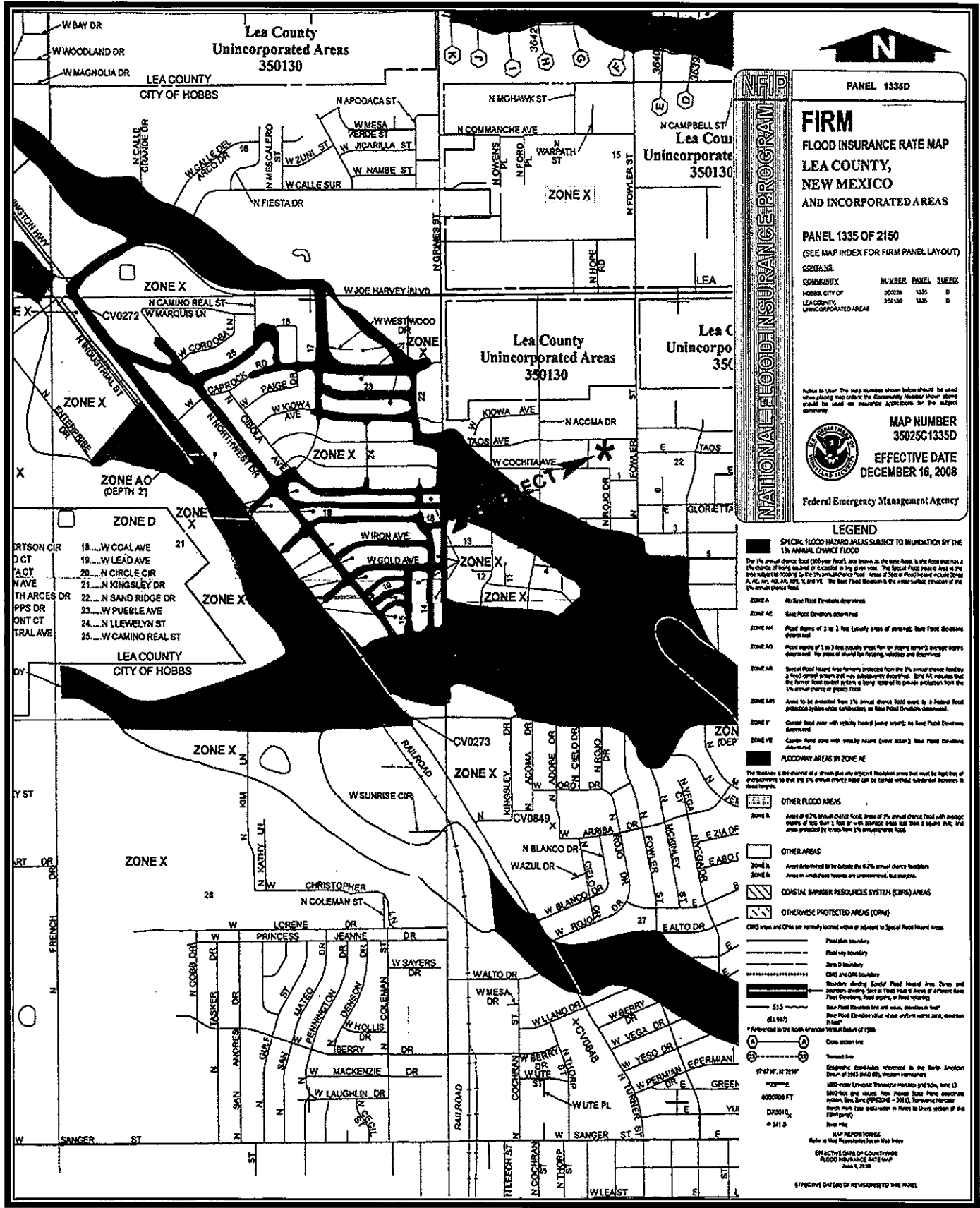
AERIAL PHOTOGRAPH



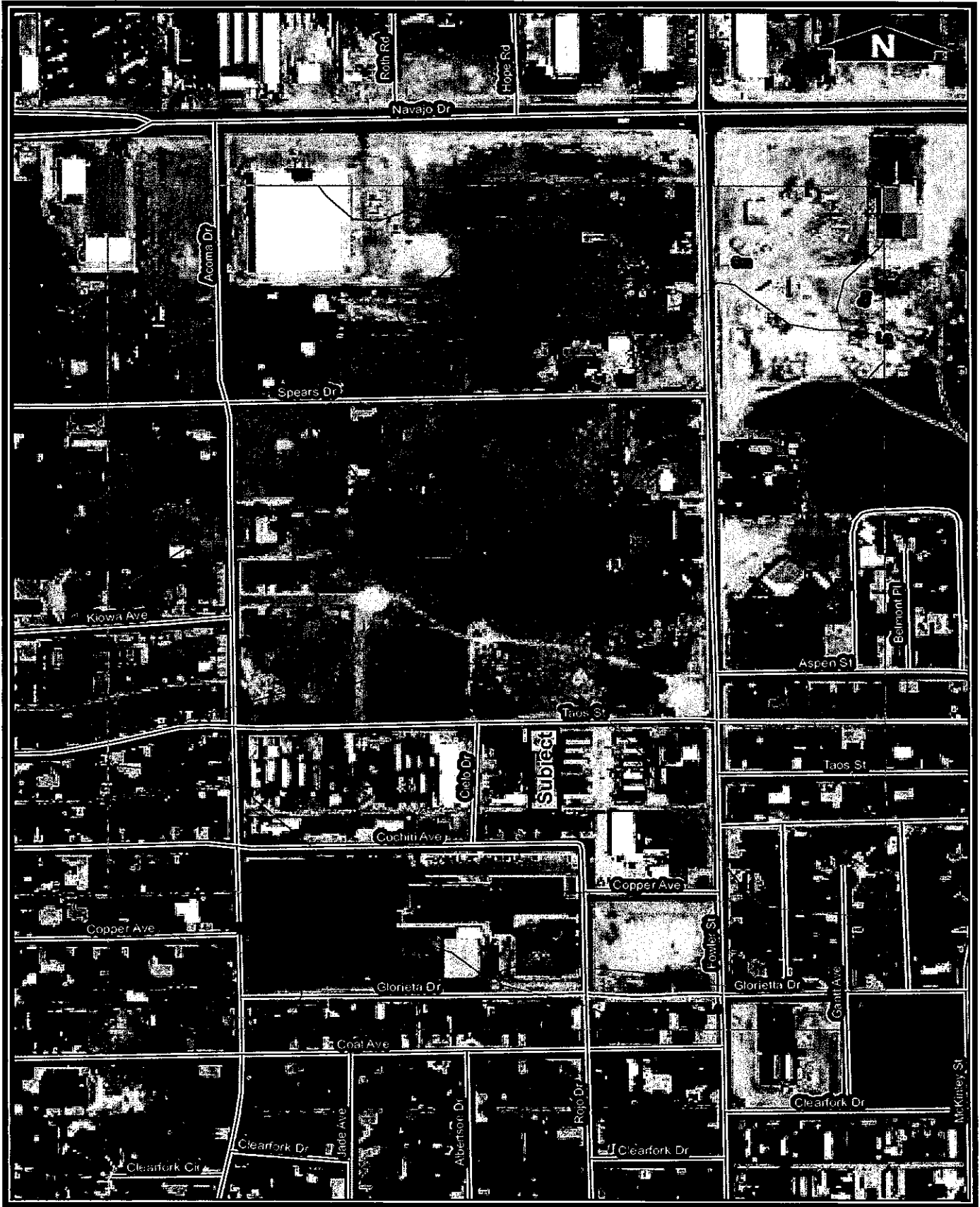
ASSESSOR'S PLAT



TOPOGRAPHIC MAP



FLOOD MAP



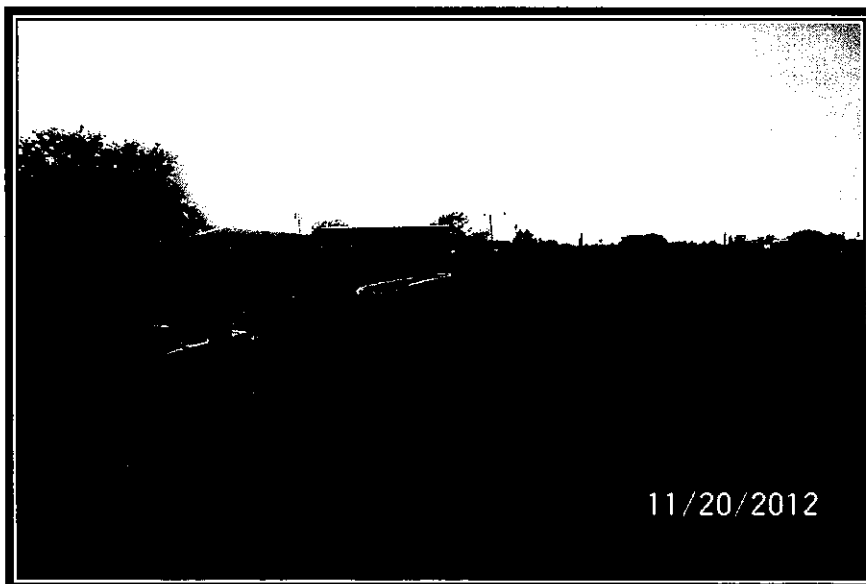
SOILS MAP



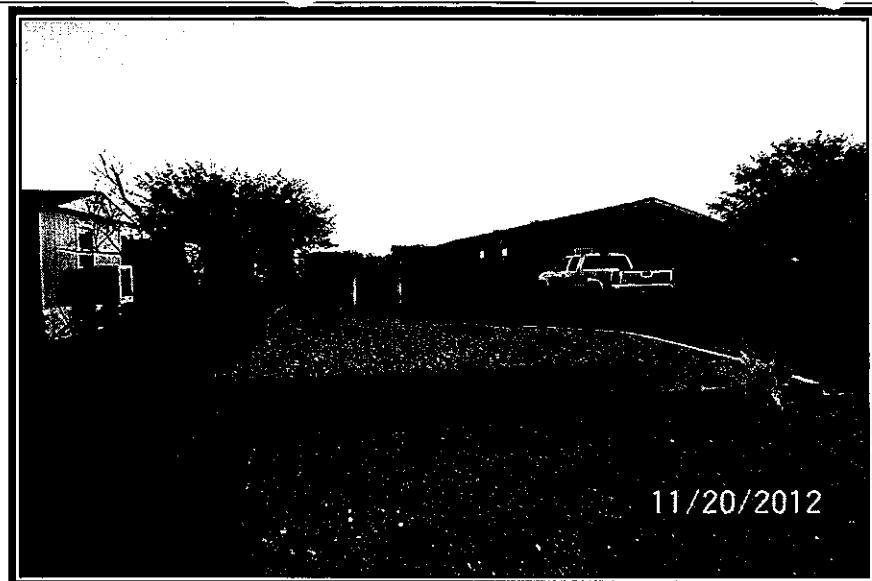
**LOOKING SOUTH
ACROSS WEST
TAOS AVENUE AT
SUBJECT**



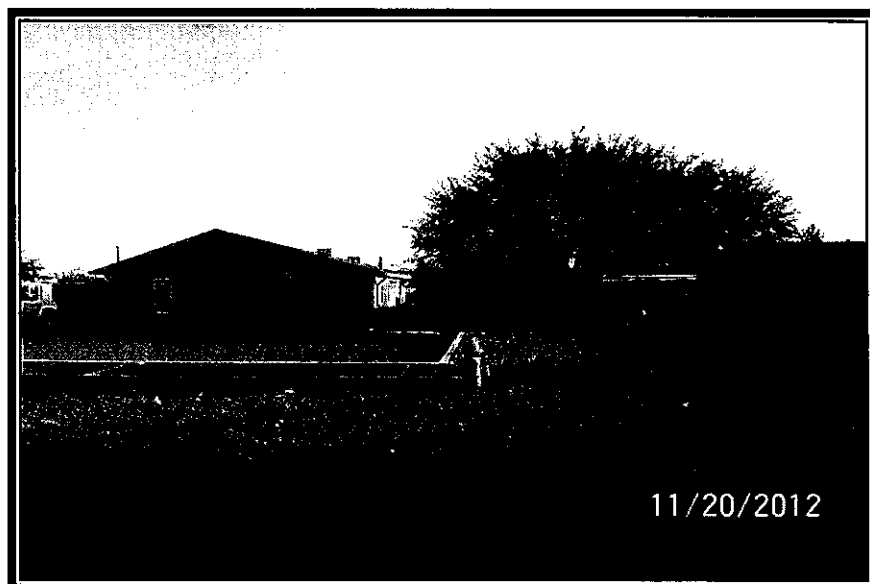
**LOOKING EAST ON
WEST TAOS
AVENUE – SUBJECT
ON RIGHT**



**LOOKING WEST ON
WEST TAOS
AVENUE – SUBJECT
ON LEFT**



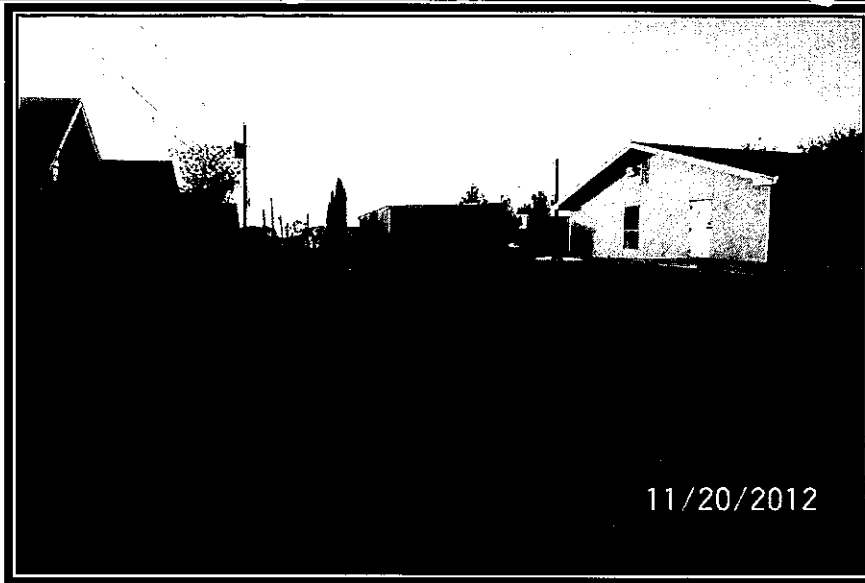
**LOOKING SOUTH
ALONG SUBJECT'S
EAST PROPERTY
LINE – SUBJECT ON
RIGHT**



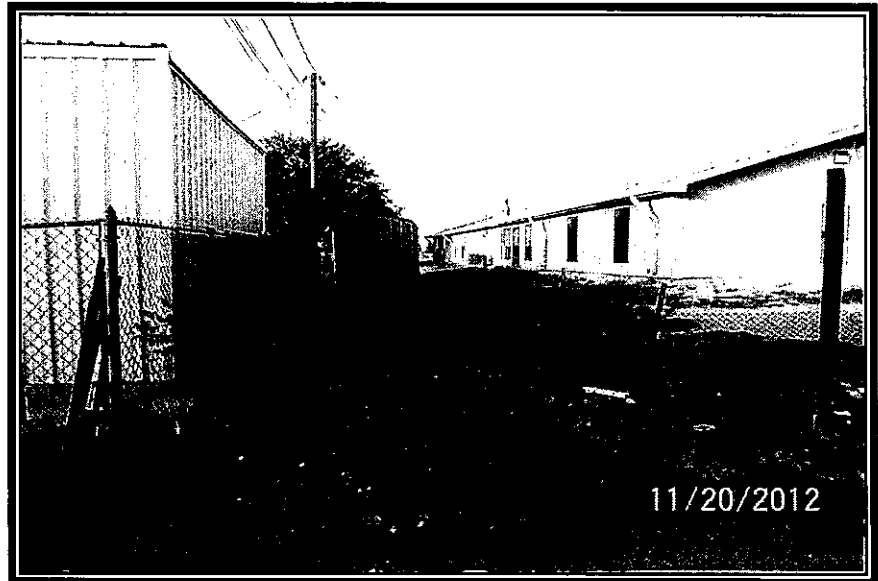
**LOOKING SOUTH
ALONG SUBJECT'S
WEST PROPERTY
LINE – SUBJECT ON
LEFT**



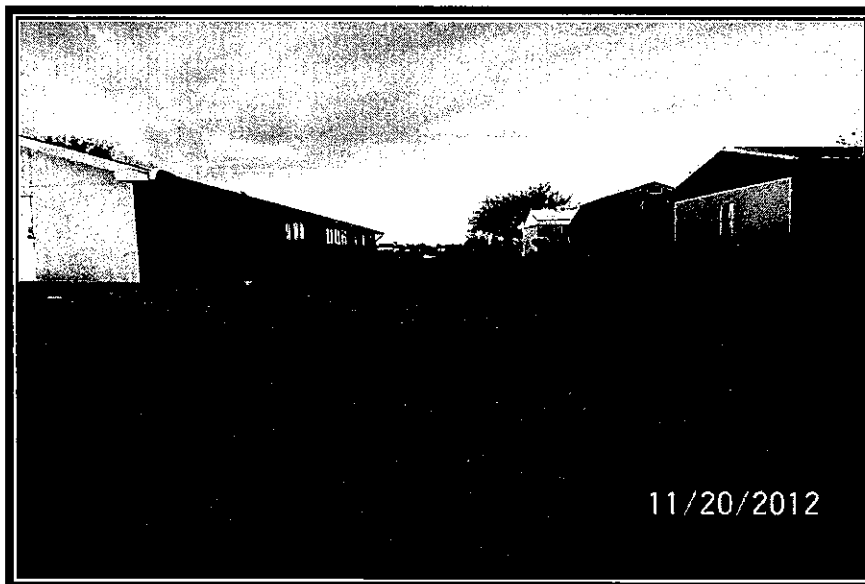
**LOOKING EAST
ALONG ALLEY –
SUBJECT ON LEFT**



