BL&F INC.

Real Estate Appraisers & Consultants

SELF-CONTAINED REPORT OF A COMPLETE APPRAISAL

LOBO CENTER

1712-1730 LOMAS BOULEVARD NE
SEC OF LOMAS AND UNIVERSITY BOULEVARDS
ALBUQUERQUE, NEW MEXICO

Appraisal Project 26266

EFFECTIVE DATES

February 8, 2005 &
December 31, 2005

PREPARED FOR

Bank of Oklahoma, N.A.

201 Third Street NW

14th Floor

Albuquerque, New Mexico 87102

Attn: Sherry Read, Vice President

BL&F INC.

Real Estate Appraisers & Consultants

March 1, 2005

Bank of Oklahoma, N.A.
201 Third Street NW
14th Floor
Albuquerque, New Mexico 87102
Attn: Sherry Read, Vice President

Reference: Appraisal Report
Lobo Center
1712-1730 Lomas Boulevard NE
Southeast corner of Lomas and University Boulevards
Albuquerque, New Mexico

We have completed an appraisal of the above-referenced property and we are pleased to submit the accompanying report of our findings and conclusions. The objective of the appraisal was to estimate the market value of the leasehold interest in the property, subject to the assumptions and limiting conditions stated in the report. Our analysis indicates the following value of the property.

Market Value of the Leasehold Interest As Is: (Effective February 8, 2005)	Zero Dollars
Prospective Market Value Upon Completion of Construction: (Projected at December 31, 2005)	$11,400,000

The estimated marketing period is twelve months or less. The main body of our report provides you with our method of study as well as the limitations placed on the work product by the undersigned. Please read these limitations carefully so you may understand our conclusions clearly. In preparing this study, our conduct has been governed by the Code of Ethics of the various professional organizations of which we are members. As defined by the Uniform Standards of Profession Appraisal Practice, this work product is a Self-Contained Report of a Complete Appraisal.

This opportunity to provide appraisal services to your organization is appreciated, and questions from authorized users of the report will be welcomed if any aspect of the research or analysis requires clarification.

BROOKS, LOMAX & FLETCHER, INC.

Elizabeth Pearsall

Elizabeth S. Pearsall, MAI, CCIM

BROOKS, LOMAX & FLETCHER, INC.

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Executive Summary

Project:	Lobo Center
Type of Property:	Two existing single-story office buildings and a proposed three-story office building
Location:	1712-1730 Lomas Boulevard NE Southeast corner of Lomas and University Boulevards Albuquerque, New Mexico
Client:	Bank of Oklahoma, N.A. 201 Third Street NW 14th floor Albuquerque, New Mexico 87102 Attn: Sherry Read, Vice President
Land Owner:	University of New Mexico
Land Lessee:	Sandia Foundation
Project Summary	
Land Area:	2.239 acres; 97,519 square feet
Zoning:	C-2, Commercial with a portion R-3, Residential at the rear
Building Areas:	9,346 Suite A (existing) 7,516 Suite E (existing) 16,862 Total existing 69,432 Proposed 86,294 Total
Floor Area Ratio:	0.885
Construction Type:	Steel frame with exterior walls of colored stucco over sheathing; flat built-up roof. Overall good quality construction, standard interior finishes.
Parking Assumption:	There are only 88 onsite parking spaces, which is insufficient for most occupants. However, UNM owns a 7-acre parking lot directly to the west, available on a permit basis to students, faculty and staff. It is an assumption of the appraisal that the buildings' parking needs are adequately met by the onsite and offsite spaces.
Year Built:	Original buildings were built in approximately 1960 and extensively renovated in 2003. The new building has an expected completion date of December 31, 2005.
Tenant Information:	University of New Mexico leases the entire property under a 5-year lease with a 5-year renewal option and a purchase option.
Highest and Best Use	
Land as Though Vacant:	Office, clinic or similar facility associated with UNM
As Improved:	University offices
Property Rights Appraised:	Leasehold estate
Value Indications	
Cost Approach	$11,340,000 improved as proposed
Income Capitalization Approach	$11,400,000 improved as proposed
Sales Comparison Approach	$11,100,000 improved as proposed

Executive Summary (continued)

Final Value Estimates	
As Is (Leasehold Value):	Zero
Completed as Proposed:	$11,400,000
Effective Dates of Appraisal:	February 8, 2005 as is December 31, 2005 at completion of construction
Marketing Period:	12 months or less

Introduction

Overview of the Subject Property

The subject property is the proposed Lobo Center office buildings, located in the 1700 block of Lomas Boulevard NE, Albuquerque, New Mexico, at the southeast corner of Lomas and University Boulevards. The entire property includes two existing single-story buildings that were renovated in 2003 and a proposed three-story building. The existing buildings include a combined area of 16,862 square feet, and the proposed building has 69,432 square feet, according to the most recent architectural plans. Total building area as proposed is 86,294 square feet.

The site includes 2.24 acres and is owned by the University of New Mexico (UNM). Effective January 1, 2005, the University entered into a long-term ground lease with Sandia Foundation as lessee as well as a five-year building lease with Sandia Foundation as lessor. Under the terms of the leases, Sandia Foundation will construct the three-story building, and all three buildings will be leased back to UNM for its occupancy. The building lease also grants UNM the option to purchase the premises at any time during the lease term.

This appraisal estimates market value of Sandia Foundation's leasehold interest in the property. It addresses both current value of the leasehold interest and prospective value upon completion of the new building.

The subject will have 88 onsite parking spaces, or 1.02 spaces per 1,000 square feet of rentable building area. Conventional office space requires approximately 4.5 spaces per 1,000 square feet, or a total of 388 spaces for the subject buildings. UNM owns a ±7-acre paved lot directly across the street which allows parking by permit for students, faculty and staff. It is an assumption of the appraisal that the subject's parking needs are adequately met by the onsite spaces plus this nearby lot.

Legal Identification

The subject site is legally described as Tracts "F" and "F-1," Lands of Southwestern Construction Company, Block 1, Valmonte Acres, Albuquerque, New Mexico, filed in the office of the County Clerk, Bernalillo County, New Mexico on June 9, 1960 in Volume C5, folio 12; less and excepting therefrom that portion conveyed to the City of Albuquerque by Warranty Deed recorded July 19, 1971 in Book D 898, page 625 as Document Number 35742, records of Bernalillo County, New Mexico.

The portion conveyed to the city is along University Boulevard on the west side of the site and is described by a metes and bounds description. A copy of the original plat and the metes and bounds description are in the *Appendix*.

History of the Property

The subject has been owned by the University of New Mexico for many years. It was developed in the 1960s as a multi-tenant strip center known as Lobo Center. Occupants included UNM Press and an office supply store. UNM Press has relocated off-campus, and in 2003 the University renovated the two end suites for office use. As discussed above, UNM has leased the entire site to Sandia Foundation. The lease requires Sandia to remove the three middle suites (which was completed as of the inspection date) and construct a new three-story building between the two existing buildings.

All three buildings are leased back to UNM. The east building is occupied by the Human Resources Department, and the west building is occupied by the Department of Speech and Hearing. The new building will be occupied by various administrative offices for the University. Completion is expected by the end of December 2005.

Purpose and Intended Use of the Appraisal

The purpose of this appraisal is to estimate the market value of the leasehold interest in the property, subject to completion of the improvements as proposed. Two value estimates are included:

1) Market value of the leasehold interest in the property "as is"

2) Prospective value of the leasehold interest in the property assuming completion of construction

The property is 100% preleased, so the estimated value at completion is the same as estimated value at stabilized occupancy. The appraisal is intended to be used by the Bank of Oklahoma for mortgage loan purposes.

Market Value Defined

Market value means 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 both acting in what they consider their own best interest;

(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.

Source: Department of the Treasury, Office of the Comptroller of the Currency, 12 CFR Part 34 [Docket No 90-16], Real Estate Appraisals, published in the Federal Register, Vol. 55 No. 165, August 24, 1990: Final Rule.

Property Rights Defined

The property rights appraised are identified as the leasehold interest in the subject property. Leasehold interest is defined as the interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Source: Dictionary of Real Estate Appraisal, Fourth Edition, Appraisal Institute, Chicago, 2002

Effective Date of Appraisal

The effective date of the appraisal "as is" is February 8, 2005, the date of my most recent property inspection. The prospective date of value, assuming completion of the improvements as proposed, is December 31, 2005, which is the developer's estimated time of completion.

Scope of the Assignment

The assignment is to estimate market value of the identified real property and prepare a self-contained report of my findings and conclusions. The scope of work is intended to mirror the thought process of a potential purchaser. It encompassed an inspection of the subject site, existing buildings and neighborhood; analysis of the subject architectural plans; construction cost analysis; research of land and building sales; research of rental rates for similar properties; research regarding capitalization rates; analysis of office market trends including supply and demand; and application of the three standard valuation methods: Cost Approach, Sales Comparison Approach and Income Capitalization Approach.

Sources of data used in this report include:

- Interviews with knowledgeable brokers and developers.
- A thorough search of in-house data held by Brooks, Lomax, and Fletcher, Inc.
- A search of the Bernalillo County Clerk's records for recent property sales.
- Demographic studies produced by the University of New Mexico and the City of Albuquerque
- Occupancy and rental studies produced by CB Richard Ellis and Grubb and Ellis.

There is adequate market data to support a reliable indication of value for the subject property. Elizabeth Pearsall, or associates with this firm, have personally verified the comparable sales and rental data relied upon in the Valuation Section. Elizabeth Pearsall has personally inspected the subject property and the comparables.

Special Assumptions

1. The estimated prospective value assumes completion of the proposed improvements in accordance with the plans provided, with new materials and good workmanship.
2. The subject could have inadequate onsite parking to serve the buildings in the event of an occupancy change. It is assumed the subject leasehold owner would enter into a long-term agreement to secure adequate parking spaces on the land directly west of the building.

General Underlying Assumptions

1. The legal description used in this report is assumed to be correct.
2. No survey of the property has been made by the appraiser; no responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.
3. No responsibility is assumed for matters of a legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and merchantable.
4. Information furnished by others is assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser.
5. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report. The property is appraised as though under responsible ownership and competent management.
6. It is assumed that there are no hidden or unapparent conditions of the property, such as subsoil structures or asbestos containing building materials which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover such factors.
7. The appraiser has noted in the appraisal report any adverse conditions (such as needed repairs, depreciation, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the normal research involved in performing the appraisal. Unless otherwise stated in the appraisal report, the appraiser has no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions (including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property.

8. It is assumed that all applicable federal, state and local environmental regulations and laws have been complied with unless otherwise stated, defined and considered in the appraisal report.
9. 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 the appraisal report.
10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

General Limiting Conditions

1. The appraiser will not be required to give testimony or appear in court because of having made this appraisal, or with reference to the property in question, unless arrangements have been previously made.
2. Possession of this 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 the written consent of the appraiser and in any event only with proper written qualification and only in its entirety.
3. The distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and becomes invalid if so used.
4. Neither all nor any part of the contents of this report, or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales or another media without written consent and approval of the appraiser, nor shall the appraiser, firm or professional organization of which the appraiser is a member be identified in public media without written consent of the appraiser.

Description and Analysis

Albuquerque Profile

This section of the report summarizes the city's economic base, its demographic and land-use trends, and the current development climate for real estate. The appraised property is located at the southeast corner of Lomas Boulevard and University Boulevard, which is east of the Downtown Central Business District and within the area of the University of New Mexico campus.

Geographic Area

The Albuquerque metropolitan area is located near the geographic center of New Mexico, situated on a high plateau along the Rio Grande just west of the Sandia and Manzano Mountains. The city covers 188 square miles and serves as the state's commercial, industrial, and transportation center. According to the U.S. Census Bureau, the state's 2000 population was 1,819,046, and the Albuquerque metropolitan area population was 712,738. Since 1992 the Albuquerque Metropolitan Statistical Area has included Bernalillo County, the city of Albuquerque, the city of Rio Rancho as well as Sandoval and Valencia Counties. Santa Fe, the state capital, is 65 miles to the north. The state capital, with a 2000 metropolitan-area population of 147,635, is a much smaller city than is Albuquerque.

Albuquerque is relatively isolated, with no significant sub-regional commerce centers between itself and Phoenix, 450 miles to the west; Denver, 420 miles to the north; Dallas, 650 miles to the east; and El Paso, 300 miles to the south. Albuquerque is well served by interstate highways and major airlines, but its geographic isolation and relative lack of manufacturing industries limit its development as a regional hub.

Historic Development Pattern

The Albuquerque metropolitan area is geographically divided into three distinct areas: the East Mesa, the Valley, and the West Mesa. Initial European settlement occurred in the valley area, where Spanish colonists settled the flood plain of the Rio Grande in the vicinity of "Old Town" in the 1600s. This agrarian society spread north and south along the river in a pattern of farms and small villages. Due to this settlement pattern, the most traditional segments of regional development are found in the valley areas.

Downtown Albuquerque originated in the late 1800s, when the railroad placed its tracks about one and one-half miles east of the Old Town Plaza. The Railroad Subdivision was platted near the tracks, and businesses developed in response to the convenience of moving goods and people by rail. For approximately 70 years, from the arrival of the railroad to the development of the first suburban shopping mall in 1961, Downtown Albuquerque was the center of government and commerce for the growing area. In subsequent years, Downtown workers and residents followed the national trend of out-migration to the suburbs (1960s and 1970s).

The decline of the Central Business District in the 1970s prompted government support of Downtown redevelopment through tax incentives and municipal bond financing of private projects. By the late 1980s and early 1990s, the Central Business District was the location of some of the heaviest public and private capital investment in the metropolitan area.

Residential and institutional growth took place largely on the East Mesa during the period 1930 to 1960. The direction of growth extended east from Downtown along old US Route 66, which was the east-west intra-city and interstate roadway until the freeways were developed in the 1960s. The establishment of the University of New Mexico, the state fair grounds, Albuquerque International Airport, Kirtland Air Force Base, Sandia National Laboratories (scientific and weapons research), and four regional hospitals on the East Side propelled this growth and created the economic base of modern Albuquerque as well. This early growth area is generally identified as the Southeast Heights and University area, and contains several high-demand residential neighborhoods.

Beginning in the early 1960s, development continued on the East Mesa, but shifted north of I-40 and east of I-25 to what is now known as the Northeast Heights. The boom in population growth and housing over the last quarter century made the "Heights" the largest and most prosperous regional development area. This area was laid out on a grid system with primary arterials placed along the section lines in accordance with the government-survey system. Until more recent planning and development, strip commercial and multifamily land uses were placed along the major arterials, forming a buffer for the single-family residential neighborhoods within the square-mile sections. More recently, curved streets and clustered non-residential uses have become more typical of development. The easternmost area of the Northeast Heights has a preferred location at the base of the Sandia Mountains and should remain in high demand for residential buyers for the foreseeable future. The foothill area contains much of the region's most expensive housing.

The city's second major urban center, called "Uptown," was created near I-40 and Louisiana Boulevard at the approximate center of East Side development. Initiated in the 1960s when two regional shopping centers were developed within a quarter mile of each other, Uptown was Albuquerque's fastest-growing commercial and financial center during the 1970s and 1980s.

As the finite supply of land on the East Mesa fills, there is an increasing shift in development emphasis to the West Mesa. The West Mesa has traditionally competed primarily on the basis of less-expensive land. Historically, a major limitation to demand on the West Side was commuting time to employment centers east of the river. However, completion of a six-lane bridge (Paseo del Norte) in late 1987 did much to alleviate this problem. An additional, two-lane bridge was built south of Paseo del Norte at Montaño Road. Interstate 40, recently improved, Central, Bridge and Rio Bravo provide crossings for more central and southerly portions of the West Side.

Population Trends

The 2000 population of the Albuquerque metropolitan area is estimated at 712,738, according to the U.S. Census. In 1990 population in the study area was 589,131, representing an average annual compound rate of growth between 1990 and 2000 of 1.92%. By comparison, U.S. population grew at a 1.24% annual rate between 1990 and 2000. In 1980 the same geographic area's population was an estimated 485,430, indicating an average annual growth rate of 1.95% during the decade of the 1980s. By contrast, the area's population grew at an average annual rate of 3.2% during the 1970s.

Population growth over the 50-year period from 1950 to 2000 in the city of Albuquerque and Bernalillo County is shown in the following chart.

US Bureau of the Census Population Figures: 1950 – 2000

	City of Albuquerque		Bernalillo County	
Year	*Total Persons*	*Growth Rate**	*Total Persons*	*Growth Rate**
1950	96,815	---	145,637	---
1960	201,189	7.59%	262,199	6.05%
1970	244,501	1.97%	315,774	1.88%
1980	332,336	3.12%	420,262	2.90%
1990	386,988	1.53%	480,577	1.35%
2000	448,607	1.49%	556,678	1.48%

*Annual compound rate of growth

Note: Bernalillo County data encompasses the same land area from year to year. The City of Albuquerque's land area has undergone changes due to annexation.

Source: US Bureau of the Census

Brooks, Lomax & Fletcher Inc.

Population growth is attributable to a high quality of life, a favorable business environment, and a strong and productive labor force. In recent years, national publications have rated Albuquerque as one of the top places to live in the United States. *U.S News and World Report* rated Albuquerque second among "The

Great Places to Live" and *Money* magazine ranked the city tenth in its "Top Ten List of Most Livable Cities in the U.S." These forces will continue to attract residents and bolster population in the years to come.

The City of Albuquerque Planning Department projects annual population growth of 1.09% over the 10-year period 2000 to 2010. Population estimates for the city and county are shown on the following chart.

City and County Projected Population

Year	*Projected City of Albuquerque Population Total*	*Growth Rate*	*Projected Bernalillo County Population Total*	*Growth Rate*
2000	446,871	-	558,589	-
2005	475,454	1.25%	594,317	1.25%
2010	497,552	0.91%	621,940	0.91%

Source: City of Albuquerque Planning Department
Brooks, Lomax & Fletcher Inc.

The projected growth rates shown above are significantly below the 3.1% annual rate for the 1970s, and even below the 1.5% annual rate for the 1980s. The compound annual growth rate for the 1990s, based on these projections, would be approximately 1.5%, very close to the actual count according to the census. Population growth is expected to decline further, to just 1.25% in the first five years of the decade, because of continued long-term decline in fertility and a study-area economy that is not anticipated to enjoy the boom-like conditions of the 1993-1995 period. Study-area population growth is still anticipated to remain above expected national growth trends.

Employment

Albuquerque's economic base is nearly three-fourths trade, services, and government. Federal spending is a significant factor in the local economy, given the influence of Kirtland Air Force Base and Sandia National Laboratories, a major federal contractor in research and development of energy, weapons, and space exploration.

In recent years the average annual job growth has fluctuated from -1.36% to over 4% in the metropolitan area. The New Mexico Department of Labor reports that in 2003 the area added 3,100 jobs for a gain of 0.9%. As of November 2004 (the most recent information available), approximately 8,000 new jobs had been generated since November 2003—an increase of 2.2%. Increases were mainly in construction, health services, government, leisure and hospitality. Primary areas that experienced decline were manufacturing, especially semiconductors and electronics products, and information/ telecommunications. Recently, the area has been attracting interest from small aircraft companies, which could result in significant new manufacturing jobs. Also, a new Tempur-Pedic mattress factory is expected to employ 300 workers when completed.

The New Mexico Department of Labor estimates unemployment in the Albuquerque MSA at 4.6% in November 2004, which is down significantly from the November 2003 estimate of 5.7%.

The following table shows growth in the number of persons employed in the Albuquerque metro area (MSA), the state of New Mexico, and the United States since 1997. The Albuquerque MSA includes Bernalillo, Sandoval and Valencia Counties.

Historical Employment Information (Civilian Labor Force)

	Metro Area			New Mexico			United States		
	Number Employed (000's)	Percent Change	Unemployment Rate	Number Employed (000's)	Percent Change	Unemployment Rate	Number Employed (000's)	Percent Change	Unemployment Rate
1993	302.6	2.16%	6.5%	697 8	1.31%	7.7%	120,259	1.49%	6.9%
1994	319.8	5.68%	4.4%	729.3	4.51%	6.3%	123,060	2.33%	6.1%
1995	328.9	2.85%	4.1%	741.4	1.66%	6.3%	124,900	1.50%	5.6%
1996*	326.7	-0.67%	5.4%	733.6	-1.05%	8.1%	126,708	1.45%	5.4%
1997	339.4	3.88%	4.3%	763.3	4.04%	6.2%	129,558	2.25%	4.9%
1998	344.7	1.57%	4.5%	779.7	2.15%	6.2%	129,558	0.00%	4.5%
1999	339.4	-1.54%	3.9%	764.2	-1.99%	5.6%	131,463	1.47%	4.2%
2000	364.1	7.27%	3.3%	811.8	6.23%	5.0%	136,891	4.13%	4.0%
2001	365.8	0.48%	3.3%	818.5	0.83%	5.4%	136,933	0.03%	4.7%
2002	365.7	-0.04%	4.7%	829.8	1.38%	5.4%	136,485	-0.33%	5.8%
2003	368.9	0.88%	5.5%	839.7	1.19%	6.4%	137,736	0.92%	6.0%
2004 **	385.0	4.37%	4.6%	864.7	2.98%	5.1%	133,162	-3.32%	5.4%

*1996 statistics for the MSA and NM State are deemed unreliable by the NM Dept. of Labor.

**2004 figures are preliminary for November. Other years are annual averages.

Source: New Mexico Department of Labor and BBER
Brooks, Lomax & Fletcher Inc.

Total non-agricultural employment by category is summarized below for the Albuquerque MSA. As shown, construction and manufacturing have had job losses, and areas of growth are in retail trade, services and government. Starting in 2002, the reported categories were changed to be consistent with NAICS codes, which replaced the former SIC codes. Eating and drinking establishments were formerly classified under retail trade and are now in the general category of leisure and hospitality.

Employment According to Categories: Albuquerque MSA (Nonagricultural)

	Ann. Avg. 1990	Ann. Avg. 2000	%Δ 1990-00	Revised Nov. 03	**Prelim. Nov. 04	%Δ 2003-04
Total Non-Agricultural Wage & Salary	246,100	354,583	44.1%	364,200	372,200	2.2%
Construction & Mining	13,000	23,392	79.9%	24,600	26,000	5.7%
Manufacturing	21,200	27,875	31.5%	23,000	22,700	-1.3%
Durable Goods	15,000	21,167	41.1%	n/a	n/a	
Nondurable Goods	6,200	6,708	8.2%	n/a	n/a	
Transportation & Public Utilities	12,700	19,867	56.4%	10,500	10,500	0.0%
Wholesale & Retail Trade	61,100	82,842	35.6%	55,800	57,100	2.3%
Wholesale Trade	14,400	16,850	17.0%	12,900	12,800	-0.8%
Retail Trade	47,800	65,992	38.1%	42,900	44,300	3.3%
Eating & Drinking Places	18,700	25,958	38.8%	n/a	n/a	
Finance, Insurance & Real Estate	13,900	18,792	35.2%	19,000	19,000	0.0%
Services	74,700	114,292	53.0%	158,200	162,000	2.4%
Hotels & Lodging Places	3,700	4,575	23.6%	n/a	n/a	
Health Services	16,600	25,292	52.4%	38,600	40,400	
Government	49,500	67,525	36.4%	73,100	74,900	2.5%
Federal	13,900	13,983	0.6%	13,700	13,800	0.7%
State	13,400	22,108	65.0%	24,400	25,100	2.9%
Local	22,200	31,433	41.6%	35,000	36,000	2.9%

*Albuquerque MSA as of 1992 includes Bernalillo, Valencia & Sandoval Counties.
** New Mexico Labor Market Report, December 31, 2004
Source: New Mexico Department of Labor

Brooks, Lomax & Fletcher Inc.

(Note: The number of employed persons is based on an employed person by place-of-residence concept whereas the nonagricultural wage and salary series in the preceding table is based on a job by place of work concept.)

In March 2003, the New Mexico Department of Labor and UNM BBER updated labor force projections for the state and each MSA. Total labor force projections are summarized below for Albuquerque and the entire state. As shown, the projected growth is close to 2% per year.

