
**Summary Appraisal Report
of the
Dalton Tabor Office Property
1019 East Bender Boulevard
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
March 19, 2013**

KUNKEL & ASSOCIATES

Providing Real Estate Valuation Solutions for Southeastern New Mexico

May 10, 2013

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

Re: Dalton Tabor Office Property

Dear Mr. Strickland:

At your request, I have prepared the accompanying Summary Appraisal Report of the Dalton Tabor Office property, which is located at 1019 East Bender Boulevard, Hobbs, New Mexico. My analyses and conclusions are presented in the accompanying 111-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 March 19, 2013 is:**

One Hundred Seventy-Five Thousand Dollars

(\$175,000.00)

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:	1019 East Bender Boulevard Hobbs, New Mexico
Valuation Date:	March 19, 2013
Date of Inspection:	March 19, 2013
Type of Property:	Office Building
Property Rights Appraised:	Fee Simple Estate
Highest and Best Use:	Office Building
Zoning:	None
Site Size:	45,308± S.F.
Improvements:	10,832 S.F.
Value Opinions:	
Cost Approach:	Not Developed
Land Valuation:	\$172,000
Sales Comparison Approach:	
Price Per Unit Method:	\$215,000
GIM Method:	\$185,000
Income Approach:	\$116,500
Final Opinion of Fee Simple Market Value:	<u>\$175,000</u>

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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: 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.
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.

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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 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 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 is an office building that contains 10,832 square feet. This size is based upon my on-site measurement of the improvement. The subject site is rectangular in shape. It contains 45,308± square feet, per the Lea County Assessor's Office. 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)
P.O. Box 757
Roswell, New Mexico 88202-0757
Phone (575) 623-5180
budkunkel@cableone.net

DOB: 4-22-50

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 2012-2013. 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 1019 East Bender Boulevard, Hobbs, New Mexico. This is on the south side of East Bender Boulevard a short distance west of North Jefferson Street. The subject's legal description is:

A tract of land located in the Northwest Quarter (NW/4) of Section 26, Township 18 South, Range 38 East, N.M.P.M., Lea County, New Mexico and more particularly described as follows:

Beginning S89°55' E 897.2 feet from the Northwest Corner of said Section 26; thence S0° 1' E 200 feet; thence S89 ° 55' E 297.8 feet; thence N0° 1' W 200 feet; thence N 89° 55' W 297.8 feet to the point of beginning.

This legal description is per Quitclaim Deed Book 1122, Pages 486-487. 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;*
- 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 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 Schools. Ownership is per Quitclaim Deed Book 1122, Pages 486-487, dated January 3, 2002, and filed January 3, 2002, 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 March 19, 2013. Oscar E. Kunkel, Jr., inspected the subject property on March 19, 2013.

REGIONAL, COUNTY, AND CITY DATA

M 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 once daily flights on Tuesdays and Saturdays, and twice daily flights every other day 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.

M 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 2011, the Air Force Base encompasses 4,543 acres and employs around 5,300 military and 200 civilian personnel. Cannon currently provides 853± civilian jobs in the Clovis/Portales area and is believed to have an estimated \$688 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. Construction has begun on the first of two new dormitory buildings for unaccompanied airmen. The two new buildings will house a total of 192 unaccompanied airmen. The fiscal year 11 building is currently under construction and contractors are on site to begin the fiscal year 12 building. The fiscal year 11 building is slated to be ready for airmen to move in by late 2013, and the fiscal year 12 building is expected to be completed by early 2013. 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 timeline for the F-22 units relocation from Holloman AFB will be after early 2014. It has been estimated that Holloman AFB will lose approximately 250 jobs when the F-22 Raptor fleet moves to Florida. 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.

In a November 2011 announcement, Holloman Air Force Base is slated to lose 57 positions and Cannon will lose 49 positions after the U.S. Air Force announced it would cut around 9,000 civilian positions nationwide. It is unclear how much of an impact the loss of these civilian jobs will have on the Clovis and Alamogordo communities.

M 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 337,000 head of milk cows are located in New Mexico. New Mexico ranks ninth in the nation for milk production. The top ten states of production for 2011 were: California, Wisconsin, Idaho, New York, Pennsylvania, Texas, Minnesota, Michigan, New Mexico, and Washington. The New Mexico dairy industry consistently produces the highest amount of milk per cow (an average of 25,650 pounds of milk/cow in 2012, assuming actual January-May production will be the same for the last seven months of 2012). About half of the milk produced in New Mexico is processed into cheese.

The Leprino Cheese Plant in Roswell is the largest manufacturer of mozzarella cheese and lactose in the world. The 430,000 square foot plant currently has approximately 600-plus employees and currently processes about six million pounds of milk per day (four times as much as when the facility opened in 1993). The products Leprino produces includes frozen diced cheese, bulk ribbon cheese, wrapped ribbon cheese, whey protein concentrate, and lactose. Leprino sells cheese to businesses such as Pizza Hut and Domino's Pizza. The Leprino plant will undergo a major equipment upgrade by mid-year 2013. This equipment upgrade will cost approximately \$20,000,000. It will increase employment at the plant by 10-12 new positions and it will allow for additional cheese product production. As do all Leprino facilities, the Roswell plant puts great importance on being environmentally responsible, even winning the 2011 Xcel Energy Environmental Leadership Award. The plant uses recycled water to irrigate over 360 acres of Triticale and 360 acres of Sordan sold in the area for feed.

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 recent 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 been reasonably fortunate in the current market slump. However, approximately twenty dairies in Southeastern New Mexico have been shut down in the last two to three years. There are currently 105± 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 2011, New Mexico ranked No. 2 nationally in the amount of pecans produced. 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 due to the demand created by the local dairies.

M 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 has spent 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.

In December 2012, Navajo Refinery announced their plan to bring-in 1,000-plus contract workers in January/February 2013 for routine maintenance. This maintenance turnaround promises to provide a great economic start for 2013 for the hotels and local

businesses in the Artesia area. Hotels throughout the larger market area will most likely be positively impacted because Artesia does not have adequate lodging capacity to house hundreds of contract laborers. Shannon Johnson, with Navajo Refinery, states the routine turnaround and vessel maintenance overhaul will be performed by contract workers from general labor or catalyst companies that specialize in that kind of work.

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 about \$90.00 to \$95.00 per barrel. Prices for oil and gasoline have been fairly stable for the last 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.

IC Potash Corporation (ICP) 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, ICP 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, ICP obtained 17 state land mining leases covering 25,890 acres in Lea County. ICP has also applied for two sets of federal sub-surface prospecting permits covering 38,644 acres in New Mexico. Per information dated January 16, 2013, the Ochoa Project now has holdings in the region for approximately 101,500 acres. These two sets of permits are waiting approval. ICP 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 ICP Ochoa Project is located approximately 60 miles east of Carlsbad. However, it is closer to Eunice and Jal (approximately 15-20 miles in-between and west of these two communities). The plan for this project provides for completion of the Feasibility Study by the end of August 2013, final environmental permitting by the end of March 2014,

with construction of the mine and processing facility beginning shortly thereafter. There are currently 100 full time employees and consultants working on the project. It is expected that up to 1,000 construction jobs will be created at the peak of construction. Approximately 400 permanent employees will be required to support the operations once construction is completed. ICP expects production to commence in the fourth quarter of 2015 and full production capacity to be reached by the second quarter of 2017. The projected employment of 400 people will include 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.

M 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. The total cost of the project is expected to be approximately \$4.5 billion. 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 late 2012. This new facility is 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. Since then, AerSale has been successful in building its assets and expects continued growth over the next five years. AerSale disassembles and sells parts off-of older aircraft and refurbishes and leases airplanes and jet engines. The company typically buys 8-10 aircraft at a time. The aircraft that can be updated and repaired are then made available for lease. Those aircraft not deemed cost effective to update/repair are disassembled for parts or scrap. AerSale began with 15 employees and currently has 100-plus employees. AerSale anticipates employment of 130-150 with their current business model. Employees with specific skills may average \$40,000 to \$70,000 per year. AerSale

currently leases 400,000 square feet of aircraft hangar and facility space at the RIAC. They are an international firm with office/facilities in two other locations in the United States and five locations around the world. The majority of the disassembly and aircraft refurbishing part of their operation takes place in Roswell. 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.

M 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 3.9% per the March 2013 report. This is a decrease compared with the March 2012 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 65% the number of unemployed workers

in March 2011. The following chart provides a three year history of employment statistics for Lea County for the month of March:

LEA COUNTY EMPLOYMENT/UNEMPLOYMENT CHART

Date	Civilian Labor Force	Employed	Unemployed	
			Number	Rate
Mar-11	28,045	26,159	1,886	6.7%
Mar-12	29,695	28,412	1,283	4.3%
Mar-13	31,640	30,405	1,235	3.9%

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. Bethe 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.

M 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 significantly 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 nine months of the fiscal year 2012-2013 have already exceeded the \$48 million mark. The 2012-2013 Lodger's Taxes have shown an increase of 2.0% 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	\$48,868,371*

*As March 31, 2013

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	\$1,169,155*

*As of March 31, 2013

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 \$90.00-\$95.00 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	130
2013	23*

*As of March 31, 2013

New residential construction had decreased significantly since 2007/2008. The 2009-2011 figures show limited new construction in the housing market in Hobbs. However, housing starts have shown a 342% increase in 2012 compared to 2011. 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 in 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.