**LOOKING WEST
ALONG ALLEY –
SUBJECT ON RIGHT**



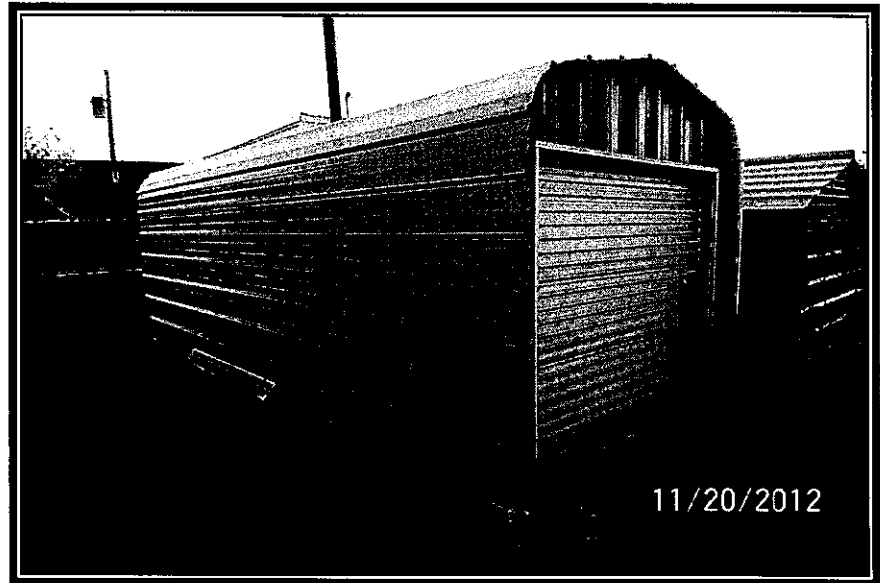
**LOOKING NORTH
ALONG SUBJECT'S
WEST PROPERTY
LINE – SUBJECT ON
RIGHT**



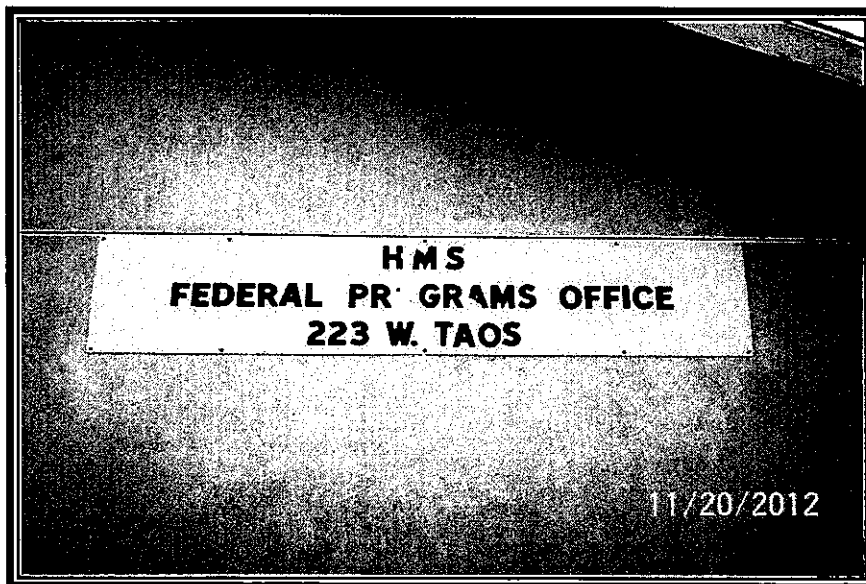
**LOOKING NORTH
ALONG SUBJECT'S
EAST PROPERTY
LINE – SUBJECT ON
LEFT – NOTE
GRAVEL PARKING
AND CONCRETE
PARKING BUMPERS**



**FRONT ASPHALT
PAVED PARKING
AREA LOOKING
EAST**



**PORTABLE STORAGE
BUILDING REAR OF
SITE - NOT PART OF
THIS APPRAISAL**



**SIGNAGE ON NORTH
SIDE OF
IMPROVEMENT**

ASSESSMENTS AND TAXES

Taxes are established by New Mexico State Tax Code, assessed annually by calendar year, and are due November 10th each year. The subject's tax ID# is: **70677**. The subject property is owned by the Hobbs Municipal School District. Taxes for the previous three years are of no consequence, because the subject property is publically owned. However, per the Lea County Assessor's Office, if the subject property was privately owned, the current taxes would be **\$634.98**, using the 2012 tax rate.

TAX INFORMATION

Year	Taxes
2012	\$634.98

The following full 2012 assessed value was provided by the Lea County Assessor's Office:

TAX ASSESSMENT

	70677
Land	\$5,919
Improvements	\$68,685
Total	\$74,604

The full assessed value of the subject property is believed to be similar to assessed values of other reasonably similar properties in Hobbs.

HISTORY

The subject property was obtained by the Hobbs Municipal School District on January 23, 1997 from the Secretary of Housing & Urban Development. The sale price is unknown. However, as cited on the subject's Special Warranty Deed, the consideration was \$10.00 and other valuable consideration. The subject improvement appears to have been a combination of older improvements that were renovated. The current owner of record of the subject property is the Hobbs Municipal School District.

ENVIRONMENTAL CONSIDERATIONS

No documentation has been made available to the appraiser that identifies the subject property as having any environmental issues. A search of the U. S. Environmental Protection Agency, Superfund Information System Web Page indicated no sites listed in Lea County. **The appraiser is not a qualified environmental expert and has no specialized training or skills in the area of environmental contamination. All readers/users of this report are cautioned that if there are any environmental concerns or hazardous materials on the property, it could adversely affect the value of the property. The client is advised to consult an environmental expert. For purposes of this appraisal, the subject property is assumed to be unaffected by environmental conditions or hazardous materials. An environmental report was not made available to the appraiser. If a subsequent environmental survey reveals the presence of hazardous material or environmental issues, the appraiser reserves the right to amend the valuation accordingly.**

DESCRIPTION OF THE IMPROVEMENTS

The subject improvement consists of an office building that contains 4,791 square feet. There is a portable storage building on the site that is not considered in this appraisal.

The following is a brief discussion of the construction of the subject improvement:

OFFICE IMPROVEMENT SUMMARY			
Construction Type:	Class D, Avg. Quality	Parking:	<u>Yes</u> <u>No</u>
Usable Area:	4,791 S.F.	On Site	x
Effective Age (Yrs):	20-25 Years	Paved	Partial
Remaining Economic Life (Yrs):	25-30 Years	On Street	x
Occupancy:	0%	Adequate	Marginally
No. Of Buildings:	1	Deferred Maintenance:	Numerous Items
No. Of Stories:	1	Construction Quality:	Below Average to Average
No. Of Units:	1	Current Condition:	Below Average
Foundation:	Poured Reinforced Concrete	Insulation:	Likely Batt Insulation Ceiling & Walls
Frame:	Wood Frame	Interior Doors:	Raised Panel, Flat Slab, Masonite
Exterior Walls:	Wood Frame, Stucco	Exterior Doors:	Raised Panel, Painted, Insulated Metal, Some Storm Doors
Roof:	Wood Truss, Asphalt Shingles	Plumbing Fixtures:	Typical Fixtures, 3-Restrooms, 1 Tub, 1 Shower, Double Sink in Kitchen, Janitor's Mop Sink
Interior Walls:	Taped, Bedded, Textured, Painted Sheetrock	Electrical Fixtures:	Typical, Ceiling Mounted, 4-Bulb Fluorescent
Ceiling:	Taped, Bedded, Textured, Painted Sheetrock	Windows:	Aluminum Frame, Dual-Pane Vertical Sliding
Floor Coverings:	Carpet, Ceramic Tile, Vinyl Tile		
HVAC:	CFA, RA, Gas Heat		

Extra Features: Kitchen with range/oven, dishwasher, cooktop, wood cabinets, extra storage with shelving, fire control-wet sprinkler system.

● **Quality/Condition**

Overall, the subject improvements are below-average to average quality. They are in below-average condition. For purposes of this appraisal, I have assumed the plumbing system, HVAC system, and the electrical systems are in operational condition. There was no evidence of significant roof problems from ceiling water stains. However, it was noted that the roof appears to have at least two layers of shingles.

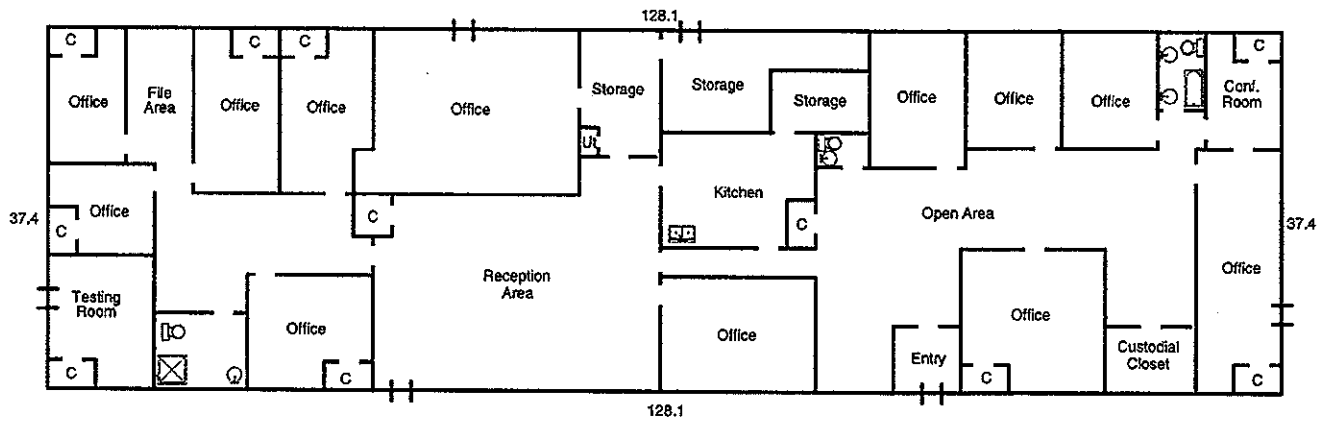
There were numerous deferred maintenance/condition problems observed during my inspection. Several items of deferred maintenance are listed. However, this may not be an all-inclusive list. A qualified general contractor will be required to thoroughly inspect the

subject improvement to determine all required repairs. The deferred maintenance items observed during my inspection follow:

1. General clean-up of entire interior.
2. Vinyl tile repairs.
3. Interior wall repairs/painting.
4. Window/screen repairs/replacement.
5. Eave/soffit repairs/painting.
6. Some exterior stucco repairs.

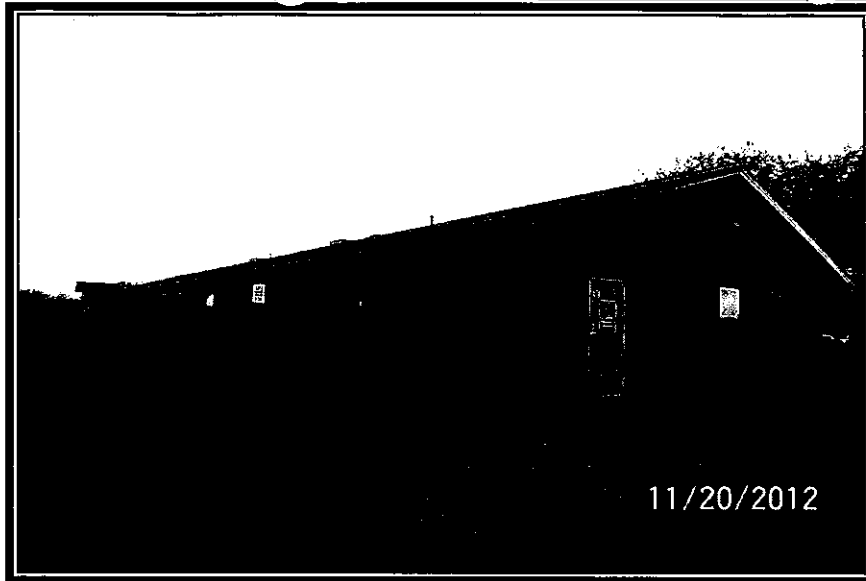
I have estimated clean-up/repair/replacement costs to be approximately \$6,000 to put the subject improvements into average condition. However, a qualified general contractor's estimate will be required to accurately identify all deferred maintenance / condition problems. For purposes of this appraisal, I will deduct \$6,000 from my final opinion of Market Value. It is typical for most buyers to estimate repair costs to reduce what would be a normal market offer after considering the cost of repairs.

A Drawing of the Improvement and pictures follow.

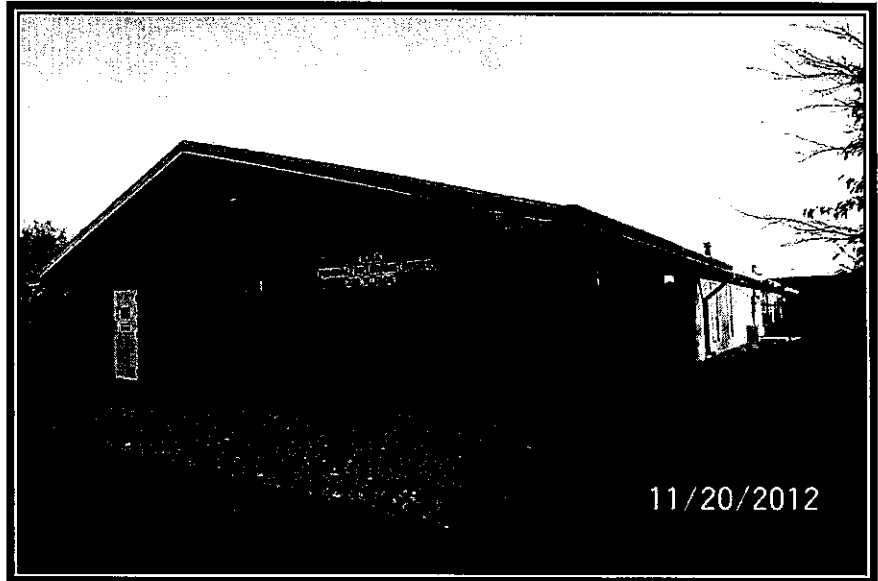


Total Area: 4,791 S.F.

IMPROVEMENT DRAWING



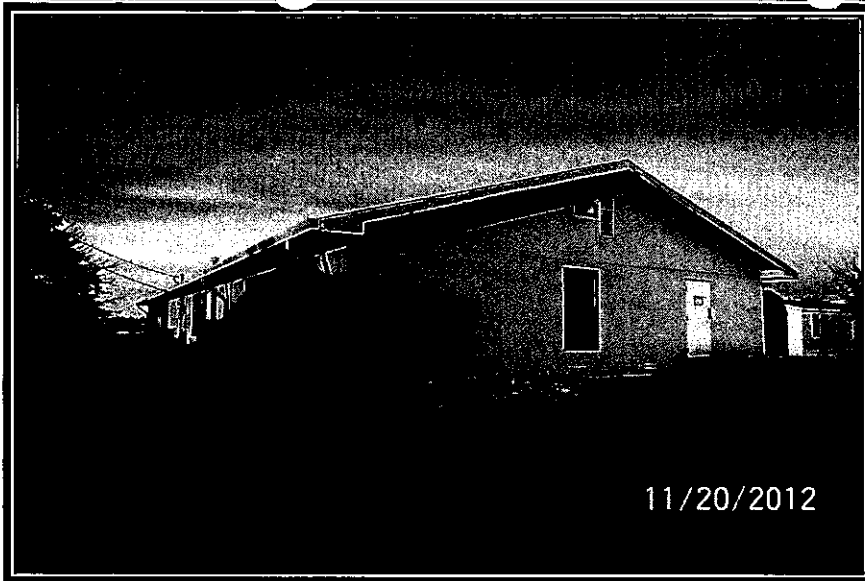
**NORTH END AND
EAST SIDE OF
IMPROVEMENT –
NOTE ROCK AND
GRASS
LANDSCAPING**



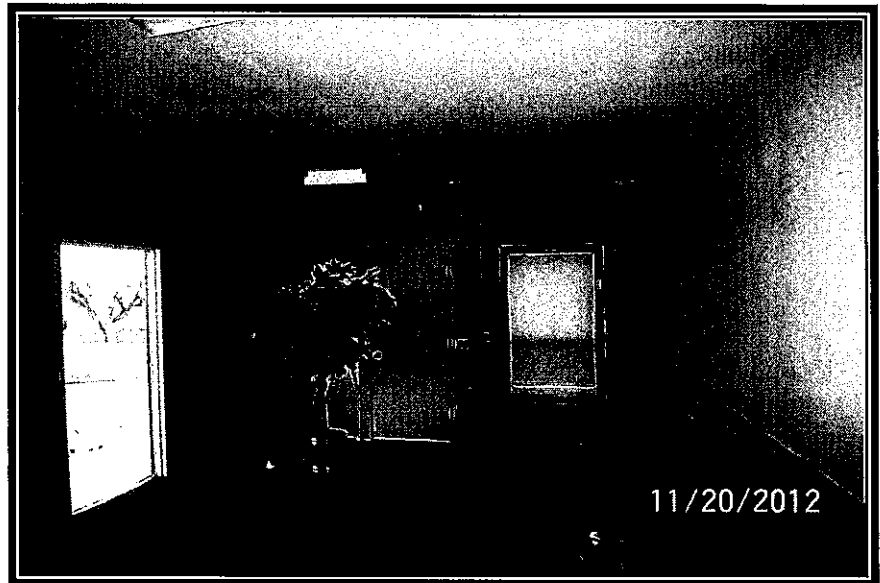
**NORTH END AND
WEST SIDE OF
IMPROVEMENT**