Labor Force Projections 2001-2010

	Albuquerque MSA	% Increase	State of NM	% Increase
2001	370,845	--	837,766	--
2002	382,493	3.14%	857,900	2.40%
2003	389,206	1.76%	872,229	1.67%
2004	396,885	1.97%	890,191	2.06%
2005	404,685	1.97%	908,167	2.02%
2006	412,610	1.96%	926,157	1.98%
2007	420,658	1.95%	944,160	1.94%
2008	428,442	1.85%	961,506	1.84%
2009	436,121	1.79%	978,486	1.77%
2010	443,673	1.73%	995,047	1.69%

Source: New Mexico Department of Labor

Brooks, Lomax & Fletcher Inc.

Real Estate Markets

The following table summarizes vacancy by market sector from year-end 1986 to fourth quarter 2004. The trend of rising vacancies in non-residential real estate during the previous market cycle peaked in 1990 for the retail and office market segments, and in 1988 for industrial. Retail vacancy has stayed in the range of 10% since 2001. Office vacancy jumped to 17.3% in fourth quarter 2003, and leasing activity is relatively slow. However, office vacancy is still below the level of 1986 through 1992, when this segment had been considerably overbuilt. Fourth quarter apartment-market vacancy was at 5.8%, which is a significant decline from 10% at the end of 2003.

Real Estate Market Sector Vacancy: Year-End 1986 – 2004

Year	*Retail Market*	*Office Market*	*Industrial Market*	*Apartment Market*
1986	7.8%	20.9%	8.3%	13.2%
1987	10.4%	19.5%	8.4%	12.4%
1988	11.1%	19.3%	8.4%	11.0%
1989	14.1%	21.1%	8.0%	7.5%
1990	15.5%	22.4%	6.7%	7.2%
1991	15.1%	19.9%	5.5%	3.8%
1992	12.1%	17.6%	4.6%	3.3%
1993	10.1%	13.5%	5.2%	3.0%
1994	6.3%	10.9%	4.3%	3.1%
1995	5.4%	11.4%	4.0%	7.5%
1996	7.5%	10.7%	4.3%	8.5%
1997	8.1%	11.8%	3.8%	9.9%
1998	6.1%	13.3%	3.3%	11.6%
1999	6.4%	14.0%	3.1%	9.8%
2000	6.7%	12.7%	4.3%	7.5%
2001	10.5%	13.3%	3.2%	7.0%
2002	10.4%	14.2%	6.1%	10.0%
2003	10.3%	17.3%	8.1%	10.0%
2004	9.1%	15.3%	7.2%	5.8%

Sources: CB Richard Ellis: Retail, Office and Industrial
Apartment Association of New Mexico

Brooks, Lomax & Fletcher Inc.

The single-family housing market is experiencing an unprecedented, sustained building cycle that began in 1991. Single-family building permits in the metro area numbered,6,879 in 2003, which is a record high and 15% higher than in 2002. Over 70% of the new home construction was on the Northwest Mesa, Southwest Mesa and Rio Rancho. Year-to-date permits through third quarter 2004 numbered 5,779, which is 7.2% higher than at the same time in 2003.

From 1988 through 1993, construction of new apartment units was relatively nominal, with only 1,718 total units permitted in six years. The major upturn in the market occurred in 1994 when multifamily permits reached 1,823. In 1995 and 1996, most of the apartment construction was upper-end projects, and construction activity was split almost evenly between the Far Northeast Heights and the West Side. In 1997 and 1998 the majority of new multifamily construction occurred on the West Side.

The last three commercial building cycles have been less predictable than other market segments with trough-to-trough durations ranging from five to ten years. The most recent commercial building cycle began in 1992 and was primarily fueled by the expansion of national discount retailers into the Albuquerque marketplace. In 1995, significant levels of construction were triggered on the West Side with the groundbreaking of the 1.3-million-square-foot Cottonwood Mall and associated satellite development. Build-to-suit construction was prevalent in the office and industrial sectors. The value of commercial permits has declined since a peak in 2000, although in 2003 the number of commercial permits and total value increased over 2002.

Summary

Albuquerque is continuing to experience economic growth, though growth is apparently slowing. Among the distinguishing characteristics of the city's economy are: 1) its role as a statewide center for trade, transportation, and services; 2) an increasing local diversification in manufacturing and distribution; 3) a moderate in-migration of regional and national business interests; 4) a significant economic component from federal government employment and contracting; and 5) a high quality of life.

With the limited supply of remaining developable land in the historically popular northeast quadrant, the primary growth area of the city has shifted to the West Mesa in the northwest quadrant of the city. This trend is expected to continue in the future. The northeast quadrant, however, should remain the preferred residential and commercial area of the city for the next several years due to the quality of existing infrastructure and improvements, as well as its proximity to employment centers and recreational amenities.

Albuquerque has achieved a national level of recognition as a city with a high quality of life, productive labor force, and favorable business environment. The area has a dry, mild, high-altitude climate with noticeable weather variations in all four seasons. Economic expansion is expected to continue, although at a more moderate rate than in recent years.

Neighborhood Description

The subject neighborhood is an established area situated east of the Downtown Central Business District, adjacent to the main campus of the University of New Mexico (UNM). Approximate boundaries are the railroad tracks on the west, Girard Boulevard on the east, Indian School Road on the north and Central Avenue on the south. The appraised property is centrally located within the neighborhood, at the southeast corner of University Boulevard and Lomas Boulevard. Land uses in the area are a mix of commercial uses—including offices, service buildings and automobile dealerships; institutional—including hospitals, churches and university facilities; and residential—including mature single-family areas as well as elderly care facilities.

Both Lomas and University Boulevards access UNM's main campus, which is located east of University Boulevard on the south and north sides of Lomas Boulevard. The campus contains about 400 acres and current enrollment is over 25,000. Lomas between UNM and I-25 on the west was formerly the site of four large automobile dealerships—Bob Turner Ford, Galles Chevrolet, Melloy Dodge and Saturn of Albuquerque. UNM has proposed that as the auto dealers' leases expire, the area along Lomas Boulevard be transformed to predominantly offices and clinics as well as small retail businesses aimed at students and residents in the area. Bob Turner Ford has already relocated, and UNM has converted most of this site to a parking lot.

The larger neighborhood is heavily influenced by the presence of major medical facilities, and it contains the city's largest concentration of medical offices. University Hospital, the medical school and other related university medical facilities are east of the subject on the north side of Lomas Boulevard. Albuquerque Regional Medical Center (former St. Joseph Hospital) is southwest of the subject at I-25 and Dr. Martin Luther King Jr. Avenue, and Presbyterian Hospital. with approximately 500 beds, is one-half mile south of the subject on Central Avenue east of I-25. Memorial Hospital, a psychiatric facility, is located on Central just west of I-25.

East of I-25, the area between Lomas and Central has a long history of use by medical offices and laboratories. Some of the larger properties are Medical Arts Square, Encino Medical Plaza, Sandia Medical Park and Granada Medical Plaza. Additional medical offices are just west of I-25 fronting on Woodward Place south of Lomas Boulevard.

Just west of I-25 on the north side of Lomas, a 25-acre tract is under development as Gateway Business Park. Improvements within the park include a 95,000-square-foot medical testing laboratory for TriCore Reference Labs that opened in late 2004. Also, a nine-story, 261-room Embassy Suites Hotel is near completion at the Lomas frontage, and a cardiology clinic for New Heart, Inc. is under construction.

Transportation

Lomas Boulevard is a major cross-town arterial spanning the entire city east of the Rio Grande. It is a six-lane roadway at the subject frontage with a raised center median. Lomas is a major arterial into Downtown and Old Town (tourist destination) to the west, and it fronts UNM and several miles of commercial uses to the east. Lomas Boulevard accesses I-25 one-half mile west of the subject.

University Boulevard is the primary north-south arterial through the neighborhood, except for I-25, and it intersects I-40 about one mile north of the subject. South of Lomas, University Boulevard provides direct access to the internal streets of the UNM campus and frontage uses are mostly UNM buildings. North of Lomas, University supports a variety of uses including office buildings, a small strip retail center, hospital and medical support facilities, television stations, a mortuary, student parking and child-care facilities owned and operated by the university, the UNM Continuing Education Center and two gasoline stations. Many of these improvements are either occupied by UNM related extensions or by businesses serving the students and employees of UNM. The influence of UNM on University Boulevard land uses effectively ends at I-40.

The following chart summarizes traffic counts on the major roads in the neighborhood. As shown, the numbers indicate heavy traffic in the subject area. Volume during 2001 and 2002 was unusually high due to reconstruction of the Big I interchange, which led to increased traffic on the surface roads.

Average Daily Traffic Counts Near the Subject Property

	2003	*2002*	*2001*	*2000*
Lomas east of University	35,500	37,800	37,900	33,900
Lomas w. of Univ, e. of I-25	31,200	37,100	37,100	34,400
University north of Lomas	23,800	22,000	23,200	23,100
University south of Lomas	21,200	25,300	25,300	25,000

Source: Mid-Regional Council of Governments (formerly Middle Rio Grande Council of Governments)
Brooks, Lomax & Fletcher, Inc.

In summary, the subject neighborhood is an established area, convenient to both the University of New Mexico, the major hospitals and Downtown Albuquerque. Prominent land uses include a variety of commercial and institutional uses, with a concentration of university facilities in the subject's area. Many of the facilities are 40 years old or more, although there is ample evidence of renovation and restoration. The outlook for the neighborhood is favorable given the influence of the university and Downtown.

Site Description

Area and Shape

The site is located on the south side of Lomas Boulevard between University Boulevard on the west and Buena Vista Street on the east.

A current plat is not available for the assignment. The original plat from 1960 shows a total area of 2.387 acres within Tracts F and F-1. However, a strip along the University frontage was deeded to the City of Albuquerque in 1971 for a road widening. The portion taken is described by a metes and bounds survey that is part of the current legal description. I calculated the area of the taking using Deed Plotter software, and the indicated area is 0.148 acre or 6,459 square feet. Deducting this area from the 2.387 acres leaves an estimated area of 2.239 acres or 97,519 square feet. (Refer to plats in the *Appendix.*)

The site is regular in shape except for the northern boundary that follows a diagonal line along Lomas Boulevard. There are approximately 349 feet of frontage along University Boulevard, 300 feet along Lomas, and 246 feet along Buena Vista. The southern boundary is approximately 323 feet in length.

Topography and Drainage

The site is even with the street frontages and level along Lomas Boulevard. University Boulevard slopes downward toward Lomas, so there is an elevation change from south to north.

The site is not within a designated flood zone, according to the Federal Emergency Management Agency's Flood Insurance Rate Maps, Numbers 35001C0334 E and 353E, dated November 19, 2003. A copy is included in the *Appendix.*

Utilities and Services

All public utilities including gas, electricity, water, sewer, and telephone are available to the site.

Access and Visibility

Access to the site is good as it has three street frontages. There is one curb cut on Lomas, although it is not opposite a median break. Westbound traffic could access the site either from Buena Vista Street via two curb cuts or from University Boulevard via one curb cut. The intersection of Lomas and University is light-controlled.

Visibility of the site is good from all direct ions.

Easements and Encroachments

No adverse easements or encroachments are noted on the survey plat.

Soils and Subsoil Conditions

No soil studies or environmental reports were made available for the appraisal. The site was originally developed in the 1960s, although the improvements have been either renovated or razed. I am informed the improvements contained asbestos, and it is an assumption that all asbestos has been remediated.

Surrounding Development

The subject is adjacent to the UNM campus, and most of the surrounding development is university-related buildings. A map of the UNM campus is in the *Appendix*. Privately owned facilities in the immediate area include the Saturn dealership at the northwest corner of Lomas and University, a Chevron station at the northwest corner of Lomas and Buena Vista, and a convenience store at the southeast corner of Lomas and Buena Vista.

Zoning

The site is located within the City of Albuquerque, and most of it is zoned C-2. Community Commercial. This zoning allows nearly all types of retail and service uses, including offices. The rear portion of the site is zoned R-3, which allows high-density residential development.

The subject was developed as a retail/service center in the 1960s, many years before the effective date of the city zoning ordinance in 1976. The existing commercial use within the R-3 portion of the site is believed a legal non-conforming use.

Property Tax Information

Property taxes are administered by Bernalillo County on behalf of itself and other entities. The subject is identified by the following tax identification numbers: 1-015-058-450-068-4-08-03 and 1-015-058-439-071-4-07-04. The combined assessment is $686,200, allocated as $438,300 for the land and $247,900 for the improvements.

The property is owned by the University of New Mexico, a tax-exempt organization, so there is no history of property taxes. The Occupancy Lease between Sandia and UNM states the University shall endeavor to maintain the assessment of the buildings in its own name and therefore remain tax-exempt.

Description of Improvements

The subject improvements include two existing one-story office buildings and a proposed three-story office building. The new building is between the two existing buildings and will connect to each. Its construction quality, design and finishes will be very similar to the existing buildings. The following description is based on preliminary architectural drawings by NCA Architects, Albuquerque, dated January and February 2005, as well as plans and specifications for the existing buildings, prepared by Huitt-Zollars Architects, dated February and March 2003. Reduced copies of selected drawings are included in the *Appendix.*

Construction components include a steel frame with exterior walls of colored-coated stucco. The roof structure is a metal deck supported by steel joists and covered with built-up roofing material. Gross building areas as stated by NCA Architects are shown below.

Lobo Center Office Buildings

	Gross SF	*Predominant Uses*
New Building		
First Floor	24,404	Lobby, training and conf. rooms, offices, speech & hearing labs at west end
Second Floor	24,000	Offices, conf. room, break room, open space with high load capacity
Third Floor	21,028	Offices, conf. room, break room, open space with high load capacity
Subtotal	69,432	
Existing Buildings		
Suite A (west end)	9,346	Lobby, training and conf. room, offices, speech & hearing labs, pre-school rooms
Suite E (east end)	7,516	Lobby, training rooms, offices, kitchen
Subtotal	16,862	
Total for all buildings	86,294	

Based on architectural drawings dated January 7, 2005

Brooks, Lomax & Fletcher, Inc.

The following general descriptions are based on information provided in the above referenced architectural drawings.

Foundation/Structure:	Concrete slab foundation with concrete footings; building frame is steel with metal stud walls. Upper floor structure of new building is assumed to be a lightweight concrete deck with metal support system.
Exterior Walls:	1-inch stucco over 1/2-inch sheathing. Suites A and E have burnished CMU accents. The new building will have balconies with metal railings on the second and third levels.
Roof:	Roofs are metal decks with fiberglass batt insulation, covered with a built-up roofing system. Suites A and E have skylights.
Doors and Windows:	Exterior doors are aluminum storefronts with tempered tinted glazing. Windows are aluminum frames with 1-inch insulated tinted glazing.
Interior Finishes:	Interior finishes are standard office finishes. Ceilings are typically 2 x 4 lay-in acoustical panels with a suspended grid system, walls are gypsum wallboard over metal stud frames. Lighting is predominantly recessed fluorescent fixtures with some decorative fixtures in the lobby. Floor coverings are ceramic tile, carpeting and vinyl composition tile.
Restrooms:	The new building has men's and women's restrooms on each floor. Suites A and E have adequate restrooms for the existing use.
Heating and Cooling:	Roof-mounted combination packages with gas-fired forced air heating and refrigerated air conditioning.
Electrical:	Electrical service, cabling and telephone wiring are assumed consistent with current technology for good quality office buildings.
Elevators:	Two elevators are centrally located in the new building. No specifications are provided.
Fire Protection :	The entire building is assumed to have a wet protection system with ceiling sprinkler heads.

Site Improvements

Site improvements include asphalt paved parking areas and landscaping around the buildings. Onsite parking is provided in front of the buildings along Lomas Boulevard, on the east side along Buena Vista, and at the rear of the buildings. The site plan shows 88 total parking spaces.

Analysis of Improvements Design

The building design is contemporary Southwestern, and overall quality is considered good for this market. The interior layouts appear functional with centrally located conference rooms, restrooms, etc. and private offices along the outside walls.

The building's floor area ratio (FAR=building area/land area) is 0.885, which is high considering the amount of single-story office space. Onsite parking would be inadequate for most users, but the building tenant, UNM, owns a 7-acre lot directly to the west that will be used for employee parking. Onsite parking should be adequate for visitors to the buildings, and it is an assumption of the appraisal that the leasehold owner would secure adequate offsite parking if the building occupancy changes.

Overview of Market Conditions

Vacancies in the Albuquerque office market have trended upward since late 1995 when overall vacancy was around 7%. Citywide vacancy has been in the 17% range since 2003, and as of third quarter 2004, overall office vacancy is estimated at 17.88%, according to CB Richard Ellis. A summary of vacancy according to submarkets is shown on the following chart. Buildings surveyed are 10,000 square feet and larger and do not include single-tenant, government-owned, and medical buildings.

Office Market Statistics – Third Quarter 2004

		3rd Qtr. 2004 Percent Vacant		*Percent Vacant (4th quarter)*					
Market Area	*Total Sq. Ft.*	*Vacant Sq. Ft.*	*Overall Vac. Rate*	*2003*	*2002*	*2001*	*2000*	*1999*	*1998*
Downtown	2,953,129	516,936	17.50%	15.38%	14.27%	16.50%	15.38%	19.68%	18.35%
West Mesa	125,121	17,050	13.63%	9.27%	9.90%	31.12%	21.55%	2.55%	4.98%
Rio Rancho	102,400	32,984	32.21%	35.79%	12.17%	12.17%	16.29%	14.03%	11.79%
North I-25	1,779,133	334,957	18.83%	18.45%	23.20%	26.50%	13.67%	15.04%	11.75%
NE Heights	2,395,628	291,955	12.19%	16.30%	11.78%	11.31%	9.17%	8.67%	9.29%
SE Heights	1,466,840	427,165	29.12%	27.29%	10.60%	11.67%	12.50%	13.27%	13.23%
Uptown	2,020,709	317,942	15.73%	13.04%	13.44%	12.97%	12.19%	13.16%	12.04%
Totals	10,842,960	1,938,989	17.88%	17.38%	14.24%	14.59%	12.74%	13.99%	13.34%

Source: CB Richard Ellis

Brooks, Lomax & Fletcher, Inc.

Detailed information for fourth quarter 2004 is not available, although CB Richard Ellis estimates overall vacancy at 15.3%, which is a significant reduction from third quarter estimates. Downtown vacancy remains fairly high at 17.2% and suburban vacancy is estimated at 14.6%. These figures are generally consistent with the fourth quarter 2004 survey by Grubb and Ellis Research, which shows a 15.1% overall vacancy rate. Grubb and Ellis reports a healthy absorption of over 47,000 square feet in the fourth quarter, with many tenants moving to larger spaces.

Much of the vacancy in the office market is attributed to tenants moving from functionally obsolete buildings to those offering more parking, easier access to major housing areas, and high tech capabilities including fiber optics. This has caused higher than normal vacancies in second-tier properties, particularly Downtown, while new properties are leasing up.

Grubb and Ellis reports over 200,000 square feet of new office space coming on the market in early 2005, with nearly 50% preleased. Virtually all of the new space is located in the North I-25 and West Mesa submarkets.

Historical Rental Rates

The following chart shows average asking rent by market area within Albuquerque. Rental rates for certain periods are not shown because a computer problem with CB Commercial made the data unreliable.

Year-End Historical Asking Rent Levels (Average) by Market Area

Market Area	3Q 2004	2003	2002	2001	2000	1999	3Q 1997*	1996	1995	1994	1993
Downtown	$15.08	$14.64	$13.93	$14.32	$15.21	$15.05	$14.64	$14.67	$15.27	$14.61	$14.26
Midtown***	-	-	-	-	-	-	$12.61	$12.17	$12.74	$11.88	$11.61
Uptown	$15.57	$15.98	$16.63	$16.47	$16.67	$16.21	$16.91	$16.73	$16.36	$15.78	$15.20
Northeast Heights	$13.03	$13.32	$13.36	$13.11	$13.98	$13.79	$14.28	$13.92	$13.41	$12.45	$11.82
SE Heights/Airport	$11.28	$11.57	$10.51	$10.58	$10.19	$11.95	$12.38	$12.40	$12.59	$11.91	$11.85
North I-25 Corridor	$15.48	$14.89	$18.26	$16.19	$17.13	$16.44	$14.50	$13.51	$13.05	$12.33	$12.00
W. M./R. R.**	-	-	-	-	-	-	$13.00	$12.41	$12.25	$11.68	$11.20
West Mesa	$16.77	$16.00	$13.27	$13.46	$12.03	$13.90					
Rio Rancho	$13.26	$12.41	$9.19	$9.19	$13.35	$13.30					
Totals	$14.10	$13.98	$14.99	$14.08	$14.08	$14.37	$14.47	$14.29	$14.23	$13.55	$13.16

* Average rent statistics were not published between 3rd Quarter 1997 and 2nd Quarter 1999.
** The West Mesa and Rio Rancho market areas were statistically combined prior to 1999.
*** Midtown was eliminated as a statistical market area beginning 1999.
Source: CBS Investment Realty, Inc. and CB Richard Ellis, Inc.
Brooks, Lomax & Fletcher, Inc.

As shown, asking rents have fluctuated in recent years, particularly in the North I-25 and West Mesa markets where much of the new construction has occurred. Downtown asking rents have increased and are currently above the city average.

Subject's Competitive Position

The subject as proposed is a good quality office building located adjacent to the UNM campus. It is 100% leased to UNM under a five-year agreement with a five-year renewal option and a purchase option. The building will house UNM administrative offices as well as the Department of Speech and Hearing.

UNM was founded in 1889, and its main campus occupies 400 acres both north and south of Lomas Boulevard, between University Boulevard and Girard Boulevard. (See campus map in *Appendix.*) The student body is over 25,000, and enrollment is increasing rapidly. UNM employs over 20,000 people, including employees of University Hospital located two blocks east of the subject.

UNM has been in an expansion mode for several years and has acquired other sites along Lomas Boulevard between Interstate 25 and University. Directly west of the subject, at the southwest corner of University and Lomas, UNM purchased a former car dealership in 2002 and now uses the lot for permit parking.

Given the subject's convenient and highly visible location, the University is very unlikely to vacate in the foreseeable future.

Highest and Best Use

The four criteria of highest and best use are (1) legally permissible, (2) physically possible, (3) financially feasible, and (4) maximally productive. For appraisal purposes, highest and best use analysis is a two-step process, which first considers the site as if vacant and then the combination of land and existing (or proposed) improvements.

Highest and Best Use as Vacant

The subject site is 2.239 acres in size, located at a high-traffic intersection adjacent to the UNM campus. The site has no adverse physical characteristics that would affect development. Zoning is split, with commercial uses allowed along the Lomas frontage and high density residential at the rear. It is believed that the existing commercial use on the entire site is a legal non-conforming use.

Surrounding development includes some privately-owned service commercial, although UNM facilities are becoming the dominant land use along this portion of Lomas Boulevard. Given the subject size, location, zoning and surrounding land uses, highest and best use of the site as if vacant is a build-to-suit development for an office, clinic or similar facility associated with the university.

Highest and Best Use - Improved As Proposed

As proposed, the subject will include an office building with a total of 86,294 square feet, divided among three connected buildings. The middle building will have three stories and a total of 69,432 square feet. As proposed, the buildings are good quality construction, with functional floor plans and standard office finishes.

Under ordinary conditions, a building of this size would be an overimprovement of the site because of the high floor area ratio (0.885) and inadequate onsite parking. However, UNM will be the only tenant in the building, and it owns a large parking lot directly to the west that will accommodate its employees. Highest and best use of the improved property as proposed is consistent with the intended use, which is administrative offices for UNM.

Valuation

Problem Analysis and Data Interpretation

The subject of this appraisal is two existing single-story buildings that were renovated in 2003 and a proposed three-story building. Total building area as proposed is 86,294 square feet, situated on 2.24 acres adjacent to the UNM campus. All three standard approaches to value are included in the analysis: Cost Approach, Income Capitalization Approach and Sales Comparison Approach.

The site is under a long-term land lease, so the appraised value is the leasehold interest. Also, the buildings are 100% leased back to the land owner. Ground rent and rent for the existing buildings offset each other, so any value of the leasehold interest is a prospective value effective when the new building is complete. This is discussed in the following section regarding "as is" leasehold value.