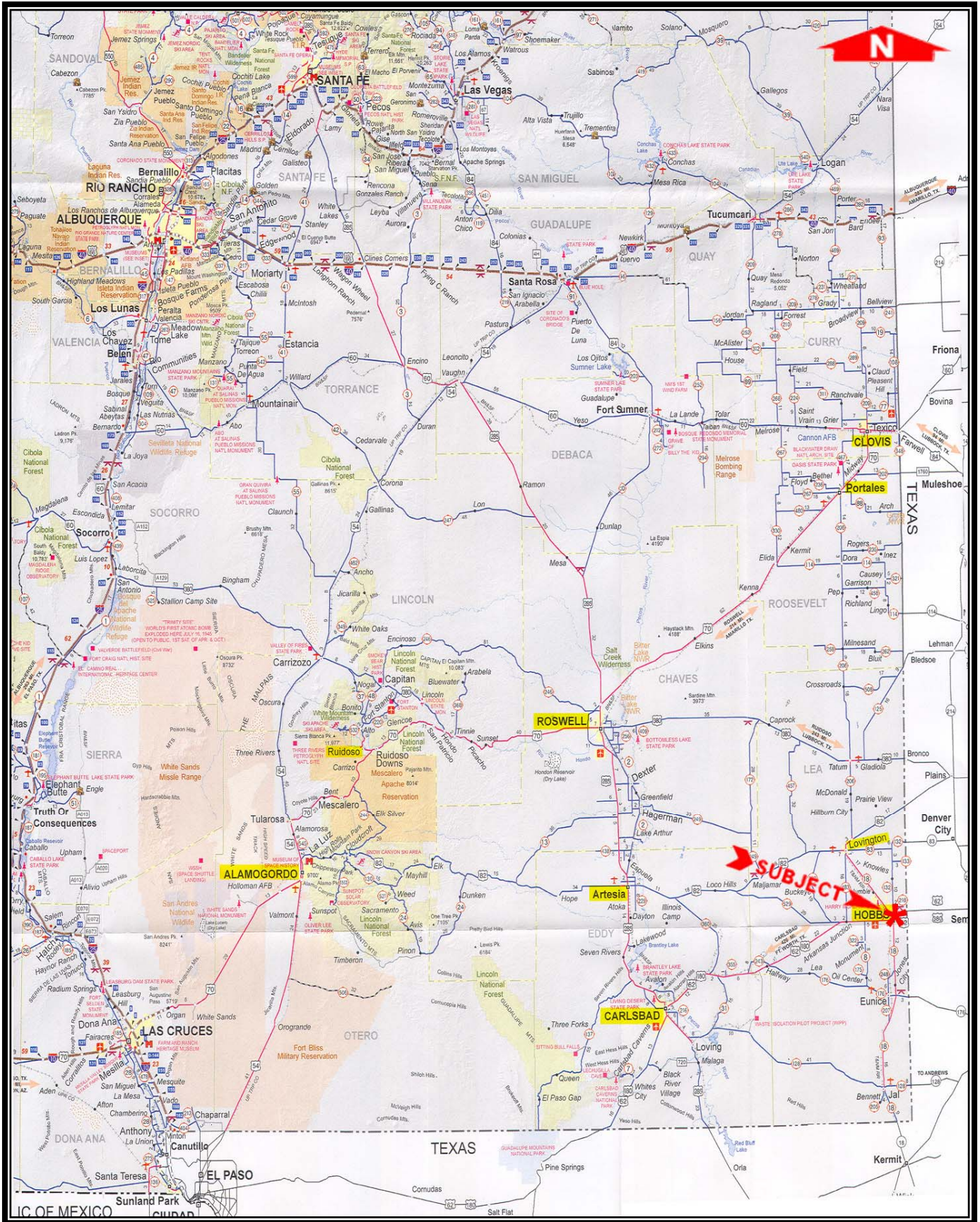
M **Summary**

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 a significant 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 August 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 1019 East Bender Boulevard, a short distance west of North Jefferson Street. This is located in the northerly portion of Hobbs on the south side of East Bender Boulevard northeast of the Bel Aire Shopping Center. East Bender Boulevard is State Highway 18 east from the North Lovington Highway, then State Highway 218 east of the East Bender Boulevard/Dal Paso Street intersection and then U.S. Highway 62/180 that continues on into Texas (Seminole, Andrews, and east to Lamesa). Dal Paso Street becomes State Highway 18 south of East Bender Boulevard. North Dal Paso is a primary north/south arterial that provides good vehicular access between Navajo Drive to the north and Bender Boulevard and Sanger Street to the south. State Highway 18 continues south and leads to a large area of oilfield development and URENCO USA/LES as well as the communities of Jal and Eunice. East Bender Boulevard is a primary east/west arterial that provides good vehicular access from the North Lovington Highway. As North Grimes Street and North Dal Paso have become more congested due to the increasing development at the northerly end of Hobbs and the large amount of traffic going south towards the oilfield areas, more local traffic is being channeled onto secondary access streets. The increase in commercial development in Hobbs is partially due to the retail trade zone that surrounds Hobbs. 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 larger market area would generally include the entire southeastern quadrant of New Mexico, the Las Cruces, New Mexico and El Paso, Texas area, the Albuquerque and Santa Fe area in north central New Mexico, and the Lubbock and Midland-Odessa area in the Texas panhandle.

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 Lowe's Home Improvement Center, 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 subject property is located along East Bender Boulevard and close to Dal Paso Street, two high-traffic arterials. Along Bender Boulevard and Dal Paso Street near the subject is commercial development that is generally 20 to 40-plus years old. However, there is some development in this area that is less than 10 years old. This development ranges from restaurants to retail stores of all types and various service businesses. This area had been the prime retail/service area over the previous twenty-plus years in Hobbs until 10-12 years ago when new development started along West Joe Harvey Boulevard. However, the area along Bender Boulevard has continued to remain a high-traffic area even considering the newer development to the north and northwest. The good access to this area has a positive influence on the subject property. There is residential development in the subject's immediate market area in all directions off-of the main arterials of Bender Boulevard and Dal Paso Street. The residential development ranges from older, lower quality, lower condition residences in the \$50,000 to \$100,000 price range to newer (25-40 years old) residences that are larger, better quality, and generally well maintained in the \$125,000 to \$175,000-plus price range. Further east, the new Ranchview Subdivision has residential development that is one to five years old, generally in the \$150,000 to \$200,000 price range. There is multi-family development south of the subject in small apartment complexes. There are some new townhouses under construction south of the subject property in the southeast corner of the Bel Aire Shopping Center property. Most of the properties in the immediate market area have been updated or improved in condition as ownership or tenants changed.

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 limited demand for additional development in the area.

A Market Area Map follows.



MARKET AREA MAP

SITE DESCRIPTION

M Location

The subject property is located at 1019 East Bender Boulevard, Hobbs, New Mexico. This is a short distance west of the southwest corner of the intersection of East Bender Boulevard and North Jefferson Street.

M Site Size and Site Dimensions

Site sizes and dimensions were provided by the Lea County Assessor's Office. The subject site contains of 45,308± square feet. The north and south property lines are 284.17 feet long and the east and west property lines are 159.44 feet long. **The client is urged to retain the services of a registered Land Surveyor to be provided with a current Survey, the location of the improvements on the site, and an accurate site size.**

M Access and Visibility

Access to the subject property is from East Bender Boulevard. East Bender Boulevard is a four-lane, two-way traffic highway with center turning lanes. There are three ingress/egress driveways off-of East Bender Boulevard into the area that surrounds the subject. Each of the ingress/egress driveways are adequate width for two vehicles. There is also access to the rear (south side) of the subject site from the Bel Aire Shopping Center.

The site is readily visible for east/west bound traffic along East Bender Boulevard. The site is partially visible to north/southbound traffic along North Jefferson Street. Overall, access-to and visibility-of the site are good.

M Parking

There are three ingress/egress driveways off-of East Bender Boulevard into the subject's west, north, and south parking areas. These are paved parking areas with approximately 17 marked parking spaces. There are 2 parking spaces marked for handicap accessibility on the north side of the building. The parking area pavement is in below-average condition. It is damaged in several areas, especially on the south side of the improvement. It has numerous cracks and needs to be striped. There may be some

damage to the subject's parking areas from the construction work being done on the drainage areas south of the subject. A Survey will be required to determine if there has been any damage to this portion of the subject's parking areas. Parking is considered to be marginally adequate for the subject property and needs significant repair.

M **Zoning**

There are no zoning regulations in Hobbs.

M **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

M **Topography, Drainage, and Flood Information**

The subject site appears to be level at an elevation of approximately 3,625 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 appears to mostly be in Flood Zone X. Flood Zone X is an area determined to be outside the 500-year floodplain. **However, some of the subject site may be in Flood Zone AO, which is in the 100-year floodplain. A Survey is required to determine if any of the subject site is located in the 100-year floodplain.**

M **Landscaping and Fencing**

There is no landscaping or fencing on the subject site.

M **Signage**

There is some letter signage attached to the building that reads "DALTON TABOR SPECIAL SERVICES CENTER." This signage is located on the west end of the subject improvement. There is also a large metal pole sign at the northwest corner of the building identifying the subject. Signage is in fair to average condition.

M **Soils**

Le—Lea loam

Map Unit Setting

Landscape: Tablelands; Elevation: 3,800 to 4,100 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

Lea and similar soils: 85 percent

Description of Lea

Setting

Landform: Plains; Landform position (three-dimensional): Talf; Down-slope shape: Linear; Across-slope shape: Linear; Parent material: Loamy alluvium derived from sedimentary rock

Properties and qualities

Slope: 0 to 1 percent; Depth to restrictive feature: 20 to 40 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: Low (about 4.6 inches)

Interpretive groups

Farmland classification: Prime farmland if irrigated; Land capability classification (irrigated): 4e; Land capability (nonirrigated): 4c; Hydrologic Soil Group: C; Ecological site: Limy Upland 16-21" PZ (R077CY028TX)

Typical profile

0 to 4 inches: Loam
4 to 26 inches: Loam
26 to 36 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

Ma—Mansker loam, 0 to 1 percent slopes

Map Unit Setting

Landscape: Tablelands; Elevation: 3,600 to 4,000 feet; Mean annual precipitation: 12 to 16 inches; Mean annual air temperature: 58 to 60 degrees F; Frost-free period: 195 to 205 days

Map Unit Composition

Mansker and similar soils: 85 percent

Description of Mansker Setting

Landform: Plains; Landform position (three-dimensional): Talf; Down-slope shape: Linear; Across-slope shape: Linear; Parent material: Calcareous loamy alluvium and/or calcareous loamy eolian deposits derived from sedimentary rock

Properties and qualities

Slope: 0 to 1 percent; Depth to restrictive feature: More than 80 inches; Drainage class: Well drained
Capacity of the most limiting layer to transmit water (Ksat): Moderately high to high (0.60 to 2.00 in/hr)
Depth to water table: More than 80 inches; Frequency of flooding: None; Frequency of ponding: None
Calcium carbonate, maximum content: 60 percent; Maximum salinity: Nonsaline (0.0 to 2.0 mmhos/cm)
Sodium adsorption ratio, maximum: 2.0; Available water capacity: Moderate (about 8.4 inches)

Interpretive groups

Farmland classification: Farmland of statewide importance; Land capability classification (irrigated): 4e
Land capability (nonirrigated): 6e; Hydrologic Soil Group: B; Ecological site: Limy Upland 16-21" PZ (R077CY028TX)

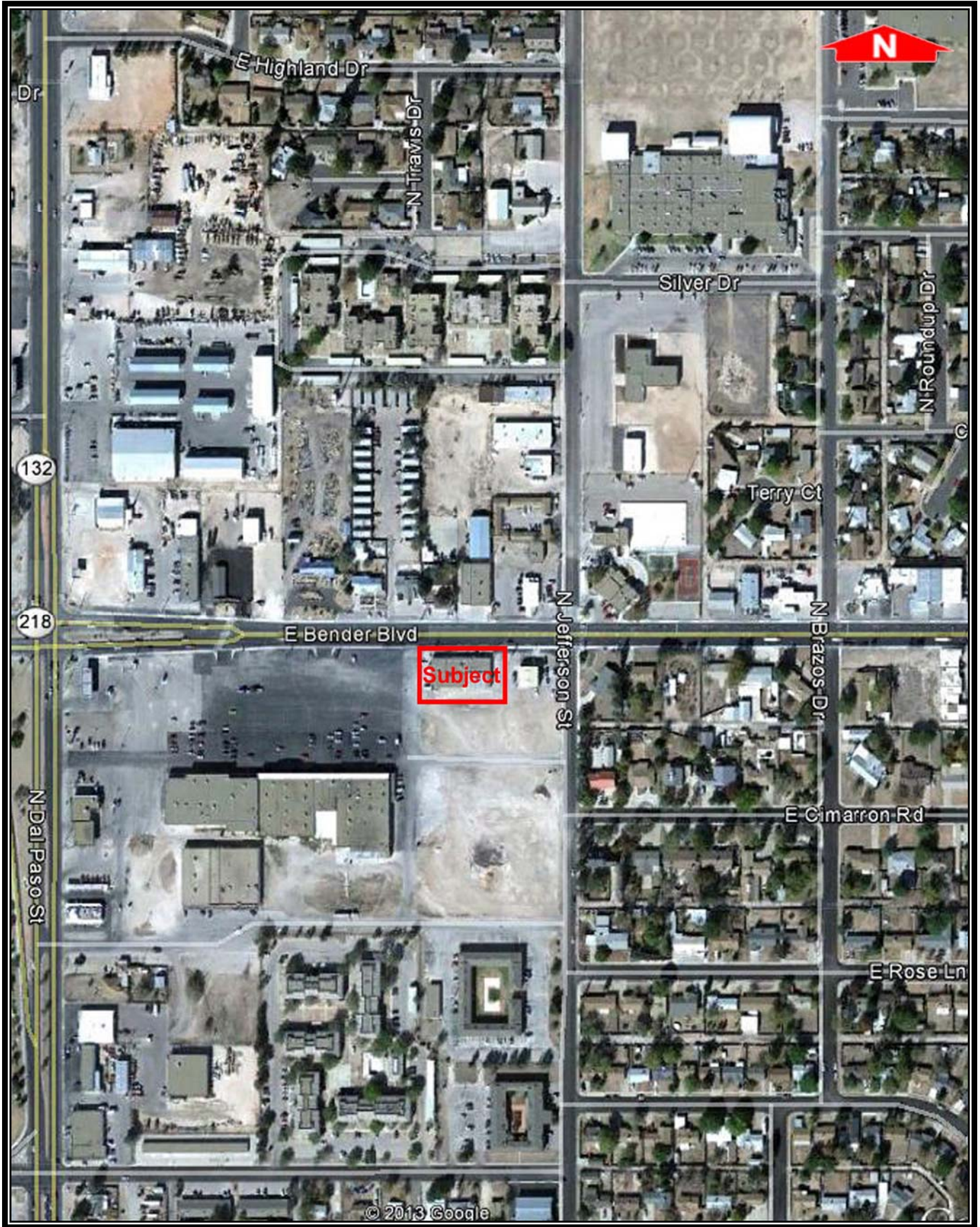
Typical profile

0 to 10 inches: Loam
10 to 19 inches: Clay loam
19 to 60 inches: Clay loam

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, signs of settlement were observed in the subject building in the brick veneer exterior. Based upon the presence of the existing improvements and improvements in the general market area, the area does not appear to have significant soil problems, but it is obvious that the subject improvement has some settling problems. I have assumed that the soil and subsoil on the subject site are reasonably stable. **However, a structural engineering report is required to accurately determine the stability of the soils on the subject property.**