**SOUTH END AND
EAST SIDE OF
IMPROVEMENT –
NOTE GRAVEL
PARKING AREA**



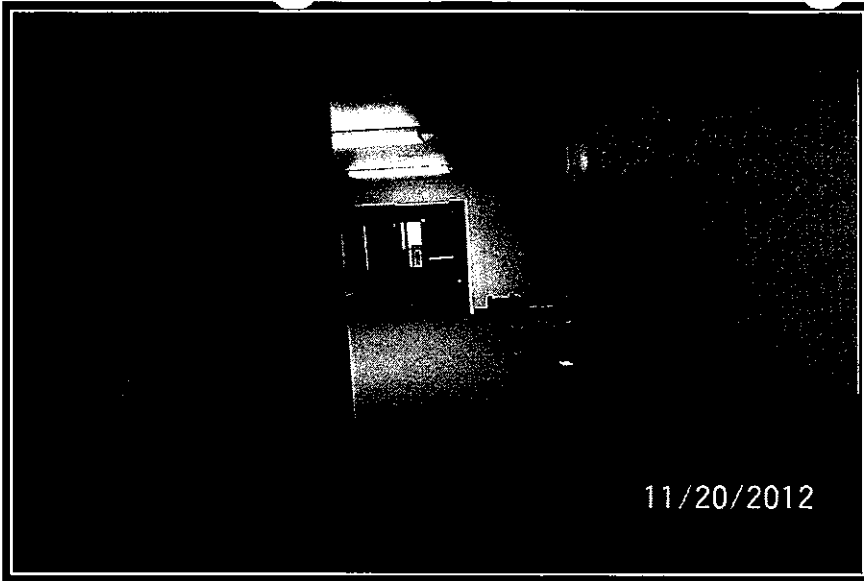
**SOUTH END AND
WEST SIDE OF
IMPROVEMENT**



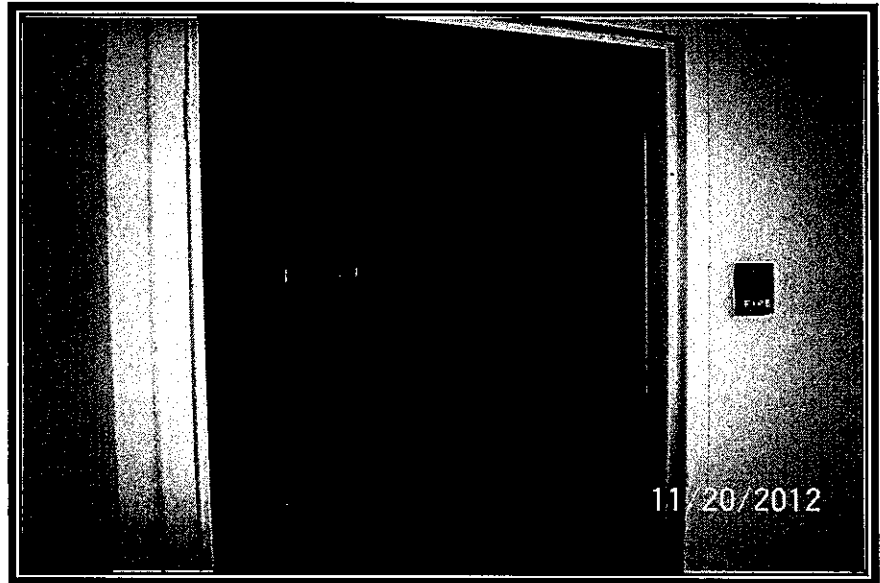
NORTH OFFICE



NORTH RESTROOM



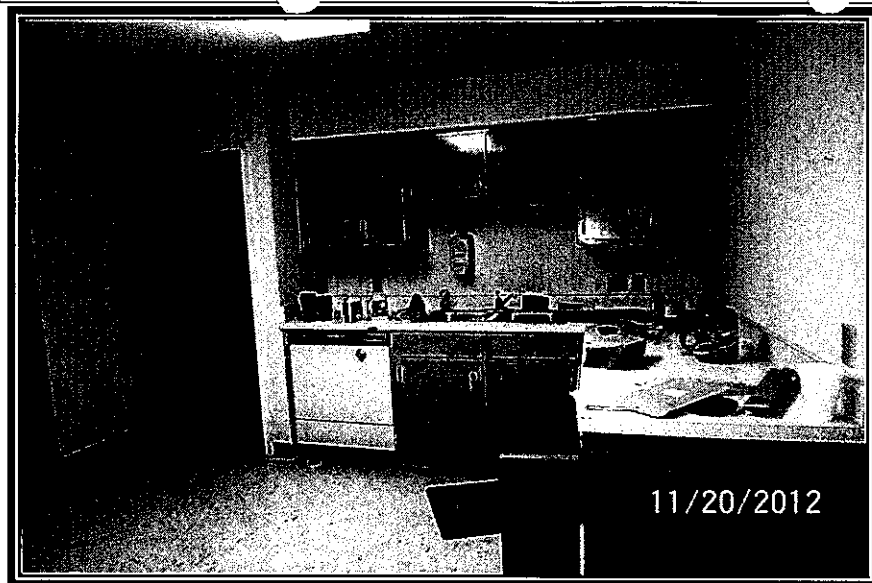
**NORTH OPEN
AREA**



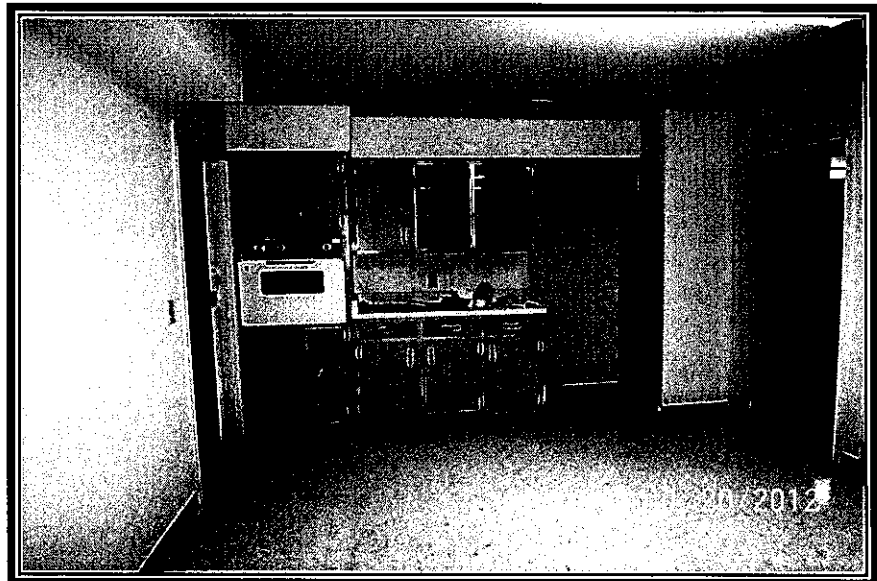
**EAST ENTRY
VESTIBULE**



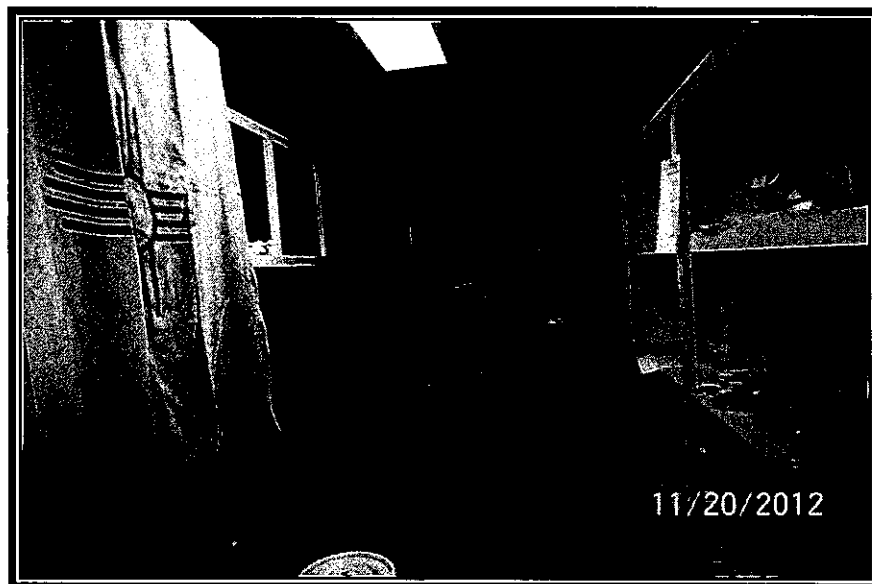
**MIDDLE
RESTROOM**



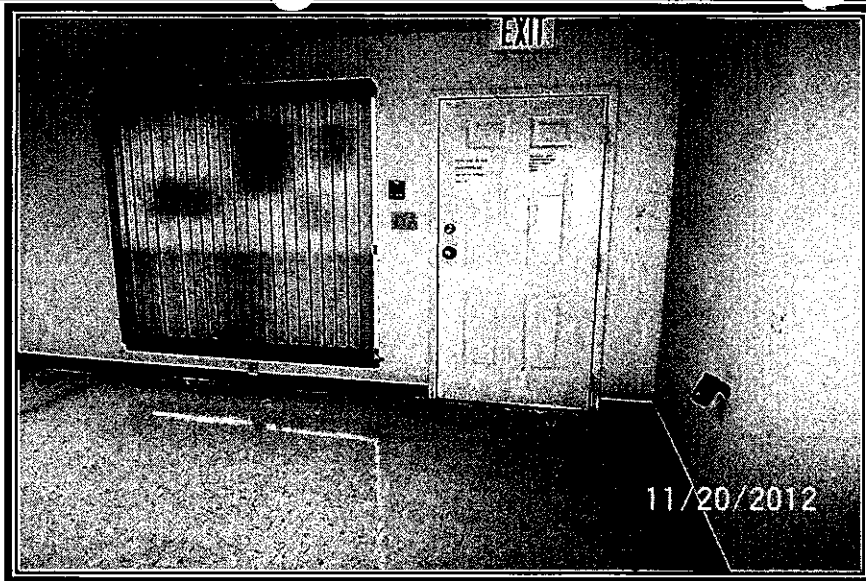
KITCHEN



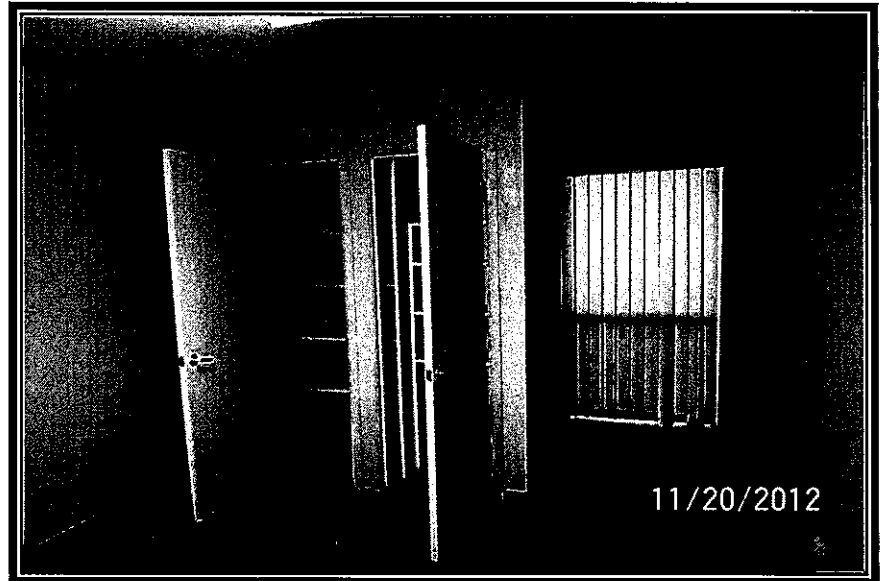
KITCHEN



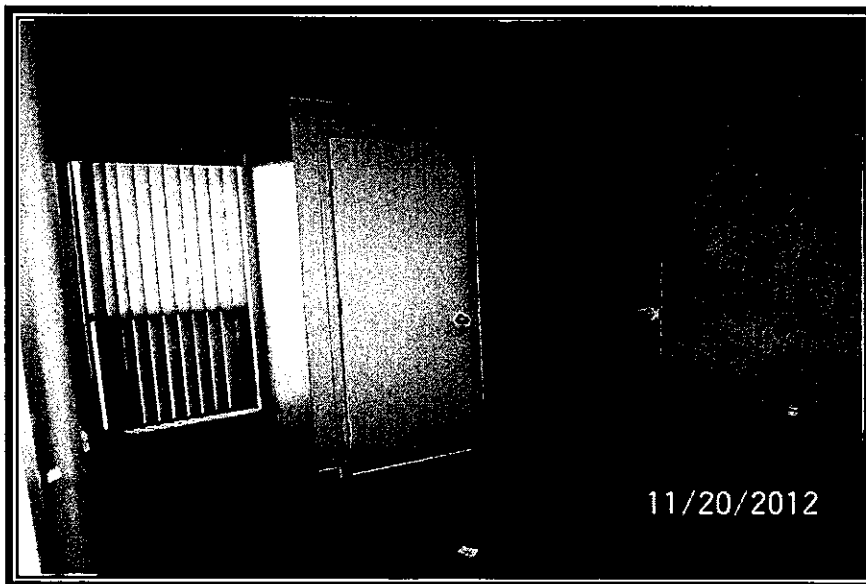
STORAGE ROOM



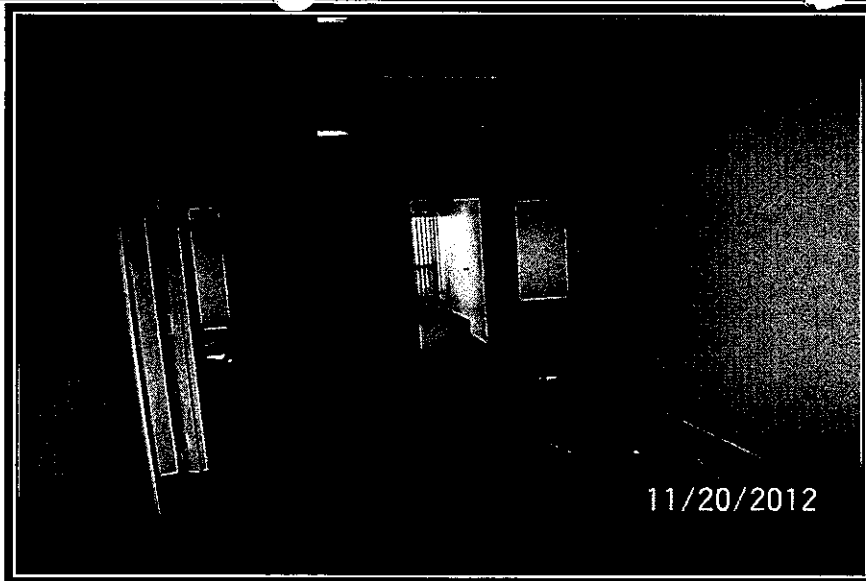
RECEPTION AREA
AND EAST ENTRY



TYPICAL OFFICE



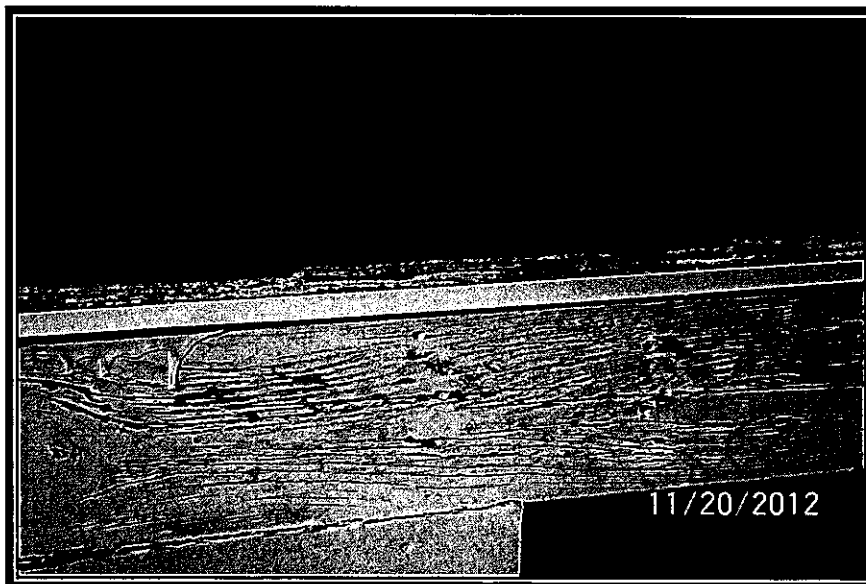
TYPICAL OFFICE



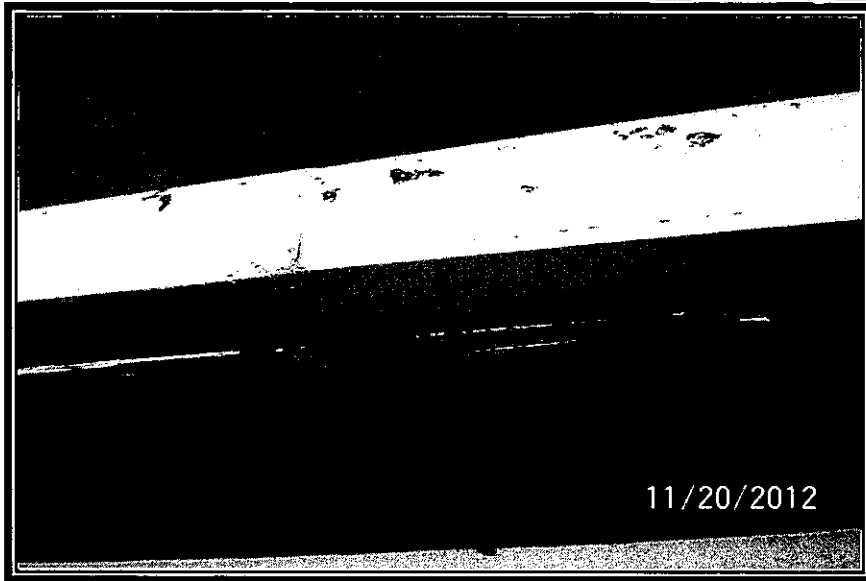
**SOUTH OPEN
AREA**



**DAMAGED HVAC
UNITS**



**FASCIA NEEDS
PAINTING – NOTE
TWO LAYERS OF
ASPHALT ROOFING**



SOFFIT DAMAGE



**SOFFIT AND FACIA
DAMAGE**



**TERMITE CONTROL
ON EXTERIOR OF
IMPROVEMENT**

HIGHEST AND BEST USE

Highest and Best Use is defined:

"The reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."