The Cost Approach is based on the premise that a buyer will not pay more for a property than it would cost to create an equally desirable substitute property. Development cost estimates for the new building are based on the developer's budget, cost comparables, and estimates using *Marshall Valuation Service*. No adjustments are necessary for accrued depreciation or deferred maintenance since the improvements are new and functional.

In the valuation of an income-producing property, the most important data and analysis relate to estimates of the amount, duration, and predictability of net income potential, and to the investment performance required to attract equity capital. These factors are analyzed in the Income Approach. In this approach, rent to the subject property is based on an analysis of the lease. An investigation of rents at similar quality buildings provides an independent confirmation of whether or not the subject lease terms are reasonable in the market place. Estimating a normalized vacancy factor is not particularly relevant because the subject is 100% pre-leased for 5 years plus a 5-year renewal option and a purchase option.

Contract income is combined with expenses in developing estimated net income over the primary lease term. The property is rented on a triple net basis, and the tenant will be responsible for all operating expenses. Therefore, landlord expenses are nominal over the holding period and include only a small management fee and reserve account. Conventional capitalization methods are used to develop value indications. Capitalization methods used are direct capitalization using an overall rate and discounted cash flow analysis. The reversion value used in the discounted cash flow analysis is the purchase option price as stated in the lease.

In the Sales Comparison Approach, I have included seven recent sales of leased office buildings located in Downtown Albuquerque and competing suburban locations. The prospective value estimate with this approach is based on prices per square foot of gross building area.

In the final section of the report, Reconciliation, value estimates by the various approaches are reconciled, leading to the final value estimates for the property "as is" and completed as proposed.

"As Is" Leasehold Value Analysis

Leasehold value of the property is calculated as the present value of the difference in the contract rent paid and the potential rent that could be collected in the current market, discounted for the term of the lease. Leasehold value is positive when there is a rent advantage for the lessee in the form of below-market rent, and conversely, leasehold value is negative when there is a rent advantage for the lessor in the form of above-market rent.

The subject property "as is" includes a 2.239-acre site improved with two office buildings totaling 16,862 square feet. The entire property is leased to the Sandia Foundation under a long-term ground lease summarized as follows.

Ground Lease Summary

Lessor:	The Regents of the University of New Mexico
Lessee:	Sandia Foundation, a New Mexico not for profit corporation
Premises:	Real property commonly known as "Lobo Center", described as Tracts "F" and "F-1," Lands of Southwestern Construction Company, Block 1, Valmonte Acres
Land Area:	97,519 square feet (2.239 acres)
Term:	65 years beginning January 1, 2005.
Rent:	$163,200 per year, paid in 12 equal monthly installments of $13,600. Rent is adjusted annually beginning on January 1, 2006 based on increases in the CPI-U.
Use:	Sandia Foundation agrees to demolish three existing buildings and construct a new building in accordance with the Occupancy Lease, whereby the Foundation leases the building to the University.
Expenses:	So long as the Occupancy Lease exists, the University is responsible for payment of all taxes, utilities, repairs, maintenance, capital expenses and/or capital improvements to the property. The Foundation will provide insurance, including liability, personal property, real property, and plate glass insurance. The University agrees to reimburse the Foundation on an annual basis for the cost of the premium.

The University of New Mexico leases back 100% of the property under a separate Occupancy Lease summarized below. Copies of both leases are in the *Appendix*.

Occupancy Lease Summary

Lessor:	Sandia Foundation, a New Mexico not for profit corporation
Lessee:	The Regents of the University of New Mexico
Premises:	1712, 1720 and 1730 Lomas Boulevard NE, Albuquerque, NM. Premises consist of two existing buildings (1712 and 1730 Lomas) and one new building to be constructed by Sandia Foundation. Lessor and lessee agree that the premises under this lease are identical to those leased under the ground lease.
Building Areas:	According to the most recent architectural plans, the existing buildings total 16,862 square feet and the new building is 69,432 square feet. The lease states slightly different areas of 16,963 for the existing buildings and 68,250 for the new building.
Initial Term:	For the existing buildings, the term begins January 1, 2005. For the new building, the term begins the earlier of: a) 30 days after substantial completion of construction, b) the date the University takes possession, or c) the date the University agrees the lease will commence. The term is five years (60 months) from the beginning of the initial term for the new building.
Renewal Term:	One 5-year term
Rent:	The rent for the existing buildings is $13,600 per month, or $163,200 per year. Rent is adjusted annually beginning on January 1, 2006 based on increases in the CPI-U. Rent for the new building is $861,607 per year, although prior to commencement, the rent will be adjusted based on the final construction cost and the annual financing cost. The final construction cost will include change orders. The annual financing cost will be calculated based on a 30-year amortization, an original principal amount equal to final construction cost, and a variable interest rate not to exceed the London Inter-Bank Overnight Rate (LIBOR) for the month immediately preceding plus 1.90%.

	Annual base rent will be calculated based on the annual financing cost plus 2% of the final construction cost, amortized for 30 years. Annual base rent will be adjusted on each anniversary of the base month by the increase or decrease in the base month LIBOR.
Expenses:	The tenant (University) is responsible for payment of all taxes, utilities, repairs, maintenance, capital expenses and/or capital improvements to the property. The landlord (Foundation) is responsible for all major repairs of the foundation, exterior walls, and roof of the new building, as well as any portion under warranty. The Foundation will provide insurance, including liability, personal property, real property, and plate glass insurance. The University agrees to reimburse the Foundation on an annual basis for the cost of the premium.
Purchase Option:	Tenant is granted an option to purchase the premises and cancel the lease any time during the lease term. During the initial term, the purchase price will be the final construction cost, less any and all principal reductions made in conjunction with the initial financing, plus any and all prepayments of financing times 100%. During the renewal term, the purchase price will be the final construction cost, less any and all principal reductions made in conjunction with the initial financing, plus any and all prepayments of financing times 105%.

"As-Is" Leasehold Value Estimate

Any leasehold value of the property in its current condition, either positive or negative, would result from a rent advantage of the lessor or lessee. In addition, for the leasehold interest to have market value, it must be transferable.

In this case, the rent paid by Sandia Foundation for the ground lease is equal to the rent paid by the University for the two existing buildings. Both amounts also escalate under the same calculation of CPI. Because of the offsetting rent amounts, there does not appear to be any scenario in which the "as is" leasehold interest of Sandia Foundation would have market value.

Sandia Foundation is obligated to construct an office building, which will then be leased to UNM at a profit, so leasehold value will be generated at completion of the new building. Until then, no leasehold advantage exists, and my estimate of "as is" value of the leasehold interest is zero. Prospective leasehold value assuming completion of the new building is estimated in the following sections.

Cost Approach

The Cost Approach is based on the premise that a buyer will not pay more for a property than it would cost to create an equally desirable substitute. Subsections of the Cost Approach are Improvements Cost Estimate, Entrepreneurial Profit, Depreciation Estimate and Cost Approach Conclusion.

In the preceding section, it was estimated that the current leasehold value (land and two existing buildings) is zero, as ground rent and building rents offset each other. Therefore, the appraisal problem is to estimate prospective leasehold value when the new building is complete. Since the two existing buildings add no value to the leasehold estate, I have estimated improvements cost of only the new building.

Improvements Cost Estimate

Construction costs are estimated based on: 1) the subject budget; 2) actual costs for multi-tenant office buildings built in Albuquerque since 2001; and 3) *Marshall Valuation Service*, a cost service published by Marshall and Swift, Los Angeles, California.

Developer's Cost Estimate. Summarized below is a cost estimate for the new building provided by Flintco Constructive Solutions West, the subject contractor. Costs per square foot are based on a gross building area of 69,432 square feet. A copy of the actual budget is in the *Appendix*.

Subject Construction Cost Estimate

	Cost	*Cost/SF*
Direct Costs		
General Conditions	$964,841	$13.90
Tie-In Existing Buildings	$177,600	$2.56
Special Systems	$117,275	$1.69
Building and Site Work	$6.489,649	$93.47
Demolition & Asbestos Abatement	$115,000	$1.66
Repair Existing Roofs	$12,000	$0.17
Contingency	$403,119	$5.81
Bonds & Insurance	$248,565	$3.58
Contractor Fee	$403,047	$5.80
Gross Receipts Tax	$599,136	$8.63
Total Site and Building Costs	$9,530,232	$137.26
Soft Costs		
Architect	$507,930	$7.32
Developer's Fee	$443,634	$6.39
Construction Interest Reserve Allowance	$318,204	$4.58
Subtotal, Other Costs	$1,269,768	$18.29
Percent of Direct Costs	13.3%	
Total Cost	$10,800,000	$155.55

Compilation: Brooks, Lomax & Fletcher, Inc.

Cost Comparables. Summarized on the following page are contractor cost estimates for four office buildings built in Albuquerque since 2001. Our information sources are typically the contractor's projections. All of the properties are freestanding structures of average to good quality construction. Contingencies are included in the direct costs, and leasing costs are not included. Adjustments for increases over time are based on *Marshall Valuation Service's* comparative cost indexes, dated January 2005, which are applied to historical costs to bring them to the current date. Note that for comparison purposes, the subject property costs do not include the existing roof repair nor the demolition and asbestos abatement.

Summary of Cost Comparables

Comp. No.	*1*	*2*	*3*
Property	Cottonwood Crossing	KB Riverside Office	Dept. of Interior Bldg.
Location	Northwest Mesa	Northwest Mesa	Journal Center
Budget Date	Late 2004	Early 2004	Late 2001
Bldg. Size (SF)	16,992	36,850	164,545
Bldg. & Site imp. Costs	$1,870,496	$3,377,788	$12,643,000
Direct Costs/SF	$110.08	$91.66	$76.84
Indirect Costs	$516,148	$607,118	$2,628,220
Percent of Direct	27.6%	18.0%	20.8%
Total Cost	$2,386,644	$3,984,906	$15,271,220
Cost/SF of Bldg.	$140.46	$108.14	$92.81
Time Adjustment	1.019	1.070	1.161
Adjusted Total Cost	$2,431,990	$4,263,849	$17,729,886
Adjusted Cost/SF	$143.13	$115.71	$107.75

Comp. No.	*4*	*Subject*
Property	NMHI Medical Building	Lobo Center
Location	Downtown	University
Budget Date	Mid 2002	Early 2005
Bldg. Size (SF)	36,550	69,432
Bldg. & Site Imp. Costs	$4,354,750	$9,403,232
Direct Costs/SF	$119.15	$135.43
Indirect Costs	$777,521	$1,269,768
Percent of Direct	17.9%	13.5%
Total Cost	$5,132,271	$10,673,000
Cost/SF of Bldg.	$140.42	$153.72
Time Adjustment	1.151	1.000
Adjusted Total Cost	$5,907,244	$10,673,000
Adjusted Cost/SF	$161.62	$153.72

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Comparable 1 includes 2 two-story adjoining buildings with 16,267 square feet of office space and 725 square feet of storage. Construction is steel frame with stucco-covered exterior walls and standard finishes. There is no elevator, and overall quality is considered inferior to the subject. This is the most recent cost estimate in the data set, and the adjusted cost per square foot generally supports the subject estimate.

Comparable 2 is a two-story building with an elevator, average to above-average quality with a Southwestern Territorial design. Construction components include a steel frame and exterior walls of stucco-covered sheathing with brick wainscoting. The contractor estimates did not include architectural and engineering fees, which I have estimated at $120,000 or 3.5% of direct costs.

Comparable 3 is the largest building in the data set and was a build-to-suit project for the U.S. Department of the Interior. This is a three-story building, of steel and concrete construction, and tinted reflective glass curtain walls. Construction quality is considered good, and tenant finishes are average. The indicated cost per square foot is at the low end of the indicated range, which is at least partly attributed to the building size.

Comparable 4 is a three-story office building developed as a build-to-suit project for the New Mexico Heart Institute. An adjacent parking garage is not included in the above costs. Although the building includes some exam rooms and a small laboratory, nearly two-thirds of the space is used for administrative offices. Construction is steel frame with synthetic stucco exterior walls, brick accents and a flat roof. Overall quality is considered good. As shown, the adjusted construction cost per square foot is at the high end of the range. The total estimated construction cost is at the low end of the indicated range and is low for the subject because of the construction type and more limited medical space.

Marshall Valuation Service Cost Estimate. Improvements costs are estimated using the *Marshall Valuation Service* cost manual, Calculator Method, Section 15, Page 17, Office Buildings. Cost estimates represent direct and indirect costs including plans, building permits, surveys, normal interest, sales tax on materials, utilities from lot line to structure and contractor's overhead and profit. Adjustments are made for sprinklers, time and location. As defined by *Marshall*, the subject is Good Quality Class C construction. The subject's estimated cost is shown below.

Marshall Valuation Service Cost Estimate

Construction Class	C
Type of Improvement	Office Building
Quality	Good
Base Cost/Sq. Ft.	$101.64
Sprinkler System	$2.25
Adj. Base Cost/Sq. Ft.	$103.89
Story Height Multiplier	1.046
Adjusted Factor	$108.67
Area/Perimeter Multiplier	1.000
Adjusted Factor	$108.67
Current Cost Multiplier (2/05)	1.10
Adjusted Factor	$119.54
Local Cost Multiplier	0.96
Adjusted Factor	$114.76
Gross Building Area in Sq. Ft.	69,432
Estimated Cost	$7,968,016

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Site Improvements: Estimated site improvement costs are based on guidelines in Section 66 of the *Marshall Valuation Service* handbook.

Site Improvements Cost Estimate

Item	*Quantity*	*Cost/ Unit*	*Total*
Preparation Costs	97,519 Sq. Ft.	$0.50	$48,760
Asphalt Parking Lot	88 Spaces	$970	$85,360
Concrete Paving and Sidewalks	20,000 Sq. Ft.	$4.00	$80,000
Site Lighting			$20,000
Landscaping-an allowance			$50,000
Other Miscellaneous			$10,000
		Total	$294,120

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Indirect Costs: Indirect costs incurred during the construction period that have not been accounted for above include loan origination fees on the construction loan for the improvements. Assuming a construction loan of 80% of the indicated cost and points and fees totaling 2%, the additional financing charge is $165,243. ($8,262,136 x 80% x 2%)

Total costs estimated from *Marshall Valuation Service* are summarized below:

Building Construction	$7,968,016
Site Work	294,120
Addn. Financing Cost	165,243
Total	$8,427,379
Cost per Square Foot	$121.38

A summary of the preceding cost sources is shown below.

Summary of Cost Comparables

	Total Price/SF
Subject Budget	$153.72
Comparable Office Buildings	$107.75-$161.62
Subject per *Marshall Valuation*	$121.38

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The developer's budget and the local comparables are considered more reliable than *Marshall Valuation*, and I have based my value estimate from the Cost Approach on these indications. The subject's direct cost estimate (excluding the roof repairs, demolition and asbestos abatement) appear high at $135.43 per square foot, but the indirect costs are very low as a percentage of direct costs. Overall, the developer's estimate is believed a reliable indication of probable cost. I estimate the subject office building and site improvements costs at $10,700,000 (rounded estimated) or $154.11 per square foot.

Entrepreneurial Profit

Entrepreneurial profit is typically associated with the time, expertise and risk a developer takes in bringing a speculative or build-to-suit property to market, in addition to compensation for negotiating leases and guiding the project from inception to stabilized occupancy. For purposes of this analysis, I have applied an entrepreneurial profit of 6% calculated as a percentage of the total improvements cost. This estimate is toward the low end of a range indicated from an analysis of other income-producing properties. However, the property is 100% pre-leased to a credit-worthy tenant, and a significant element of risk is removed from the development enterprise.

Depreciation

Accrued depreciation is a loss in value to the improvements from any cause. The sources of accrued depreciation are physical deterioration, functional obsolescence, and external or economic obsolescence. Physical deterioration is wear and tear usually caused by age and is either curable or incurable. Functional obsolescence is the adverse effect on value resulting from defects in design; external obsolescence results from negative influences to the property from outside the site. As the property is new, no physical deterioration is present. No functional or external obsolescence was noted.

Cost Approach Summary

The following summarizes the value estimate from the Cost Approach.

Office Building and Site Improvements Cost	$10,700,000
Plus Entrepreneurial Profit at 6%	642,000
Less Accrued Depreciation	0
Total Improvements Cost	$11,342,000
Indicated Value by Cost Approach	$11,340,000

Income Capitalization Approach

The Income Capitalization Approach is based on net income expectancy and the capital requirements of typical investors in the market. Net income is the residual of rental collections after deductions are made for all expenses of normal operation, including professional management fees and an allowance for credit loss or vacancy, but excluding debt service and depreciation (recapture). The capitalization process converts net income expectancy into a value estimate using an overall rate or a market-specific unleveraged yield rate. In this case I have employed both direct capitalization using an overall rate and a discounted cash flow analysis. The DCF analysis is prepared with the aid of ARGUS lease analysis software, Version 8.6.

Contract Rent

As discussed in a previous section, contract rent for existing buildings is $13,600 per month or $163,200 per year. This amount increases by CPI-U every January.

Rent for new building is based on the total of two components that are not yet determined: 1) final construction costs, including any overruns, plus 2%; and 2) debt service which will be based on 100% financing, a 30-year amortization and an interest rate equal to the one-year LIBOR rate plus 1.9%.

In the lease, the estimated annual rent for the new building is $861,607. This is derived from the current construction budget of $10,800,000 and financing terms quoted in December 2004 on a loan of $10,800,000.

I believe the current construction budget is valid and have not assumed any overruns in the final costs. However, since the time the lease was written, short term interest rates have increased and the current LIBOR rate is approximately 3.5%. (The LIBOR was 3.46625% as of February 23, 2005.) Using this higher index, the interest rate on this loan would be ±5.4%. There is no way to accurately predict the LIBOR rate as of December 31, 2005, which is the prospective date of value. However, given the recent trend of rising short-term rates, it is reasonable to assume the subject's final interest rate will be higher than the rate quoted in December 2004.

I have estimated the new building rent assuming the current construction budget of $10,800,000, a permanent loan of $10,800,000, 30-year amortization, and 5.4% interest rate. First year annual rent is estimated as follows:

$10,800,000 x 2%	$216,000
Annual debt service	$727,744
Total Rent	$943,744
Rent per Square Foot	$13.59

Market Rent Analysis

Contract rent for the subject buildings is compared to market rent, which is estimated based on current rents for similar buildings. Our research focused mainly on rents for new and build-to-suit buildings. Five rent comparables are summarized on the following page, and photographs and a location map are in the *Appendix*.

The subject is rented on a triple net basis, with the tenant paying all operating expenses. This is common for a single tenant property, and I have adjusted the comparables with full service leases to an equivalent triple net amount by deducting the amount of landlord expenses. These expenses are estimated at $5.00 to $7.00 per square foot, based on the quality of the building and type of tenancy.

Summary of Comparable Office Rentals

Rental No.	*1*	*2*	*3*
Building	NM Children Youth & Fam.	U.S. Forest Service	Proposed Office Bldg.
Address	1031 Lamberton NE	33[illegible] Broadway SE	1625 University NE
Location	Broadbent Bus. Park	Downtown	University area
Building Area in SF	40,137	94,783	18,900
Building Type	Two-story average quality bldg., basic finishes	Three-story building plus basement	Two-story concrete & glass bldg., very good quality
Year Built	2001	2001	Proposed
Occupancy	100%	100%	50%
Lease Basis	Full service	Full service	Full service
Rent/ SF	$16.67	$17.00	$23.50
Adj. for Expenses	-$5.00	-$5.50	-$7.00
Indicated Net Rent	$11.67	$11.50	$16.50

Rental No.	*4*	*5*	*Subject*
Building	Jefferson Commons	The Summit	Lobo Center
Address	5601 Office Blvd. NE	2600 American NW	1720 University NE
Location	North I-25	NW Mesa	University area
Building Area in SF	60,000	27,307	69,842
Building Type	Two-story steel & glass bldg., good quality	Three-story brick veneer, good quality	Three-story steel frame & stucco, good quality
Year Built	2004	1997	Proposed
Occupancy	83%	95%	100%
Lease Basis	Triple net	Full service	Triple net
Rent/ SF	$13.50	$22.00	$13.59
Adj. for Expenses	$0.00	-$6.00	$0.00
Indicated Net Rent	$13.50	$16.00	$13.59

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As shown, the comparables indicate a triple net range of $11.50 to $16.50 per square foot. Following is a brief discussion of each comparable.

Comparable 1 is a build-to-suit building for the Children, Youth and Families Department of the State of New Mexico. Quality of construction and the design are utilitarian, and base-year rent is relatively low for a new build-to-suit office building. Base rent was $15.41 per square foot in the initial year, increasing 4% annually for the primary 10-year term. The current rent is $16.67 per square foot, and average rent over the ten-year term is $18.51 per square foot. The proposed subject building is considered superior to this property in terms of location and quality of improvements.

Comparable 2 is a build-to-suit, multi-story building located on the fringe of Downtown's central business district. The building area is ±94,783 square feet, with 77,723 square feet above ground and 17,060 square feet in the basement. Prior to acquisition of the site, the building was 100% pre-leased by the U.S. Forest Service for ten years with two 5-year options. Construction of the building is steel frame with a combination of brick and stucco-covered exterior walls. Overall quality is considered good and the building would compete in the Class-B market sector.

The Forest Service's full-service base lease rate is $16.19 per square foot for both the above-ground office space and the below-ground basement space and is flat through the 10-year term. In addition to the base rate, the Forest Service is obligated to pay increases in certain operating expenses above the negotiated expense stop of $4.07 per square foot. As part of the economic incentive for developing the building in a "blighted" location, the landlord received a real-estate-tax abatement for seven years. The estimated annual savings resulting from the real-estate-tax abatement for the first year of occupancy was $1.03 per square foot. Overall, this is considered a low indication for the subject.

Comparable 3 is a proposed multi-tenant building to be built on 1.4 acres on University Boulevard about a mile north of the subject. The owner is Renal Medicine Associates, which will occupy the entire second floor of the two-story building. The first floor with 9,453 square feet is available for rent for either medical or general office use. Asking rent is $23.50 per square foot full service. Leasing agent Dan Newman with CB Richard Ellis says they anticipate a medical tenant, and landlord expenses would be in the $7.00 per square foot range. As shown, the indicated net rent is $16.50 per square foot, which is at the high end of the range and is considered high for the subject given the differences in quality and most probable use.

Comparable 4 is a multi-tenant building within the Jefferson Commons mixed-use development located at the Jefferson Street exit of I-25. Several new office buildings and restaurants have been built in Jefferson Commons in the past five years, and the project has been well received in the market. According to leasing agent Terri Dettweiler with CB Richard Ellis, 10,000 square feet are available in a 60,000-square-foot building that is occupied by Clear Channel and State Farm Insurance. Existing rents are in the range of $13.50 to $13.70, and asking rent for this space is $13.50 triple net. The build-out would be turnkey to the tenant's specifications. Tenant expenses are estimated at $5.50 to $6.00 per square foot, including utilities, janitorial, and common area charges. Another 30,000-square-foot building is proposed, and asking rents are $14.50 per square foot net. This building will be located on a corner site with superior visibility.

Comparable 5 is a good quality multi-tenant building known as The Summit, located in the Cottonwood Business Park on the Northwest Mesa. It is also included as Sale 5 in the Sales Comparison Approach. The typical recent lease in the building is approximately $22.00 per square foot, and the current published asking rate is $22.50 per square foot. Expenses are estimated at $6.00 per square foot, indicating a triple net rent of $16.00 per square foot. This is an attractive building with good views of the Rio Grande Valley. Typical occupancy is 100%.

For the subject, contract rent is $9.68 per square foot for the two existing buildings and $13.59 per square foot for the new building. The existing building rent appears below market based on the comparables, although this amount was established to offset the ground rent. Rent for the proposed building is well supported by asking and existing rents at Jefferson Commons, and the amount is believed consistent with the market.

Vacancy Estimate

The estimate of vacancy loss represents a stabilized amount over a typical holding period. In addition to periods of potential vacancy, the rate also accounts for the risk of non-payment of rent.

The subject is 100% occupied by the University of New Mexico under a 5-year lease with another 5-year renewal option and a purchase option. The initial rent is below market for the existing buildings and consistent with the market for the new building.