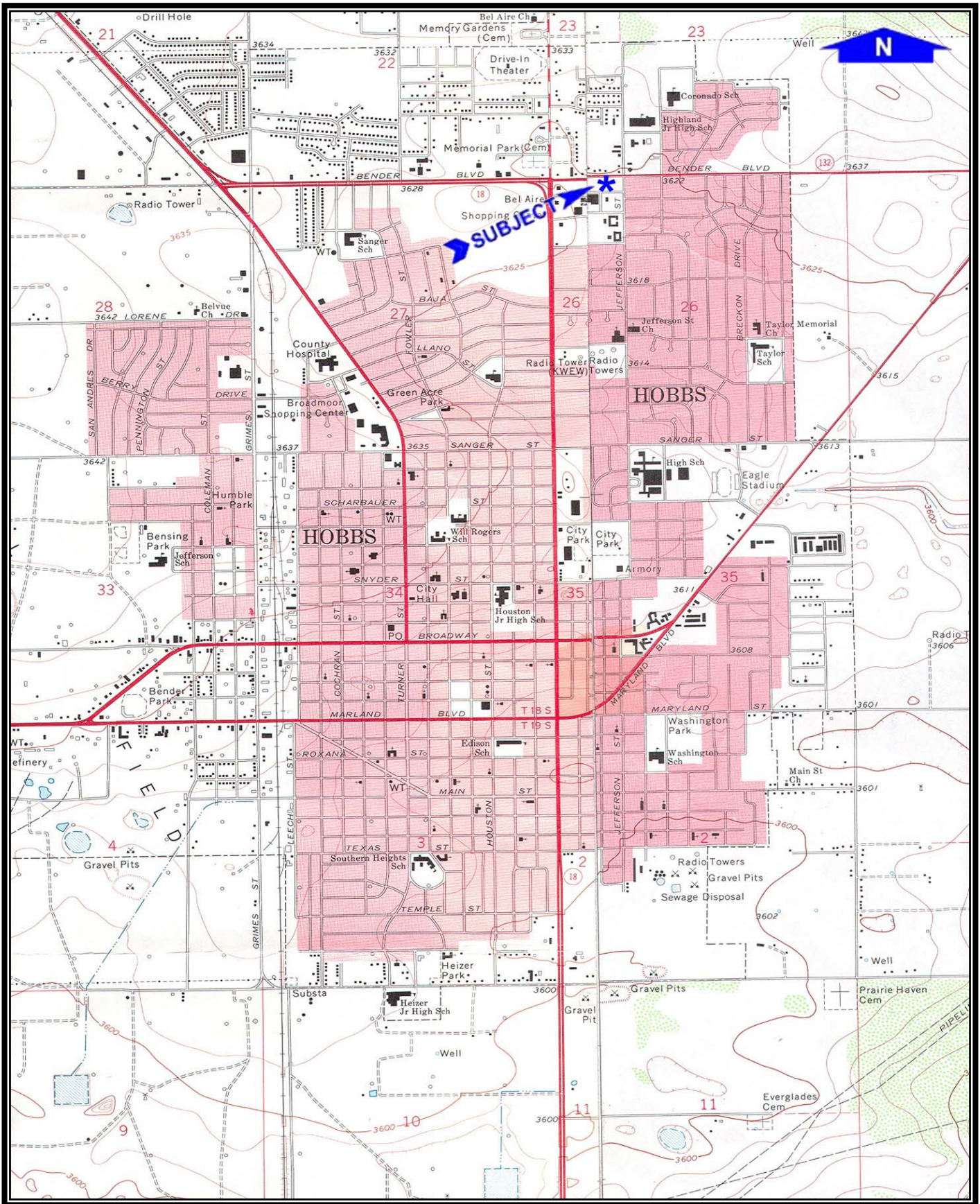
A copy of the Aerial Photograph, Assessor's Plat, Topographic Map, Flood Map, Soils Map, and pictures of the site follow.



AERIAL PHOTOGRAPH



ASSESSOR'S PLAT



TOPOGRAPHIC MAP



NFIP
NATIONAL FLOOD INSURANCE PROGRAM

PANEL 1355D

FIRM

FLOOD INSURANCE RATE MAP
LEA COUNTY,
NEW MEXICO
AND INCORPORATED AREAS

PANEL 1355 OF 2150
(SEE MAP INDEX FOR FIRM PANEL LAYOUT)

COMMUNITY	NUMBER	PANEL	SUFFIX
HOBBS, CITY OF	350029	1355	D
LEA COUNTY UNINCORPORATED AREAS	350130	1355	D

Notice to User: This Map Number shown below should be used when placing map orders. The Community Number shown above should be used on insurance applications by the subject community.

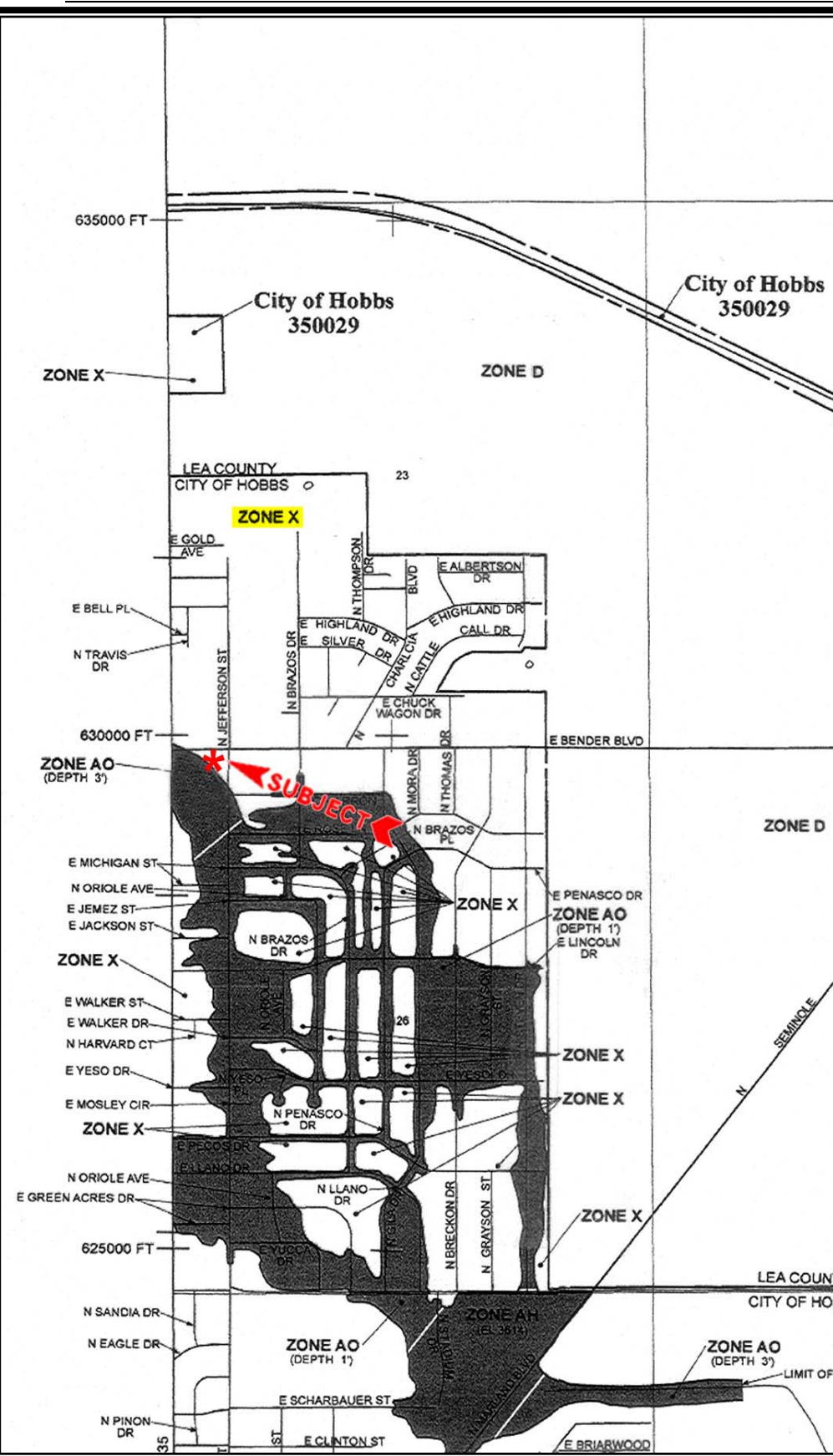
MAP NUMBER
35025C1355D

EFFECTIVE DATE
DECEMBER 16, 2008

Federal Emergency Management Agency

LEGEND

- SPECIAL FLOOD HAZARD AREAS SUBJECT TO INUNDATION BY THE 1% ANNUAL CHANCE FLOOD**
 - ZONE A** No Base Flood Elevations determined
 - ZONE AE** Base Flood Elevations determined
 - ZONE AH** Flood depths of 1 to 3 feet (usually areas of ponds); Base Flood Elevations determined
 - ZONE AO** Flood depths of 1 to 3 feet (usually sheet flow or sloping terrain); average depths determined. For areas of shallow pond flooding, velocities also determined.
 - ZONE AR** Special Flood Hazard Area formerly protected from the 1% annual chance flood by a flood control system that was subsequently destroyed. Zone AR indicates that the former flood control system is being restored to provide protection from the 1% annual chance or greater flood.
 - ZONE AR1** Areas to be protected from 1% annual chance flood event by a Federal flood protection system under construction; no Base Flood Elevations determined.
 - ZONE V** Coastal flood zone with velocity hazard (wave action); no Base Flood Elevations determined.
 - ZONE VE** Coastal flood zone with velocity hazard (wave action); Base Flood Elevations determined.
- FLOODWAY AREAS IN ZONE AE**
 - ZONE X** Areas of 0.2% annual chance flood, areas of 1% annual chance flood with average depths of less than 1 foot or with average areas less than 1 square mile; and areas protected by levees from 1% annual chance flood.
- OTHER FLOOD AREAS**
 - ZONE X** Areas determined to be outside the 0.2% annual chance floodplain. Areas in which flood hazards are undetermined, but possible.
- OTHER AREAS**
 - ZONE X** Areas determined to be outside the 0.2% annual chance floodplain. Areas in which flood hazards are undetermined, but possible.
- COASTAL BARRIER RESOURCES SYSTEM (CBRS) AREAS**
- OTHERWISE PROTECTED AREAS (OPAs)**
 - CBRS areas and OPAs are normally located within or adjacent to Special Flood Hazard Areas.
- Boundary symbols:**
 - Floodplain boundary
 - Floodway boundary
 - Zone D boundary
 - CBRS and OPA boundary
 - Boundary dividing Special Flood Hazard Area Zones and boundary dividing Special Flood Hazard Areas of different Base Flood Elevations, flood depths, or flood velocities
 - Base Flood Elevation line and value, elevation in feet
 - Base Flood Elevation label where uniform within zone; elevation in feet
- Other symbols:**
 - §13 (EL 967)
 - Referenced to the North American Vertical Datum of 1988
 - Cross section line
 - Transect line
 - Geographic coordinates referenced to the North American Datum of 1983 (NAD 83), Western Hemisphere
 - 1000-meter Universal Transverse Mercator grid cells, zone 13
 - 5000-foot grid values: New Mexico State Plane coordinate system, East Zone (FIPSZONE = 3001), Transverse Mercator
 - bench mark (see explanation in Notes to Users section of the FIRM panel)
 - River Mile
- MAP REPOSITORIES**
 - Refer to Map Repositories list on Map Index
- EFFECTIVE DATE OF COUNTYWIDE FLOOD INSURANCE RATE MAP**
June 1, 2010
- EFFECTIVE DATE(S) OF REVISION(S) TO THIS PANEL**