{The Appraisal of Real Estate, 13th Edition, 2008, Pages 277-278, published by the Appraisal Institute.}

Implied in this definition is the following criteria:

1. *The use must be legal and comply with zoning and building codes.*
2. *Use must be probable not speculative or conjectural.*
3. *Demand for such use must exist.*
4. *Use must be profitable.*
5. *Use must provide the highest net return to land.*

In order to estimate Highest and Best Use, there are essentially four stages of analysis. These are as follows.

1. *Legally Permissible Uses of the Site – What uses are legally allowed given the zoning, easements, and/or deed restrictions?*
2. *Physically Possible Uses of the Site – Among the legally permissible uses, what uses are physically possible, given the size, shape, and topography of the site?*
3. *Financially Feasible Uses of the Site – Among the uses which are legally permissible and physically possible, what uses would provide a reasonable residual net return to the land?*
4. *Maximally Productive Use of the Site – Among the financially feasible uses, which use would result in the highest residual land value?*

These tests have been applied to the subject property as though vacant and as currently improved.

● **Highest and Best Use – As Though Vacant**

Legally Permissible Uses – Legal limitations on the use of the subject property are those resulting from easements, zoning restrictions, and deed restrictions, if any. There are no known easements, zoning, or deed restrictions that would preclude any known viable use of the subject property. Almost any appropriately sized improvement could be developed on the subject site, as long as all other code requirements are met.

Physically Possible Uses- Constraints imposed on the possible uses of the subject site relate to the physical aspects of the site itself. The size, shape, and topography can influence the ultimate development of the site. The subject site is rectangular in shape. It has 99.4 feet of frontage on West Taos Avenue. It also has 99.4 feet of alley access. The site is 219 feet deep and contains 21,769± square feet. There is adequate vehicular access to the site. West Taos Avenue is a low-traffic residential street. Access to the site can be gained from any point in Hobbs with a 10-15 minute drive. Visibility of the site is limited to traffic that passes the property on West Taos Avenue. The site is located in Flood Zone X, which is outside the 500-year floodplain. Parking is very limited on the site. The front parking area is paved. It will accommodate only five vehicles. The rear parking area, with access from the alley, is unpaved. It will accommodate approximately eight vehicles. Soil conditions are assumed to be adequate for most any type of development. Consequently, the site lends itself primarily to a smaller improvement, generally residential in use. Although, there are manufactured residences located both east and west of the subject site.

Financially Feasible Uses – Due to the type of existing development in the area, it would be most feasible to develop the property with a manufactured residence or a group of manufactured residences, a very modestly priced single-family residence, or a multi-family residence (such as a duplex, triplex, four-plex). These uses are presently located within the general market area.

Considering the limited new and proposed development (there is some new

residential development occurring northwest of the subject), in the subject's immediate market area and the extremely large amount of vacant land available in the general market area, there is no reason to expect the subject site, as though vacant, would be developed unless a specific use of the site required a new development. Any new development would probably be built-to-suit for a specific owner/occupant. The most probable type of improvement that might be developed on the site, considering the other development in the immediate area, would be some type of manufactured residence improvement / improvements or multi-family rental improvements. A modestly priced single-family residence might also be a possibility.

Maximally Productive Use - The maximally productive use of the subject site, considering the permissible uses, the physically possible uses, and the financially feasible uses, is for development of the site with a manufactured residence/residences or a multi-family (duplex to four-plex) improvement. The likelihood of a purpose-built office building being developed on the subject site is not very likely. Considering the existing development in the area and the amount of vacant land in the immediate market area, it is my opinion that the subject's Highest and Best Use, as though vacant, is to remain vacant as a speculative investment and available for future development, contingent upon demand requirements.

● **Highest and Best Use – As Currently Improved**

The existing subject improvements provide a reasonable use of the subject property, but certainly not an ideal use. There is no demand in this immediate area for low quality office development. Based upon the known market conditions, the subject property is usable for a low traffic, low-visibility office use, for a storage use (although interior demolition would be required), or possibly for use as a worship facility (with some interior remodeling). Therefore, it is my opinion (considering the subject's less than desirable location, its average quality and below-average condition improvement that is currently

configured for use as office space) the subject property can continue to be used as office space, but may be able to be converted to storage space or a worship facility with some interior demolition/remodeling of the building. Therefore, the Highest and Best Use of the subject property "as currently improved" is continued use as low-traffic office space or some lower traffic use such as storage or a worship facility.

COST APPROACH

The Cost Approach involves three steps: (1) estimating the value of the land as if vacant, generally on the basis of comparable sales; (2) estimating reproduction or replacement cost of improvements, as if new; and (3) accurately measuring the total loss in value caused by various types of depreciation. After improvements are constructed, various forms of depreciation occur which affect the value of the improvements, and the older the improvements become the greater the total depreciation from all sources is likely to be. This approach is based on the assumption that a buyer will generally not pay more for a property than it would cost to duplicate it within a reasonable time. In this report, because the improvements are older, the Cost Approach will not be developed, as previously addressed in the Scope of the Appraisal section of this appraisal report. My opinion of the subject's current Land Value will be developed.

● Land Valuation

Land is valued as if vacant and ready for development to its Highest and Best Use. Similar site sales are sought and compared to the subject. The Sales Comparison method is used to determine land value. The unit of comparison used in the following analyses will be the value per square foot. The subject site is rectangular in shape and contains 21,769± square feet. No condition of sale (financing) adjustments are required. A market conditions (time) adjustment is required on Sale 5 (2007 sale). Even though there are differences between the sales and the subject property, this type of land can be used for several

purposes. There is no zoning in Hobbs, therefore use differences are not considered to significantly impact the value of the property. The following Land Sales Summary Chart is provided:

LAND SALES SUMMARY CHART

Sale #	Location	Sale Date	Sale Price	Size S.F.	Price/S.F.
1	422 South Willow Street	8-12	\$21,500	19,602	\$1.10
2	2400 Block North McKinley Street	6-12	\$100,000	101,379	\$.99
3	119 West Clinton Street	7-10	\$13,500	15,750	\$.85
4	North of 550 East Navajo Drive	11-09	\$50,000	145,055	\$.34
5	1224 East Sanger Street	8-07	\$30,000	23,087	\$1.30
Subject	223 West Taos Avenue			21,769	

● **Land Sales Analysis**

Sale 1 is located approximately 3.0 miles southeast of the subject in the northeast corner of the intersection of South Willow Street and East Marland Street. The market area environment is similar to the subject. No location adjustment is required. Sale 1 is .90 times as large as the subject site. No size adjustment is required. Exposure/accessibility is similar to the subject. No exposure/accessibility adjustment is required. No other factors adjustment is required. **The adjusted sale price of Sale 1 is \$1.10 per square foot.**

Sale 2 is located approximately .6 miles southeast of the subject on the east side of North McKinley Street a short distance north of St. Anne Place. The market area environment is similar to the subject. No location adjustment is required. Sale 2 is 4.7 times as large as the subject site. A positive 20% size adjustment is required. No exposure/accessibility or other factors adjustments are required. **The adjusted sale price of Sale 2 is \$1.19 per square foot.**

Sale 3 is located approximately 2.0 miles south of the subject in the southeast corner of the intersection of Shipp Street and West Clinton Street. The market area environment is similar to the subject. No location adjustment is required. Sale 3 is .72 times as large as the subject site. A negative 5% size adjustment is required. No exposure/accessibility adjustment is required. There was seller motivation involved in this sale to dispose of the property. A positive 25% other factors adjustment due to seller motivation is required. **The adjusted sale price of Sale 3 is \$1.02 per square foot.**

Sale 4 is located approximately .8 miles northeast of the subject north of East Navajo Drive near the west end of Paradise Avenue. The market area environment is similar to the subject. No location adjustment is required. Sale 4 is 6.7 times as large as the subject site. A large positive 30% size adjustment is required. Sale 4 is significantly inferior in exposure/accessibility to the subject, with no paved street access. An extremely large positive 100% exposure/accessibility adjustment is required. Sale 4 does not have utility services available to the site. This requires an extremely large positive 120% other factors adjustment, due to the lack of utility services. **The adjusted sale price of Sale 4 is \$1.19 per square foot.**

Sale 5 is located approximately 1.9 miles southeast of the subject on the north side of East Sanger Street a short distance west of Yucca Drive. The market area environment is superior to the subject (commercial development in this area). A negative 15% location adjustment is required. Sale 5 is 1.1 times as large as the subject site. No size adjustment is required. Exposure/accessibility is superior (higher traffic area). A negative 15% exposure/accessibility adjustment is required. No other factors adjustment is required. **The adjusted sale price of Sale 5 is \$1.09 per square foot.**

The adjustments made to the previously cited vacant land sales are based primarily upon my analysis of the vacant land sales market in conjunction with information provided by knowledgeable local Realtors and local buyers/sellers. There are no known sale/resale or similar paired sales from which to extract some of the adjustments made in this analysis. The following Land Sales Adjustment Grid summarizes my land sales analysis:

LAND SALES ADJUSTMENT GRID

Sale #	Sale Date	Size S.F.	Price/ S.F.	Cond. of Sale	Market Cond. Adjust	Market/ Cond. Adjust S.P./S.F.	Adjusted for differences in					
							Loc.	Size	Expos/ Access	Other Factors	Net Adj. Factor	Adj. S.P./ S.F.
1	8-12	19,602	\$1.10	1.0	1.0	\$1.10	0%	0%	0%	0%	100%	\$1.10
2	6-12	101,379	\$.99	1.0	1.0	\$.99	0%	+20%	0%	0%	120%	\$1.19
3	7-10	15,750	\$.85	1.0	1.0	\$.85	0%	-5%	0%	+25%	120%	\$1.02
4	11-09	145,055	\$.34	1.0	1.0	\$.34	0%	+30%	+100%	+120%	350%	\$1.19
5	8-07	23,087	\$1.30	1.0	1.2	\$1.56	-15%	0%	-15%	0%	70%	\$1.09
Subject		21,769									Average	\$1.12

● **Land Value Conclusion**

Based upon the previous land sales analyses, a close range of \$1.00 to \$1.20 (rounded) per square foot is within current market parameters for the subject site. All of the sales (except Sale 1) required adjustments. Some of the adjustments are very large. This indicates some lack of comparability. However, these vacant land sales are the most similar vacant land sales available. The average adjusted sale price is \$1.12 per square foot. This is supportive of the adjusted sale price of Sale 1 at \$1.10 per square foot. I have concluded that Sale 1 (with no adjustments) at **\$1.10 per square foot** is reflective of

current market parameters for the subject site. **My opinion of Land Value for the subject site is calculated:**

$$21,769 \text{ S.F.} \times \$1.10/\text{S.F.} = \$23,946$$

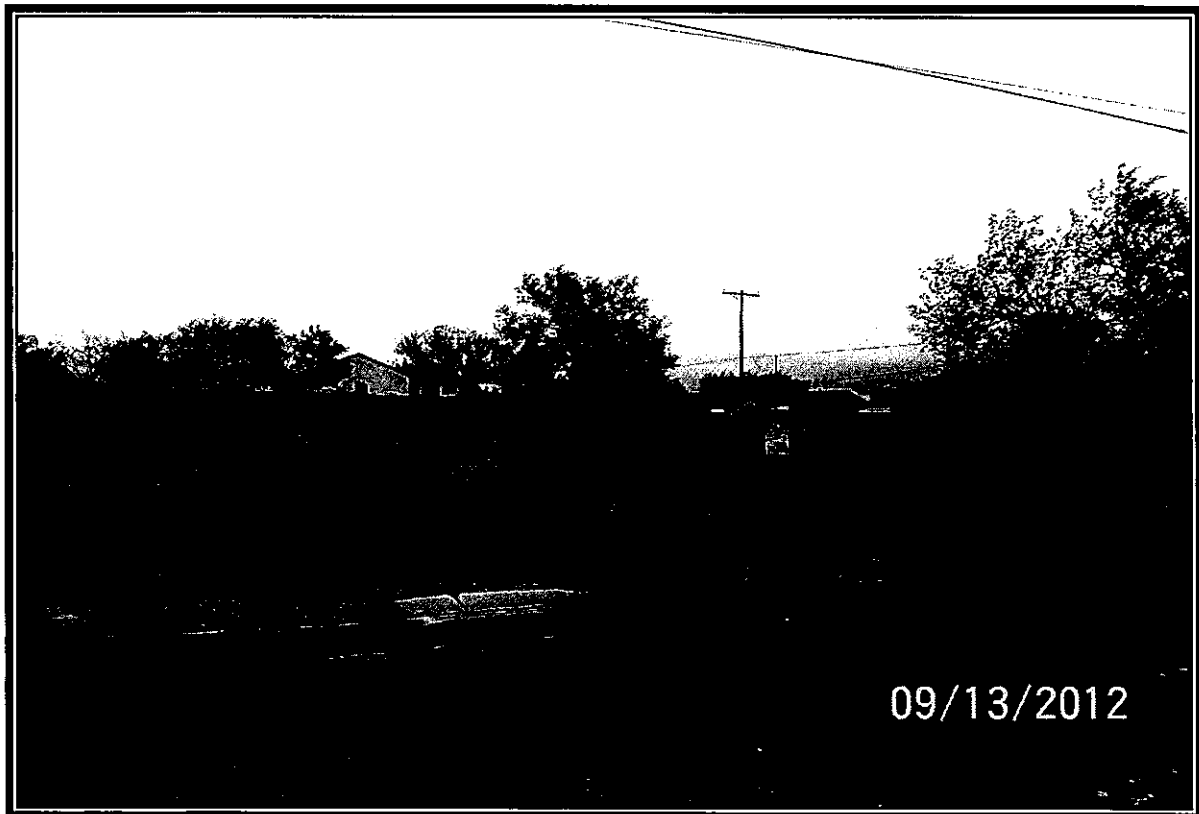
Rounded to \$24,000

Land Sale data sheets and a location map follow.

LAND SALE DATA**Sale #1**

Location: 422 South Willow Street, Hobbs, NM
Grantor: Elizabeth Montgomery Bazemore
Grantee: Jesus M. and Guadalupe Lechuga
Sale Date: 8-20-12, Warranty Deed Book 1791, Pages 941-942, Lea County
Sale Price: \$21,500, Cash to Seller
Tract Size: Irregular, 19,602± S.F.
Price/S.F.: \$1.10/S.F.
Zoning: None

Comments: Vacant corner tract located in the northeast corner of the intersection of South Willow Street and East Marland Street. Utilities and city services are available, but will need to be extended onto the site. **Legal:** Part of the S½SE¼ of Section 35, T18S, R38E. **Confirmed by:** Wayne Long, 9-27-12.



LAND SALE DATA**Sale #2**

Location: 2400 Block North McKinley Street, Hobbs, NM

Grantor: Mustangs Wild and Free, LLC

Grantee: James and Sharlotte Zingerman

Sale Date: 6-15-12; Notice of Escrow Contract Book 1782, Pages 847-848 Lea County

Sale Price: \$100,000, REC – Terms Not Available

Tract Size: 431.4' X 235' = 101,379 S.F.; 2.33± Acres

Price/S.F. (Acre): \$.99/S.F.; \$42,918/Acre

Zoning: N/A

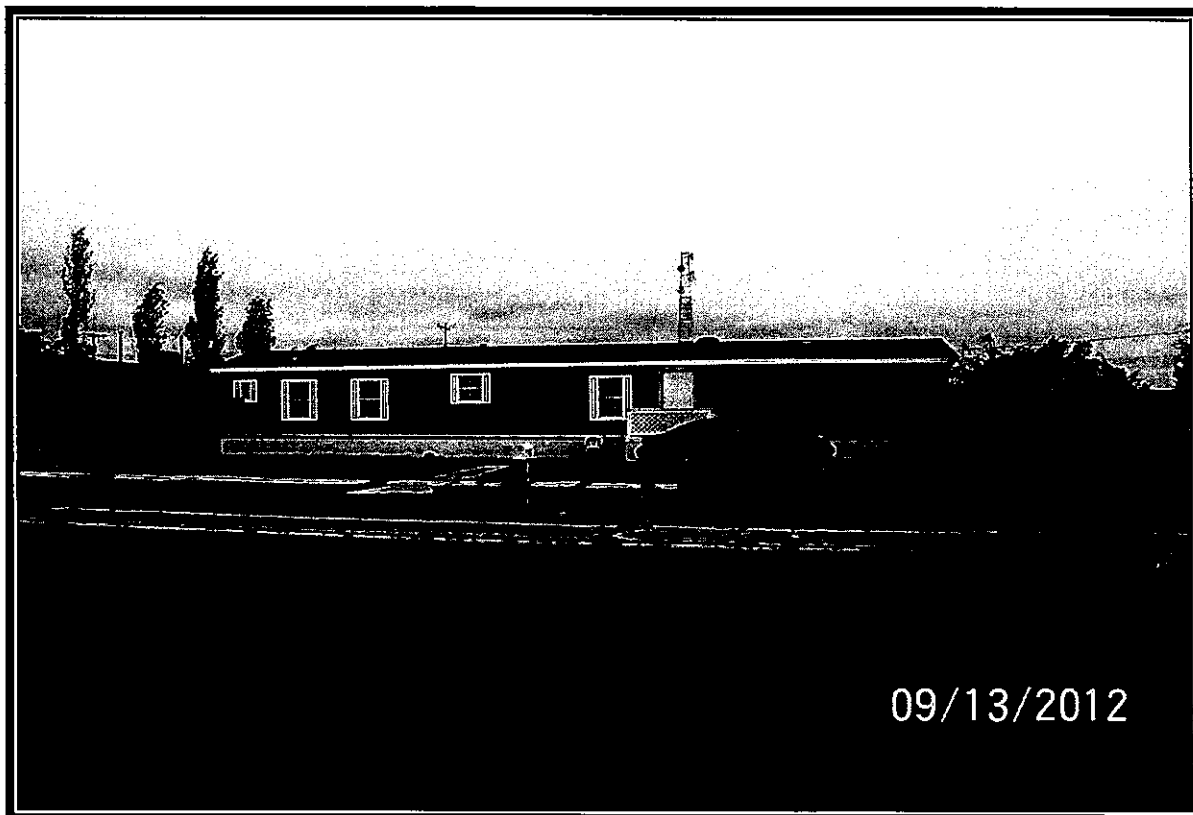
Comments: Vacant interior tract located on the east side of North McKinley Street a short distance north of St. Anne Place. Utilities and city services are available, but will need to be extended onto the site. The site previously sold in May 2006 for \$75,000 or \$.74 per square foot. **Legal:** Tract One, Two, Three, and Four in the SW¼SE¼ of Section 22, T18S, R38E. **Confirmed By:** Rusty Taylor, 7-9-12.