A deduction for vacancy during a typical holding period is not warranted. Any risk associated with the income stream is reflected in the capitalization rate applied.

Operating Expenses

The market rent estimate is based on the tenant paying all operating expenses including taxes, insurance (reimbursed), utilities, janitorial, repairs and maintenance. The only landlord expense is management and structural repairs. Professional management fee is typically 2.5% to 5% of effective gross income, and I have applied 2.5% in this analysis as it is a single-tenant building leased triple net. Another 0.5% is deducted for possible structural maintenance.

Also, the Year 1 ground rent payment is $163,200 as provided in the lease.

Net Operating Income Estimate

Based on the preceding analysis, estimated net operating income for the first year of operation is shown below.

Net Operating Income Estimate

	Total	*Per Square Foot*
Potential Gross Income		
Existing Buildings	$ 163,200	$ 9.68
New Building	$ 943,744	$13.59
Vacancy (0%)	$ 0	$ 0
Effective Gross Income	$1,106,944	$12.83
Less Expenses		
Management & Reserves @ 3% EGI	$ 33,208	$ 0.38
Ground Lease	163,200	1.89
Total Expenses	$ 196,408	$ 2.28
Net Operating Income	$ 910,536	$10.55

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Direct Capitalization

The first method of valuation is by capitalizing net operating income using an overall rate. Ideally an overall rate is developed by analysis of recent transactions in the market involving relatively similar properties. Summarized below are the sales included in the following Sales Comparison Approach. These sales represent a variety in terms of size, age and quality of buildings

Office Building Sales Providing Overall Capitalization Rates

Property Name or Type	Tenant	Sale Price	Sale Date	Overall Rate	Remaining Term	Rent Escalations
7 Broadway Place Multi-tenant office	Multiple	$5,650,000	Dec-04	8.99%	Varies	Varies
University Tower Multi-tenant office	Primary tenant is UNMH	$8,750,000	Nov-04	10.50%	5 years	Base year expenses
Build to suit property Single tenant office	U.S. Department of Interior	$24,500,000	Oct-03	7.71%	10 years	Base year expenses
Master leased office	Wilson & Co.	$6,750,000	Oct-02	9.00%	15 years	2%/yr.
The Summit Building Multi-tenant office	Multiple	$4,450,000	Jun-04	8.61%	Varies	Varies
Presidential Plaza office Single tenant office	Yellowbook	$1,600,000	Jul-04	7.39%	5 years	CPI
Presidential Plaza office Multi-tenant office	Multiple	$1,662,638	Jun-04	6.58%	Varies	Varies

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The range of overall rates from the seven sales is 6.58% to 10.5%. The Presidential Plaza offices are at the low end of the range at 7.39% and 6.58%. These are new, relatively small buildings fully leased at top-of-the-market rents. The high end of the range is the recent sale of University Tower, a multi-tenant building located approximately one mile north of the subject. This property's main tenant is University of New Mexico Hospital, which occupies 89% of the rentable area at $17.00 per square foot full service. The property was not listed on the open market for sale, and the buyer approached the owner. The overall rate appears high for the current market.

The remaining sales are in a fairly narrow range from 7.71% to 9%. A reasonable indication for the subject is the new Department of Interior building, which sold at a 7.71% cap rate in 2003. This was a newly constructed building, 100% leased for 10 years to the federal government. The income stream was considered secure, as is the subject income.

A well-respected secondary source of support for a cap rate and discount rate is the *Korpacz Real Estate Investor Survey* published quarterly by PricewaterhouseCoopers LLP. This survey identifies performance expectations of institutional real estate investors or investment advisors nationwide. Besides compiling applicable discount rates, the survey also includes overall cap rates and residual capitalization rates (to be realized in the future, upon the resale of the property). The Fourth Quarter 2004 report identifies the following performance expectations for the National Central Business District Office Market. As a point of reference, the prior quarter and prior year are included on the chart. As shown, the average cap rate has declined steadily over the previous year and is currently at 8.4%.

Korpacz Real Estate Investor Survey – National CBD Office Market

	Fourth Quarter 2004	*Third Quarter 2004*	*Fourth Quarter 2003*
*Discount Rate (IRR)**			
Range	7.00% – 12.25%	8.00% – 12.25%	9.00% – 12.25%
Average	9.84%	10.13%	10.6%
Overall Cap Rate (OAR)			
Range	6.00% – 11.00%	6.00% – 10.00%	6.00% – 10.75%
Average	8.4%	8.48%	9.02%
Residual Cap Rate			
Range	7.00% – 10.75%	7.50% – 11.00%	7.75% – 11.00%
Average	8.97%	9.05%	9.33%

* Rate on unleveraged, all-cash transaction

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The subject is a new, good quality building 100% leased to the University of New Mexico. The location of the building is favorable as it is adjacent to UNM's main campus. The contract rental income is consistent with the market. However, the subject is located on leased land, and it is reasonable to assume the investment must be recaptured over a shorter period, thus resulting in a higher rate of return. Also, in this market there appears to be some resistance to acquiring a leasehold estate, creating additional risk in terms of resale and necessitating a higher rate of return to a buyer. I believe an overall rate of 8% is appropriate for this property, which is approximately 30 basis points higher than the rate indicated by the Department of Interior building. Capitalizing first year projected net operating income at 8% results in the following value indication.

Net Operating Income	$910,536
Overall Rate	8.0%
Indicated Value by Direct Capitalization	$11,381,700
Rounded	$11,380,000

Discounted Cash Flow Analysis

The second valuation method in this approach is a discounted cash flow analysis. This analysis develops an indication of value as the present worth of future cash flows during a projected holding period and the reversion at the end of the holding period. This analysis models an unleveraged investment in the property and estimates capital value on the basis of unleveraged yield potential. The present value of the cash flow and reversion identifies the price that an investor would likely pay if the primary motivation were to achieve a specified yield, calculated as an internal rate of return, on an investment in the projected income stream.

Cash flows during the lease term appear secure given the strength of the tenant and location of the property. Also, it is probable the University will exercise its purchase option during or at the end of the 5-year initial term. The option price as stated in the lease is the final construction cost (assumed $10,800,000 as discussed previously), less any and all principal reductions made in conjunction with the initial financing, plus any and all prepayments of financing.

The principal reduction assumes a $10,800,000 loan, 30-year amortization and average interest rate of 6% over a 5-year period. At the end of the five years, the remaining principal balance is $10,049,870. The principal reduction is $750,130, which is deducted from the construction cost of $10,800,000. Reversion value is $10,049,870.

The reversion value is less than replacement cost and appears below market. Therefore, the DCF reflects a secure, short-term investment more typical of a bond than a traditional real estate investment. I have researched good quality corporate bond rates with approximately five years remaining to maturity. All suggest current yields typically from 4.3% to 4.6%. Examples are summarized as follows.

Company	*Maturity*	*Last Yield as of 2/23/05*
Citigroup	Feb. 22, 2010	4.285
Merrill Lynch	Feb. 8, 2010	4.372
GE Capital	Feb. 15, 2012	4.583
Goldman Sachs	May 15, 2009	4.242
Bear Stearns	Oct. 28, 2010	4.485

Source: *Wall Street Journal*

I have assumed a premium of approximately 150 to 200 basis points for the added risk of real estate, and estimated discount rates of 6.0% to 6.5% applied to the cash flows and reversion value.

ARGUS print-outs showing the property's cash flows, reversion value and prospective present values are shown on the following pages. As shown, net present values (rounded) are from $11,300,000 to $11,530,000 depending on the discount rate. At 6.25%, the present value is $11,414,000.

Software : ARGUS Ver. 8.6.00
File : Lobo Center
Property Type : Office/Industrial
Portfolio :

Lobo Center
Lomas Boulevard NE
Albuquerque, New Mexico

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PROSPECTIVE PRESENT VALUE
Cash Flow Before Debt Service plus Property Resale
Discounted Annually (Endpoint on Cash Flow & Resale) over a 5-Year Period

Analysis Period	For the Year Ending	Annual Cash Flow	P.V. of Cash Flow @ 6.00%	P.V. of Cash Flow @ 6.25%	P.V. of Cash Flow @ 6.50%
Year 1	Dec-2006	$910,413	$858,880	$856,859	$854,848
Year 2	Dec-2007	933,174	830,522	826,618	822,741
Year 3	Dec-2008	956,503	803,098	797,443	791,841
Year 4	Dec-2009	980,415	776,581	769,297	762,099
Year 5	Dec-2010	1,004,926	750,939	742,146	733,476
Total Cash Flow		4,785,431	4,020,020	3,992,363	3,965,005
Property Resale		10,049,870	7,509,847	7,421,911	7,335,208
Total Property Present Value			$11,529,867	$11,414,274	$11,300,213
Rounded to Thousands			$11,530,000	$11,414,000	$11,300,000
Per SqFt			135.31	133.95	132.61

PERCENTAGE VALUE DISTRIBUTION

	6.00%	6.25%	6.50%
Assured Income	34.87%	34.98%	35.09%
Prospective Income			
Prospective Property Resale	65.13%	65.02%	64.91%
	100.00%	100.00%	100.00%

Income Capitalization Approach Summary

Value estimates derived from the preceding capitalization methods are as follows:

Direct Capitalization	$11,380,000
DCF Analysis with 5-year holding period	$11,414,000

Both direct capitalization and discounted cash flow analysis are commonly employed valuation techniques by investors for leased properties. The strength of the direct capitalization method is that it requires fewer assumptions concerning future income and expenses, although the DCF method more accurately accounts for rent escalations during a holding period and sale of the property at the end of a holding period. In this case, a DCF analysis is believed to accurately reflect the thought processes of a likely purchaser because of the stated option price in the lease.

In conclusion, the two indications are mutually supportive and my estimated prospective value of the property by the Income Capitalization Approach, assuming completion of the improvements as proposed, is $11,400,000.

Software : ARGUS Ver. 8.6.00
File : Lobo Center
Property Type : Office/Industrial
Portfolio :

Lobo Center
Lomas Boulevard NE
Albuquerque, New Mexico

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SCHEDULE OF PROSPECTIVE CASH FLOW
In Inflated Dollars for the Fiscal Year Beginning 1/1/2006

For the Years Ending	Year 1 Dec-2006	Year 2 Dec-2007	Year 3 Dec-2008	Year 4 Dec-2009	Year 5 Dec-2010
POTENTIAL GROSS REVENUE					
Base Rental Revenue	$1,106,944	$1,106,944	$1,106,944	$1,106,944	$1,106,944
Scheduled Base Rental Revenue	1,106,944	1,106,944	1,106,944	1,106,944	1,106,944
CPI & Other Adjustment Revenue	4,080	31,856	60,326	89,507	119,419
TOTAL POTENTIAL GROSS REVENUE	1,111,024	1,138,800	1,167,270	1,196,451	1,226,363
EFFECTIVE GROSS REVENUE	1,111,024	1,138,800	1,167,270	1,196,451	1,226,363
OPERATING EXPENSES					
Management & Reserves	33,331	34,164	35,018	35,894	36,791
Land Lease	167,280	171,462	175,749	180,142	184,646
TOTAL OPERATING EXPENSES	200,611	205,626	210,767	216,036	221,437
NET OPERATING INCOME	910,413	933,174	956,503	980,415	1,004,926
CASH FLOW BEFORE DEBT SERVICE & TAXES	$910,413	$933,174	$956,503	$980,415	$1,004,926

PROSPECTIVE PROPERTY RESALE

For the Years Ending	Year 1 Dec-2006	Year 2 Dec-2007	Year 3 Dec-2008	Year 4 Dec-2009	Year 5 Dec-2010
RESALE AMOUNT					
Gross Proceeds from Sale					$10,049,870
NET PROCEEDS FROM SALE					$10,049,870

PROPERTY SUMMARY REPORT

TIMING & INFLATION

Analysis Period:	January 1, 2006 to December 31, 2010; 5 years
Inflation Method:	Fiscal
General Inflation Rate:	2.50%

PROPERTY SIZE & OCCUPANCY

Property Size:	86,294 Square Feet
Alternate Size:	1 Square Foot
Number of rent roll tenants:	2
Total Occupied Area:	86,294 Square Feet, 100.00%, during first month of analysis

PROPERTY PURCHASE & RESALE

Purchase Price:	-
Resale Method:	Directly Input Final Year Resale Amount
Commission/Closing Cost:	0.00%
Net Cash Flow from Sale:	$10,049,870

PRESENT VALUE DISCOUNTING

Discount Method:	Annually (Endpoint on Cash Flow & Resale)
Unleveraged Discount Rate:	6.25%
Unleveraged Present Value:	$11,414,274 at 6.25%

Sales Comparison Approach

This approach develops an indication of value by analysis of prices paid in actual transactions of similar properties. The reliability of this approach is dependent upon the availability and quality of comparable sales data. The subject is a proposed, build-to-suit office building designed for single tenant occupancy. It is on leased land, and property rights appraised are the leasehold interest.

As discussed in the preceding sections, there is no added leasehold value from the two existing buildings or from a favorable position in the land lease. Therefore, estimated value from the Sales Comparison Approach reflects only a prospective value of the new building.

Seven Class B office building sales are summarized on the following chart, with details, photographs and a location map included in the *Appendix*. In addition to the typical sale and property information, the summary chart includes a calculation for the building residual sale price, and an adjustment for building age.

The building residual calculation is the total sale price less estimated land value divided by the building square footage. The age adjustment is based upon a straight line depreciation calculation using the buildings' effective age versus total economic life. Economic life is estimated to be 45 years for the comparables, based on building mortality data in *Marshall Valuation Service*. The subject improvements are new, and all of the sales are adjusted to reflect zero depreciation.

A summary of the sales data and their adjusted prices are presented on the following chart.

Summary of Office Building Sales

Sale No.	*Subject*	*Sale 1*	*Sale 2*	*Sale 3*
Building	Lobo Center	7 Broadway Place	University Towers	Dept. of Interior
Location	1720 University NE	707 Broadway NE	1650 University NE	4400 Masthead NE
Market Area	University	Downtown	University	Journal Center
Sale Price		$5,650,000	$8,750,000	$24,500,000
Sale Price per SF		$79.97	$97.65	$152.68
Sale Date	as of 12/05	12/15/04	11/22/04	10/20/03
Land Area in Acres	2.24	2.268	3.777	8.3478
Building Area in SF	69,432	70,649	89,608	160,465
Construction Type	Steel/stucco	Steel/concrete	Steel/glass	Steel/concrete
Year Built	Proposed	1985	1983	2003
Floor Area Ratio	0.885 overall	0.715	0.545	0.441
Gross Income/SF	$13.59	$13.87	$17.24	n/a
Net Operating Inc/SF	$13.11	$7.19	$10.25	$11.78
Overall Cap Rate		8.99%	10.50%	7.71%
Est. Land Value per SF	$0.00	$12.00	$6.50	$6.00
Total Est. Land Value	$0	$1,185,529	$1,069,420	$2,181,781
Building Residual SP		$4,464,471	$7,680,580	$22,318,219
Building Residual SP/SF		$63.19	$85.71	$139.08
Eff. Bldg. Age in Years	0	15	20	0
Total Economic Life	45	45	45	45
Age Adjustment		$31.60	$68.57	$0.00
Adj. Bldg. Residual/SF		$94.79	$154.28	$139.08

Sale No.	*Sale 4*	*Sale 5*	*Sale 6*	*Sale 7*
Building	Wilson & Co.	Summit Building	Presidential Plaza	Presidential Plaza
Location	4900 Lang NE	2600 America Rd NW	6400 Jefferson NE	6300 Jefferson NE
Market Area	Journal Center	NW Mesa	North I-25	North I-25
Sale Price	$6,750,000	$4,450,000	$1,600,000	$1,662,638
Sale Price per SF	$151.28	$152.40	$189.28	$194.96
Sale Date	10/1/02	6/29/04	7/16/04	6/30/04
Land Area in Acres	3.29	1.609	1.0845	0.928
Building Area in SF	44,619	29,200	8,453	8,528
Construction Type	Steel/stucco & glass	Steel/brick veneer	Frame/stucco	Frame/stucco
Year Built	1999	1997	2004	2004
Floor Area Ratio	0.311	0.417	0.179	0.211
Gross Income/SF	$13.62	$19.12	n/a	n/a
Net Operating Inc/SF	$13.62	$13.12	$14.00	$12.84
Overall Cap Rate	9.00%	8.61%	7.39%	6.58%
Est. Land Value per SF	$8.00	$7.00	$7.50	$7.50
Total Est. Land Value	$1,146,499	$490,616	$354,306	$303,178
Building Residual SP	$5,603,501	$3,959,384	$1,245,694	$1,359,460
Building Residual SP/SF	$125.59	$135.60	$147.37	$159.41
Eff. Bldg. Age in Years	3	7	0	0
Total Economic Life	45	45	45	45
Age Adjustment	$8.97	$24.98	$0.00	$0.00
Adj. Bldg. Residual/SF	$134.56	$160.57	$147.37	$159.41

Brooks, Lomax & Fletcher, Inc.

Unadjusted, the building residual sale prices are in a very wide range from $63.19 to $159.41 per square foot. Adjusted to new condition, the residual prices range from $94.79 to $160.57.

Sale 1 is a Class B office building located at Lomas and Broadway, known as 7 Broadway Place. It was built in 1985, and overall quality is considered average to good. The building has a history of high occupancy, and it competes with second tier properties in the Downtown area. As shown, both net operating income per square foot and price per square foot are at the low end of the indicated range.

Sale 2 is University Tower, another older building located on University Boulevard approximately one mile north of the subject. This property's main tenant is University of New Mexico Hospital, which occupies 89% of the rentable area at $17.00 per square foot full service. This building sold at a fairly high price per square foot. Adjusted for age, the indicated residual value is $154.28.

Sale 3 is a single-tenant build-to-suit property for the U.S. Department of the Interior. It is under a 10-year lease with the federal government and sold upon completion at a 7.71% cap rate. This is much larger building with 160,465 rentable square feet. Overall quality is considered good, and tenant finishes are standard. The indicated building residual value is $139.08, which is considered low for the subject because of the building's larger size.

Sale 4 is a sale-leaseback of a good quality, three-year-old Class B building in Journal Center. It was developed for owner-occupancy by the principals in the engineering & architectural firm of Wilson & Co. The building sold to an investor in October 2002 with Wilson signing a triple net master lease for 15 years. The sale price was based on a 9% cap rate, and the adjusted building residual is $134.56 per square foot. This building is similar in quality to the subject and has a similar net income. However, the sale occurred in October 2002 in a real estate investment environment that is much inferior to the current date. Overall, this sale is a low indicator of the subject value.

Sale 5 is the June 2004 purchase of The Summit Building, a good quality multi-tenant office building located in the Cottonwood Business Park on the Northwest Mesa. Major tenants are the University of New Mexico and Wilson Engineering. The building was listed for $4,600,000 ($157.53 per rentable square foot including land), and it attracted heavy interest from local and regional investors. A California investor made the accepted offer of $152.40 per square foot. This building is reasonably similar to the subject in quality, design and net operating income. It is seven years old, and adjusted for age, the building residual is at the high end of the range at $160.57 per square foot.

Sales 6 and 7 are 2004 sales of two new office buildings in the North I-25 Corridor near the Osuna/Jefferson/I-25 interchange. Both buildings were fully leased and sold to investors for $189.28 and $194.96 per square foot including land. These buildings are smaller than the subject, of frame-stucco construction and generally similar in quality. As shown, the indicated building residual prices are toward the high end of the range at $147.37 and $159.41.

Excluding Sales 1 and 2 which are significantly older, the building residual prices suggest a range of approximately $135 to $160 per square foot. The subject is proposed, and the prospective date of value is December 31 of this year. Given recent increases in construction costs and the strong demand for quality investment properties, I estimate the subject's building residual value at the high end of the indicated range or $160.00 per square foot. Total estimated value from the Sales Comparison Approach is shown below.

Estimated Building Residual Value/Sq. Ft.	$160.00
Gross Building Area	69,432
Total Building Residual Value	$11,109,120
Indicated Value by Sales Comparison Approach	$11,100,000

Reconciliation

The indicated values from the preceding analysis are shown below. All are prospective values and assume the improvements are completed according to the plans and specifications provided.

Cost Approach	$11,340,000
Income Capitalization Approach	$11,400,000
Sales Comparison Approach	$11,100,000

The subject is under a long-term ground lease, and property rights appraised are the leasehold interest. It is determined that no leasehold value exists because of a favorable position in the lease, and any market value will be created when the new building is complete. Therefore, "as is" value of the leasehold interest is zero. Prospective value of the leasehold value is estimated using the standard valuation approaches.

The Cost Approach is most meaningful when improvements are new and represent the highest and best use of the land. Improvements value is estimated based on construction cost estimates provided by the subject developer, checked against cost estimates for other good quality office buildings in Albuquerque as well as information from *Marshall Valuation Service*. The conclusion of the Cost Approach compared to that of the Income Approach suggests the property is economically feasible.

The Income Capitalization Approach analyzes the property as an investment. The prospective value estimate is based on an analysis of the triple net lease plus market information regarding rental rates and investor expectations. Both direct capitalization and discounted cash flow analyses are applied in developing the prospective leasehold value. Reversion value in the DCF analysis is based on the purchase option in the lease, which is considered very secure as it is less than replacement cost.

The Sales Comparison Approach relies on information from seven sales in the local area. The sales are recent and represent reasonably similar buildings in quality. None of the sales was a leasehold purchase, and a building residual value is estimated by deducting estimated land value. While the residual values are believed reasonable, the Sales Comparison Approach is most useful in providing an indication of a probable value range.

In conclusion, a buyer of the subject property would focus on the property's earning potential, and my conclusion of value relies on the Income Capitalization Approach. Assuming completion of the improvements as proposed, the prospective market value of the leasehold interest in the subject property, as of December 31, 2005, is estimated at $11,400,000.

Marketing Period

The subject property's location and 5-year lease to a creditworthy tenant make it a desirable investment property. Brokers report a strong demand for leased properties as well as a shortage of quality investment properties in this price range. Assuming competent marketing at a price reasonably consistent with the appraised value, I estimate a marketing time of 12 months or less.