FLOOD MAP



SOILS MAP



**LOOKING
SOUTHEAST
ACROSS
EAST BENDER
BOULEVARD AT
SUBJECT**

**LOOKING EAST ON
EAST BENDER
BOULEVARD –
SUBJECT ON RIGHT**



**LOOKING WEST ON
EAST BENDER
BOULEVARD –
SUBJECT ON LEFT**



**LOOKING SOUTH AT
WESTERLY
INGRESS/EGRESS
ONTO SITE**



**LOOKING SOUTH AT
EASTERLY
INGRESS/EGRESS
ONTO SITE**



**LOOKING SOUTH AT
MIDDLE
INGRESS/EGRESS
ONTO SITE**



**LOOKING WEST AT
FRONT HANDICAP
PARKING AREA**

**LOOKING EAST AT
FRONT OF HANDICAP
PARKING AREA –
NOTE POOR
CONDITION OF
PAVING**



**REAR (SOUTH SIDE)
OF SITE –
NOTE POOR
CONDITION OF
PAVING/STRIPING**





**REAR (SOUTH SIDE)
OF SITE –
NOTE POOR
CONDITION OF
PAVING/STRIPING**

**SIGNAGE ATTACHED
TO WEST END OF
BUILDING**



**POLE SIGN
LOCATED ON
NORTHWEST
CORNER OF
BUILDING**

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: **12489**. 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 Ava Bengé from the Lea County Assessor's Office, if the subject property was privately owned, the current taxes would be **\$2,510.86**, using the 2012 tax rate.

TAX INFORMATION

Year	Taxes
2012	\$2,510.86

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

TAX ASSESSMENT

Tax ID #	12489
Land	\$49,896
Improvements	\$192,582
Total	\$242,478

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 Schools on January 3, 2012 from Hospice Services, Inc. The sale price is unknown. The subject was used for several years as a special services center. It is currently unused. The current owner of record of the subject property is the Hobbs Municipal Schools.

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. It is recognized, due to the age of the subject improvements, that the possibility of asbestos in the building is a realistic possibility. **An environmental inspection by a qualified environmental expert is advised.**

DESCRIPTION OF THE IMPROVEMENTS

The subject improvement is an office building that contains approximately 10,832 square feet. It is highly irregular in shape with several irregular angles that precludes precise measurement of the subject's square footage. My measured square footage is 10.0

square feet larger than the square footage measured by the Lea County Assessor's Office.

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

OFFICE IMPROVEMENT SUMMARY			
Construction Type:	Class D, Avg. Quality	Parking:	Yes No
Usable Area:	10,832 S.F.	On Site	x
Effective Age (Yrs):	40-45 Years	Paved	x
Remaining Economic Life (Yrs):	10-15 Years	On Street	x
Occupancy:	0%	Adequate	Marginally
No. Of Buildings:	1	Deferred Maintenance:	Numerous Items
		Construction Quality:	Average
		Current Condition:	Fair to Below Average
Foundation:	Poured reinforced concrete slab	Insulation:	R-19 in ceiling, walls unknown
Exterior Walls:	CMU block, face brick some stucco	Interior Doors:	Flat slab, hollow-core painted wood doors
Roof:	Tar and gravel with some rolled roofing	Exterior Doors:	Bronzed aluminum frame full glass in entry, brushed aluminum frame full glass double doors in rear, two flat slab metal doors in east end
Interior Walls:	2x4 Wood frame, taped, bedded, textured, painted sheetrock	Plumbing Fixtures:	Typical fixtures, 6-Restrooms with eight toilets and nine sinks, two double sinks in kitchen, four janitor's mop sinks
Ceiling:	Drop-in acoustical tile, some taped, bedded, textured, painted sheetrock in hallways	Electrical Fixtures:	Typical, flush ceiling mounted, 4 bulb fluorescent
Floor Coverings:	Commercial grade carpet (15-20 yrs old), minimal ceramic tile (two entry ways), some vinyl tile/sheet vinyl	Windows:	Narrow on exterior walls and around rear entry vestibule doors
HVAC:	Four – 2.5 ton units, One – 5.0 ton unit, Two – 4.0 ton units (approximately 10-15 yrs old)		

Extra Features: Skylights, three janitor's closets, and a loading dock at rear entry.

M Quality/Condition

Overall, the subject improvements are below-average to average quality. They are in fair to 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 evidence of roof leak problems from the ceiling water stains.

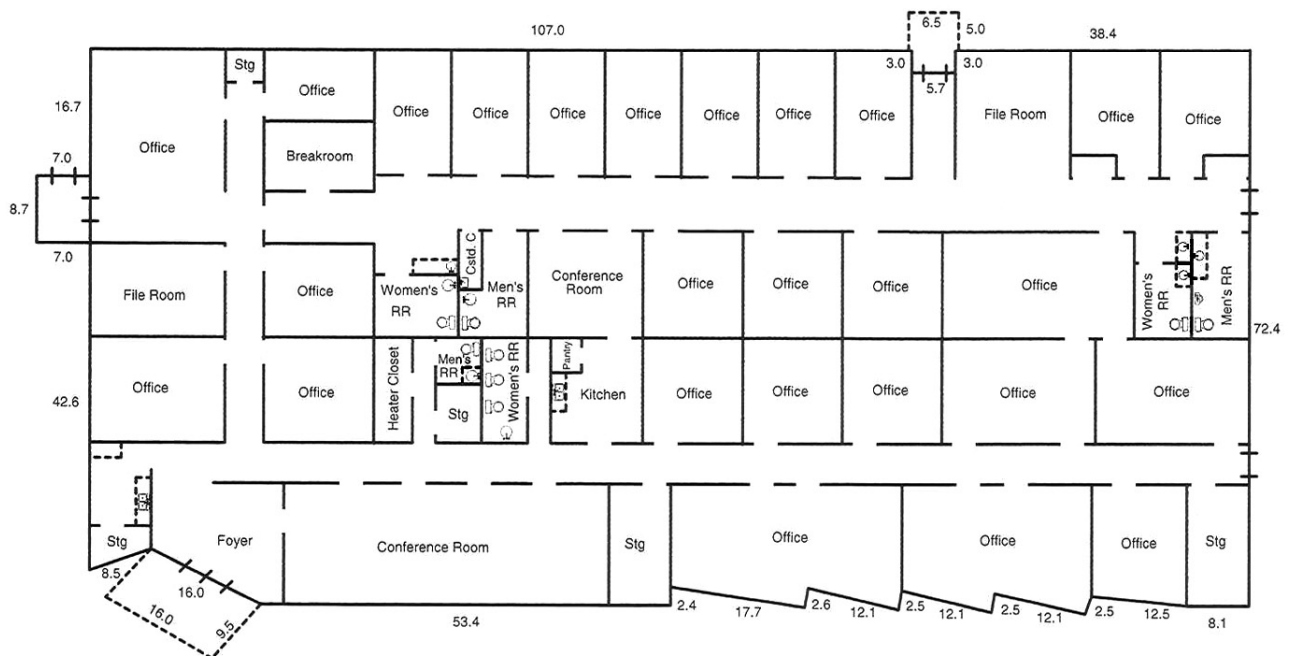
There were numerous deferred maintenance/condition problems observed during my inspection. Several items of deferred maintenance are listed. However, this may not be an all-inclusive list. A qualified general contractor will be required to thoroughly inspect the

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

1. General clean-up of entire interior.
2. Floor covering repair/replacement.
3. Interior wall repairs/painting.
4. Interior ceiling repairs
5. Some exterior stucco/brick repairs.
6. Eave/soffit/parapet repairs/painting.

I have estimated clean-up/repair/replacement costs to be between \$75,000 to \$100,000 to put the subject improvements back into average condition for use as an office building. However, a qualified general contractor's estimate will be required to accurately identify all deferred maintenance/ condition problems. **For purposes of this appraisal, I have estimated roof/parapet repairs to be approximately \$10,000. The roof/parapet repairs are considered to be the minimal expense required to ensure that the roof is sound.** This is based upon my observations and my conversations with Mr. Jeff Barker with the Hobbs Municipal Schools. 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: 10,832 S.F.