LAND SALE DATA**Sale #3**

Location: 119 West Clinton Street, Hobbs, NM
Grantor: Centennial Properties, LLC
Grantee: Jesus Romero
Sale Date: 7-22-10, Warranty Deed Book 1689, Page 558, Lea County
Sale Price: \$13,500, Cash to Seller
Tract Size: 112.5' X 140' = 15,750 S.F.
Price/S.F.: \$.85/S.F.
Zoning: None

Comments: Vacant land tract located on the southeast corner of Shipp Street and West Clinton Street. Tract includes three lots and was purchased as a homesite. Utilities are available, but may need to be extended onto the site. **Legal:** Lots 6, 7, and 8, Block 134, Highland Park Addition.
Confirmed by: Charlie Smith, 9-10-12.



LAND SALE DATA**Sale #4**

Location: North of 550 East Navajo Drive, Hobbs, NM

Grantor: Sam H, Norvell, Jr.

Grantee: Rick W. Ankerholz

Sale Date: 11-24-09, Warranty Deed Book 1657, Pages 483-484, Lea County

Sale Price: \$50,000, Cash to Seller

Tract Size: L-Shaped, 145,055± S.F.; 3.33± Acres

Price/S.F. (Acre): \$.34/S.F.; \$15,015/Acre

Zoning: None

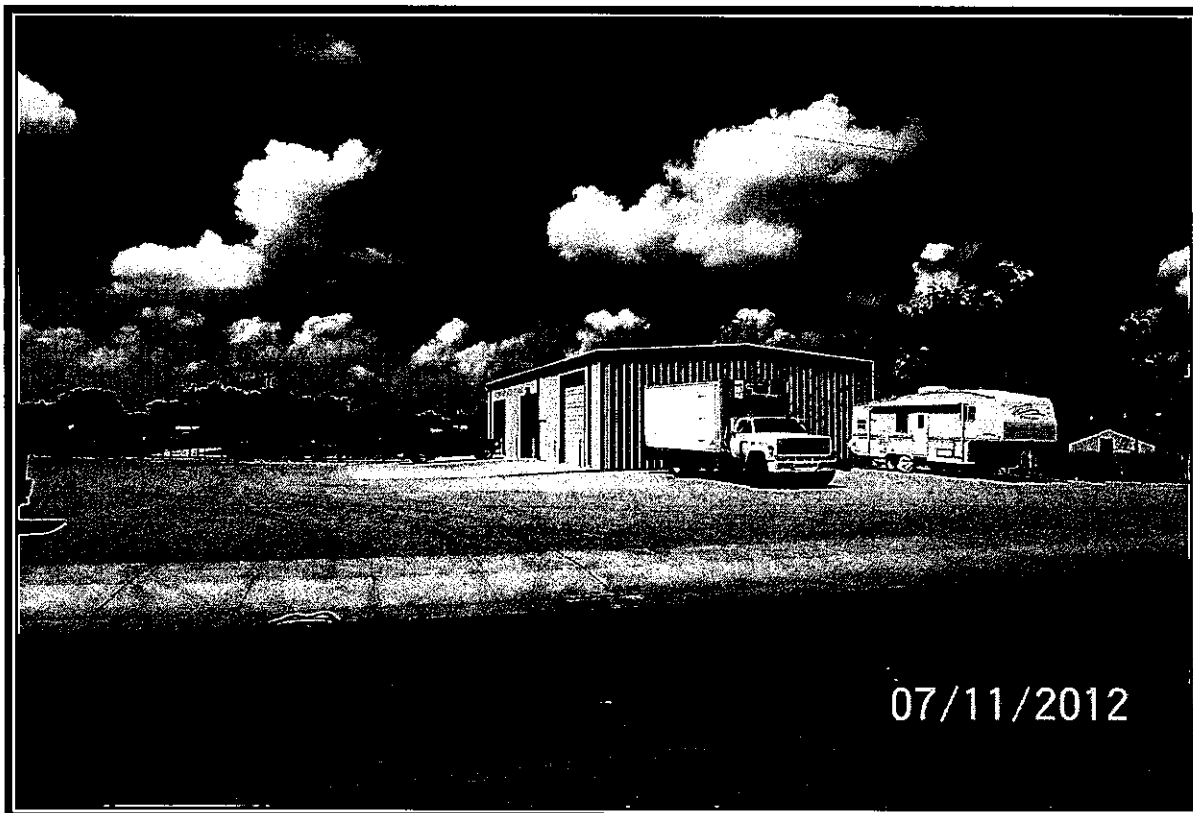
Comments: Vacant interior tract located north of East Navajo Drive near the west end of Paradise Avenue. Site had no utilities and no paved street access. Site was purchased to be developed with a new A-Tech Air Conditioning center, but owner located his new facility farther west at 150 East Navajo Drive. **Legal:** Part of the SE¼ of Section 15, T18S, R38E. **Confirmed by:** Rick Ankerholz, 2-7-11.

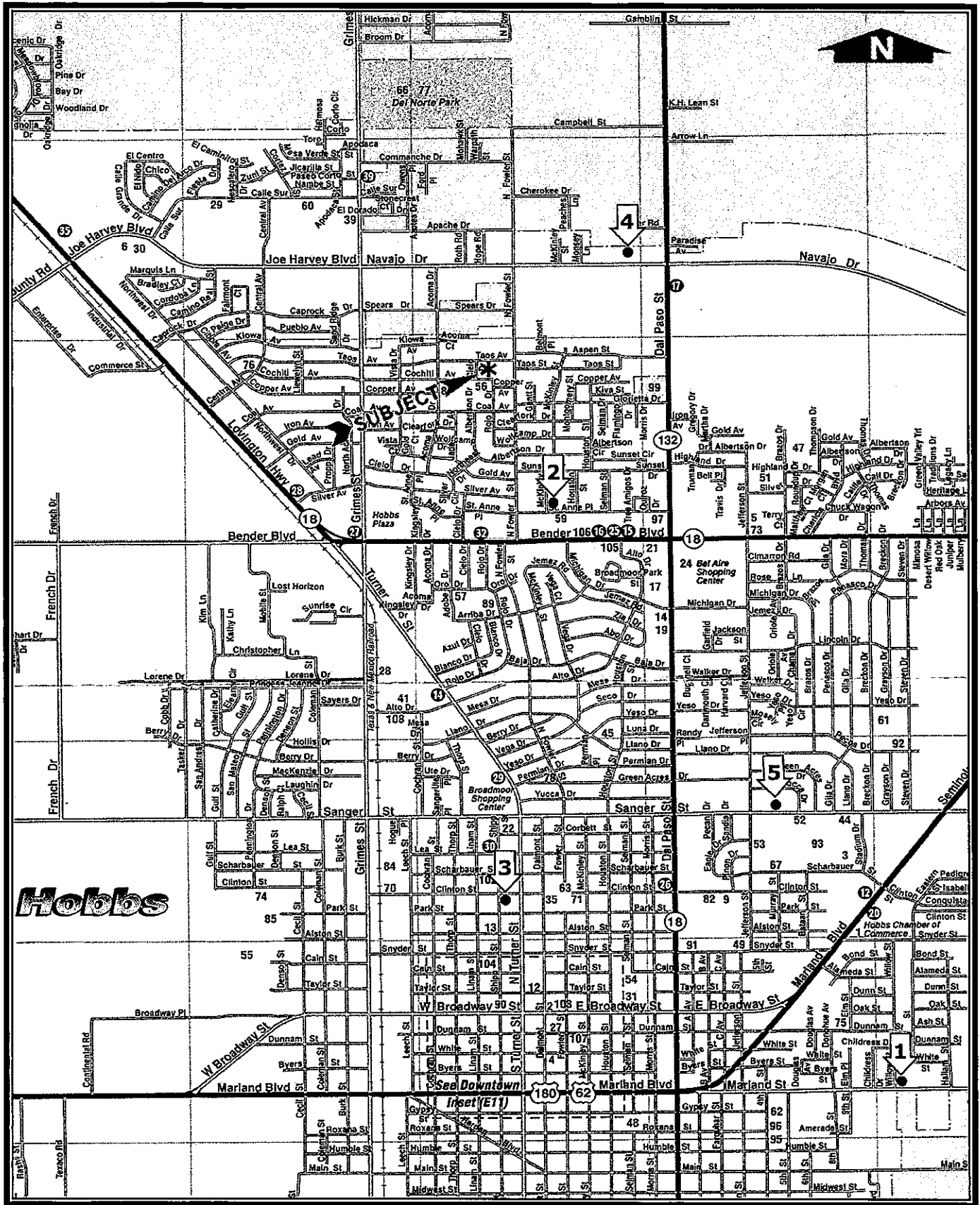


LAND SALE DATA**Sale #5**

Location: 1224 East Sanger Street, Hobbs, NM
Grantor: Charlie D. and Laverne B. Shaw
Grantee: Kendall K. and Alice R. Brady
Sale Date: 8-20-07; Warranty Deed Book 1541, Pages 184-185, Lea County
Sale Price: \$30,000, Cash to Seller
Tract Size: 23,087± S.F.; .53 Acres
Price/S.F.(Acre): \$1.30/S.F.; \$56,604/Acre
Zoning: None

Comments: Vacant interior tract located on the north side of East Sanger Street a short distance west of Yucca Drive. Purchased by adjoining property owner of Kendall's Meat Market and subsequently developed with a storage building. **Legal:** A tract of land in Section 26, T18S, R38E. **Confirmed by:** Kendall Brady, 11-20-07.





LAND SALES LOCATION MAP

SALES COMPARISON APPROACH

In this approach to value, the subject's value is arrived-at by collecting data on sales of other office/service properties and comparing them to the subject property. Sales serve two functions: (1) from analysis of improved property sales, units of comparison can be extracted to arrive at an indication of value by the Sales Comparison Approach; and (2) analyses of improved property sales provide Gross Income Multipliers (GIM's) for use in the Sales Comparison Approach and Overall Capitalization Rates (OAR's) for use in the Income Approach. The key to the Sales Comparison Approach is to gather an ample amount of comparative data and to adjust the sales to the subject property for items that are not comparable. Comparisons are made by various units of comparison such as Price Per Unit or Gross Income Multipliers.

To use the Price Per Unit method, consideration must be given to age, condition, quality, size, amenities both within and outside the property, and location factors. Thus, the Price Per Unit is typically the weaker unit of comparison. The Gross Income Multiplier considers the rental income of the properties being compared. Amenities both within and outside the property, as well as locational advantages or disadvantages, are reflected in the rent received. The adjustments that are considered in the Price Per Unit method are not necessary. The weakness of this method is that the typical purchaser wants to know the amount of net income an investment will produce, not the gross income.

In this appraisal, even though there are numerous differences between the sales and the subject property, both the Price Per Unit method and the GIM method will be developed. The data from five office/service improved property sales will be analyzed. Most of the GIM's and OAR's on the sales have been estimated, based upon my knowledge of the local market and reasonable income and expense projections. Even though there are numerous differences between the subject property and the sales, the sales developed for this analysis are the most recent known similar sales in the Hobbs market area. A brief

analysis is developed for each sale in comparison to the subject property. The Improved Property Sales Summary Chart follows:

IMPROVED PROPERTY SALES SUMMARY CHART

Sale #	Location	Sale Date	Sale Price	Building S.F.	Bldg. Only Price/S.F.	GIM	OAR
1	424 North Dal Paso Street	2-11	\$75,000	1,424	\$40.31	6.25	.120
2	223 East Broadway Street	5-08	\$104,900	5,850	\$16.74	8.74	.086
3	417 West Cain Street	2-07	\$260,000	5,206	\$47.06	8.33	.090
4	303 East Taylor Street	5-06	\$80,000	3,105	\$22.38	6.45	.109
5	310 West Taylor Street	5-05	\$55,000	2,340	\$21.99	6.55	.107
Subject	223 West Taos Avenue			4,791		7.26	.102

● **Improved Property Sales Analysis**

Sale 1 is located approximately 2.2 miles southeast of the subject on the east side of North Dal Paso Street a short distance north of East Snyder Street. The market area environment is much superior to the subject (mostly retail/service development on Dal Paso Street). A negative location adjustment is required. This sale is somewhat superior in overall construction quality. It is much superior in finish-out/appeal. It is superior in condition. It has less effective age. It is significantly smaller than the subject improvements. Functional usability is superior to the subject (this sale has an 880 square foot detached storage building and a rear covered parking area). The site is smaller than the subject site. Access is similar. Visibility is significantly superior (much higher traffic area). Sale 1 has a fenced-in rear yard area, which is superior to the subject. Parking availability is also superior (even though the front parking area is much inferior). **Overall, Sale 1 is much superior to the subject.**

Sale 2 is located approximately 2.4 miles southeast of the subject in the southwest corner of the intersection of East Broadway Street and South Fowler Street. The market area environment is much superior to the subject (mostly retail/office/service development on Broadway Street). A negative location adjustment is required. This sale is somewhat superior in overall construction quality. It is similar in finish-out. It is somewhat superior in overall appeal. It is superior in condition. It has less effective age. It is larger than the subject improvements. Functional usability is superior to the subject (this sale has 1,150 square feet of rear storage area). The site is significantly smaller than the subject site. Access is similar. Visibility is significantly superior (much higher traffic area). Parking availability is somewhat superior to the subject. **Overall, Sale 2 is superior to the subject.**

However, this is a below-market sale due to a very motivated seller.

Sale 3 is located approximately 2.2 miles southwest of the subject in the southeast corner of the intersection of West Cain Street and South Cochran Street. The market area environment is somewhat superior to the subject (close proximity to office/commercial development, but residential development to the north and west). A small negative location adjustment is required. This sale is superior in overall construction quality. It is superior in finish-out. It is much superior in overall appeal. It was similar in condition. It was similar in effective age. It is larger than the subject improvements. Functional usability is superior (interior floorplan is much superior). The site is larger than the subject site. Access is similar. Visibility is somewhat superior. Parking availability is significantly superior to the subject (all paved parking and a significant amount of covered parking). **Overall, Sale 3 is significantly superior to the subject.**

Sale 4 is located approximately 2.3 miles southeast of the subject in the southeast corner of the intersection of East Taylor Street and South Fowler Street. The market area environment is much superior to the subject (mostly retail/office/service development on the

periphery of the original central business district for Hobbs). A negative location adjustment is required. This sale is somewhat superior in overall construction quality. It is similar in finish-out and overall appeal. It is inferior in condition. It has more effective age. It is smaller than the subject improvements. Functional usability is similar. The site is much smaller than the subject site. Access is similar. Visibility is superior (higher traffic area). Parking availability is superior, but it is mostly on-street parking. **Overall, Sale 4 is reasonably similar to the subject.**

Sale 5 is located approximately 2.2 miles southwest of the subject on the north side of West Taylor Street just east of the intersection with South Thorp Street. The market area environment is much superior to the subject (mostly retail/office/service development on the periphery of the original central business district for Hobbs). A negative location adjustment is required. This sale is somewhat superior in overall construction quality. It is similar in finish-out and overall appeal. It is superior in condition. It has somewhat less effective age. It is much smaller than the subject improvements. Functional usability is similar. The site is significantly smaller than the subject site. Access is similar. Visibility is superior (higher traffic area). Parking availability is much inferior (all on-street parking). **Overall, Sale 5 is reasonably similar to the subject.**

● **Price Per Unit Method Value Conclusion**

The following Improved Property Sales Comparability Chart summarizes the previous analyses:

IMPROVED PROPERTY SALES COMPARABILITY CHART

Sale #	Building Only Price/S.F.	Comparability
1	\$40.31	Much Superior
2	\$16.74	Superior – Below Market
3	\$47.06	Significantly Superior
4	\$22.38	Reasonably Similar
5	\$21.99	Reasonably Similar

Based upon my previous analyses, **Sale 1 (\$40.31/S.F.)** is much superior to the subject. **Sale 4 (\$22.38/S.F.)** and **Sale 5 (\$21.99/S.F.)** are both reasonably similar to the subject. Therefore, it is my opinion that the **subject's building-only value is \$22.00 (rounded) per square foot.** My opinion of the Fee Simple Market Value of the subject property using the Price Per Unit method in the Sales Comparison Approach is calculated:

4,791 S.F. X \$22.00/S.F. =	\$105,402
<u>Add: Opinion of Land Value</u>	<u>\$ 24,000</u>
Total Fee Simple Market Value	\$129,402

Rounded to \$129,500

● **GIM Method Conclusion**

The Improved Property Sales indicate a range of GIM's of 6.25 to 8.74. This is a fairly typical range of GIM's. The average GIM of the five sales is 7.26. The average GIM excluding Sale 1 (the lowest GIM) and excluding Sale 2 (the highest GIM) is 7.11. These two average GIM's provide strong support for each other. Even though the subject property

is fairly typical office space, it is not well-located for office use. Therefore, in my opinion, the subject property is a higher risk property. **It is my opinion because the subject is a higher risk property that a GIM at the lower end of the range of 7.1 (rounded) is reasonable. My opinion of the Fee Simple Market Value of the subject property using the GIM method in the Sales Comparison Approach is calculated:**