Certification

This certifies that the estimated values of the leased fee interest in the subject of this report are as follows:

Market Value of the Leasehold Interest As Is: (Effective February 8, 2005)	Zero Dollars
Prospective Market Value Upon Completion of Construction: (Projected at December 31, 2005)	$11,400,000

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

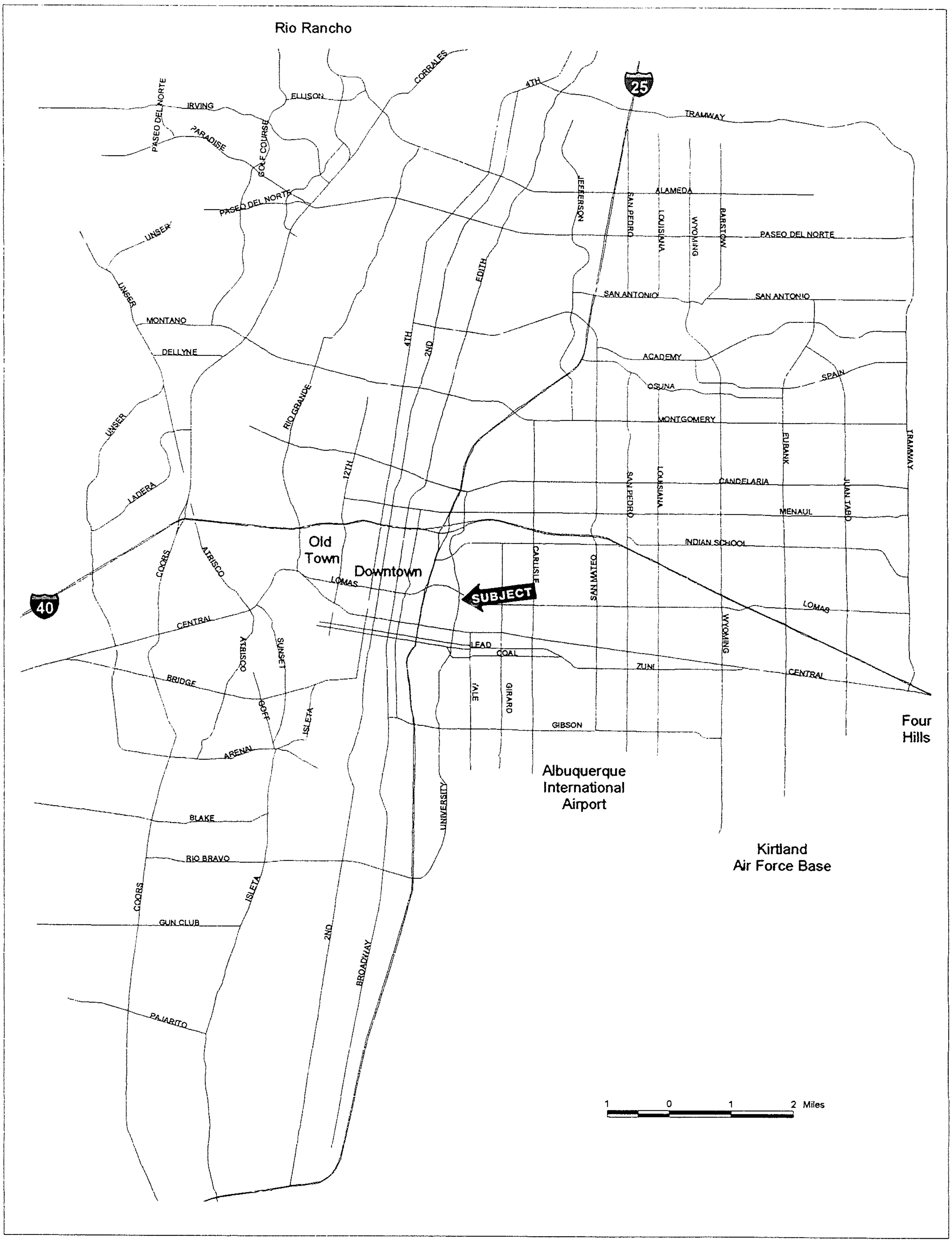
- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- this appraisal assignment was not based on a requested minimum valuation, a specific valuation, or approval of a loan.
- my compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I inspected the subject property, the neighborhood, and the comparables used in arriving at the value estimate reported.
- no one provided significant professional assistance to the person signing this report.
- 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 and the Standards of Professional Practice of the Appraisal Institute.
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- as of the date of this report, Elizabeth S. Pearsall has completed the requirements of the continuing education program of the Appraisal Institute.
- Elizabeth S. Pearsall is a Certified General Real Estate Appraiser, State of New Mexico, Certificate No. 000206-G.

This opportunity to provide appraisal services to your organization is appreciated, and questions from authorized users of the report will be welcomed if any aspect of the research or analysis requires clarification.

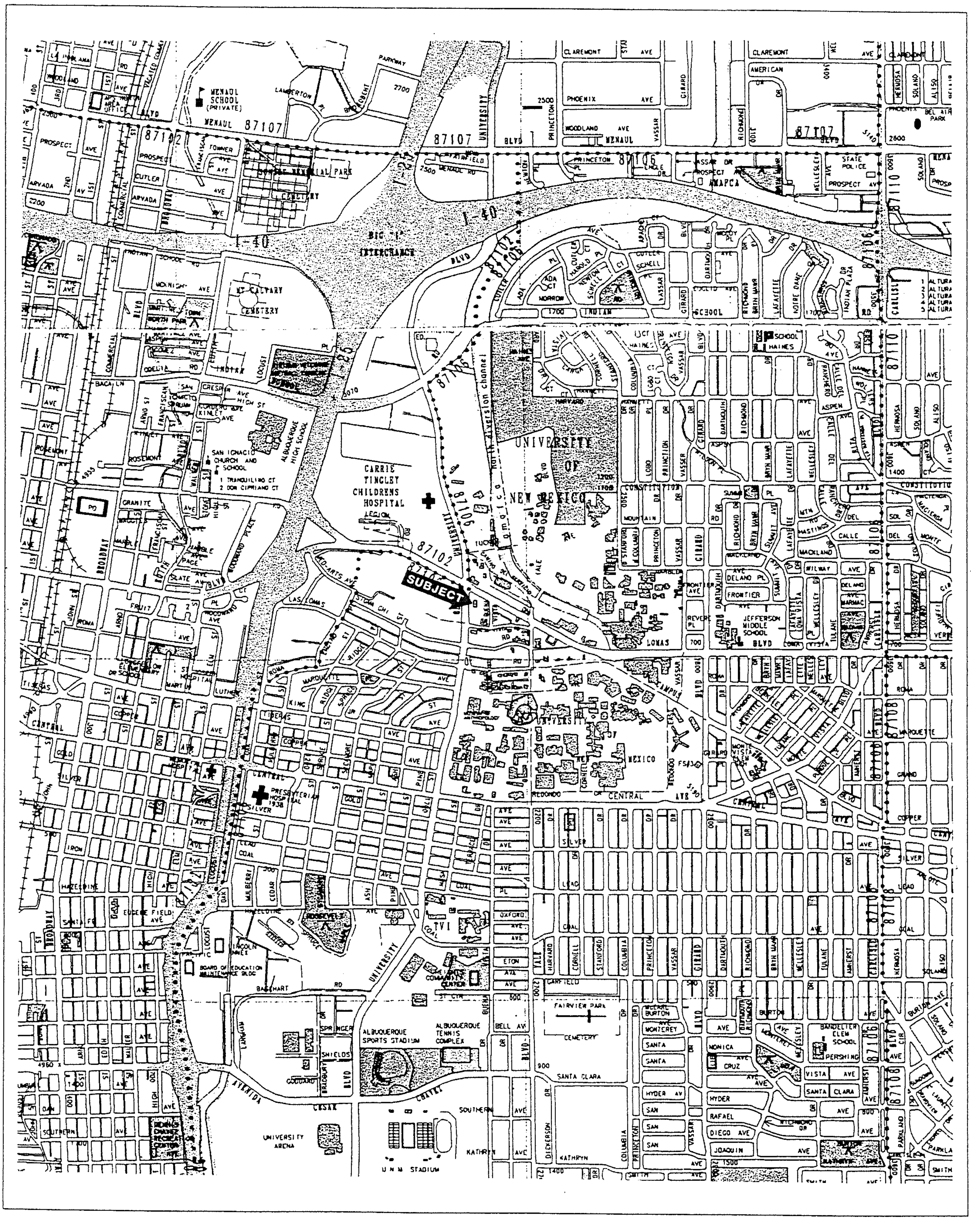
BROOKS, LOMAX & FLETCHER, INC.

Elizabeth Pearsall

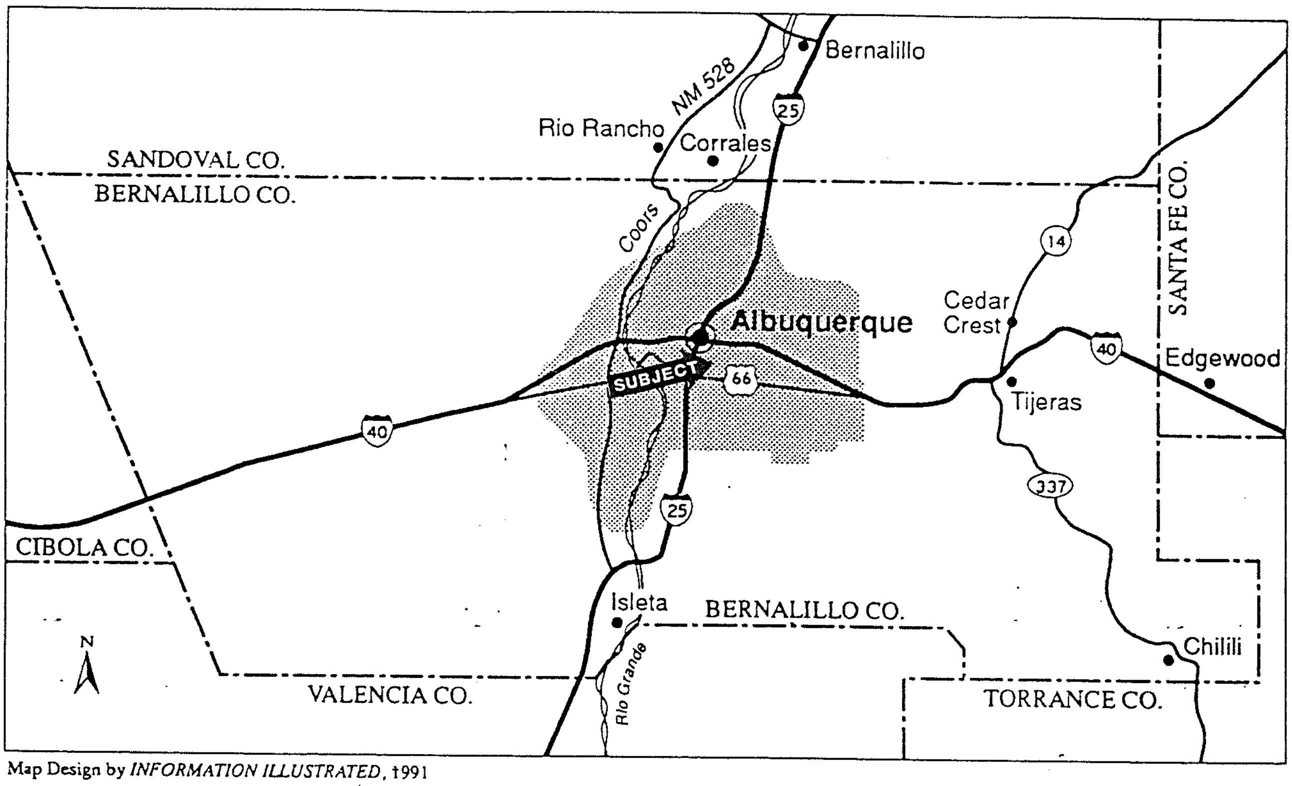
Elizabeth Pearsall, MAI, CCIM



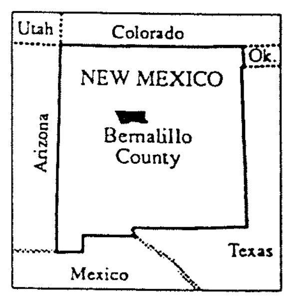
Albuquerque Metropolitan Area



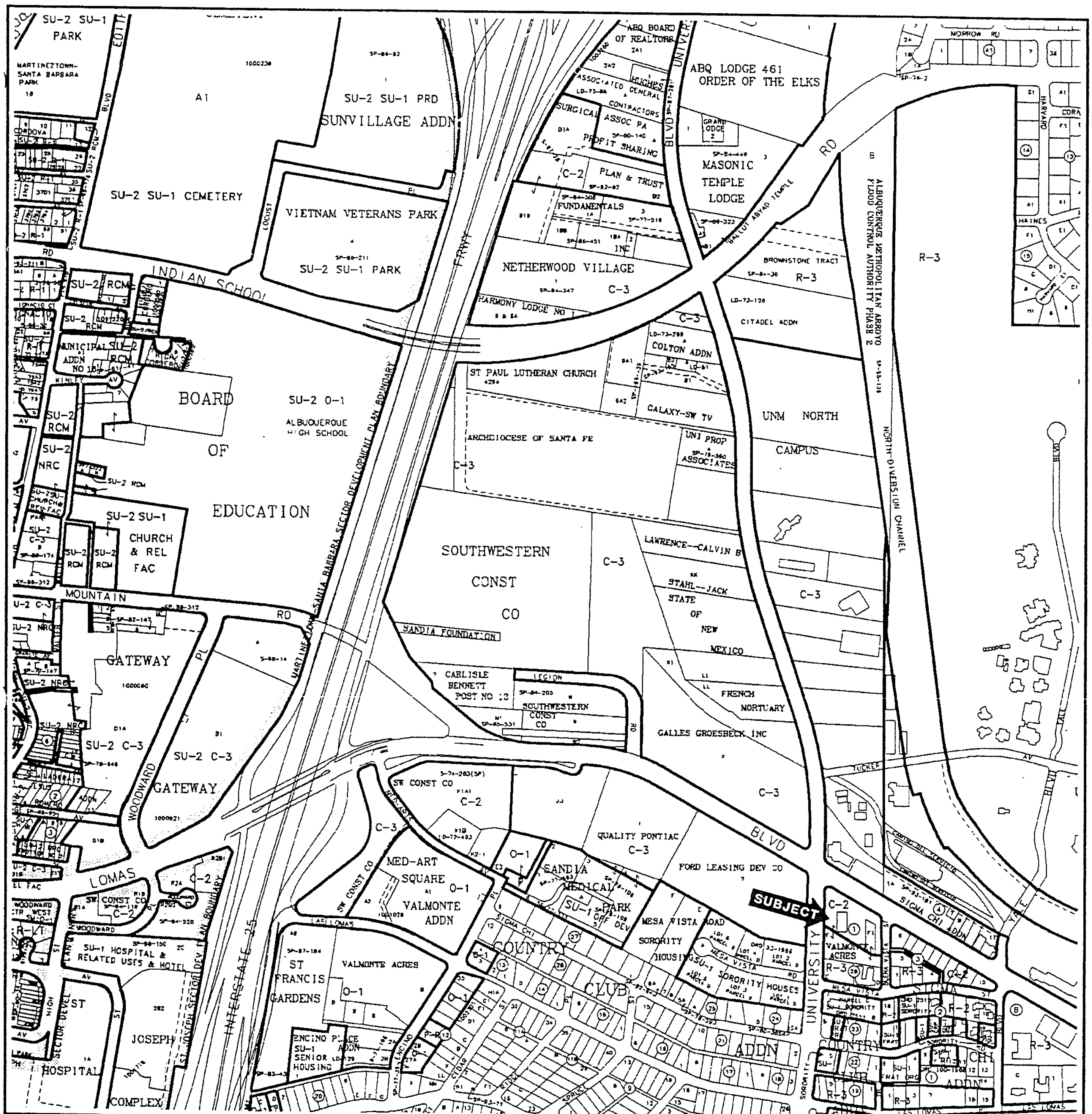
Neighborhood Map

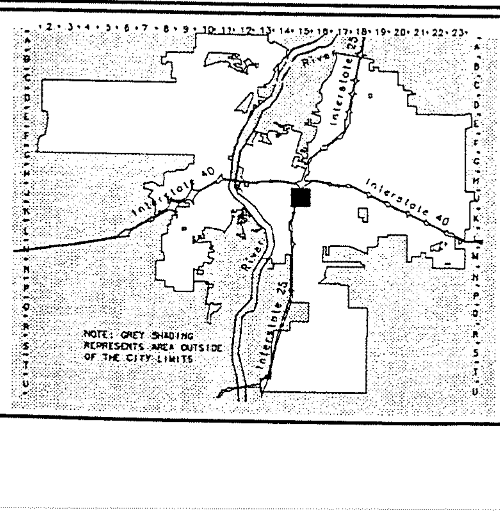


Map Design by *INFORMATION ILLUSTRATED*, 1991



Regional Location Map





Albuquerque Geographic Information System
PLANNING DEPARTMENT
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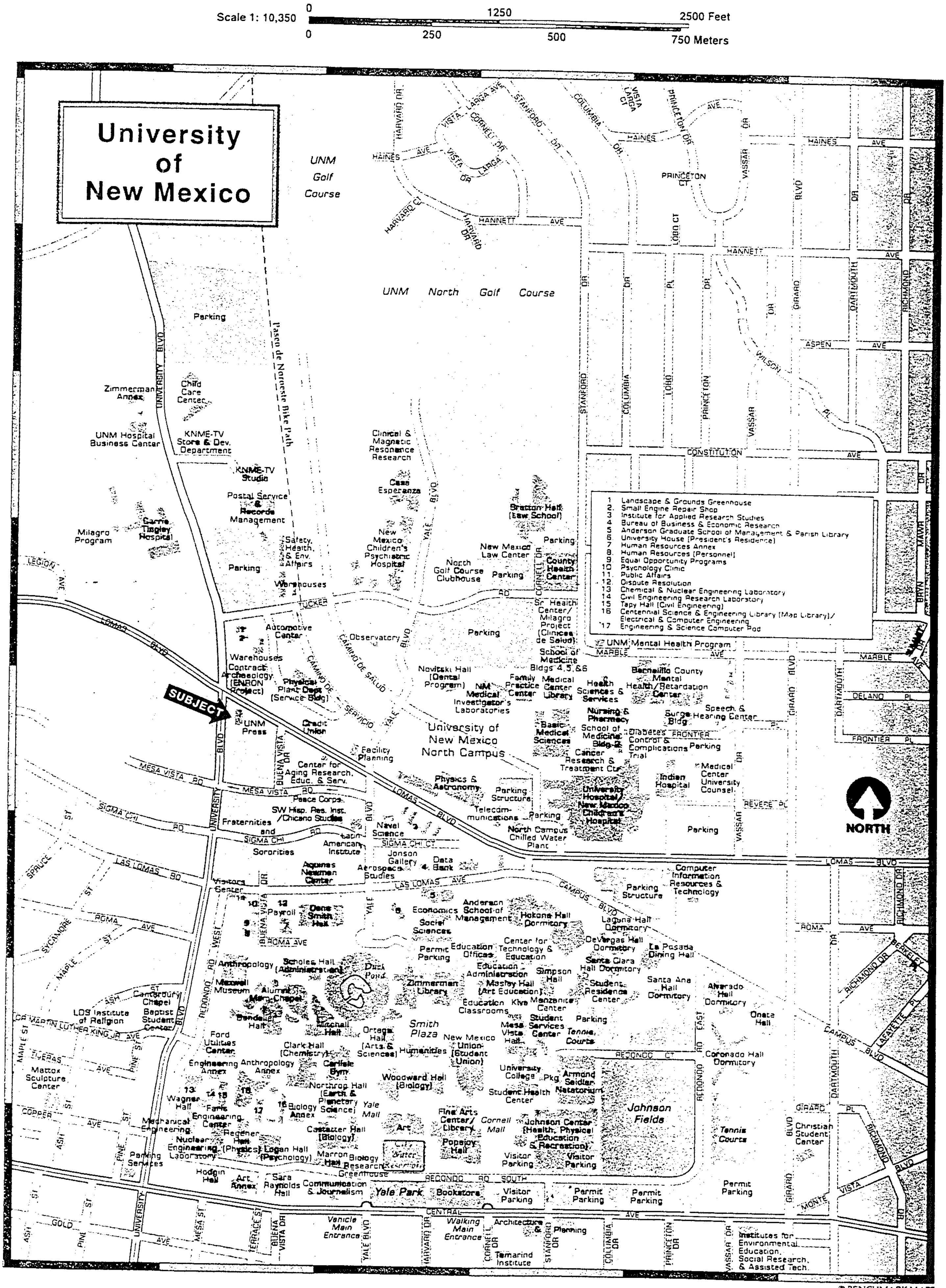
GRAPHIC SCALE IN FEET
250 0 750 1000

Zone Atlas Page
J-15-Z

Map Amended through January 04, 2005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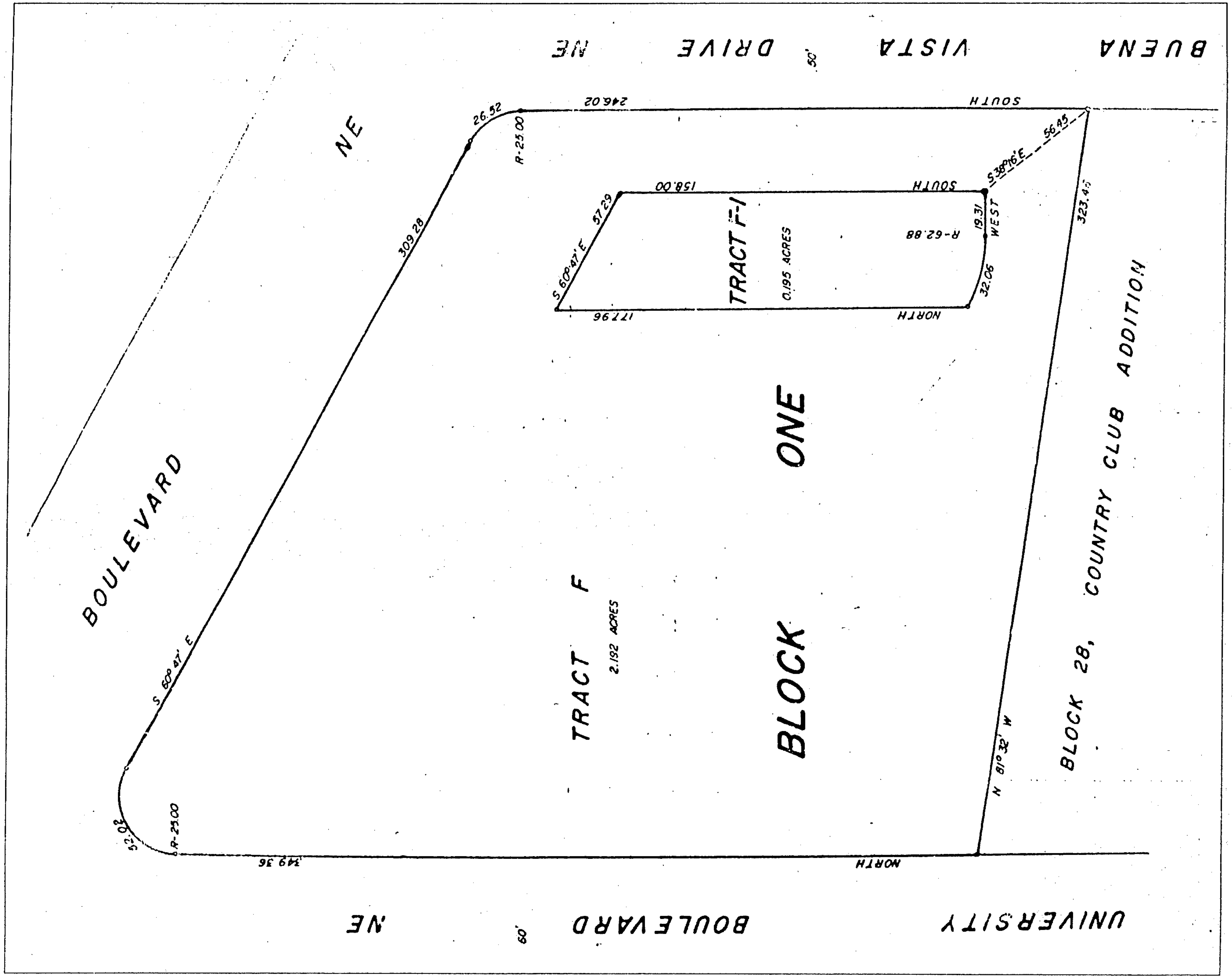
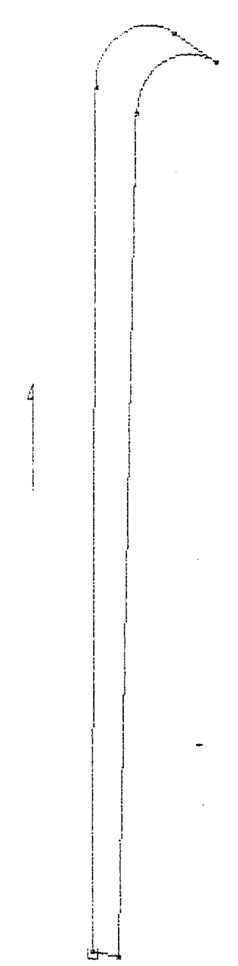
University of New Mexico
UNM Golf Course
UNM North Golf Course
NORTH
SUBJECT
University of New Mexico North Campus
Paseo de Noroeste Bike Path
1 Landscape & Grounds Greenhouse
2 Small Engine Repair Shop
3 Institute for Applied Research Studies
4 Bureau of Business & Economic Research
5 Anderson Graduate School of Management & Parish Library
6 University House (President's Residence)
7 Human Resources Annex
8 Human Resources (Personnel)
9 Equal Opportunity Programs
10 Psychology Clinic
11 Public Affairs
12 Dispute Resolution
13 Chemical & Nuclear Engineering Laboratory
14 Civil Engineering Research Laboratory
15 Tapy Hall (Civil Engineering)
16 Centennial Science & Engineering Library (Map Library)/ Electrical & Computer Engineering
17 Engineering & Science Computer Pod
Parking
Zimmerman Annex
Child Care Center
UNM Hospital Business Center
KNME-TV Store & Dev. Department
KNME-TV Studio
Postal Service & Records Management
Milagro Program
Carrie Tingley Hospital
Safety, Health, & Env. Affairs
Warehouses
Clinical & Magnetic Resonance Research
Casa Esperanza
New Mexico Children's Psychiatric Hospital
North Golf Course Clubhouse
New Mexico Law Center
Bratton Hall (Law School)
County Health Center
Sr. Health Center/ Milagro Project (Clinicas de Salud)
Observatory
Automotive Center
Warehouses Contract Archeology (ENRON Project)
Physical Plant Dept (Service Bldg)
UNM Mental Health Program
School of Medicine Bldgs 4,5,&6
Novitski Hall (Dental Program)
Family Practice Center
NM Medical Center
Medical Center Library
Investigator's Laboratories
Health Sciences & Services
Bernalillo County Mental Health/Retardation Center
Nursing & Pharmacy
Surge Bldg
Speech & Hearing Center
Basic Medical Sciences
School of Medicine Bldg 2
Diabetes Control & Complications Trial
Cancer Research & Treatment Ctr
Indian Hospital
Medical Center University Counsel
University Hospital/ New Mexico Children's Hospital
Credit Union
UNM Press
Facility Planning
Center for Aging Research, Educ. & Serv.
Physics & Astronomy
Parking Structure
Telecommunications
North Campus Chilled Water Plant
Peace Corps
SW Hisp. Res. Inst. /Chicano Studies
Fraternities and Sororities
Naval Science
Latin American Institute
Jonson Gallery
Data Bank
Aerospace Studies
Aquinas Newman Center
Visitors Center
Computer Information Resources & Technology
Parking Structure
Payroll
Dane Smith Hall
Economics
Anderson School of Management
Social Sciences
Hokona Hall Dormitory
Laguna Hall Dormitory
DeVargas Hall Dormitory
La Posada Dining Hall
Santa Clara Hall Dormitory
Santa Ana Hall Dormitory
Alvarado Hall Dormitory
Onate Hall
Coronado Hall Dormitory
Anthropology
Scholes Hall (Administration)
Duck Pond
Permit Parking
Education Offices
Center for Technology & Education
Education Administration
Simpson Hall
Zimmerman Library
Mesa Vista Hall
Masley Hall (Art Education)
Student Residence Center
Education Classrooms
Kiva
Manzanita Center
Maxwell Museum
Alumni Memorial Chapel
Bandelier Hall
Mitchell Hall
Ortega Hall (Arts & Sciences)
Humanities
Smith Plaza
New Mexico Union (Student Union)
Student Services Center
Tennis Courts
Canterbury Chapel
Baptist Student Center
LDS Institute of Religion
Mattox Sculpture Center
Ford Utilities Center
Clark Hall (Chemistry)
Carlisle Gym
Engineering Annex
Anthropology Annex
Northrop Hall (Earth & Planetary Science)
Woodward Hall (Biology)
University College
Armond Seidler Natatorium
Student Health Center
Johnson Fields
Wagner Hall
Farris Engineering Center
Biology Annex
Yale Mall
Fine Arts Center/ Library
Cornell Mall
Johnson Center (Health, Physical Education & Recreation)
Mechanical Engineering
Regener Hall
Castetter Hall (Biology)
Art
Popejoy Hall
Visitor Parking
Christian Student Center
Nuclear Engineering Laboratory
(Physics)
Logan Hall (Psychology)
Marron Hall
Biology Research Greenhouse
Parking Services
Hodgin Hall
Art Annex
Sara Reynolds Hall
Communication & Journalism
Yale Park
Bookstore
Permit Parking
Vehicle Main Entrance
Walking Main Entrance
Architecture & Planning
Tamarind Institute
Institutes for Environmental Education, Social Research, & Assisted Tech.
UNIVERSITY BLVD
LOMAS BLVD
CENTRAL AVE
CAMPUS BLVD
GIRARD BLVD
YALE BLVD
REDONDO DR
LAS LOMAS RD
SIGMA CHI RD
MESA VISTA RD
CONSTITUTION AVE
© BENCHMARK MAPS