IMPROVEMENT DRAWING



**NORTH SIDE OF
BUILDING**



**EAST END OF
BUILDING**



**EAST END AND
SOUTH SIDE OF
BUILDING**



**SOUTH SIDE AND
LOADING DOCK ON
SOUTHWEST
CORNER OF
BUILDING**

**LOADING DOCK –
NOTE POOR
CONDITION OF
PAVING / ACCESS TO
THE LOADING DOCK**

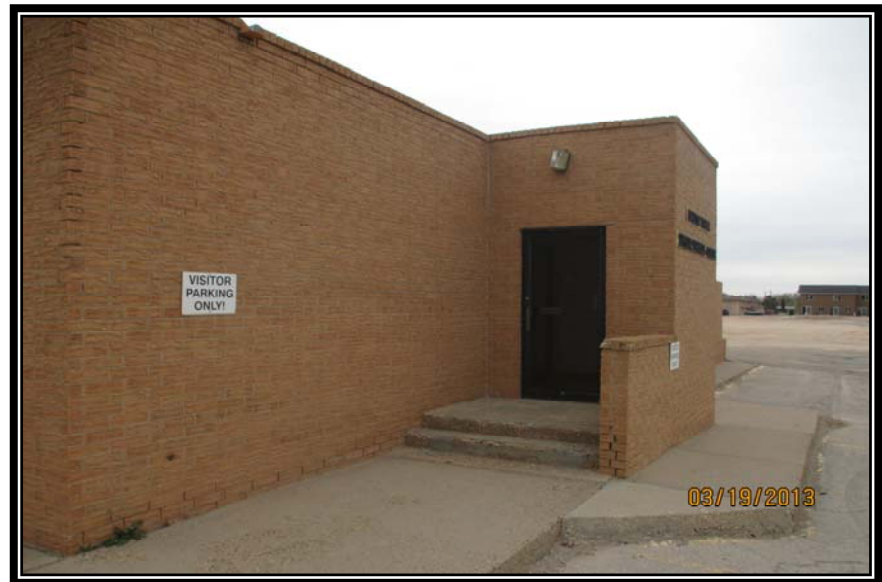


**WEST END OF
BUILDING**



**REAR ENTRY FROM
LOADING DOCK**

**WEST END ENTRY
VESTIBULE**



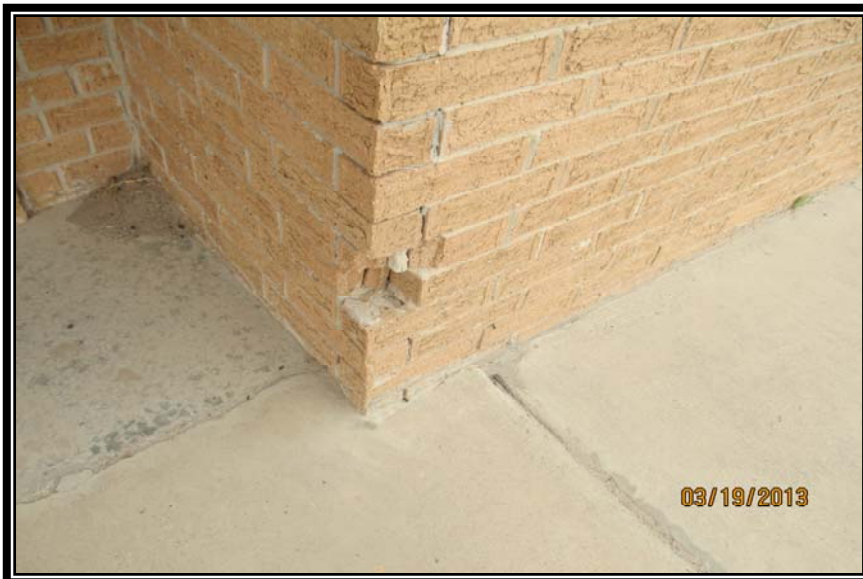
**CRACKS IN
EXTERIOR BRICK
VENEER**



**DAMAGE TO TILE
BELOW WINDOW**



**DAMAGE TO STEPS
AND BRICK WALL AT
WEST ENTRY
VESTIBULE**



**EXTERIOR BRICK
VENEER DAMAGE**



**BRICK VENEER
MOVEMENT /
DAMAGE AROUND
DOOR FRAME**

**SECURITY LIGHT
DAMAGE IN
PORCH ABOVE
FRONT ENTRY**



**VIEW OF ROOF AND
HVAC UNITS
LOOKING
SOUTHWEST –
NOTE HVAC UNIT
DAMAGE**



**VIEW OF ROOF,
HVAC UNITS, AND
SKYLIGHTS
LOOKING EAST**

**VIEW OF PITCHED
ROOF AND HVAC UNIT
IN SOUTHEAST
CORNER OF BUILDING**



**DAMAGE TO
TAR AND GRAVEL
ROOF**





**DAMAGE TO
TOP OF
PARAPET WALL**

**TYPICAL
EAST / WEST
HALLWAY**



**REAR DOCK ENTRY
VESTIBULE**



**WEST END ENTRY
VESTIBULE**



**FRONT ENTRY
HALLWAY**



**TYPICAL OFFICE –
NOTE LOW QUALITY
CABINERY**



**TYPICAL OFFICE ON
SOUTHEAST
CORNER OF
BUILDING – NOTE
IRREGULAR WALL
AND CARPET
DAMAGE**

KITCHENETTE



**LARGE
CONFERENCE
ROOM**





**TYPICAL
RESTROOM**

**NEW HANDICAP
ACCESSIBLE
RESTROOM**



**NEW HANDICAP
ACCESSIBLE
RESTROOM**



HVAC UNITS



**CUSTODIAN'S
CLOSET**



**STORAGE ROOM /
ELECTRICAL /
TELEPHONE ROOM**



**CEILING DAMAGE IN
RESTROOM**



CEILING DAMAGE



**BASEBOARD
DAMAGE**

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.

M **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- There is several possible uses of the subject site. Since there is no zoning in Hobbs, any type of development of the subject property would be legally permissible. The size, shape, and topography can influence the ultimate development of the site. The subject property is rectangular in shape. It has 284.17 feet of frontage on East Bender Boulevard. The site is 159.44 feet deep and contains 45,308± square feet. There is good vehicular access to the site. Access to the site can be gained from any point in Hobbs with a 10-15 minute drive. Visibility of the site is good for traffic on East Bender Boulevard. The site appears to be primarily located in Flood Zone X, which is outside the 500-year floodplain. **However, a Survey is required to determine whether a portion of the site is located in Zone AO, which is in the 100-year floodplain.** Soil conditions are assumed to be adequate for most any type of development. **However, a structural engineering report is required to accurately determine the stability of soils on the subject site.** There are various types of development in the immediate area including retail stores, service businesses, fast food restaurants, financial institutions, and some offices. Virtually any type of retail/service/office improvement that allowed adequate access and on-site parking could be developed on the subject site.

Financially Feasible Uses – A likely financially feasible use, considering the high traffic volume in this area and the strong current economic conditions in Hobbs, would be to develop the property with a strip shopping center or retail store. These uses are presently located within the immediate market area. Because there is not a clear indication of the optimal financially feasible use of the subject site, it is my opinion that the subject property

should remain vacant until an owner/developer develops the property with some type of purpose-built retail/service/office improvement.

Maximally Productive Use ^B 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 retail/service/office improvement. The likelihood of a purpose-built office building being developed on the subject site is reasonable, but is not as likely as development of a retail/service improvement. 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.

^M **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 limited demand in this immediate area for low quality office development. Based upon the known market conditions, the subject property is usable for a high traffic, high-visibility office space use, or for a storage space use (although some interior demolition would likely be required). Therefore, it is my opinion (considering the subject's desirable location, its average quality and below-average condition improvement that is currently configured for use as an office/services center) the subject property can be used as low-quality office space. However the cost to renovate/repair the interior, exterior, roof, and parking area could be a significant capital expenditure. Even after a possibly large capital expenditure, parking availability and access to the building are certainly not ideal. In my opinion, considering all of the physical parameters that are currently problems/difficulties with the subject property and after significant conversation with Mr. Jeff Barker (Hobbs Municipal Schools) and Mr. Monty Newman and Mr. Bobby Shaw (knowledgeable Hobbs commercial Realtors/developers) the most likely use of the subject property is to convert the building to storage space. This can be accomplished with

an estimated \$10,000 in repairs to the roof and parapet to ensure the roof is sound and possibly some interior wall demolition/removal. This use will take advantage of the rear dock area for loading/unloading and significantly reduces demand for parking space and for loading/unloading area. It also significantly reduces demand for parking area repairs, if the improvement is no longer used for low quality office space. Therefore, in my opinion, the Highest and Best Use of the subject property "As Currently Improved" is conversion to a less intensive use as storage space.

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.

M 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 45,308± square feet. No condition of sale (financing) adjustments are required on Sales 3, 4, and 5. A negative 10% condition of sale adjustment is required on Listings 1 and 2 (which are both

current Listings not closed Sales). No market conditions (time) adjustments are required. Even though there are differences between the sales and the subject site, 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 site. The following Land Sales Summary Chart is provided:

LAND SALES SUMMARY CHART

Sale #	Location	Sale Date	Sale Price	Size S.F.	Price/S.F.
Listing 1	411 East Bender Boulevard	N/A	Asking \$198,450	46,113	\$4.30
Listing 2	2715 North Dal Paso Street	N/A	Asking \$135,000	68,389	\$1.97
3	600 North Dal Paso Street	12-12	\$295,000	201,068	\$1.47
4	500 East Bender Boulevard	12-11	\$285,000	72,950	\$3.91
5	106 East Navajo Drive	9-09	\$132,000	20,560	\$6.42
Subject	1019 East Bender Boulevard			45,308	

M Land Sales Analysis

Listing 1 is located approximately .4 miles west of the subject on the south side of East Bender Boulevard. The market area environment is somewhat superior to the subject (newer development in this area). A negative 5% location adjustment is required. Listing 1 is slightly larger than the subject site. No size adjustment is required. No exposure/accessibility adjustment is required. Even though traffic counts are higher, the street frontage for Listing 1 is much shorter. Therefore, the superior traffic counts are considered to be offset by the inferior street frontage. No other factors adjustments are required. **The adjusted sale price of Listing 1 is \$3.68 per square foot.**

Listing 2 is located approximately .4 miles northwest of the subject on the west side of North Dal Paso Street. The market area environment is inferior to the subject (older low

quality service/residential area). A large positive 40% location adjustment is required. Listing 2 is 1.5 times as large as the subject. A positive 10% size adjustment is required. No exposure/accessibility adjustment is required. There was strong seller motivation involved in the 2008 sale of this tract (virtually no buyers for this type property). The current owner purchased the property to redevelop the site with a State office Building, but this use has not been accomplished and the owner now desires to sell the property. The owner is currently asking \$10,000 more for the property than he paid for it in 2008 and is still unable to find a buyer. An extremely large positive 70% other factors adjustment is required. **The adjusted sale price of Listing 2 is \$3.89 per square foot.**

Sale 3 is located approximately 1.4 miles southwest of the subject on the east side of North Dal Paso Street south of East Clinton Street. The market area environment is significantly inferior to the subject (very old, low quality, low condition development in this area). An extremely large positive 125% location adjustment is required. Sale 3 is 4.4 times as large as the subject. A very large positive 40% size adjustment is required. No exposure/accessibility adjustment is required. No other factors adjustment is required. **The adjusted sale price of Sale 3 is \$3.90 per square foot.**

Sale 4 is located approximately .4 miles west of the subject on the north side of East Bender Boulevard. This sale is northeast across East Bender Boulevard from Listing 1. The market area environment is somewhat superior to the subject (newer development in this area). A negative 5% location adjustment is required. Sale 4 is 1.6 times as large as the subject. A positive 10% size adjustment is required. No exposure/accessibility or other factors adjustments are required. **The adjusted sale price of Sale 4 is \$4.11 per square foot.**

Sale 5 is located approximately 1.3 miles northwest of the subject on the north side of East Navajo Drive a short distance east of North Fowler Street. The market area environment is superior to the subject (generally new development). A negative 30% location adjustment is required. Sale 5 is only .45 times as large as the subject. A negative 15% size adjustment is required. No exposure/accessibility or other factors adjustments required. **The adjusted sale price of Sale 5 is \$3.53 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 commercial 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.
Listing 1	N/A	46,113	\$4.30	.9	1.0	\$3.87	-5%	0%	0%	0%	95%	\$3.68
Listing 2	N/A	68,389	\$1.97	.9	1.0	\$1.77	+40%	+10%	0%	+70%	220%	\$3.89
3	12-12	201,068	\$1.47	1.0	1.0	\$1.47	+125%	+40%	0%	0%	265%	\$3.90
4	12-11	72,950	\$3.91	1.0	1.0	\$3.91	-5%	+10%	0%	0%	105%	\$4.11
5	9-09	20,560	\$6.42	1.0	1.0	\$6.42	-30%	-15%	0%	0%	55%	\$3.53
Subject		45,308									Average	\$3.82

M **Land Value Conclusion**

Based upon the previous land sales analyses, a range of \$3.50 to \$4.10 (rounded) per square foot is within current market parameters for the subject site. All five

Listings/Sales required numerous adjustments. Some of the adjustments are extremely large. This indicates some lack of comparability. However, the vacant land Listings/Sales are the most similar Listings/Sales available. The average adjusted sale price is \$3.82 per square foot. This average adjusted sale price is in-between the average adjusted sale price of **Listing 1 (\$3.68/S.F.)** and **Sale 4 (\$4.11/S.F.)** which are the two most similar tracts to the subject. Therefore, it is my opinion that **\$3.80 (rounded) per square foot** is reflective of current market parameters for the subject site. **My opinion of Land Value for the subject site is calculated:**

$$45,308 \text{ S.F.} \times \$3.80/\text{S.F.} = \$172,170$$

Rounded to \$172,000

Land Sale data sheets and a location map follow.