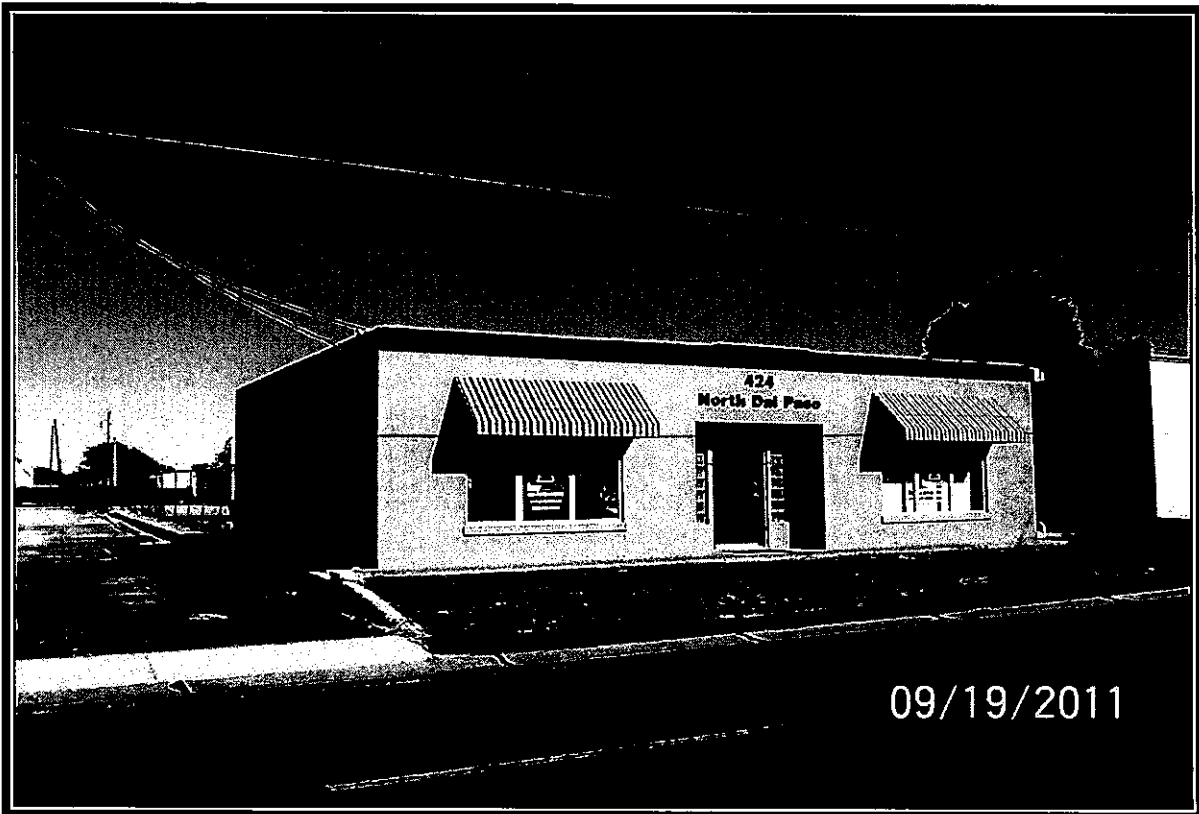
$$\text{\$16,800 (Gross Annual Income) } \times 7.1 = \text{\$119,280}$$

Rounded to \\$119,500

Improved Property Sale data sheets and location map follow.

OFFICE SALE DATA**Sale #1**

Name of Building: Key Audio
Location: 424 North Dal Paso Street, Hobbs, NM
Sale Price: \$75,000
Sale Date: February 25, 2011
Grantor: Richard W. and Donna Lemmons
Grantee: Judy R. Hanna and Scott R. Mulkey
Recorded: Warranty Deed Book 1718, Page 606, Lea County
Confirmed: Judy Hanna, 9-30-11
Financing: Cash to Seller
Allocation of Sale Price:
 Land: \$17,600 @ \$1.00/S.F.
 Improvements: \$57,400
Physical Data:
 Land Size: 53.3' X 330' = 17,589± S.F.
 Gross Bldg. Area: 1,424 S.F. with 880 S.F. Storage
 Construction: CMU Block, Stucco Covered
 Approximate Age: 40-Plus Years, 15 Years Effective
 Condition: Good
Income Data:
 Gross Income Estimate: \$12,000 (est.)
 Net Income Estimate: \$ 9,000 (est.)
Valuation Guide:
 Land-Building Ratio: 7.6:1
 Overall Sale Price/S.F.: \$52.67
 Sale Price/S.F. Bldg. Only: \$40.31
 Gross Income Multiplier: 6.25 (est.)
 Overall Capitalization Rate: .120 (est.)



BUILDING SALE DATA

Sale #2

Name of Building: Monte Church Building
Location: 223 East Broadway Street, Hobbs, NM
Sale Price: \$104,900
Sale Date: May 15, 2008
Grantor: The Jesse Jared Robinson and Anita Gayle Robinson Living Trust
Grantee: Monte De Alabanza Y Verdad, Inc.
Recorded: Notice of Escrow Book 1582, Pages 756-757, Lea County
Confirmed: Joel Cuevas, 2-24-09
Financing: REC- \$15,000 Downpayment, 7.5% Interest, 20-Year Term, \$939.38/Month Payment

Allocation of Sale Price:

Land: \$7,000 @ \$1.00 /S.F.
Improvements: \$97,900

Physical Data:

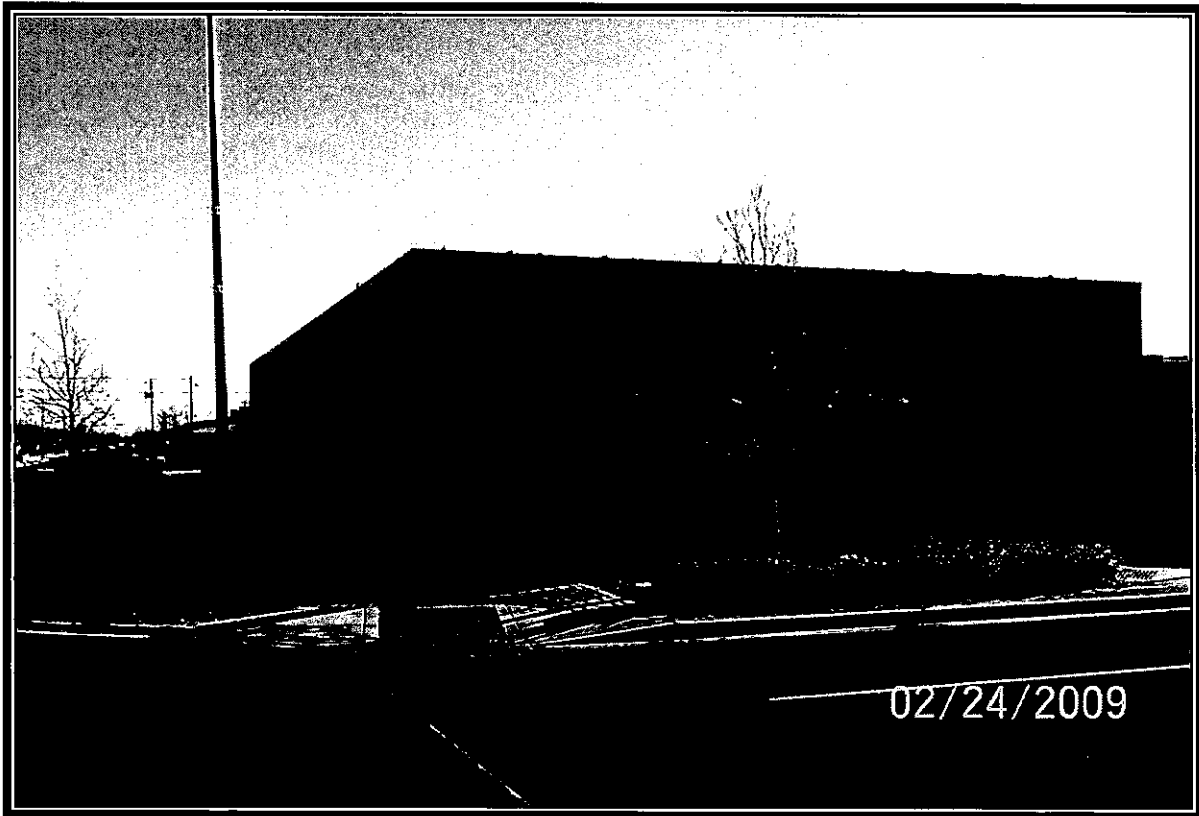
Land Size: 50' x 140' = 7,000± S.F.
Gross Bldg. Area: 7,000 (5,850 S.F. Finished-out; 1,150 S.F. Low Quality Storage)
Construction: CMU Block
Approximate Age: 40 Years, Effective 15 Years
Condition: Good

Income Data:

Gross Income Estimate: \$12,000 (est.)
Net Income Estimate: \$9,000 (est.)

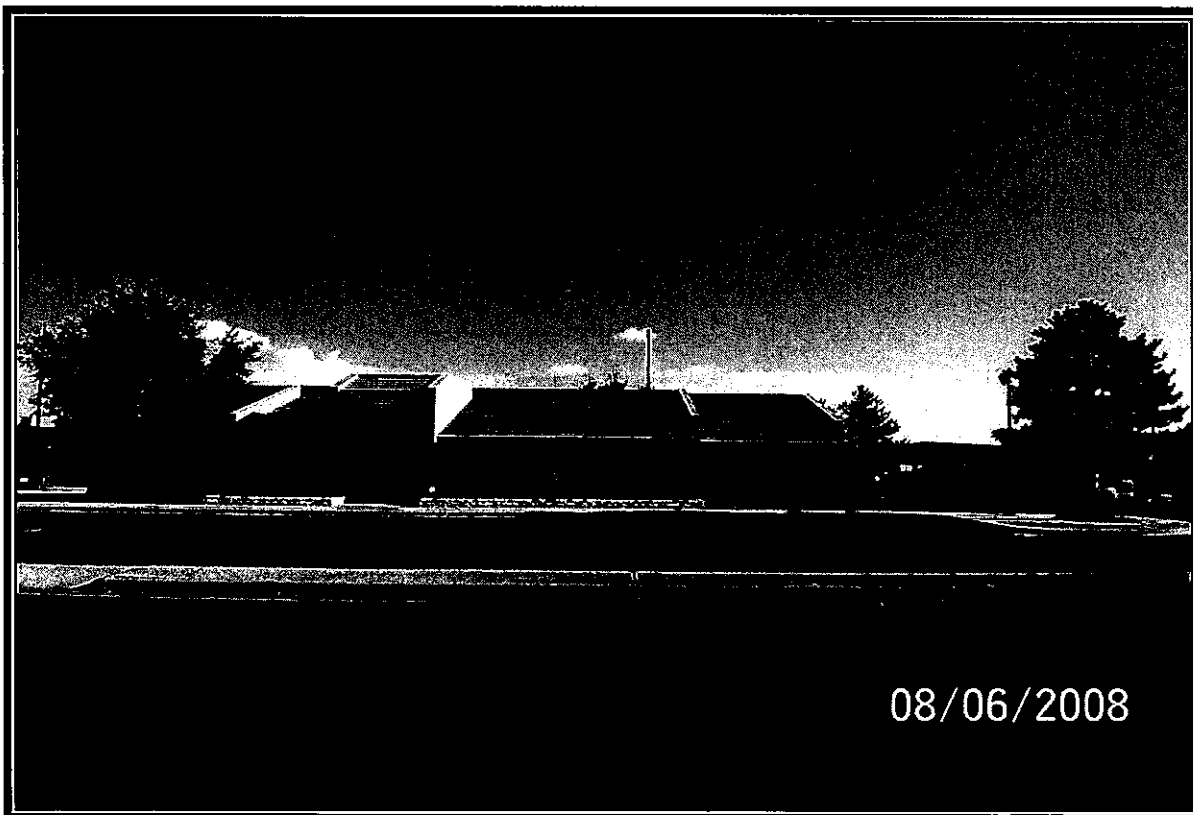
Valuation Guide:

Land-Building Ratio: 1:1
Overall Sale Price/S.F.: \$17.93
Sale Price/S.F. Bldg. Only: \$16.74
Gross Income Multiplier: 8.74 (est.)
Overall Capitalization Rate: .086 (est.)



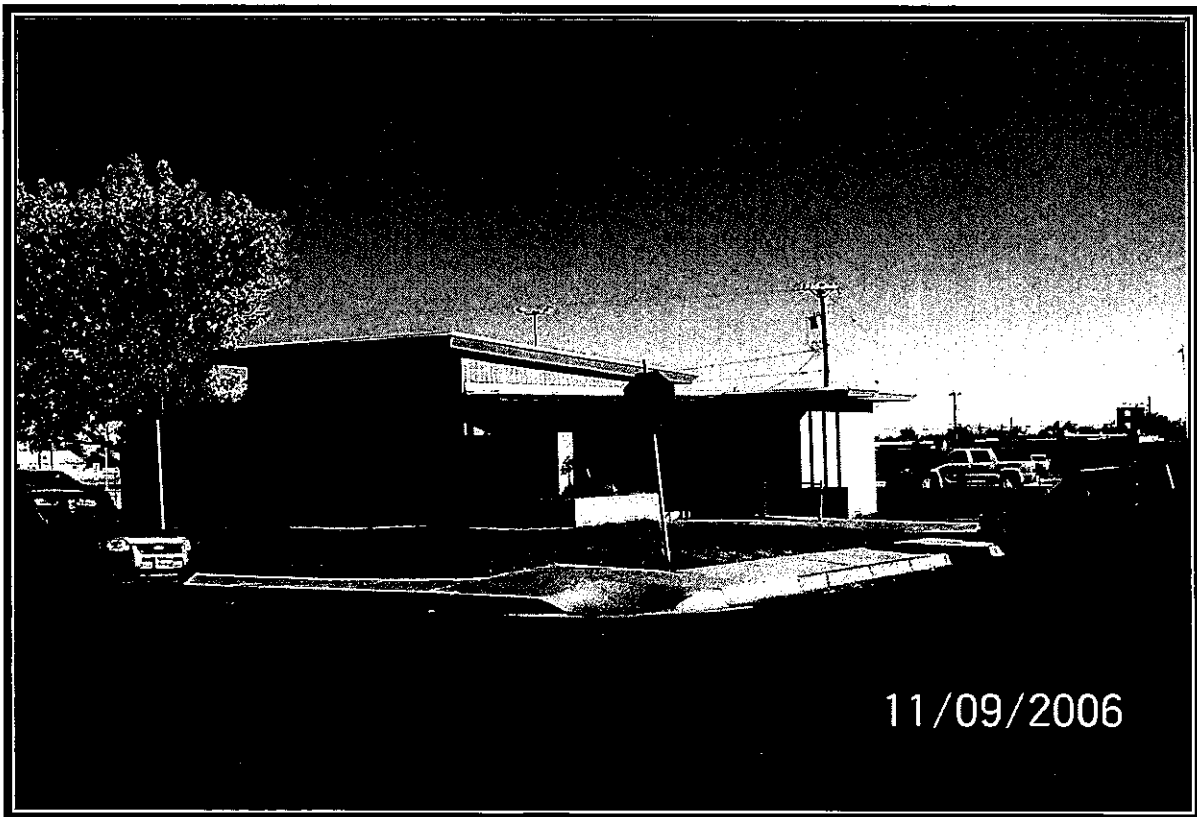
OFFICE SALE DATA**Sale #3**

Name of Building: Nova Mud
Location: 419 West Cain Street, Hobbs, NM
Sale Price: \$260,000
Sale Date: February 20, 2007
Grantor: J.W. Neal, Trustee of the JWN Trust
Grantee: Ken and Judy Bromley
Recorded: Warranty Deed Book 1498, Page 358, Lea County
Confirmed: Ken Bromley, 6-20-12
Financing: Cash to Seller
Allocation of Sale Price:
 Land: \$15,000 @ \$.54 /S.F.
 Improvements: \$254,000
Physical Data:
 Land Size: 200' x 140' = 28,000 S.F.
 Gross Bldg. Area: 5,206 S.F.
 Construction: Wood Frame, Brick Veneer, Stucco
 Approximate Age: 40 Years, Effective 30 Years
 Condition: Below-Average
Income Data:
 Gross Income Estimate: \$31,200 (est.)
 Net Income Estimate: \$23,400 (est.)
Valuation Guide:
 Land-Building Ratio: 5.4:1
 Overall Sale Price/S.F.: \$49.94
 Sale Price/S.F. Bldg. Only: \$47.06
 Gross Income Multiplier: 8.33 (est.)
 Overall Capitalization Rate: .090 (est.)



OFFICE SALE DATA**Sale #4**

Name of Building: Smith Chiropractic Building
Location: 303 East Taylor Street, Hobbs, NM
Sale Price: \$80,000
Sale Date: May 15, 2006
Grantor: Carolyn Kernan
Grantee: Misty L. and Cameron Smith
Recorded: Warranty Deed Book 1443, Page 168, Lea County
Confirmed: Kim Thompson, 10-18-06
Financing: Cash to Seller
Allocation of Sale Price:
 Land: \$10,500 @ \$1.00/S.F.
 Improvements: \$69,500
Physical Data:
 Land Size: 75.0' x 140.0' = 10,500 S.F.
 Gross Bldg. Area: 3,105 S.F.
 Construction: Frame, Brick Veneer
 Approximate Age: 50-plus Years, Effective 35 Years
 Condition: Below Average
Income Data:
 Gross Income Estimate: \$12,400 (est.)
 Net Income Estimate: \$ 8,700 (est.)
Valuation Guide:
 Land-Building Ratio: 3.4:1
 Overall Sale Price/S.F.: \$25.76
 Sale Price/S.F. Bldg. Only: \$22.38
 Gross Income Multiplier: 6.45 (est.)
 Overall Capitalization Rate: .109 (est.)



OFFICE SALE DATA**Sale #5**

Name of Building: Asel Surveying Building
Location: 310 West Taylor Street, Hobbs, NM
Sale Price: \$55,000
Sale Date: May 25, 2005
Grantor: Pamela S. Birmingham, Trustee
Grantee: Terry J. Asel
Recorded: Notice of Escrow Book 1376, Page 248, Lea County
Confirmed: Terry Asel, 12-5-05
Financing: REC - \$10,000 Downpayment, 5%-6% Interest, 5-Year Term
Allocation of Sale Price
 Land: \$3,550 @ \$1.00/S.F.
 Improvements: \$51,450
Physical Data
 Land Size: 25.33' x 140' = 3,546±S.F.
 Gross Bldg. Area: 2,340 S.F.
 Construction: CMU Block, Brick Veneer Front
 Approximate Age: 50- plus Years, Effective 20 Years
 Condition: Good
Income Data
 Gross Income Estimate: \$8,400 (est.)
 Net Income Estimate: \$5,880 (est.)
Valuation Guide
 Land-Building Ratio: 1.5:1
 Overall Sale Price/S.F.: \$23.50
 Sale Price/S.F. Bldg. Only: \$21.99
 Gross Income Multiplier: 6.55 (est.)
 Overall Capitalization Rate: .107 (est.)