Subject Plat

Plat of Deed Calls for: Lobo Center



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East Shift : +0	Sq. Meters: 600.1	Meters : 0.002
DMS Rotated: +000.0000	Perimeter : 829.32	Precision: 1/151499

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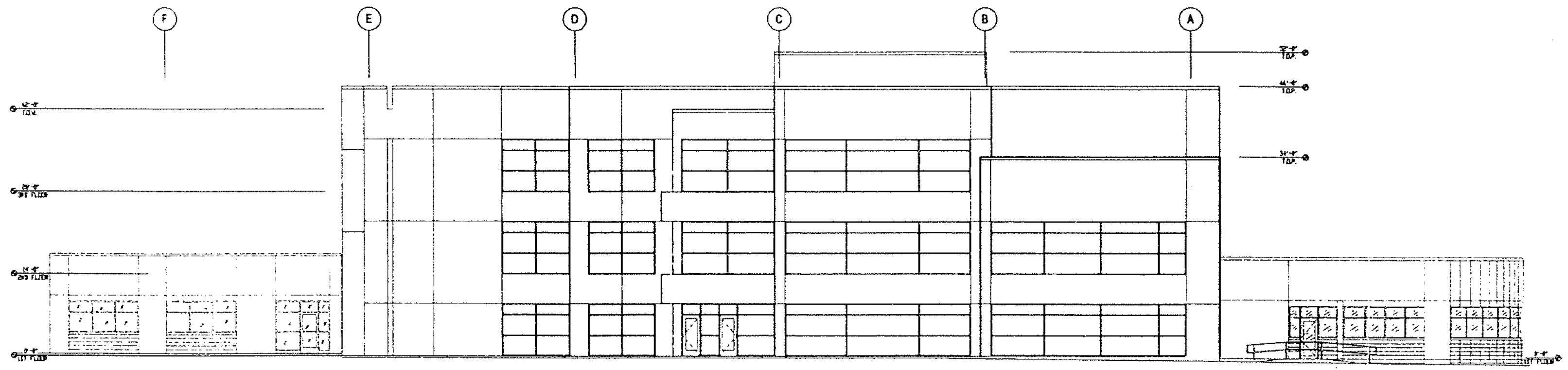
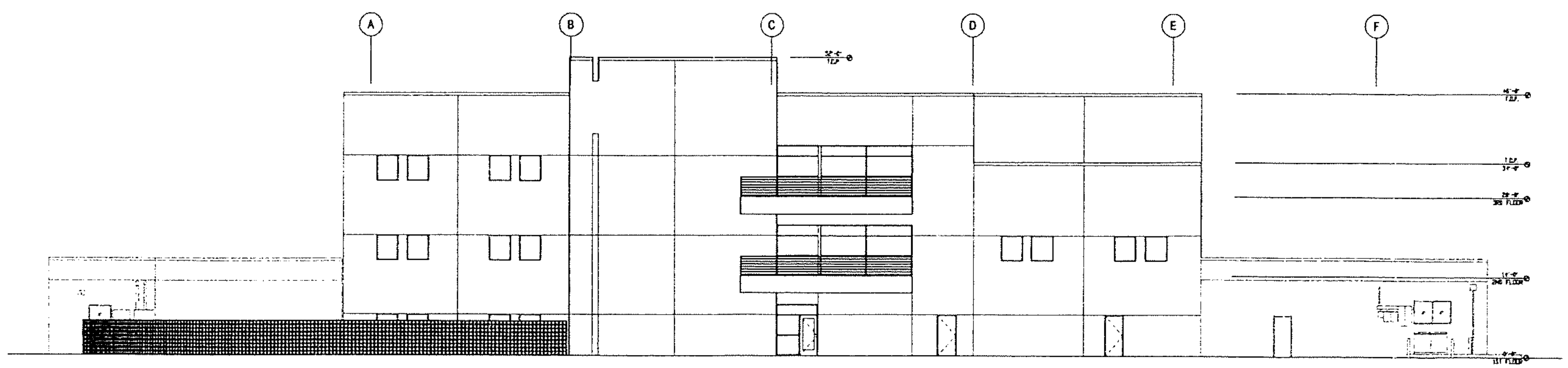
KEYED NOTES:



NORTH ELEVATION



SOUTH ELEVATION

NCA
ARCHITECTS - PLANNERS - AIA
1306 RIO GRANDE BLVD NW
ALBUQUERQUE, NM 87104
505-255-6400 505-254-9264 FAX

LOBO CENTER
ALBUQUERQUE
NEW MEXICO
EXTERIOR ELEVATIONS

MK	DATE	DESCRIPTION

LDM | DP

2/21/05

A04.58

A2.1

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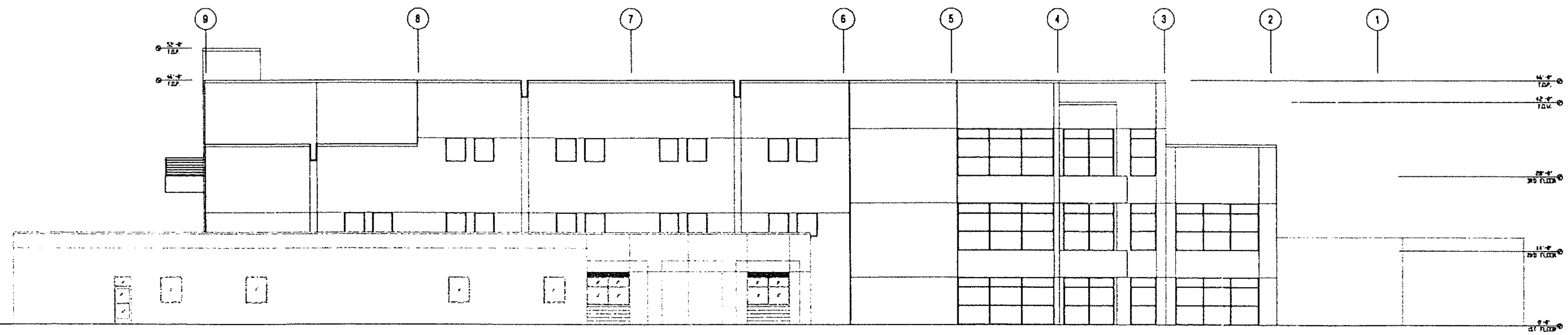
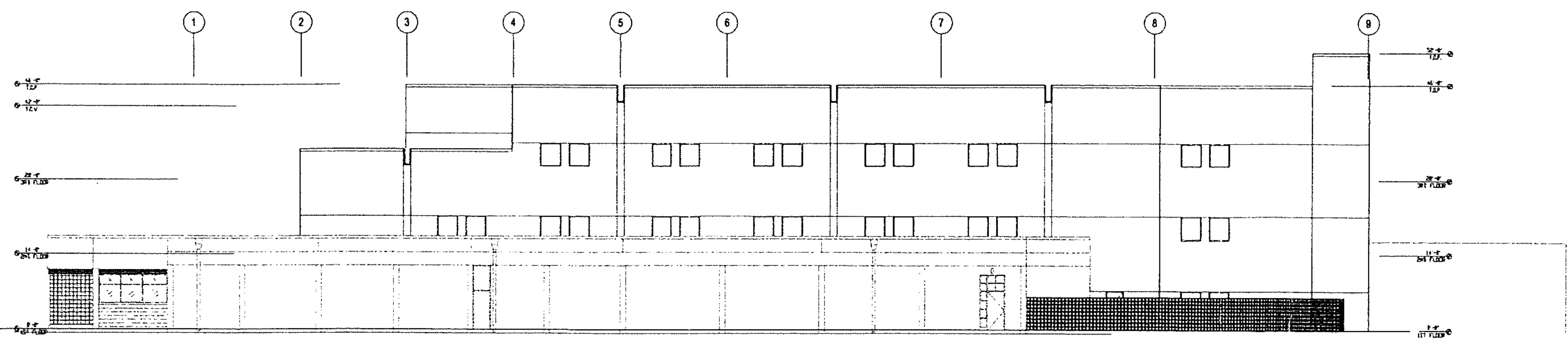
KEYED NOTES:



EAST ELEVATION



WEST ELEVATION

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LOBO CENTER
ALBUQUERQUE NEW MEXICO
EXTERIOR ELEVATIONS

MK	DATE	DESCRIPTION

LDM DP
2/21/05
A04.58

A2.2

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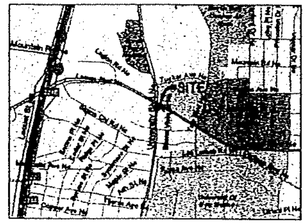
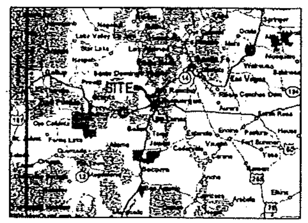
UNM LOBO CENTER
ALBUQUERQUE, NEW MEXICO
PROGRESS SET

JANUARY 07, 2005

VICINITY MAP



LOCATION MAP



DESIGN CRITERIA

ADDRESS:	??? ALBUQUERQUE, NEW MEXICO
LEGAL DESCRIPTION:	??? ???
OWNER:	???
OCCUPANCY:	???
TYPE OF CONSTRUCTION:	???
OCCUPANT LOAD:	???
ALLOWABLE AREA:	???
ACTUAL AREA:	???
HEIGHT/NO. OF STORIES:	3
FIRE SPRINKLERS:	???
LAND USE ZONE:	???
SEISMIC ZONE:	2B

PLUMBING FIXTURES REQUIRED	FIXTURES REQUIRED MEN	FIXTURES REQUIRED WOMEN	FIXTURES PROVIDED MEN	FIXTURES PROVIDED WOMEN
WATER CLOSET	?	?	?	?
URINAL	?	-	?	-
LAVATORY	?	?	?	?

INDEX TO DRAWINGS

DESIGN CRITERIA

PROJECT NAME:	THE LOBO CENTER
OWNER:	
ADDRESS:	
2003 IBC CODE INFORMATION	
OCCUPANCY TYPE (CHAPTER 3)	B
OCCUPANT LOAD (TABLE 1004.1.2)	LEVEL 1 - 244 LEVEL 2 - 240 LEVEL 3 - 209
CONSTRUCTION TYPE (CHAPTER 6)	II B
ALLOWABLE AREA (CHAPTER 5)	23,000 SF / LEVEL 4 STORY MAX.
200% INCREASE (AUTOMATIC FIRE PROTECTION)	23,000 SF / LEVEL 4 STORY MAX.
ALLOWABLE AREA	46,000 SF / LEVEL 4 STORY MAX.
ACTUAL AREA (NEW)	24,404 SF - LEVEL 1 24,000 SF - LEVEL 2 21,028 SF - LEVEL 3
ACTUAL AREA (EXISTING)	7,516 SF - HUMAN RESOURCES 9,346 SF - SPEECH AND HEARING 16,862 SF TOTAL EXIST.
NO. OF STORIES	3
FIRE PROTECTION (CHAPTER 9)	YES (ALL LEVELS)
EGRESS WIDTH REQUIRED (TABLE 1005.1)	
EGRESS WIDTH PROVIDED	
SEISMIC ZONE	
PLUMBING FIXTURES (TABLE 2902.1)	OCCUPANCY

	MEN	WOMEN
REQUIRED - LEVEL 1	MEN (122)	WOMEN (122)
WATER CLOSETS	4	4
LAVATORIES	3	3
DRINKING FOUNTAINS	2	2
REQUIRED - LEVEL 2	MEN (120)	WOMEN (120)
WATER CLOSETS	4	4
LAVATORIES	3	3
DRINKING FOUNTAINS	2	2
REQUIRED - LEVEL 3	MEN (105)	WOMEN (105)
WATER CLOSETS	4	4
LAVATORIES	3	3
DRINKING FOUNTAINS	2	2
PROVIDED - LEVEL 1	MEN	WOMEN
WATER CLOSETS	2	5
URINALS	3	-
LAVATORIES	3	3
DRINKING FOUNTAINS	2	2
PROVIDED - LEVEL 2	MEN	WOMEN
WATER CLOSETS	2	5
URINALS	3	-
LAVATORIES	3	3
DRINKING FOUNTAINS	2	2
PROVIDED - LEVEL 3	MEN	WOMEN
WATER CLOSETS	2	5
URINALS	3	-
LAVATORIES	3	3
DRINKING FOUNTAINS	2	2

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SET NO.:

PROJECT:
A04.58 UNM LOBO CENTER

CIVIL
???
???
ALBUQUERQUE, NEW MEXICO ?????
(505) ???
(505) ??? FAX

STRUCTURAL
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???
ALBUQUERQUE, NEW MEXICO ?????
(505) ???
(505) ??? FAX

PLUMBING
???
???
ALBUQUERQUE, NEW MEXICO ?????
(505) ???
(505) ??? FAX

MECHANICAL
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???
ALBUQUERQUE, NEW MEXICO ?????
(505) ???
(505) ??? FAX

ELECTRICAL
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???
ALBUQUERQUE, NEW MEXICO ?????
(505) ???
(505) ??? FAX

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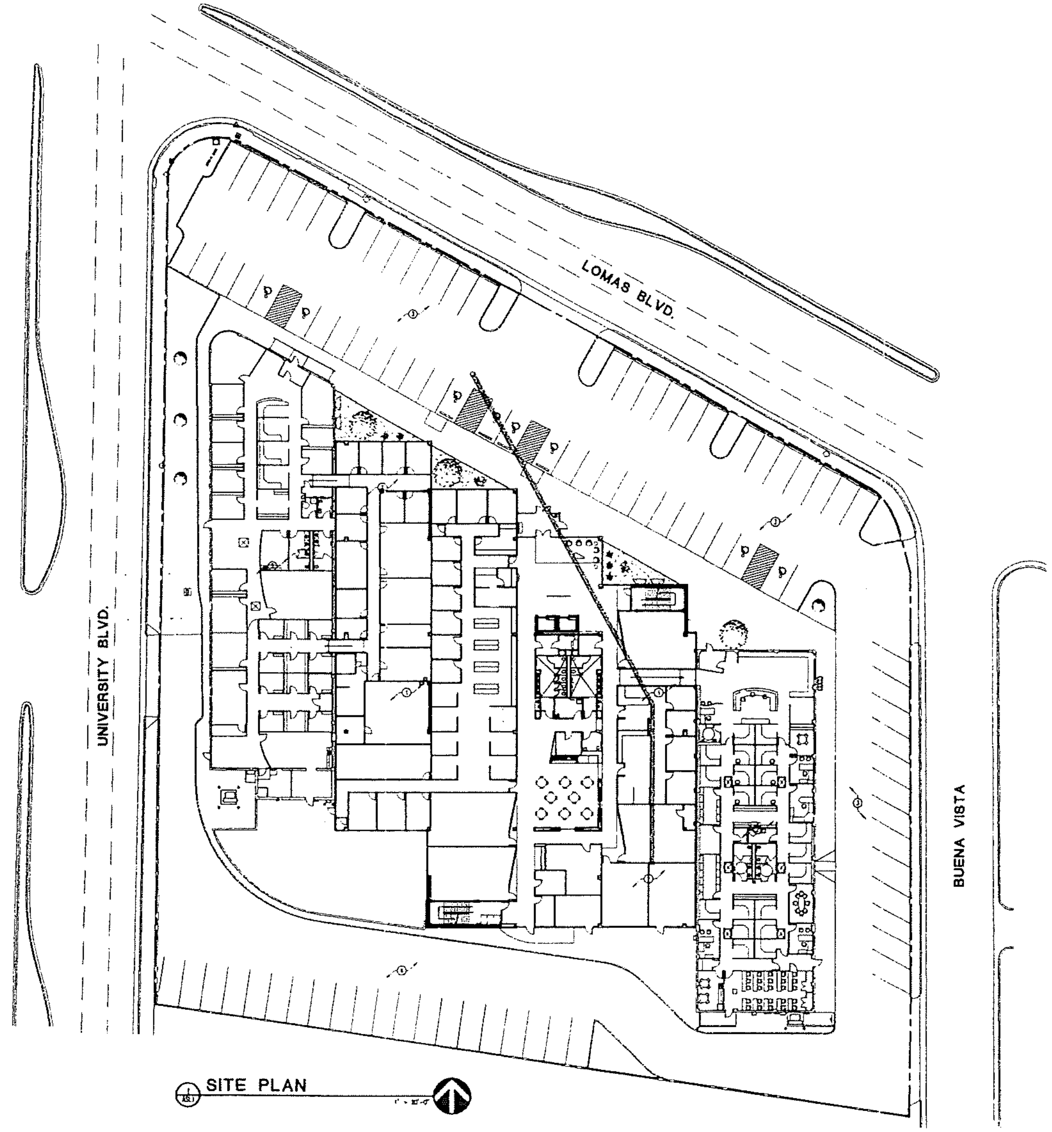

SITE PLAN

GENERAL NOTES:

A. THIS SHEET IS FOR REFERENCE USE ONLY.

KEYED NOTES:

1. NEW BUILDING.
2. EXISTING BUILDING TO REMAIN.
3. EXISTING PARKING LOT TO REMAIN.
4. EXISTING PARKING LOT TO REMAIN. (WILL BE PATCHED, REPAIRED, AND RE-STRIPED).

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LOBO CENTER

ALBUQUERQUE NEW MEXICO

SITE PLAN

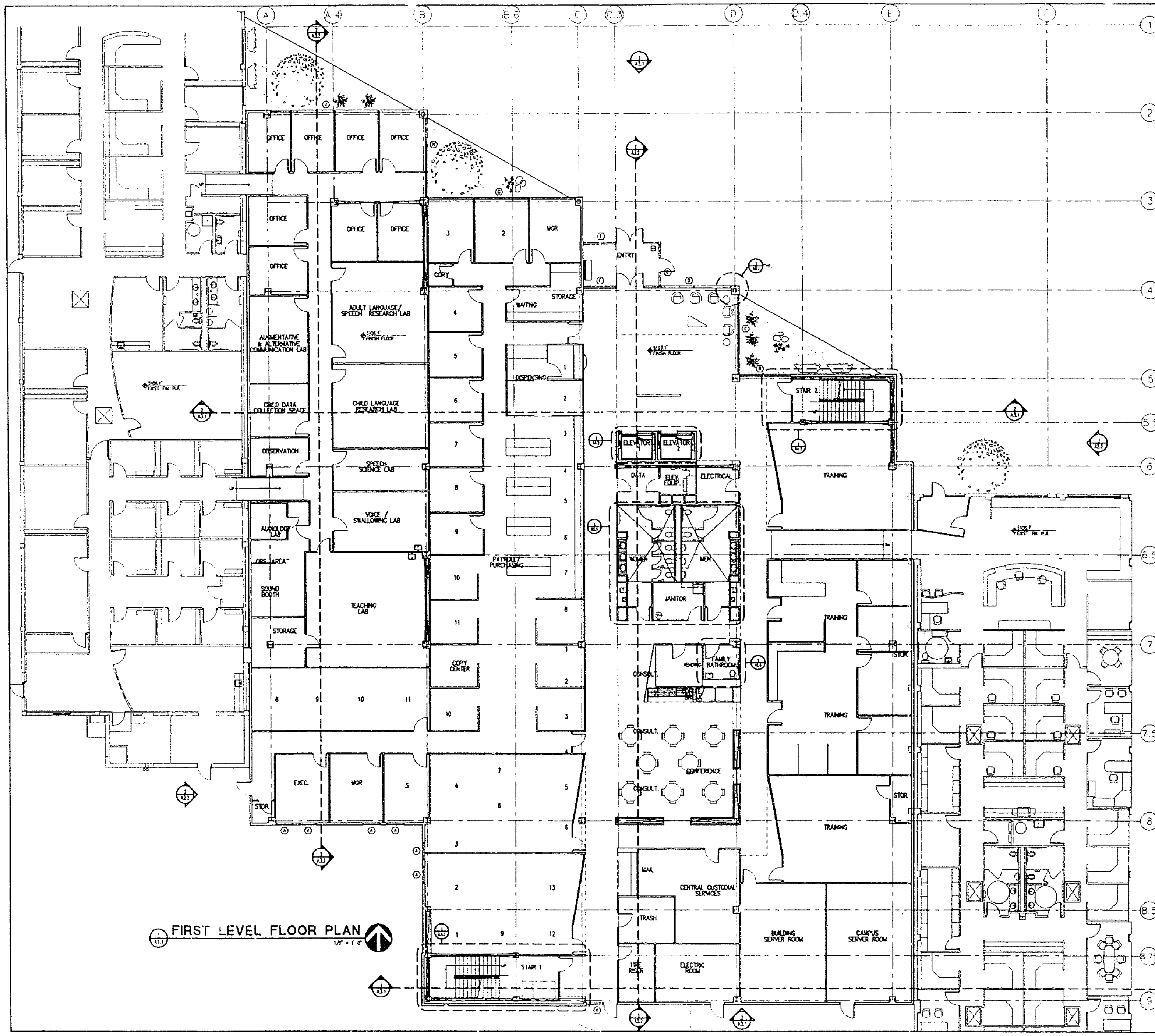
MK	DATE	DESCRIPTION

WA | DP

2/21/05

A04.58

AS1.1



FIRST LEVEL FLOOR PLAN
1/8" = 1'-0"

GENERAL NOTES:

A

KEYED NOTES:

1. STANDARD DRINKING FOUNTAIN. SEE DETAIL 8/G1.2.
2. ACCESSIBLE DRINKING FOUNTAIN. SEE DETAIL 6, 7 & 8/G1.2.
3. RECESSED FIRE EXTINGUISHER & CABINET AS SPECIFIED. SEE DETAILS 11 & 12/G1.2.