LAND LISTING DATA**Listing #1**

Location: 411 East Bender Boulevard, Hobbs, NM

Grantor: N/A

Grantee: N/A

Sale Date: Listing

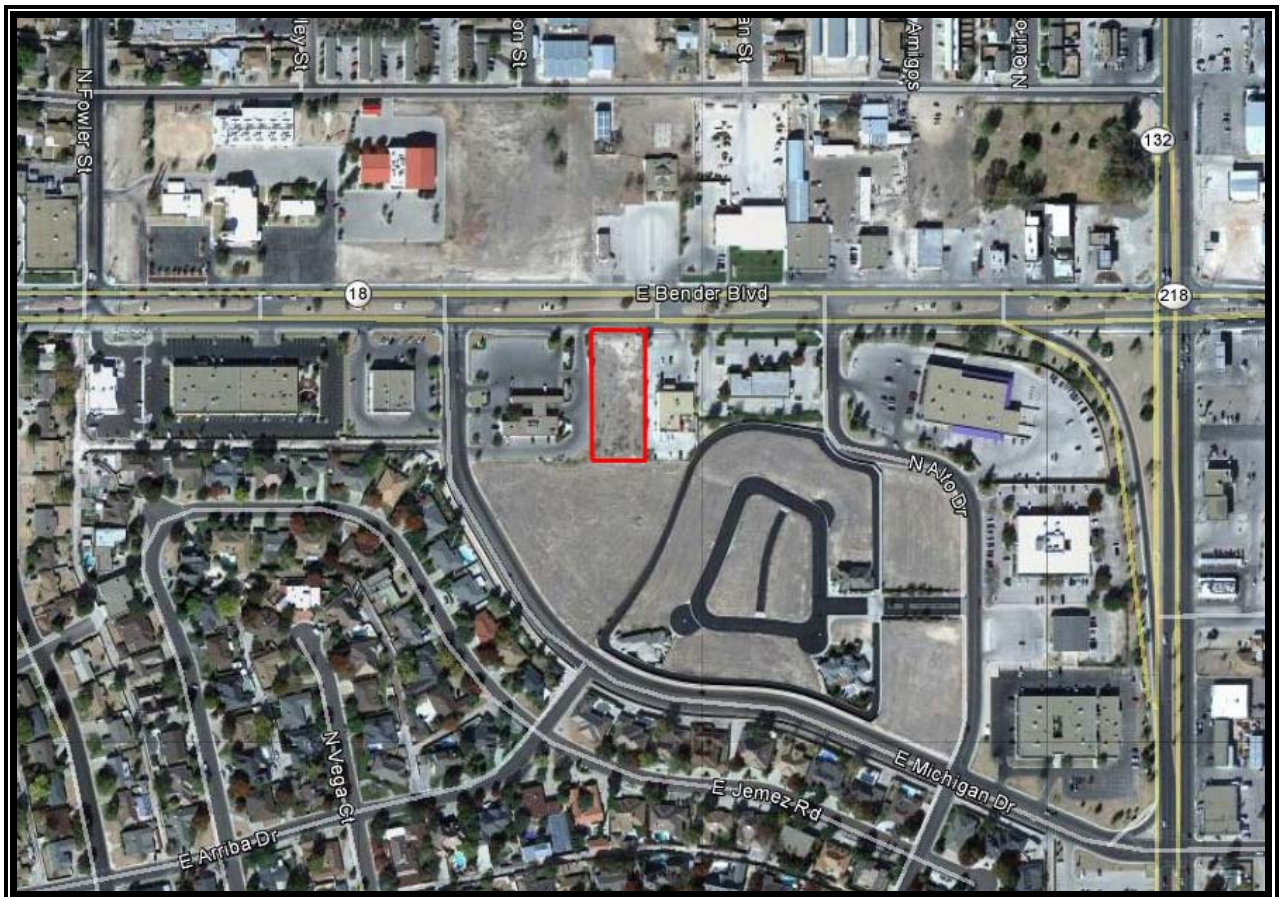
Asking Price: \$198,450

Tract Size: 153.71' X 300'± = 46,113± S.F.

Price/S.F.: \$4.30

Zoning: None

Comments: Vacant interior tract located on the south side of East Bender Boulevard, one property east of Michigan Drive. This tract is in-between the Bank of America building and the Social Security Administration office. Seller financing is available. **Legal:** N/A. **Confirmed By:** Rusty Taylor, 3-22-13.



LAND LISTING DATA

Listing #2

Location: 2715 North Dal Paso Street, Hobbs, NM
Grantor: Don Elwell, Jr. and Barbara A. Elwell, Trustees
Grantee: N/A
Sale Date: N/A
Asking Price: \$135,000
Tract Size: Irregular, 68,389± S.F.; 1.57± Acres
Price/S.F. (Acre): \$1.97 S.F.; \$85,987/Acre
Zoning: None

Comments: Developed interior tract. Improved with older low quality building, no contributory value, per the previous buyer. The site has 180' of street frontage on North Dal Paso Street. Site was purchased in December 2008 to be re-developed with a new State office building. However, it remains undeveloped. **Legal:** Part of the SE¼ of Section 22, T18S, R38E. **Confirmed by:** Teresa Yancey, 5-9-13.



LAND SALE DATA**Sale #3**

Location: 600 North Dal Paso Street, Hobbs, NM

Grantor: Gerald Dale and Florene Elizabeth Carter

Grantee: YES Housing, Inc.

Sale Date: 12-17-12, Warranty Deed Book 1810, Pages 189-190, Lea County

Sale Price: \$295,000, Cash to Seller

Tract Size: 285' X 705.5' = 201,068± S.F.; 4.62± Acres

Price/S.F. (Acre): \$1.47/S.F.; \$63,853/Acre

Zoning: N/A

Comments: Large vacant corner tract located in the southeast corner of the intersection of North Dal Paso Street and East Clinton Street. All utilities and services are available, but will need to be extended onto the site. Tract has curbing/gutters. Tract was originally developed with a grocery store, office, and a convenience store/gas station. Tract is being purchased-for and is expected to be developed-with an apartment complex. **Legal:** Part of the NW¼ of Section 35, T18S, R38E. **Confirmed By:** Contract and Lupe Gomez, 7-13-12.



LAND SALE DATA**Sale #4**

Location: 500 East Bender Boulevard, Hobbs, NM

Grantor: The Highland Christian Church of Hobbs

Grantee: Hobbs DNMP VI, LLC

Sale Date: 12-21-11, Warranty Deed Book 1757, Page 761-763, Lea County

Sale Price: \$285,000, Cash to Seller

Tract Size: Irregular, 72,950± S.F.

Price/S.F.: \$3.91

Zoning: None

Comments: Developed interior tract that is irregular in shape with 148.12 feet of frontage on East Bender Boulevard a short distance west of the intersection of North Alto Drive and East Bender Boulevard. The tract is 434± feet deep. The tract was developed with an older worship facility improvement that was demolished and removed. The cost to clean-up the site was not available. All utilities were available on the site, but will need to be extended onto the site for redevelopment. The site was purchased for and is being redeveloped with a new Dollar General retail store. **Legal:** Part of the S½S½SE¼ of Section 22, T18S, R38E. **Confirmed by:** Bobby Shaw, 4-12-12.



LAND SALE DATA**Sale #5**

Location: 106 East Navajo Drive, Hobbs, NM

Grantor: Jason Hines

Grantee: White Tiger Properties, LLC

Sale Date: 9-24-09, Warranty Deed Book 1649, Pages 122-123, Lea County

Sale Price: \$132,000, Cash to Seller

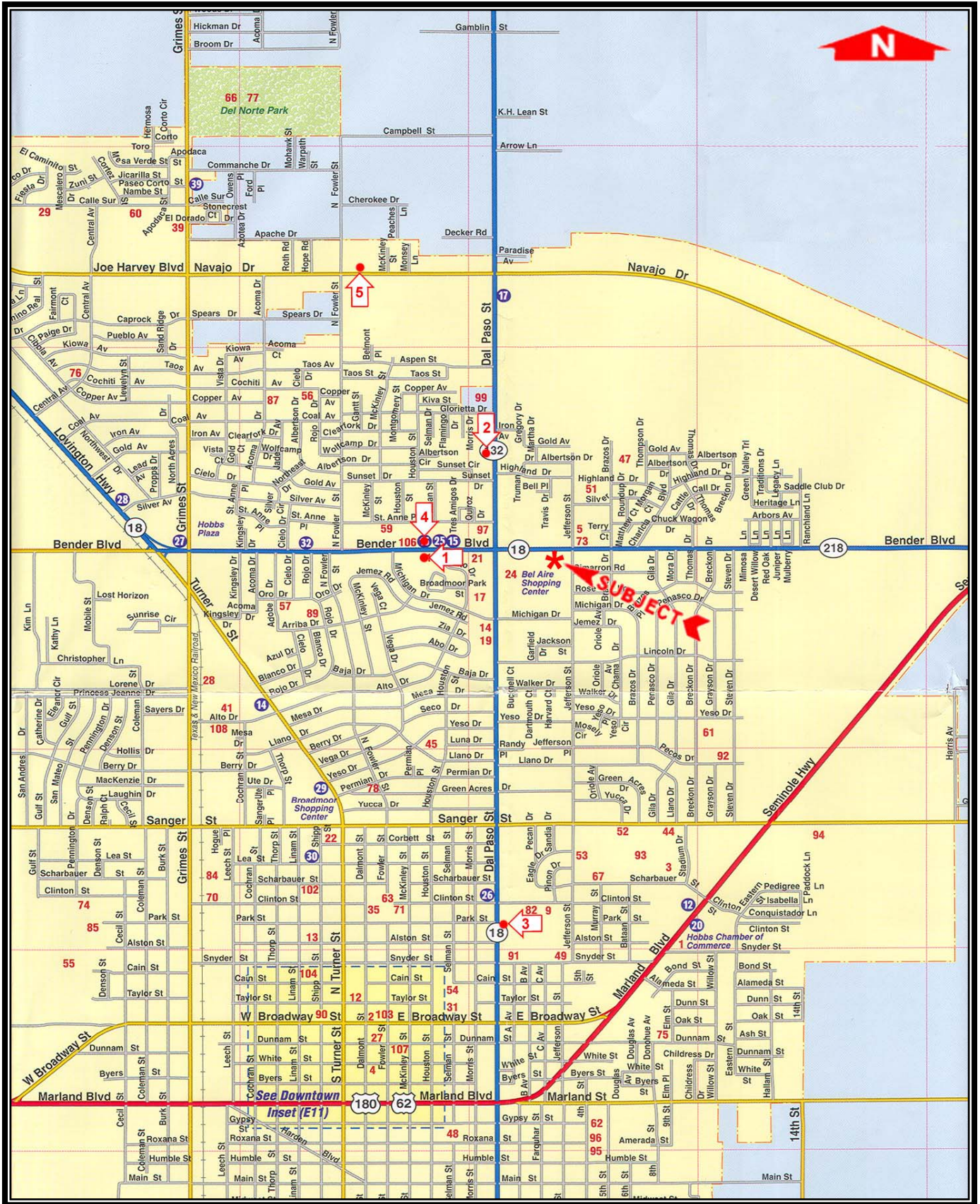
Tract Size: Irregular, 20,560± S.F.

Price/S.F.: \$6.42

Zoning: None

Comments: Highly irregularly shaped interior tract located 160 feet east of the northeast corner of the intersection of East Navajo Drive and North Fowler Street. Tract has 103 feet of street frontage on East Navajo Drive and it is 213.95 feet deep along its west property line. All utilities and services are available to the site, but will need to be extended onto the site. Site was purchased by the buyer of the adjoining property to the west to be used as additional parking lot area for the developed property to the west. Additional costs to clear the site, remove the septic system on the site, and move the graveled driveway further east of the site are expected to be approximately \$7,000. This additional cost is included as part of the purchase price of \$125,000. **Legal:** Tract 2 of the Summary Plat of Hines Property part of the SW¼SE¼ of Section 15, T18S, R38E. **Confirmed by:** Tres Hicks, 2-2-10.