IMPROVED PROPERTY SALES LOCATION MAP

INCOME APPROACH

The Income Approach is generally the chief approach to value of an investment type property. This approach most typically conforms to the thinking of the market. The present worth of the anticipated income stream is calculated, taking into account the quantity, quality, and duration of the net income expectancy. The Income Approach involves the following steps:

1. Estimate the potential gross income a property will produce, 100% occupancy (market rent). This is determined by comparing rents received by comparable and competing properties, and comparing amenities offered by these properties to those offered by subject property.
2. An anticipated annual vacancy allowance is made, based on current occupancy of competing properties, occupancy trends, and any announced new properties.
3. Prepare an annual stabilized income and expense statement anticipated in the operation of subject property, based on the actual costs of operating subject and known expenses of operating similar properties.
4. Process the resulting net annual income into an indicated value by employing a capitalization rate. The capitalization rate is the weighted mortgage equity rate or an overall rate extracted from market sales. The net annual income is then divided by the capitalization rate, producing the property value. The capitalization rate is called the overall rate (OAR).

● **Subject's Lease Analysis**

The subject property was previously owner-occupied. It has been vacant for quite some time. Therefore, a Rental Analysis will need to be developed to provide my opinion of Market Rent for the subject property.

● **Market Rent Definition**

Market Rent is defined:

"The rental income a property would probably command in the open market. It is indicated by the current rents that are either paid or asked for comparable space with the same division of expenses as of the date of the appraisal."

{The Appraisal of Real Estate, 13th Edition, 2008, page 453, published by the Appraisal Institute.}

● **Improved Property Rental Survey and Analysis**

I have investigated five Improved Property Rentals in Hobbs that are considered to be reasonably similar to the subject property. The Improved Property Rental Summary Chart follows:

IMPROVED PROPERTY RENTAL SUMMARY CHART

Rental #	Location	Size S.F.	Annual Rent/S.F.	Use
1	1515 West Calle Sur	8,500	\$7.44	Office
2	1011 North Burk Street	3,373	\$3.91	Office/Storage
3	905 North Grimes Street	5,311	\$3.39	Office/Shop
4	3830 North Grimes Street	4,500	\$1.87	Gymnastics
5	1119 South Leech Street	11,400	\$.37	Storage
Subject	223 West Taos Avenue	4,791		Office

● **Improved Property Rental Analysis**

Rental 1 is located approximately 1.1 miles northwest of the subject on the south side of West Calle Sur west of North Central Avenue. The market area environment is significantly superior to the subject (service/office area just north of significant new commercial development along Joe Harvey Boulevard). A large negative location adjustment is required. This rental is superior in overall construction quality. It is much superior in finish-out/appeal. It is superior in condition to the subject. It is similar in effective age. Rental 1 is much larger than the subject improvement. Functional usability is similar. The site is significantly larger than the subject site. Access is similar. Visibility is similar (low-traffic area). Parking availability is significantly superior. **Overall, Rental 1 is significantly superior to the subject.**

Rental 2 is located approximately 1.8 miles southwest of the subject on the west side of North Burk Street a short distance south of West Sanger Street. The market area environment is superior to the subject (commercial/light-industrial development). A negative location adjustment is required. This rental is similar in overall construction quality. It is inferior in finish-out (much of the building is storage area). Appeal is similar. It is similar in condition to the subject. It is similar in effective age. This rental is smaller than the subject improvement. Functional usability is superior (storage area and dock-high loading area). The site is much larger than the subject site. Access is similar. Visibility is similar (low-traffic area). Parking availability is much superior. **Overall, Rental 2 is somewhat superior to the subject.**

Rental 3 is located approximately 1.9 miles southwest of the subject on the west side of North Grimes Street south of West Sanger Street. The market area environment is much superior to the subject (commercial/light-industrial/manufacturing development). A large negative location adjustment is required. This rental is inferior in overall construction quality (metal building). It is inferior in finish-out (most of the building is shop space). It is inferior in overall appeal. It is similar in condition to the subject. It is similar in effective age. This rental is somewhat larger than the subject improvement. Functional usability is somewhat inferior (mostly open shop space). The site is somewhat smaller than the subject site. Access is similar. Visibility is significantly superior (high-traffic area). Parking availability is inferior to the subject. **Overall, Rental 3 is somewhat inferior to the subject.**

Rental 4 is located approximately .6 miles northwest of the subject on the east side of North Grimes Street a short distance north of West Navajo Drive. The market area environment is significantly superior to the subject (high-traffic retail area with Home Depot

immediately across North Grimes Street). A very large negative location adjustment is required. This rental is inferior in overall construction quality (metal building). It is significantly inferior in finish-out (open storage space). It is inferior in appeal. It is similar in condition to the subject. It is similar in effective age. This rental in this building is similar in size to the subject improvement. Functional usability is significantly inferior to the subject (open unfinished storage area-currently used as a gymnastics facility). The site is significantly larger than the subject site. Access is similar. Visibility is significantly superior (high-traffic area). Parking availability is significantly superior to the subject. **Rental 4 is significantly inferior to the subject.**

Rental 5 is located approximately 3.1 miles southwest of the subject on the west side of South Leech Street a short distance north of West Texas Street. The market area environment is somewhat inferior to the subject (older lower quality/condition commercial/residential development). A small positive location adjustment is required. This rental is superior in overall construction quality. It is significantly inferior in finish-out/appeal (open storage space). It is inferior in condition to the subject. It has more effective age. This rental is significantly larger than the subject improvement. Functional usability is significantly inferior to the subject (open dock-high unfinished storage area). The site is significantly larger than the subject site. Access is similar. Visibility is similar. Parking availability is superior to the subject. **Overall, Rental 5 is significantly inferior to the subject.**

● **Improved Property Rental Analysis Conclusion**

The following Improved Property Rental Comparability Chart provides a summary of the previous analyses:

IMPROVED PROPERTY RENTAL COMPARABILITY CHART

Rental #	Rental Rate/S.F.	Comparability
1	\$7.44	Significantly Superior
2	\$3.91	Somewhat Superior
3	\$3.39	Somewhat Inferior
4	\$1.87	Significantly Inferior
5	\$.37	Significantly Inferior

Based upon the previous analyses, the most similar rentals are Rentals 2 and 3. **Rental 2 (\$3.91/S.F.)** is somewhat superior to the subject. **Rental 3 (\$3.39/S.F.)** is somewhat inferior to the subject. Therefore, the subject's Market Rent should be in-between the rental rates of Rental 2 and Rental 3. It is my opinion that the **subject's Rental Rate should be \$3.50 (rounded) per square foot.** My opinion of the subject's **Gross Annual Income is calculated:**

$$4,791 \text{ S.F.} \times \$3.50/\text{S.F.} = \$16,769$$

Rounded to \$16,800

\$16,800/Year; \$1,400/Month; \$3.51/S.F.

Improved Property Rental data sheets and a location map follow.

OFFICE RENTAL DATA**Rental #1**

Location: VistaCare Family Hospice
1515 West Calle Sur, Hobbs, NM

Building Manager: Suzi Del La Rosa (806) 831-1683

Survey Date: December 13, 2012

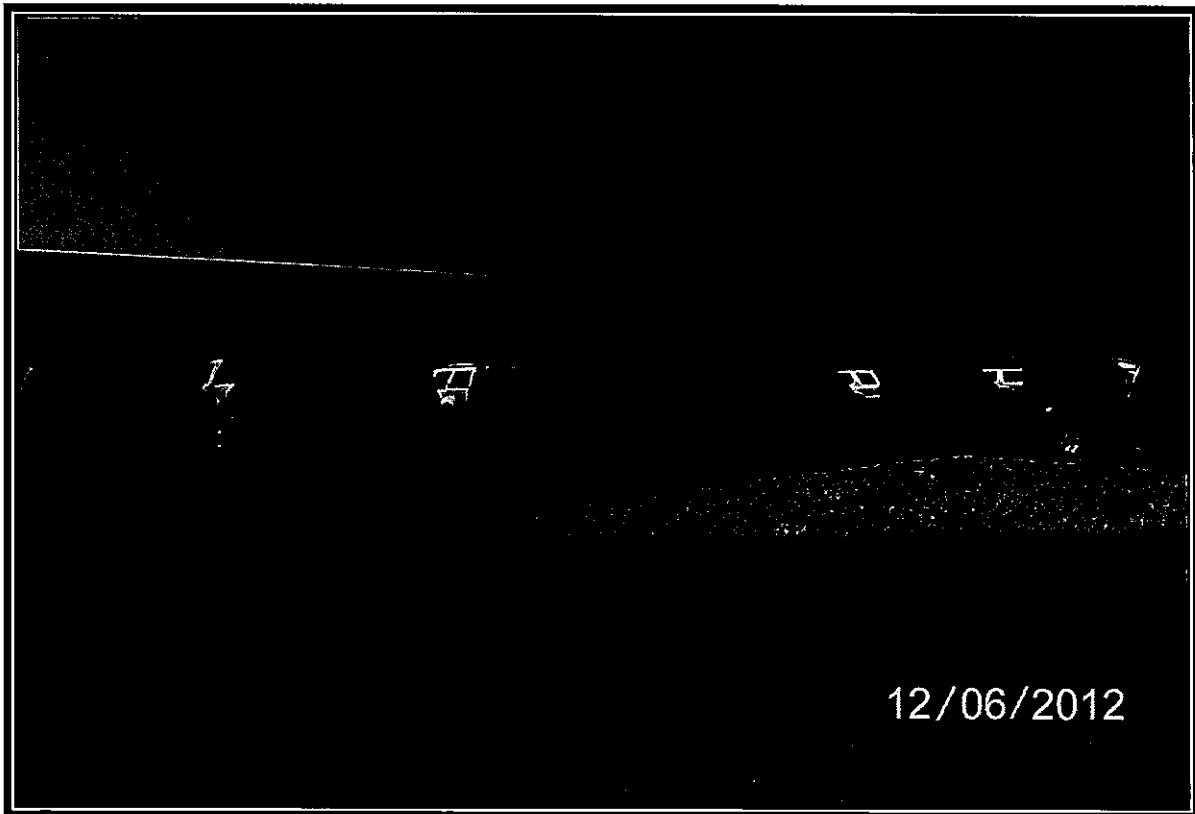
Total Rentable S.F.: 8,500 S.F.

Present Vacancy Rate: N/A

Rental Price/S.F.: \$7.44 **Per Month:** \$5,200+\$800/Year CAM

Utilities: Lessor

Comments: This is a year-to-year flat-rate lease with a start date of September 1, 2012. Average quality/average condition. Some remodeling, but no significant renovation. No upgraded features. The building contains 22,887 square feet. The occupied spaces range in size from approximately 700 S.F. to 9,900 S.F. Lessor pays taxes, insurance, and maintenance. The annual CAM charge for this rental is \$800. Adequate parking is available.



RENTAL DATA**Rental #2**

Location: Duke Building #5
1011 North Burk Street, Hobbs, NM

Building Manager: Sam Cobb (575) 397-1908 Ext 19

Survey Date: December 18, 2012

Total Rentable S.F.: 3,373 S.F.

Present Vacancy Rate: N/A

Rental Price/S.F.: \$3.91 **Per Month:** \$1,100

Utilities: Lessee Paid

Comments: Month-to-month lease with a start date of October 1, 2007. There is a loading dock and storage area in addition to the office/shop area. Average quality/condition. Adequate access/visibility. Small fenced-in yard area. Adequate paved parking is available.



RENTAL DATA**Rental #3**

Location: Cycle Shack
905 North Grimes Street, Hobbs, NM

Building Manager: Sam Cobb (575) 397-1908 Ext 19

Survey Date: May 10, 2012

Total Rentable S.F.: 5,311 S.F.

Present Vacancy Rate: N/A

Rental Price/S.F.: \$3.39 **Per Month:** \$1,500

Utilities: Lessee Paid

Comments: Year-to-year lease with a start date of March 1, 2012. Average quality metal building that is in average condition. Office space is 1,200 S.F. Shop/garage space is 4,111 S.F. No significant upgraded features. Has a small yard area. Marginally adequate parking available.



RENTAL DATA**Rental #4**

Location: Enchanted Land Gymnastics
3830 North Grimes Street, Hobbs, NM

Building Manager: Bob Manna (575) 392-9991

Survey Date: December 18, 2012

Total Rentable S.F.: 4,500 S.F.

Present Vacancy Rate: N/A

Rental Price/S.F.: \$1.87 **Per Month:** \$700

Utilities: Tenant pays electricity

Comments: Month-to-month lease. Tenant has leased the space for nine-plus years. Large mostly unfinished open space at rear of large metal building. Used as a gymnastics facility. Average quality/condition. Good access/visibility. Adequate paved parking is available.



RENTAL DATA**Rental #5**

Location: 1119 South Leech Street, Hobbs, NM

Building Manager: Gary Schubert (575) 631-0962

Survey Date: September 1, 2012

Total Rentable S.F.: 11,400 S.F.

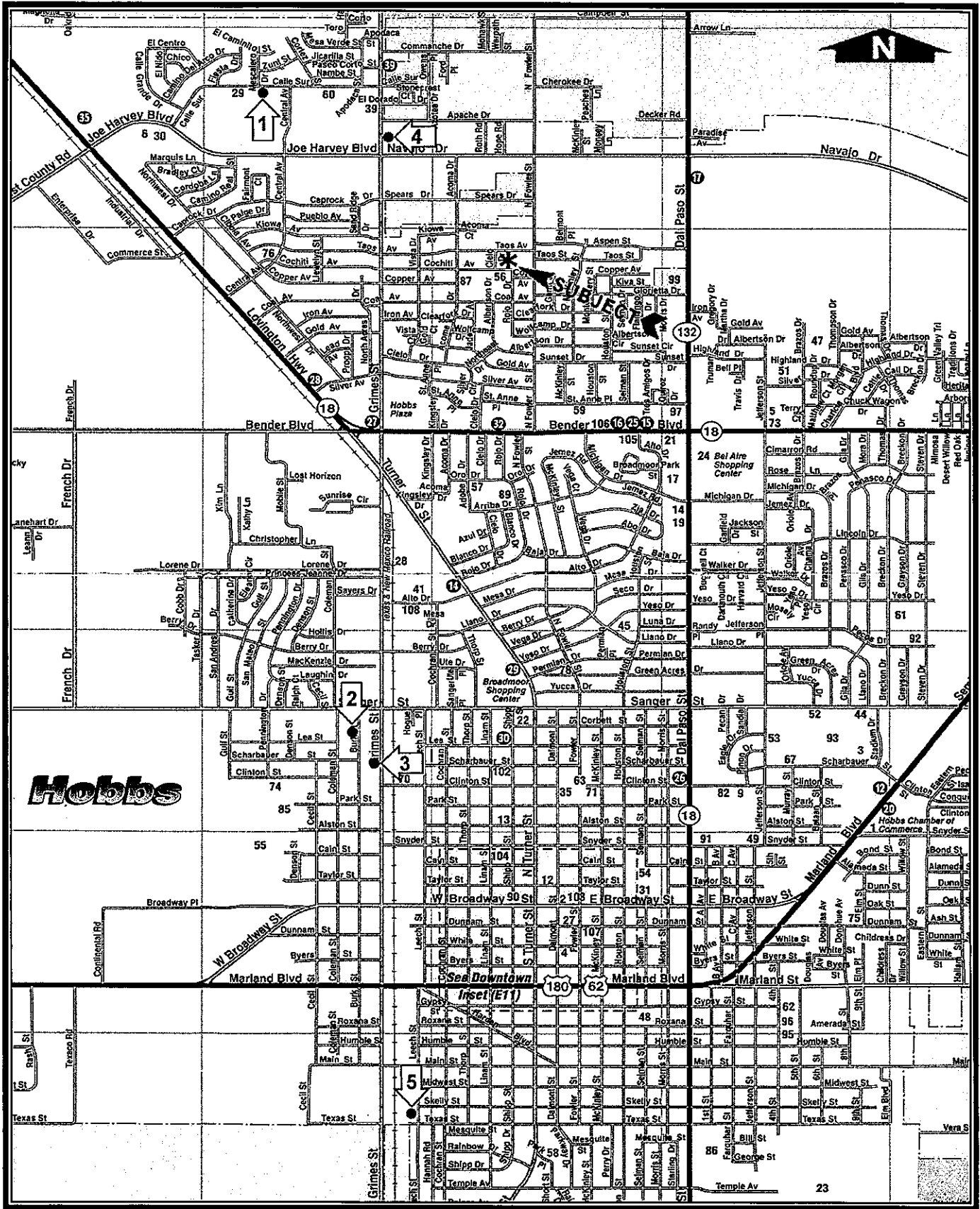
Present Vacancy Rate: N/A

Rental Price/S.F.: \$.37 **Per Month:** \$350

Utilities: Lessee Paid

Comments: Month-to-month lease. Older CMU block stuccoed dock-high warehouse. Small fenced-in yard area. Railroad siding at rear. Average quality/condition. Limited parking area. Adequate fenced-in yard area.





RENTAL LOCATION MAP

● **Net Income Estimate**

The subject's estimated Gross Annual Income is based upon a current Market Rental Analysis. Typical expenses of ownership would include both a vacancy/collection loss and a management fee. The other expenses of ownership, such as taxes, insurance, and maintenance/replacement reserves are also the responsibility of the owner.