WALL LEGEND

- A1 — 4" X 25 GA. METAL STUDS @ 16" O.C. W/ 5/8" GYPSUM BOARD EACH SIDE (6" ABOVE CEILING). SEE SCHEDULED FINISH, SHEET A1.3
- A2 — 6" X 25 GA. METAL STUDS @ 16" O.C. W/ 5/8" GYPSUM BOARD EACH SIDE (6" ABOVE CEILING). SEE SCHEDULED FINISH, SHEET A1.3
- B1 — 1-HOUR FIRE RATED WALL. 4" X 25 GA. METAL STUDS @ 16" O.C. W/ 5/8" GYPSUM BOARD TO DECK. SEE SCHEDULED FINISH, SHEET A1.3
- B2 — 1-HOUR FIRE RATED WALL. 6" X 25 GA. METAL STUDS @ 16" O.C. W/ 5/8" GYPSUM BOARD TO DECK. SEE SCHEDULED FINISH, SHEET A1.3
- C — LOW WALL (48" H). 4" X 25 GA. METAL STUDS @ 16" O.C. W/ 5/8" GYPSUM BOARD EACH SIDE. SEE SCHEDULED FINISH, SHEET A1.3
- D — PLUMBING CHASE. 4" X 25 GA. METAL STUDS @ 16" O.C. W/ 5/8" GYPSUM BOARD EACH SIDE. SEE SCHEDULED FINISH, SHEET A1.3
- E — EXISTING BUILDING TO REMAIN

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LOBO CENTER
ALBUQUERQUE NEW MEXICO

FIRST LEVEL FLOOR PLAN

MK	DATE	DESCRIPTION

LDW | DP

2/21/05

A04.58

A1.1

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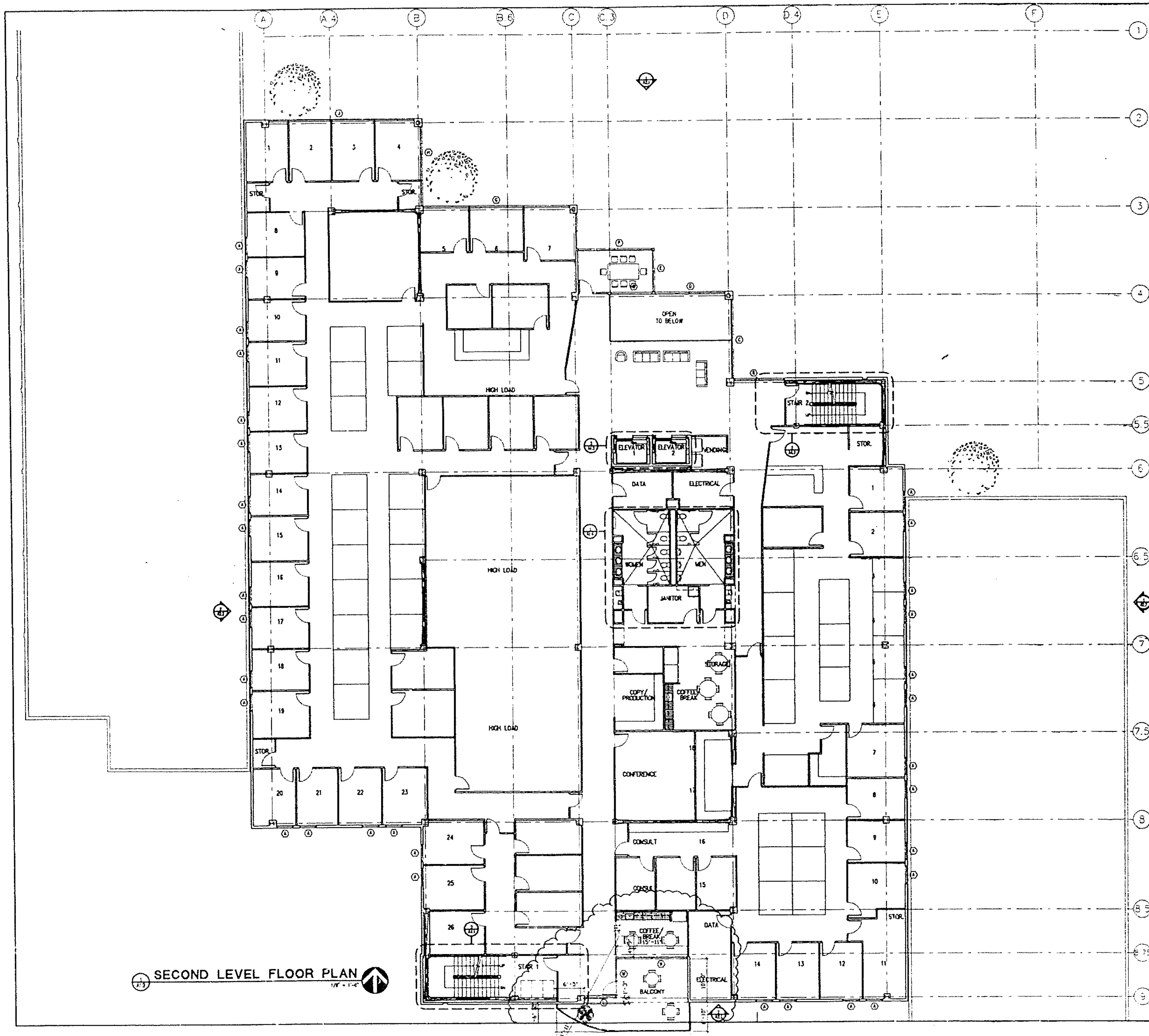

SECOND LEVEL FLOOR PLAN

1/8" = 1'-0"

GENERAL NOTES:

A

KEYED NOTES:

1. STANDARD DRINKING FOUNTAIN. SEE DETAIL 8/G1.2.
2. ACCESSIBLE DRINKING FOUNTAIN. SEE DETAIL 6, 7 & 8/G1.2.
3. RECESSED FIRE EXTINGUISHER & CABINET AS SPECIFIED. SEE DETAILS 11 & 12/G1.2.

WALL LEGEND

- A1 — 4" x 25 GA. METAL STUDS @ 16" O.C. W/ 5/8" GYPSUM BOARD EACH SIDE (6" ABOVE CEILING). SEE SCHEDULED FINISH, SHEET A1.1
- A2 — 4" x 25 GA. METAL STUDS @ 16" O.C. W/ 5/8" GYPSUM BOARD EACH SIDE (6" ABOVE CEILING). SEE SCHEDULED FINISH, SHEET A1.1
- B1 — 1-HOUR FIRE RATED WALL. 4" x 25 GA. METAL STUDS @ 16" O.C. W/ 5/8" GYPSUM BOARD TO DECK. SEE SCHEDULED FINISH, SHEET A1.1
- B2 — 1-HOUR FIRE RATED WALL. 4" x 25 GA. METAL STUDS @ 16" O.C. W/ 5/8" GYPSUM BOARD TO DECK. SEE SCHEDULED FINISH, SHEET A1.1
- C — LOW WALL (48"H) 4" x 25 GA. METAL STUDS @ 16" O.C. W/ 5/8" GYPSUM BOARD EACH SIDE. SEE SCHEDULED FINISH, SHEET A1.1
- D — PLUMBING CHASE. 4" x 25 GA. METAL STUDS @ 16" O.C. W/ 5/8" GYPSUM BOARD EACH SIDE. SEE SCHEDULED FINISH, SHEET A1.1
- E — EXISTING BUILDING TO REMAIN

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LOBO CENTER

ALBUQUERQUE NEW MEXICO

SECOND LEVEL FLOOR PLAN

MK	DATE	DESCRIPTION

LDM | DP

2/21/05

A04 58

A1.2

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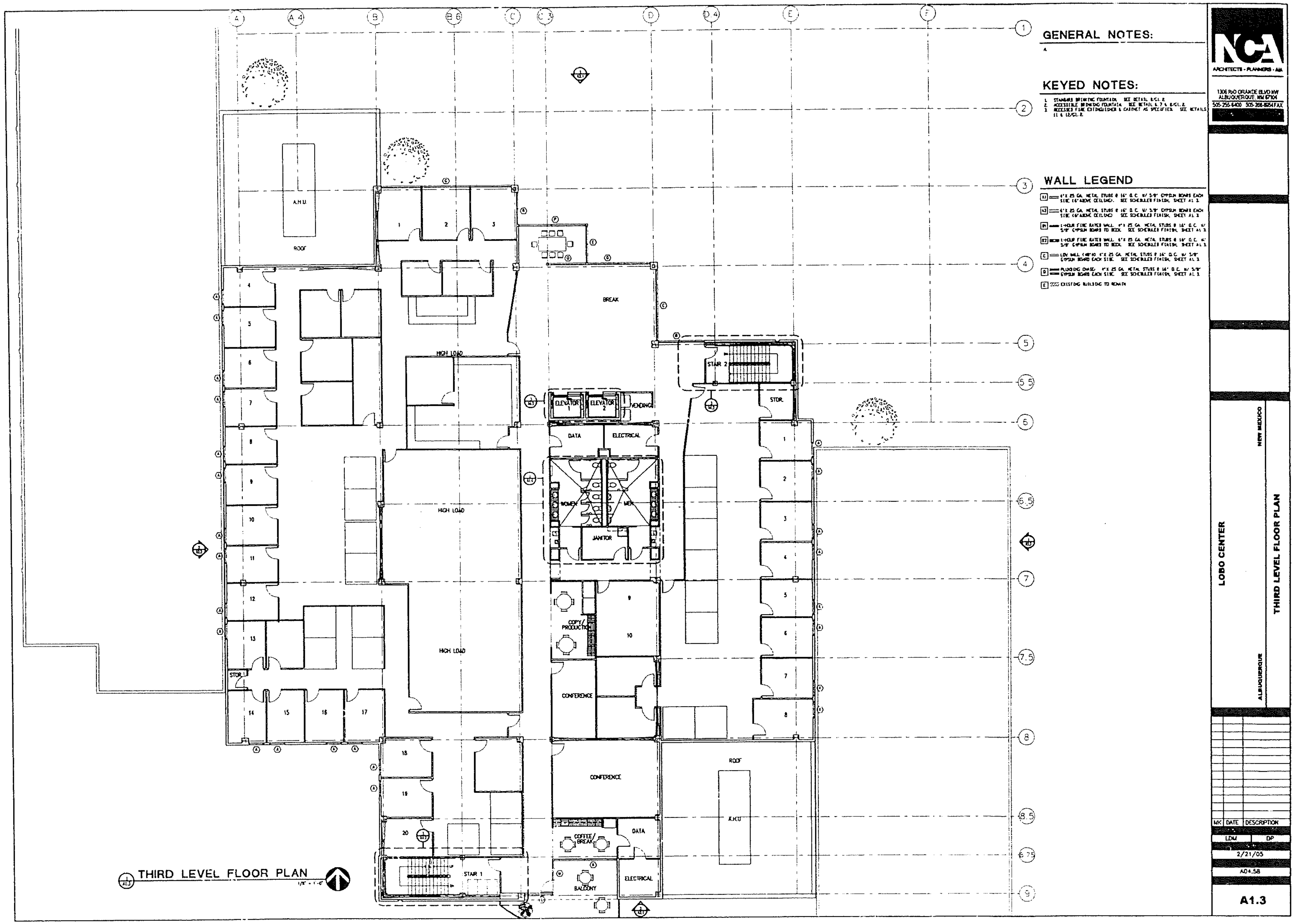

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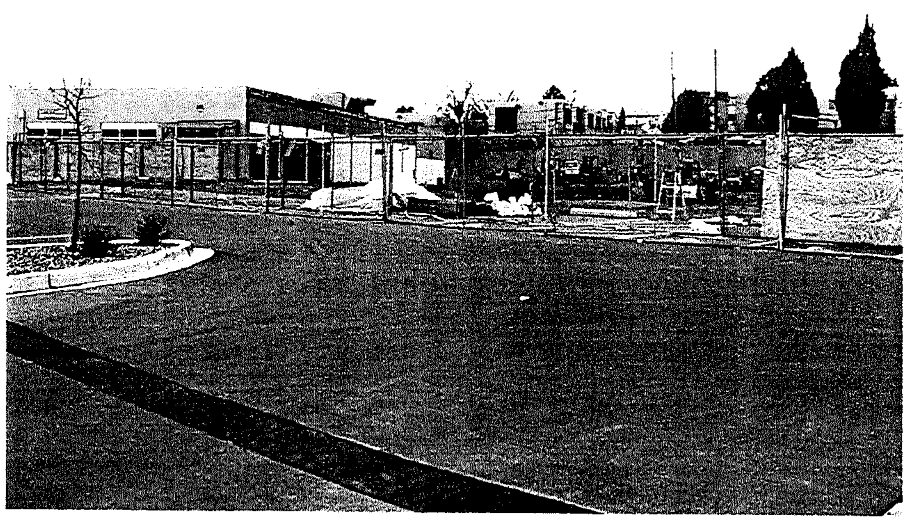
Property Photographs
Lobo Center
1712-1730 Lomas Boulevard NE
Albuquerque, New Mexico

Subject as seen from Lomas at University; Suite A is the corner building and Suite E is shown at far left.

Suite A, at west end of property, which houses UNM Speech and Hearing Department.

Property Photographs
Lobo Center
1712-1730 Lomas Boulevard NE
Albuquerque, New Mexico

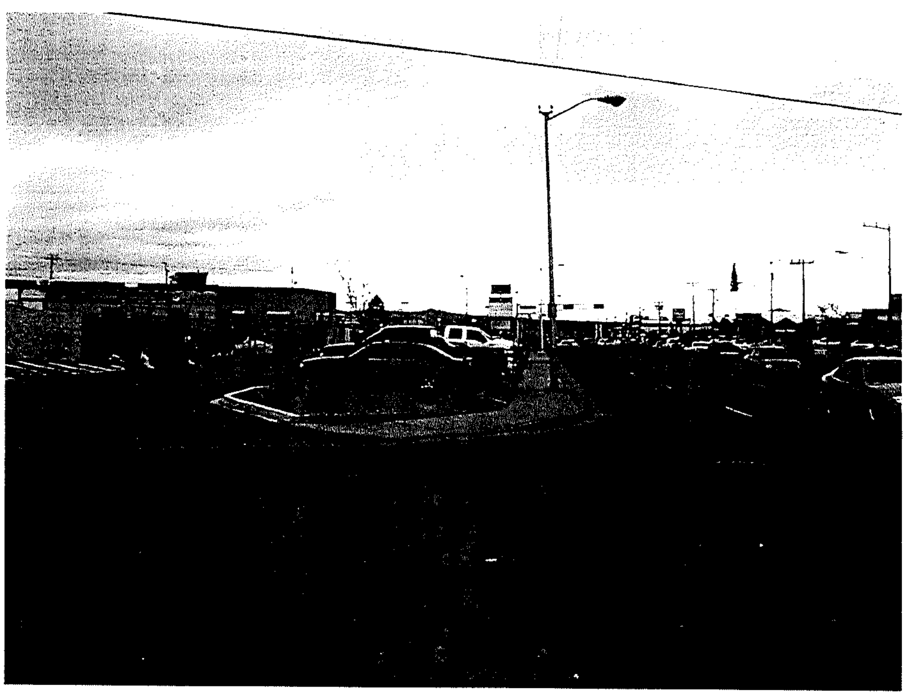
Suite E, at east end of property, which houses UNM Human Resources Department.



Vacant lot between Suites A and E to be developed with 3-story building

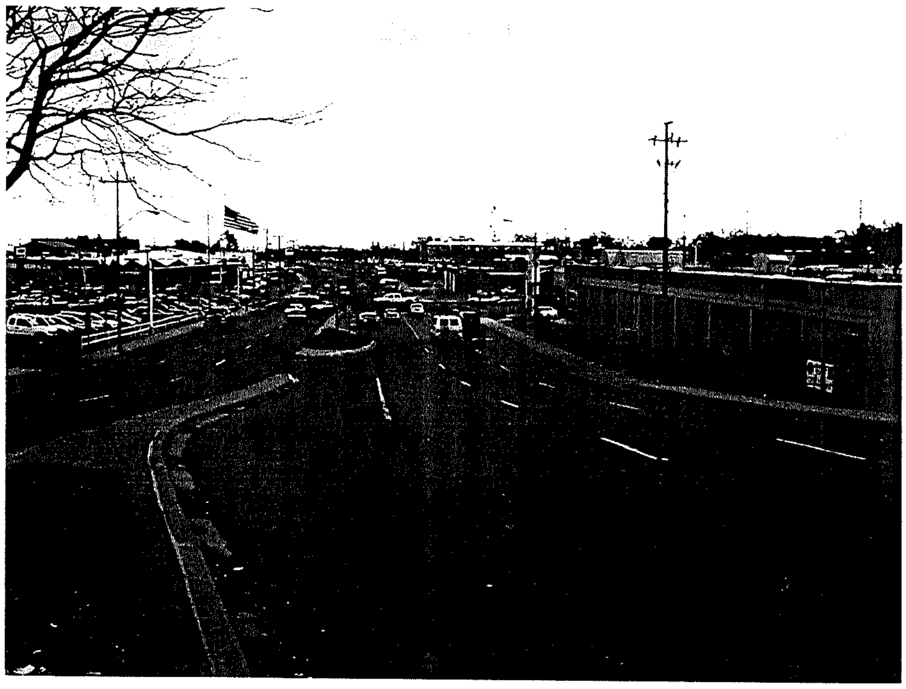
Property Photographs
Lobo Center
1712-1730 Lomas Boulevard NE
Albuquerque, New Mexico

View east on Lomas Boulevard at University; subject is at right.

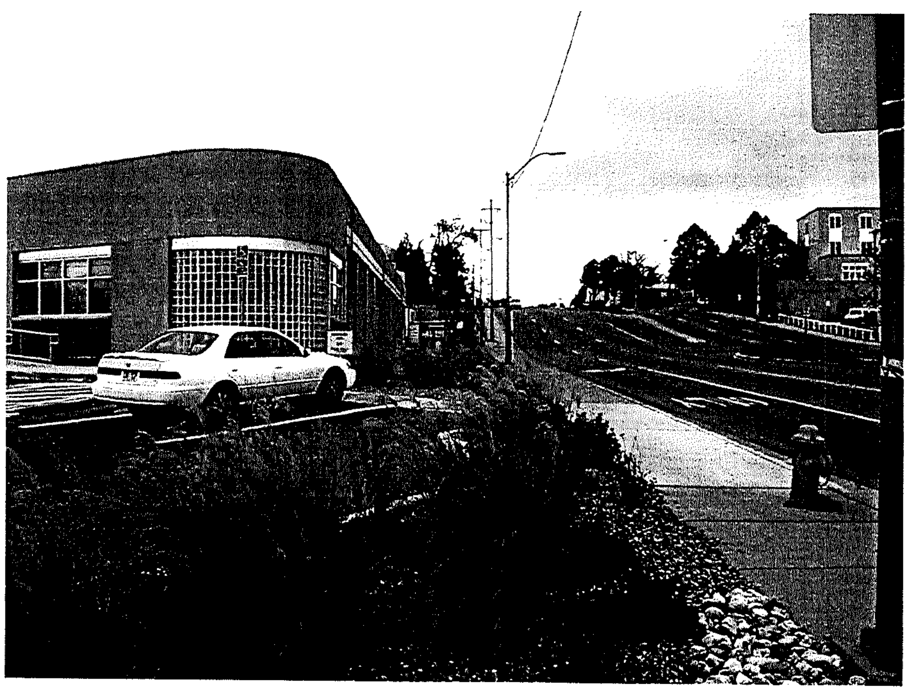


View west on Lomas Boulevard at Buena Vista; subject is at left.

Property Photographs
Lobo Center
1712-1730 Lomas Boulevard NE
Albuquerque, New Mexico

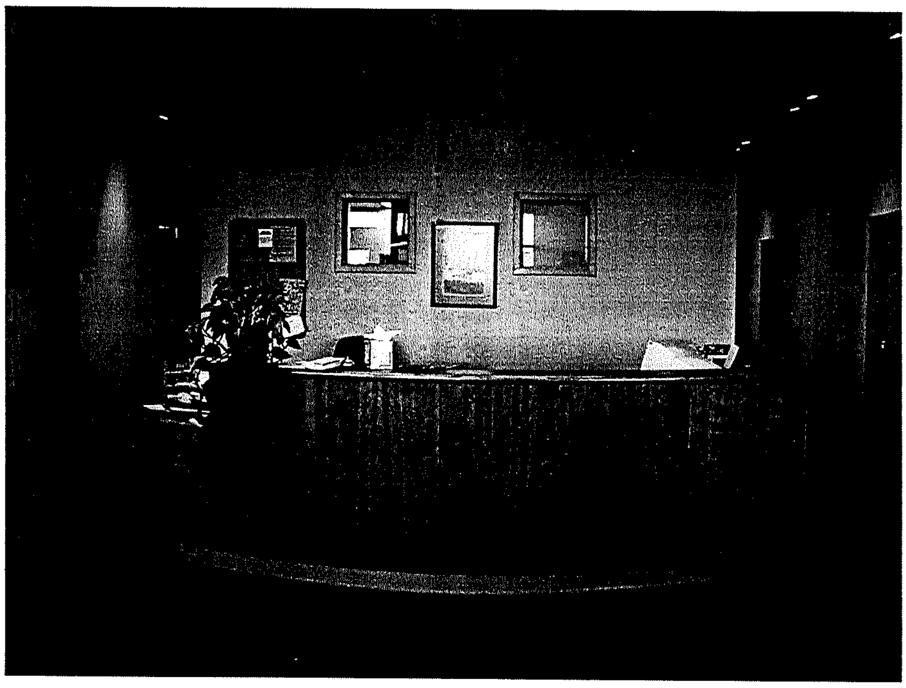


View north on University Boulevard toward Lomas; subject is at right; UNM parking lot is at left.