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	3010 North Lovington Highway	5-12	\$225,000	3,232	\$2.78	13.89	.054
2	819 North Dal Paso Street	5-11	\$185,000	3,200	\$53.22	6.17	.122
3	424 North Dal Paso Street	2-11	\$75,000	1,424	\$40.31	6.25	.120
4	223 East Broadway Street	5-08	\$104,900	5,850	\$16.74	8.74	.086
5	419 West Cain Street	2-07	\$260,000	5,206	\$47.06	8.33	.090
Subject	1019 East Bender Boulevard			10,832		8.68	.094

M Improved Property Sales Analysis

Sale 1 is located approximately 2.0 miles northwest of the subject on the east side of the North Lovington Highway a short distance north of Central Avenue. The market area environment is somewhat superior to the subject (some areas with new service/retail development along the North Lovington Highway). A negative location adjustment is required. This sale is inferior in overall construction quality (some metal building structure). It is inferior in finish-out/appeal. It is inferior in condition. It is similar in effective age. It is significantly smaller than the subject improvement. Functional usability is inferior to the subject (large portion of Sale 1 is shop space). The site is larger than the subject site. Access is superior. Visibility is superior (higher traffic area). Parking availability is inferior (no paved parking area). **Overall, Sale 1 is somewhat inferior to the subject.**

Sale 2 is located approximately 1.2 miles southwest of the subject in the southwest

corner of the intersection of North Dal Paso Street and East Lea Street. The market area environment is somewhat inferior to the subject (mostly retail/service development). A positive location adjustment is required. This sale is similar in overall construction quality. It is inferior in finish-out/appeal (retail finish-out). It is much superior in overall appeal. It is significantly superior in condition. It has significantly less effective age. It is significantly smaller than the subject improvement. Functional usability is inferior (usable primarily as retail space). The site is significantly smaller than the subject site. Access is superior. Visibility is similar. Parking availability is superior (adequate parking area in good condition). **Overall, Sale 2 is significantly superior to the subject.**

Sale 3 is located approximately 1.4 miles southwest 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 somewhat inferior to the subject (mostly older retail/service development). A positive location adjustment is required. This sale is similar in overall construction quality. It is much superior in finish-out/appeal. It is significantly superior in condition. It has significantly less effective age. It is significantly smaller than the subject improvements. Functional usability is somewhat superior to the subject (this sale has an 880 square foot detached storage building and a rear covered parking area). The site is much smaller than the subject site. Access is somewhat inferior. Visibility is similar. Sale 3 has a fenced-in rear yard area, which is superior to the subject. Parking availability is somewhat superior (even though the front parking area is much inferior). **Overall, Sale 3 is significantly superior to the subject.**

Sale 4 is located approximately 1.8 miles southwest of the subject in the southwest corner of the intersection of East Broadway Street and South Fowler Street. The market area environment is slightly superior to the subject (mostly retail/office/service development on Broadway Street). A negative location adjustment is required. This sale is similar in

overall construction quality. It is similar in finish-out. It is superior in overall appeal. It is significantly superior in condition. It has much less effective age. It is much smaller than the subject improvement. Functional usability is somewhat 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 inferior. Visibility is significantly inferior (much lower traffic area). Parking availability is much inferior to the subject. **Overall, Sale 4 is somewhat superior to the subject. However, this is a below-market sale due to a very motivated seller.**

Sale 5 is located approximately 1.9 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 slightly superior to the subject (close proximity to office/commercial development, but residential development to the north and west). A negative location adjustment is required. This sale is superior in overall construction quality. It is superior in finish-out. It is significantly superior in overall appeal. It is much superior in condition. It has less effective age. It is much smaller than the subject improvement. Functional usability is superior (interior floorplan is much superior). The site is smaller than the subject site. Access is similar. Visibility is inferior (lower traffic area). Parking availability is significantly superior to the subject (all paved parking and a significant amount of covered parking). **Overall, Sale 5 is significantly superior to the subject.**

M 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	\$2.78	Somewhat Inferior
2	\$53.22	Significantly Superior
3	\$40.31	Significantly Superior
4	\$16.74	Somewhat Superior
5	\$47.06	Significantly Superior

Based upon my previous analyses, **Sale 1 (\$2.78/S.F.)** is somewhat inferior to the subject. **Sale 4 (\$16.74/S.F.)** is somewhat superior to the subject. Therefore, the subject's building-only value should be in-between the building-only values of Sale 1 and Sale 4, but much closer to the building-only value of Sale 1. It is my opinion that the **subject's building-only value is \$4.00 (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:

10,832 S.F. X \$4.00/S.F. =	\$ 43,328
<u>Add: Opinion of Land Value</u>	<u>\$172,000</u>
Total Fee Simple Market Value	\$215,328

Rounded to \$215,000

M GIM Method Conclusion

The Improved Property Sales indicate a range of GIM's of 6.17 to 13.89. This is an extremely wide range of GIM's. The average GIM of the five sales is 8.68. The average GIM excluding Sale 1 (the highest GIM) and excluding Sale 2 (the lowest GIM) is 7.77. These two average GIM's also indicate a wide range. Even though the subject property is reasonably well located, due to its numerous less than desirable physical features, it is not highly likely to continue to be used as even low-quality office space. The capital investment

required to bring the subject property up-to average condition could be quite high. Even in average condition, parking around the property and physical access to the improvement, for office use, is not ideal. As presented in the Highest and Best Use analysis of the subject property, in my opinion, it will more likely be used for storage. 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 but not at the bottom of the range of 8.5 (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:**

$$\mathbf{\$21,600 \text{ (Gross Annual Income)} \times 8.5 = \$185,760}$$

Rounded to \$185,000

Improved Property Sale data sheets and location map follow.

BUILDING SALE DATA

Sale #1

Name of Building: Bird Electric Building
Location: 3010 North Lovington Highway, Hobbs, NM
Sale Price: \$225,000
Sale Date: May 26, 2012
Grantor: David Bornstein, LLC
Grantee: Bird Electric Enterprises, Inc.
Recorded: Memorandum of Escrow Agreement & Contract for Deed Book1781, Pages 388-392, Lea County
Confirmed: George Stanley, Brian Bird, 10-9-12
Financing: REC - \$50,000 Downpayment, 7% Interest, 5-Year Term
Allocation of Sale Price:
 Land: \$216,000 @ \$4.50/S.F.
 Improvements: \$9,000
Physical Data:
 Land Size: 160' X 300' = 48,000 S.F.
 Gross Bldg. Area: 3,232 S.F. (Office – 832 S.F.; Shop – 2,400 S.F.)
 Construction: CMU Block, Pre-Engineered Metal Building
 Approximate Age: 52 Years; Effective 40-Plus Years
 Condition: Poor to Fair
Income Data:
 Gross Income Estimate: \$16,200 (est.)
 Net Income Estimate: \$12,150 (est.)
Valuation Guide:
 Land-Building Ratio: 14.9:1
 Overall Sale Price/S.F.: \$69.62
 Sale Price/S.F. Bldg. Only: \$2.78
 Gross Income Multiplier: 13.89 (est.)
 Overall Capitalization Rate: .054 (est.)



BUILDING SALE DATA

Sale #2

Name of Building: Boost Mobile
Location: 819 North Dal Paso Street, Hobbs, NM
Sale Price: \$185,000
Sale Date: May 11, 2011
Grantor: Michael L. and Sylvia Lopour
Grantee: David Shaheen
Recorded: Notice of Escrow Book 1729, Pages 198 – 199, Lea County
Confirmed: Greg Foster, 9-30-11
Financing: REC-Downpayment \$30,000; 8% Interest; 6 Year Term
Allocation of Sale Price:
 Land: \$14,700 @ \$1.00/S.F.
 Improvements: \$170,300
Physical Data:
 Land Size: 105' X 140" = 14,700 S.F.
 Gross Bldg. Area: 3,200 S.F. with 496 S.F. Storage
 Construction: CMU Block, Stucco
 Approximate Age: 25 Years, 15 Years Effective
 Condition: Good
Income Data:
 Gross Income Estimate: \$30,000
 Net Income Estimate: \$22,500 (est.)
Valuation Guide:
 Land-Building Ratio: 4.6:1
 Overall Sale Price/S.F.: \$57.81
 Sale Price/S.F. Bldg. Only: \$53.22
 Gross Income Multiplier: 6.17
 Overall Capitalization Rate: .122 (est.).



OFFICE SALE DATA**Sale #3**

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.)



BSD-Hobbs

BUILDING SALE DATA

Sale #4

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.)

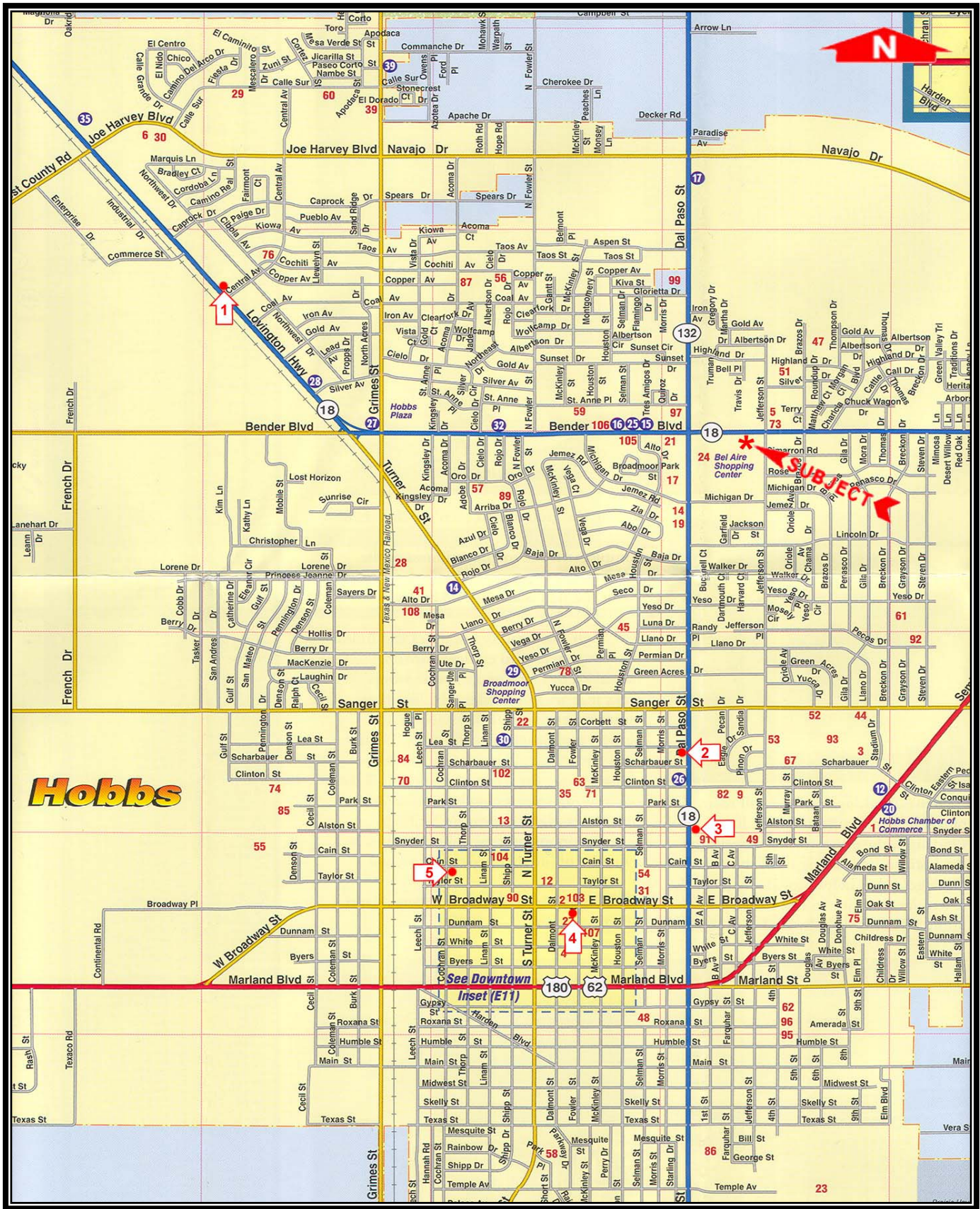


OFFICE SALE DATA

Sale #5

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.)





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).

M 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.