The subject's vacancy/collection loss (over the typical life of an investment of 15-20 years) is difficult to determine. A vacancy/collection loss of 3% to 5% over the life of an investment would be typical. However, the subject is not well located. Therefore, it is a higher risk property and in my opinion the subject's **vacancy/collection loss should be higher than the typical vacancy/collection loss. It is my opinion the subject's vacancy/collection loss should be 7%, which is in excess of the upper end of the range.**

Typical management fees range from 5% to 7%. Even though the subject property could be used as a double-occupant property, the time involved in managing the property would not be significant. Therefore, it is my opinion that a **5% management fee** is reasonable. The **annual property taxes of \$635 (rounded)** were provided by the Lea County Assessor's Office. The **annual hazard insurance premium cost of \$1,500 (rounded)** is my best estimate. The Hobbs Municipal School District does not have a separate hazard insurance premium cost for the subject property. The **annual maintenance / reserve expense of \$2,000** is reasonable, based upon the current condition and age of the subject improvements.

The subject's Net Annual Income is calculated:

Gross Annual Income	\$16,800
Less: Vacancy/Collection Loss (7%)	<\$ 1,176>
Effective Gross Income	\$15,624
Less: Management Fee (5%)	<\$ 781>
Gross Income to the Property	\$14,843
Expenses:	
Taxes	<\$ 635>
Insurance	<\$1,500>
Maintenance/Reserves	<\$2,000>
Less: Expenses	<\$ 4,135>
Net Income Estimate	<u>\$10,708</u>

● **Capitalized Opinion of Value-Using Market Rental Income**

The Capitalization Rate is a function of the market as indicated in the Sales Comparison Approach. The Overall Rate (OAR) considers the return on the investment as well as the return of the investment and the risk involved. The Overall Rates (OAR's) available from the Sales Comparison Approach have a reasonably typical range of .086 to .120. The average OAR of the five sales is .102. The average OAR excluding Sale 1 (the highest OAR) and excluding Sale 2 (the lowest OAR) is also .102. As previously cited, the subject property is somewhat unique for the Hobbs market because it is located in an area that is not generally developed with office/commercial properties. The subject property is developed with an office building. The improvements are in below-average condition. Therefore, in my opinion, there is higher risk involved in the subject property, which indicates the OAR selected should be towards the upper end of the range. **It is my opinion**

that an OAR of .105 (rounded) is reflective of current market parameters for the subject property. My opinion of the subject's Fee Simple Market Value using the Income Approach is calculated by dividing the Net Income Estimate by the OAR of .105:

$$\text{\$10,708 (Net Income)} \div .105 = \text{\$101,981}$$

Rounded to \\$102,000

RECONCILIATION AND FINAL OPINION OF VALUE

Only the Sales Comparison Approach and Income Approach to value were developed in this appraisal report. These two approaches to value provide alternative ways of analyzing market information. A final opinion of value is selected as the dominant tendency or the most probable outcome from a range of possible outcomes. An analysis of the pertinent facts and data influencing the value of the subject property provided the following value indications:

Cost Approach.....	Not Developed
Land Value.....	\$ 24,000
Sales Comparison Approach	
Price Per Unit Method.....	\$129,500
GIM Method	\$119,500
Income Approach	\$102,000

The Cost Approach is not developed in this appraisal report, due to the age of the improvements. However, this will not reduce the reliability of the value conclusion. A Land Value for the subject site is developed. **My opinion of the Land Value of the subject site is:**

\$24,000

The Sales Comparison Approach is developed based upon my analysis of five Hobbs improved property sales. Both a Price Per Unit and a GIM analysis were developed. These two methods provided an opinion of Fee Simple Market Value of \$129,500 and \$119,500, respectively. Both the Price Per Unit method and the GIM method are considered to be reasonably well documented. The GIM method analyzes the subject's estimated Gross Annual Income. The Price Per Unit method is much more subjective than the GIM method. There are no known sales in Hobbs of a property with physical characteristics that are similar to the subject. Therefore, greater weight is given to the GIM method in this analysis. **It is my opinion that the subject's Fee Simple Market Value using the Sales Comparison Approach is:**

\$119,500

The Income Approach is based upon my analysis of five improved property Rentals in Hobbs. These Rentals are analyzed based upon a gross rent basis. This approach analyzes the subject property from an investor's perspective and takes into consideration the estimated ownership expenses involved in the property. **My opinion of the subject's Fee Simple Market Value using the Income Approach is:**

\$102,000

In conclusion, the two approaches to value provide a somewhat wider than typical range of Market Values for the subject property. Both approaches are well supported. The Sales Comparison Approach is considered to be a somewhat weaker approach than the Income Approach because no expenses are considered. However, for purposes of this appraisal, I have concluded that a value indication close to the mid-point of the two indications of value is the most likely value indication for the subject property. **Therefore, it is my opinion that the Fee Simple Market Value of the subject property as of November 20, 2012 is:**

\$111,000

However, as previously discussed in the Description of the Improvements section of this appraisal report, it would be typical for any potential buyer of the subject property to extend an offer to buy the property after considering the estimated cost to cure deferred maintenance items, which I have estimated to cost approximately **\$6,000**. **Therefore**, it is my opinion that the final Fee Simple Market Value of the subject property as of November 20, 2012 is:

\$105,000

● **Estimate of Marketing Time**

Marketing time is the amount of time it might take to sell a real or personal property interest at the concluded Market Value during the period immediately after the effective date of an appraisal. It is my opinion that the subject property will likely sell, as of November 20, 2012, with a marketing time of twelve months, or more.

● **Estimate of Exposure Time**

Exposure time is the length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at Market Value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. It is my opinion that the subject property could have sold, as of November 20, 2012, with an exposure time of twelve months, or more.

● **Cash Value**

My opinion of value reflects the cash value of the subject property. This opinion of value is the same for a value based upon typical financing terms. Typical terms include conventional financing with the seller receiving cash at closing.

● **Past Due Taxes**

None.

● **Environmental Hazards**

None were noted during the inspection, nor were any brought to my attention. However, I am not qualified to inspect for environmental problems. **All readers/users of this report are cautioned that if there is any environmental contamination on the subject property, it could adversely affect the value of the property. The client is urged to consult an environmental expert.**

● **Natural, Cultural, Recreational, or Scientific Value**

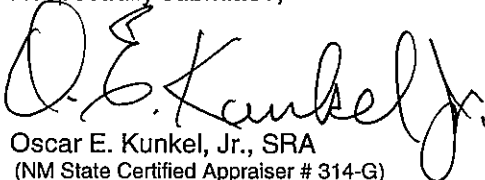
None known or made apparent to the appraiser.

CERTIFICATE OF APPRAISAL

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have not previously performed an appraisal on the property that is the subject of this report. I performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. I have made a personal inspection of the property that is the subject of this report.
11. No one provided significant real property appraisal assistance to the person signing this certification.
12. The appraisal assignment is not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
13. As of the date of this report, I have completed the continuing education program of the Appraisal Institute.

Respectfully submitted,


Oscar E. Kunkel, Jr., SRA
(NM State Certified Appraiser # 314-G)

Date: November 20, 2012

ADDENDA

Warranty Deed Book 776, Pages 359-365.....Exhibit "A"
Engagement Letter.....Exhibit "B"

Project No. 116-EH024
NMARC Group Home
Hobbs, New Mexico 88240

STATE OF NEW MEXICO)
)
COUNTY OF LEA)

SPECIAL WARRANTY DEED

That, Andrew M. Cuomo, Secretary-Designate of Housing and Urban Development (hereinafter referred to as Grantor), for and in consideration of the sum of TEN DOLLARS (\$10.00) and other good and valuable considerations, to him in hand paid, the receipt of which is hereby acknowledged, has Granted, Sold and Conveyed, and by these presents does Grant, Sell and Convey unto HOBBS MUNICIPAL SCHOOL DISTRICT (hereinafter referred to as Grantee) all the following described property situated in the City of Hobbs, County of Lea, State of New Mexico, and more particularly described on the attached Exhibit "A" together with all improvements situated thereon, and;

TO HAVE AND TO HOLD, the above described property, together with all and singular the rights and appurtenances thereunto in anywise belonging, unto the said Grantee(s), its successors and assigns forever.

SUBJECT to and as AFFECTED by, however, all covenants, easements, restrictions, reservations, conditions and rights appearing of record; and SUBJECT to any state of facts which an accurate survey would show.

GRANTOR hereby binds himself, his successors and assigns, to WARRANT and forever DEFEND, with the exceptions stated above, all and singular, the said property unto said Grantee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same, or any part thereof, by, through or under Grantor, but not otherwise.

SAID premises shall be subject to the following:

BOOK 776 PAGE 359

I. ENFORCEMENT

The covenants set forth in this Deed shall run with the land hereby conveyed and, to the fullest extent permitted by law and equity, shall be binding for the benefit and in favor of and enforceable by the Grantor and his successors in office.

The Grantor shall be entitled to (a) institute legal action to enforce performance and observance of these covenants, (b) enjoin any acts which are violative of these covenants, and (c) exercise any other legal or equitable right or remedy with respect to these covenants.

II. EQUITY PARTICIPATION

- (1) If the Grantee, its successors, assigns or purchasers for value, sells, assigns, transfers or conveys the Property (collectively a "Sale"), the Sale proceeds, less any expenses incurred by the Grantee as approved by Grantor consisting of (1) reasonable transaction costs, (2) purchase price paid by the Grantee for the Property, (3) amounts previously paid by the Grantee to the Grantor under paragraph (2) of this Rider since the previous sale of the Property, or (4) other costs paid by Grantee as approved by Grantor, i.e., costs of renovation and rehabilitation only as these costs exceed the funds previously awarded to Grantee through the Upfront Grant Agreement for costs of renovation and rehabilitation, other than routine maintenance and repairs, shall be assigned to the Grantor in the following amount:

- (a) between the date of the Deed and fifteen (15) years from the date of the Deed, one hundred (100) percent;
 - (b) between sixteen and twenty (16-20) years from the date of the Deed, seventy-five (75) percent;
 - (c) between twenty-one and thirty (21-30) years from the date of the Deed, fifty (50) percent; and
- (2) If the Grantee, its successors, assigns or Grantees for value, refinances without approval in writing from Grantor, including without limitation the placement of any indebtedness secured by the Property ("Refinancing"), the proceeds from the refinancing, less any expenses incurred by the Grantee consisting of (1) reasonable transaction costs, (2) any mortgage debt paid off in connection with the refinancing, (3) costs paid by Grantee as approved by Grantor, related to renovation and rehabilitation, other than routine maintenance and repairs, or (4) amounts previously paid by Grantee to Grantor under this paragraph (2), shall be paid to the Grantor in the manner provided in section one (1), above.
- (3) The Grantee shall keep or cause to be kept, accurate records of account of any Sale or Refinancing and of the Cost of Renovation and Rehabilitation. The Grantor, during Grantee's normal working hours, shall have the right to enter and have free access to inspect all books and records of the Grantee. Upon the written request of the Grantor, the Grantee shall retain an independent certified public accountant who shall prepare an accounting of any Sale, Refinancing, or Cost of Renovation or Rehabilitation.

III. RESIDUAL RECEIPTS

If the property is leased, the Grantee, its successors, assigns or purchasers, for value will establish and maintain a receipts account in an interest-bearing bank account. The Grantee, its successors, assigns or purchasers for value, will deposit into this account at the end of each fiscal year, for thirty years, or the period when the property is no longer being utilized for programs and use as administered by the Hobbs Municipal Schools, whichever is lesser, all surplus cash after all project expenses have been paid.

The receipts and the account, shall be subject to the control of HUD and disbursements from such funds may be made only with the written consent of HUD which will not be unreasonably withheld. Owners may request the release of funds from the receipts account for purposes including educational programs or on-going programs operating under the control and direction of the Hobbs Municipal Schools. The Grantee, its successors, assigns or purchasers, for value should be able to project how much money will be needed at specific points in the future.

Within 60 days following the end of each fiscal year, if the property is leased, HUD will be furnished with a complete annual financial report including deposits and withdrawals from the receipts accounts based upon an examination of the books and records of purchaser prepared in accordance with the requirements of HUD, prepared and certified to by a Certified Public Accountant. Any funds remaining in the receipts account at the end of the thirty years or the period when the property is no longer being utilized for programs and use administered by the Hobbs Municipal Schools, whichever is lesser, will be divided equally between the Department and the Grantee, its successors, assigns or purchasers for value. The Grantee, its successors, assigns or purchasers for value, agrees to comply with the Department's rules and regulations concerning receipts, replacement reserves, and surplus cash.

IV. USE AGREEMENT

Use Restriction

- (1) The Grantee covenants that the Property will be maintained for educational and educational related purposes for a period of thirty (30) years after the date of this Deed or such earlier time as the Grantor may specify in writing (the "Restricted Period").
- (2) During the Restricted Period, the Grantee may not market the property for any purpose other than educational related uses without the Grantor's prior written approval.
- (3) Any change in the use or intended use of the property from educational and educational related purposes must receive prior written approval of the Grantor.

The effective date of this Deed is January 23, 1997 .

Should any of the above covenants be held invalid in whole or in part, it shall not affect or invalidate the balance of such covenant or any other covenants.

IN WITNESS WHEREOF, the undersigned on January 23, 1997 , has set his hand and seal as Acting Director, Office of Multifamily Housing, Fort Worth, Texas, for and on behalf of the said Secretary of Housing and Urban Development.

Andrew M. Cuomo
Secretary-Designate of Housing and
Urban Development

By Mary V. Walsh
Mary V. Walsh, Acting Director
Office of Multifamily Housing
Fort Worth, Texas

5

BOOK 776 PAGE 363

STATE OF TEXAS)
COUNTY OF TARRANT)

Before me, the undersigned authority, on this day personally appeared Mary V. Walsh known to me to be the duly appointed Acting Director, Office of Multifamily Housing, Fort Worth, Texas, whose name is subscribed to the foregoing instrument dated January 23, 1997, by virtue of the authority vested in her, and acknowledged to me that she executed the same as Acting Director, Office of Multifamily Housing, for and on behalf of Andrew M. Cuomo, Secretary-Designate of Housing and Urban Development, for the purpose and consideration therein expressed.

Given under my hand and seal this 23rd day of January, 1997.

Carol D. Horton
Carol D. Horton, Notary Public
in and for Tarrant County, Texas

SEAL



EXHIBIT "A"

Being situated in the City of Hobbs and County of Lea, New Mexico, the property located at 223 West Taos, is identified as part of Lot 7, Block 2, of the Spears subdivision.

1612

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

FEB 5 1997

At 11:22 o'clock A. M.
and recorded in Book _____

Page _____

Per [Signature] County Clerk

By [Signature] Deputy



BOOK 776 PAGE 365

Bud Kunkel

From: Karen Soria <SoriaK@hobbsschools.net>
Sent: Wednesday, November 14, 2012 3:43 PM
To: Bud Kunkel
Cc: Gene Strickland
Subject: RE:
Attachments: Kunkel & Associates PO for Appraisal.pdf

Good afternoon,

Please find attached our approved PO for your services.

This PO initiates our approval for you to engage in our commercial real estate appraisal of the Taos House.

Please call me if you have any questions related to invoices and accounting issues. Please call Gene Strickland for issues related to the building.

Thanks,
Karen Soria
(575)433-0100

From: Bud Kunkel [<mailto:budkunkel@cableone.net>]
Sent: Monday, November 12, 2012 4:13 PM
To: Karen Soria
Subject:

Karen,

Kunkel & Associates proposes to provide commercial real estate appraisal services to the Hobbs Municipal School District on the property located at 223 West Taos Street on or before January 31, 2013. We will provide two original Summary Appraisal Reports that will meet the requirements of the State of New Mexico Board of Finance. One report will be side-bound. The other report will be top-punched, for ease in reproduction. We can also provide a CD of the report, if you desire.

Our fee for this professional service will be \$4,500 plus applicable GRT (.07125) for a total fee of \$4,820.63. We would like to inspect the property in early to mid-January 2013. Please provide me with a contact person and phone number so I can coordinate the property inspection and any other information that I might require.

If these terms are acceptable, please e-mail me that the Hobbs Municipal School District has engaged me for commercial real estate appraisal services. I look forward to working with you on this project.

Sincerely,

Bud Kunkel

Kunkel & Associates, Inc.
207 West 7th Street
P.O. Box 757
Roswell, NM 88202-0757
575-623-5180
575-623-0568 - Fax
budkunkel@cableone.net

PO DATE
11/13/2012

HOBBS MUNICIPAL SCHOOLS

ATTN: BUSINESS OFFICE
 PO BOX 1030
 HOBBS, NM 88241
 PHONE #575/433-0100 FAX #575/433-0142

PURCHASE ORDER NUMBER
9051300189

VENDOR KEY : KUNKEL 8000
 SHIP DATE : 11/13/2012
 FISCAL YEAR : 2012-2013
 ENTERED BY : SORIAKAR001

PRINTED 11/14/2012

VENDOR:
 KUNKEL & ASSOCIATES, INC.
 PO BOX 757
 ROSWELL, NM 88202-0757

SHIP TO:
 HOBBS SCHOOLS WAREHOUSE
 2200 E SANGER ST
 HOBBS, NM 88240

QUANTITY	UNIT	DESCRIPTION OF ITEMS OR MATERIALS	UNIT PRICE	AMOUNT
1	EACH	CATALOG/ITEM NUMBER: Appraisal Estimate of appraisal cost for Taos House - special appraisal needed, and required from State of New Mexico Board of Finance, in order to sell Taos House.	4500.00000	4,500.00
1	ea	CATALOG/ITEM NUMBER: GRT 7.125% Gross Receipts Tax	320.63000	320.63
ACCOUNT SUMMARY (FOR INTERNAL USE)				
		ACCOUNT NUMBER	ACCOUNT AMOUNT	
		11000E2600 55915 0000 911 0000 00100 00000	4,820.63	
NOTES				
Please give a copy of this PO to me. No need to mail it. I need to email the approved PO to Bud Kunkel in order to start the appraisal process. Thanks, Karen				
			PAGE TOTAL	4,820.63
			TOTAL	4,820.63

SHOW PO# ON ALL SHIPPING CONTAINERS, PACKING LISTS & CORRESPONDENCE.
 VENDOR IS TO PREPAY SHIPPING CHARGES AND ADD TO INVOICE EXCEPT WHEN PRICES ARE FOB DELIVERY POINT. NO COD SHIPMENTS WILL BE ACCEPTED.

PURCHASE APPROVED BY:

Dabrina Amador