M 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.}

M 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. However, Rentals 1, 2, and 3 are functionally usable office/storage/shop improvements that are in average or better condition. This is significantly superior to the subject's current condition. The subject property is compared to the following Improved Property Rentals assuming it is used as storage space. The Improved Property Rental Summary Chart follows:

IMPROVED PROPERTY RENTAL SUMMARY CHART

	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	1019 East Bender Boulevard	10,832		Storage

M Improved Property Rental Analysis

Rental 1 is located approximately 2.1 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 similar in overall construction quality. It is much superior in finish-out/appeal. It is significantly superior in condition to the subject. It has much less effective age. Rental 1 is somewhat smaller than the subject improvement. Functional usability is significantly superior in use as average quality/condition office space. The site is significantly larger than the subject site. Access is similar. Visibility is much

inferior (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 inferior 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 open-space storage area). Appeal is similar. It is much superior in condition to the subject. It is reasonably similar in effective age. This rental is significantly smaller than the subject improvement. Functional usability is reasonably similar (storage area and dock-high loading area). The site is much larger than the subject site. Access is similar. Visibility is much inferior (low-traffic area). Parking availability is superior. **Overall, Rental 2 is much 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 inferior to the subject (commercial/light-industrial/manufacturing development). A 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 much superior in condition to the subject. It has much less effective age. This rental is much smaller 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 similar (high-traffic area). Parking availability is similar to the subject. **Overall, Rental 3 is much superior to the subject.**

Rental 4 is located approximately 1.8 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 reasonably similar to the subject (high-traffic retail area with Home Depot southwest across North Grimes Street). No location adjustment is required. This rental is inferior in overall construction quality (metal building). It is inferior in finish-out (open storage space). It is inferior in appeal. It is much superior in condition to the subject. It has less effective age. This rental in this building is much smaller than the subject improvement. Functional usability is somewhat 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 similar (high-traffic area). Parking availability is superior to the subject. **Overall, Rental 4 is somewhat inferior to the subject.**

Rental 5 is located approximately 2.7 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 significantly inferior to the subject (older lower quality/condition commercial/residential development). A positive location adjustment is required. This rental is similar in overall construction quality. It is inferior in finish-out/appeal (open storage space). It is somewhat superior in condition to the subject. It is similar in effective age. This rental is slightly larger than the subject improvement. Functional usability is reasonably similar to the subject (open dock-high unfinished storage area). The site is significantly larger than the subject site. Access is similar. Visibility is significantly inferior (low-traffic area). Parking availability is superior to the subject. **Overall, Rental 5 is significantly inferior to the subject.**

M **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	Much Superior
3	\$3.39	Much Superior
4	\$1.87	Somewhat Inferior
5	\$.37	Significantly Inferior

Based upon the previous analyses, the most similar rental is Rental 4. **Rental 3 (\$3.39/S.F.)** is much superior to the subject. **Rental 4 (\$1.87/S.F.)** is somewhat inferior to the subject. **Rental 5 (\$.37/S.F.)** is significantly inferior to the subject. Therefore, the subject's Market Rent should be in-between the rental rates of Rental 3 and Rental 4, but much closer to the rental rate of Rental 4. It is my opinion that the **subject's Rental Rate should be \$2.00 (rounded) per square foot.** My opinion of the subject's Gross Annual Income is calculated:

$$10,832 \text{ S.F.} \times \$2.00/\text{S.F.} = \$21,664$$

Rounded to \$21,600

\$21,600/Year; \$1,800/Month; \$1.99/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: March 27, 2013

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 triple-net 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. Considering tenant paid taxes, insurance, and some maintenance expense, a gross rent for this rental would be approximately **\$4.39 per square foot.**



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.

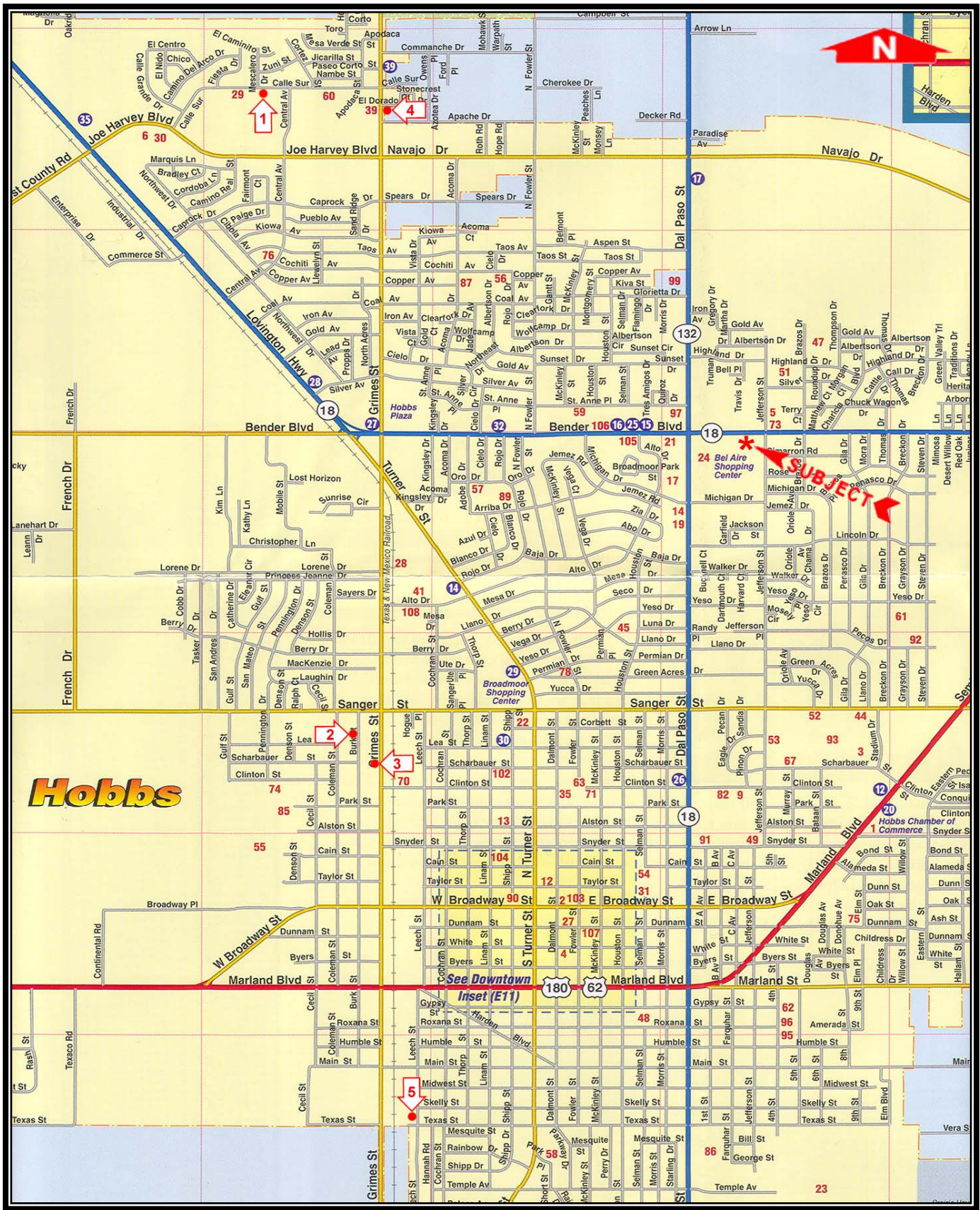
Present Vacancy Rate: N/A

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

M **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 property has several physical features that are not ideal, especially its inferior condition. 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%. Because the subject property will likely be used as storage space, depending on how the space is configured, the time involved in management of the property could be very limited or it could be more time consuming, an unknown factor at this point. Therefore, it is my opinion that a **5% management fee** is reasonable. The **annual property taxes of \$2,510 (rounded)** were provided by the Lea County Assessor's Office. The **annual hazard insurance premium cost of \$3,000 (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 \$2,500** is reasonable, based upon the current condition and age of the subject improvements, assuming the subject improvement will be used as storage space.

The subject's Net Annual Income is calculated:

Gross Annual Income		\$21,600
<u>Less:</u> Vacancy/Collection Loss (7%)		< <u>\$ 1,512</u> >
Effective Gross Income		\$20,088
<u>Less:</u> Management Fee (5%)		< <u>\$ 1,004</u> >
Gross Income to the Property		\$19,084
Expenses:		
	Taxes	<\$2,510 >
	Insurance	<\$3,000>
	Maintenance/Reserves	< <u>\$2,500</u> >
<u>Less:</u> Expenses		< <u>\$8,010</u> >
Net Income Estimate		<u>\$11,074</u>

M 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 much wider than typical range of .054 to .122. The average OAR of the five sales is .094. The average OAR excluding Sale 1 (the lowest OAR) and excluding Sale 2 (the highest OAR) is .099. 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 properties that are used for storage. Most of the development in this area is primarily retail/service development. The subject property is developed with an older office building that is in fair to below-average condition. In my opinion, there is higher risk involved in the subject property, even if it is converted to use as storage space, which indicates the OAR selected should be towards the upper end of the

range. But, because the subject will likely be used for storage (this is a lower risk use than use as a low-quality office) the OAR selected should not be at the very top of the range. **It is my opinion that an OAR of .095 (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 .095:**

$$\text{\$11,074 (Net Income)} \div .095 = \text{\$116,568}$$

Rounded to \\$116,500

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.....	\$172,000
Sales Comparison Approach	
Price Per Unit Method.....	\$215,000
GIM Method	\$185,000
Income Approach	\$116,500

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:**

\$172,000

The Sales Comparison Approach is developed based upon my analysis of five improved property Sales in Hobbs. Both a Price Per Unit and a GIM analysis were developed. These two methods provided an opinion of Fee Simple Market Value of \$215,000 and \$185,000, 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:**

\$185,000

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:**

\$116,500

In conclusion, the two approaches to value provide a significantly 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 closer to the value indication provided by the Sales Comparison Approach is the most likely value indication for the subject property. My reasoning that the value indication provided by the Sales Comparison Approach is more reliable is that the subject's land value is estimated to be \$172,000. Therefore, other than possible demolition/removal costs of the subject improvement, the subject's Market Value should be reasonably close to or more than its land value. **Therefore, it is my opinion that the Fee Simple Market Value of the subject property as of March 19, 2013 is:**

\$185,000

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. I have estimated the cost to repair the subject's roof and parapet to be approximately **\$10,000**. **Therefore**, it is my opinion that the final Fee Simple Market Value of the subject property as of March 19, 2013 is:

\$175,000

M **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 March 19, 2013, with a marketing time of twelve months, or more.

M **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 March 19, 2013, with an exposure time of twelve months, or more.

M **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.

M **Past Due Taxes**

None.

M **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.**

M **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,

Date: March 19, 2013

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

ADDENDA

Quitclaim Deed Book 1122, Pages 486-487.....Exhibit "A"

Hobbs Municipal Schools Purchase Order.....Exhibit "B"

16109

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

JAN 03 2002

at 10:40 o'clock A.M.

and recorder

Page

Melinda Hughes, County Clerk

By _____ Deputy



BOOK 1122 PAGE 487

QUITCLAIM DEED

PO DATE
05/03/2013

HOBBS MUNICIPAL SCHOOLS

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

PURCHASE ORDER NUMBER
9051300308

VENDOR KEY : KUNKEL 8000
 SHIP DATE : 05/03/2013
 FISCAL YEAR : 2012-2013
 ENTERED BY : SORIAKAR001

PRINTED 05/06/2013

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

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

ATTN: Karen Soria

QUANTITY	UNIT	DESCRIPTION OF ITEMS OR MATERIALS	UNIT PRICE	AMOUNT
1	EACH	CATALOG/ITEM NUMBER: Appraisal Appraisal Dalton Tabor Building	4500.00000	4,500.00
1	EACH	CATALOG/ITEM NUMBER: Tax Tax - Appraisal Dalton Tabor Building	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 fax to 575-623-0568				
			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

HOBBS MUNICIPAL SCHOOLS PURCHASE ORDER