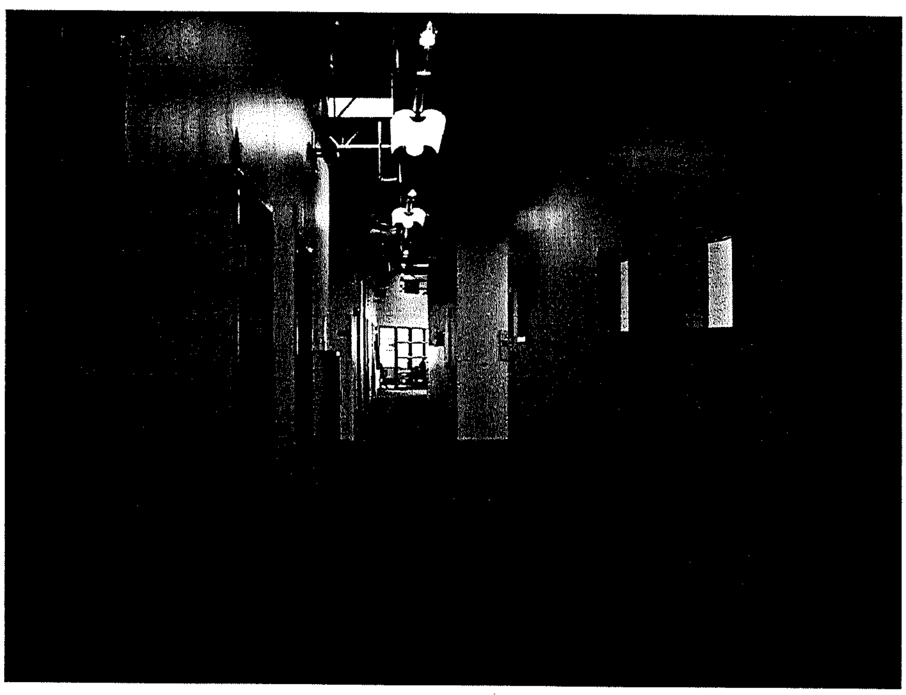


View south on University Boulevard; Suite A is shown at right.

Property Photographs
Lobo Center
1712-1730 Lomas Boulevard NE
Albuquerque, New Mexico

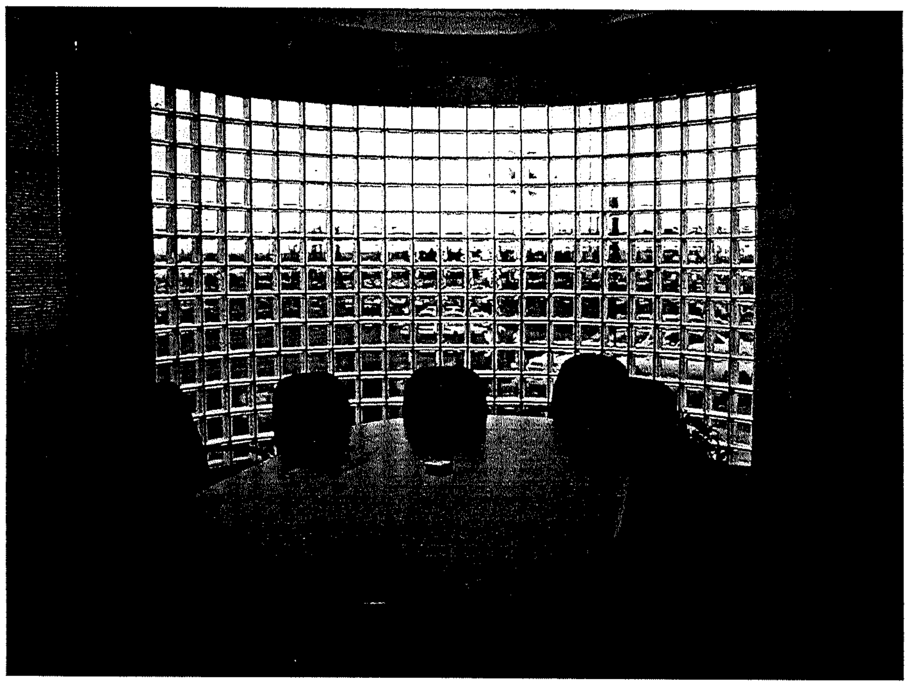


Reception area in Suite A

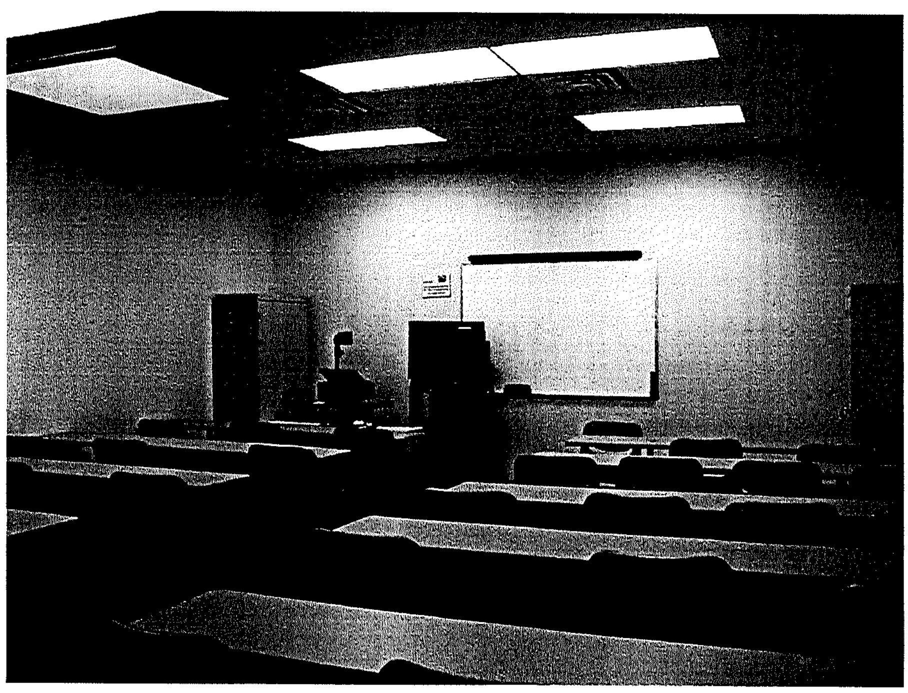


Corridor in Suite A

Property Photographs
Lobo Center
1712-1730 Lomas Boulevard NE
Albuquerque, New Mexico

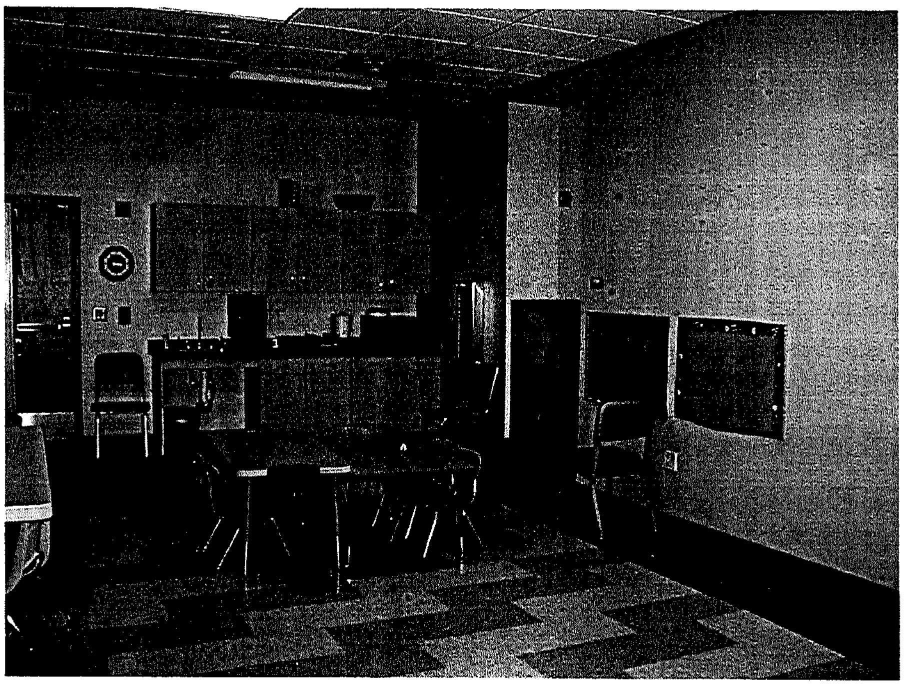


Conference room in Suite A

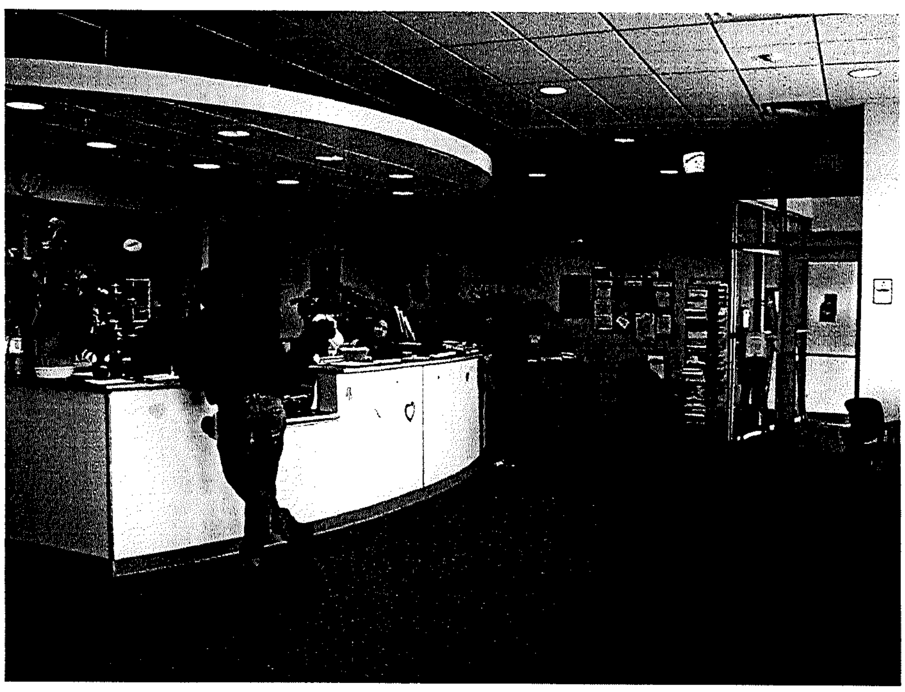


Training room in Suite A

Property Photographs
Lobo Center
1712-1730 Lomas Boulevard NE
Albuquerque, New Mexico

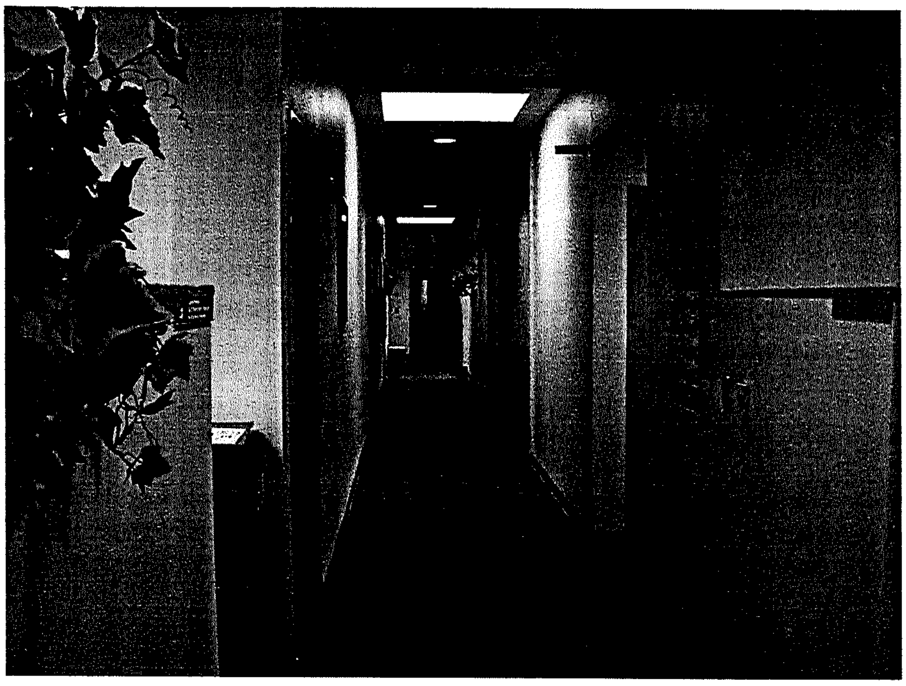


Preschool room in Suite A

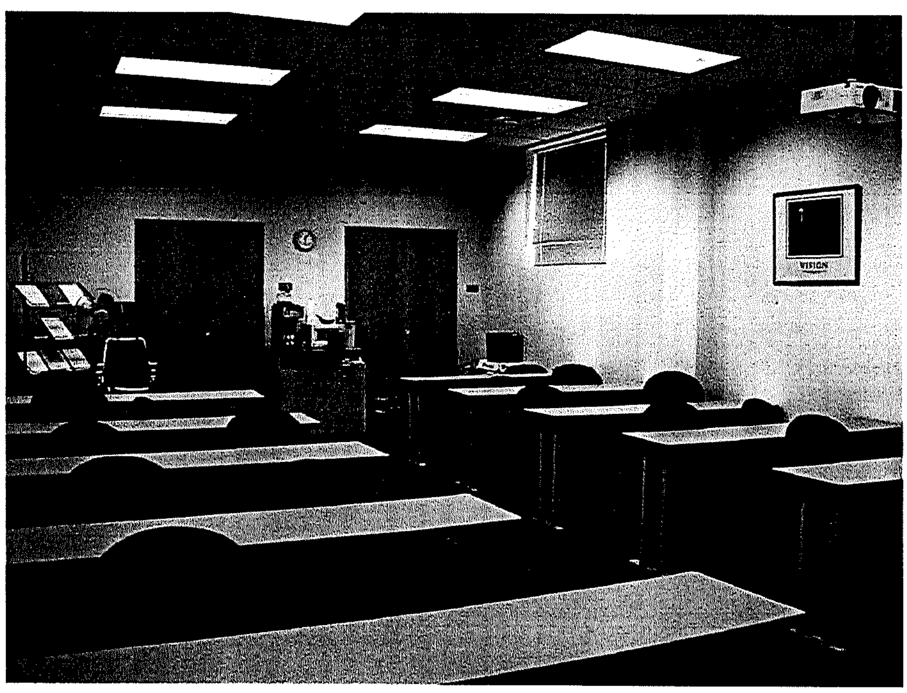


Reception area in Suite E

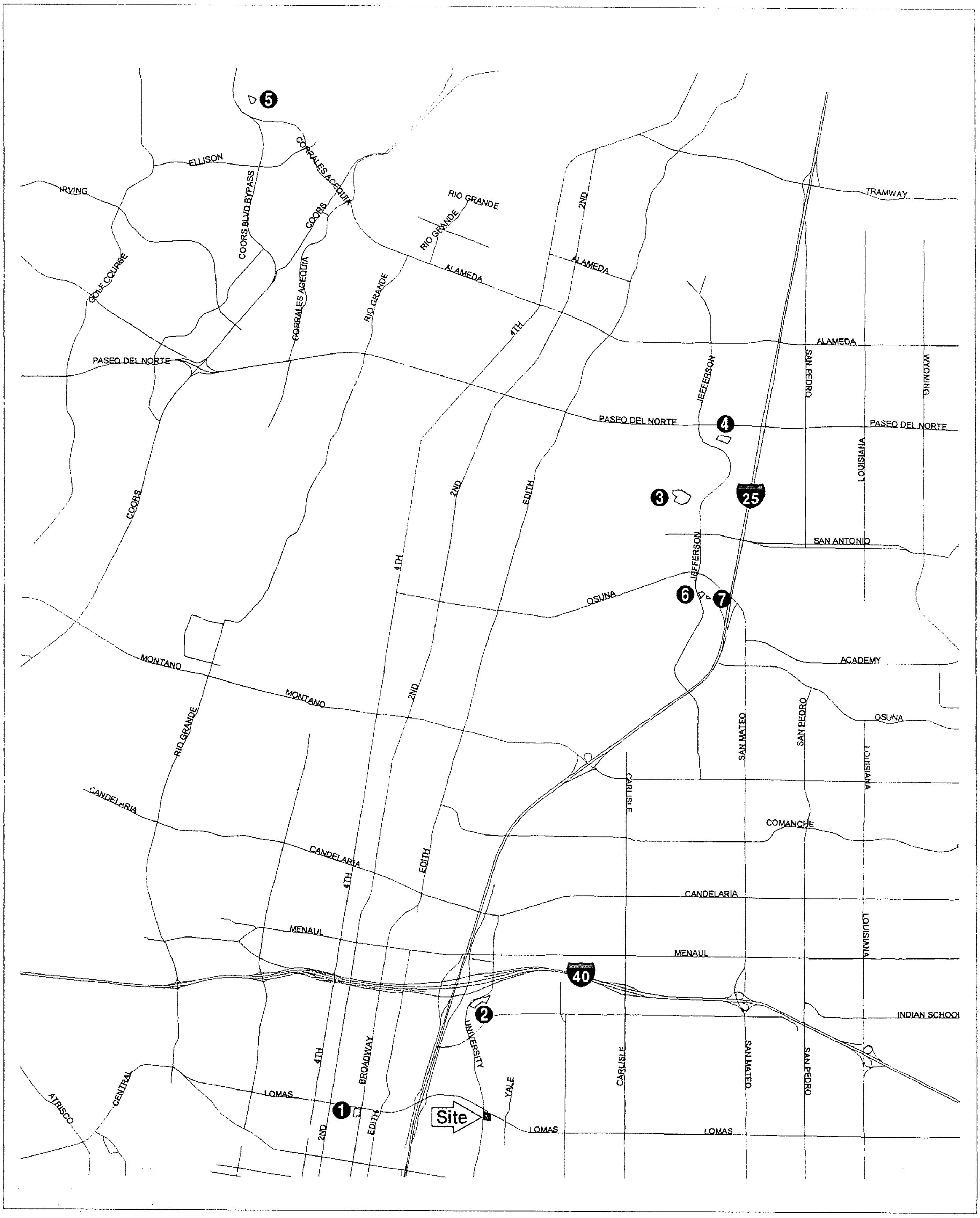
Property Photographs
Lobo Center
1712-1730 Lomas Boulevard NE
Albuquerque, New Mexico



Corridor in Suite E



Training room in Suite E



Improved Sales Map

Improved Sale 1

Office
Multi-Tenant

Entry Date 2-25-2005
Comp # 20362

Project Name 7 Broadway Place
Location Southwest corner of Broadway Boulevard & Lomas Boulevard NE
Street Address 707 Broadway Boulevard NE
City, County, State Albuquerque, Bernalillo, New Mexico
Legal Description Rakestraw Family Trust Lands, Tract A-1
Plat B21-16 **Tax ID** 1-014-058-396-085-4-11-11
Market Area Downtown **Map Page** J-14
Arterial Location
Zoning M-1

Sale Price	$5,650,000
Date of Sale	15 Dec 2004
Gross Building Area	79,000
Rentable Area	70,649
$/SF Gross/Rentable	$71.52 / $79.97
Land Area (Ac/SF)	2.2680 /98,794
Effective Gross	$980,000
Expenses	$472,000
Net Income	$508,000
EGIM	5.77
Overall Rate	8.99%
FAR	.80
Year Built	1985

Grantor 7 Broadway Place Associates L P (Edward M Gilbert, Santa Fe, NM)

Grantee 707 Broadway L L C (Stuart C Bond, Anchorage, AK)/ Fourth & Cushman [New Mexico] L L C (Leonard B Hyde, Anchorage, AK)

Terms Cash to seller

Document Number 04-176716 **Type** Special Warranty Deed

Property Description

Five-story Class B office building, steel frame construction, with pre-cast concrete exterior walls, good quality finishes. Overall quality and condition are average to good. The building has good access and parking and also has available covered parking.

Parking Ratio
Vacancy 6% **Marketing Time** Not formally listed
Rental Information

Comments

Property is located on the northern edge of the Downtown core. It has a history of high occupancy and had approximately 4,000 square feet vacant at the time of sale. Asking rent is $14.50/SF full service. The largest tenant is Atkinson and Company, an accounting firm that occupies a full floor.

Improved Sale 2

Office

Multi-Tenant

Entry Date 2-25-2005

Comp # 20361

Project Name	University Towers
Location	East and south side of University Boulevard NE just east of I-25 just south of I-40 north of Indian School
Street Address	1650 University Boulevard NE
City, County, State	Albuquerque Bernalillo NM
Legal Description	University Towers, Parcel I, portions of Parcels IIA, IIB
Plat	C26-108 **Tax ID** 1-015-059-415-031-4-01-06*
Market Area	SE Heights **Map Page** H-15
Arterial Location	Minor/Collector
Zoning	C-3

Sale Price	$8,750,000
Date of Sale	22 Nov 2004
Gross Building Area	98,647
Rentable Area	89,608
$/SF Gross/Rentable	$88.70 / $97.65
Land Area (Ac/SF)	3.7770 /164,526
Effective Gross	$1,544,834
Expenses	$626,100
Net Income	$918,734
EGIM	5.66
Overall Rate	10.50%
FAR	.60
Year Built	1983

Grantor University Towers Partnership (James A Arias)

Grantee FOR 1031 University L L C (Var Reeve, Boise, ID)

Terms Cash to seller

Document Number 04-176354 **Type** Special Warranty Deed

Property Description

Five-story, Class B office building, triangular in shape, steel frame construction with glass curtain walls and stucco finishes along building perimeter. Building is in overall good condition. Gross building area is 92,528 square feet above grade plus a finished basement with 6,119 square feet. Rentable area is 89,608 square feet.

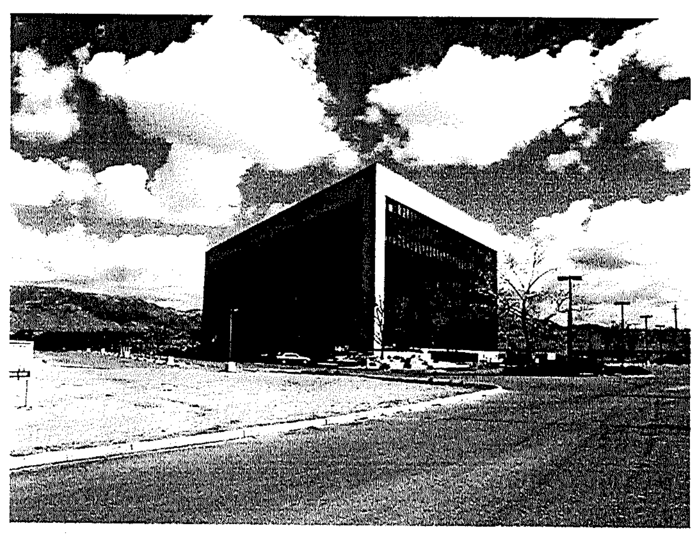
Parking Ratio 365 parking spaces

Vacancy 0% **Marketing Time** Not formally listed

Rental Information

Comments

Property is located on University Boulevard, south of I-40 and north of Indian School Road. The largest tenant is University of New Mexico Hospital, which leases 79,778 square feet or 89% of the total rentable area. This lease is at $17.00/SF full service and expires in 2009. The subject is separated from University Boulevard by a 2.72-acre vacant parcel. There is also a 1.8-acre vacant parcel directly northeast. Neither vacant tract was included in the sale.



Improved Sale 3

Office
Single Tenant

Entry Date 2-23-2005
Comp # 20360

Project Name	United States Department of the Interior, Office of the
Location	West side of Tiburon Street NE between Masthead & Wolcott west of Jefferson north of Osuna south of Paseo
Street Address	4400 Masthead Street NE
City, County, State	Albuquerque, Bernalillo, New Mexico
Legal Description	Journal Center Phase 2, Unit 1, Lot 10A
Plat	2001C-311
Tax ID	1-017-063-246-209-3-05-01
Market Area	North I-25
Map Page	D-17
Arterial Location	Local
Zoning	IP

Sale Price	$24,500,000	
Date of Sale	20 Oct 2003	
Gross Building Area	164,545	
Rentable Area	160,465	
$/SF Gross/Rentable	$148.90	/ $152.68
Land Area (Ac/SF)	8.3478	/363,630
Effective Gross		
Expenses		
Net Income	$1,890,000	
EGIM		
Overall Rate	7.71%	
FAR	0.46	
Year Built	2003	

Grantor	Southwest Tiburon L L C (Thomas W Roberts, Phoenix, AZ)
Grantee	DI Albuquerque Funding Co Inc (Michelle Moezzi, Indianapolis, IN)
Terms	Cash to seller
Document Number	03-209083
Type	Special Warranty Deed

Property Description

Three story office building constructed of steel and concrete. Exterior walls are primarily of tinted, reflective glass in aluminum frames, spandrel glass and pre-cast concrete panels with a sandblasted finish. The building has a very high efficiency ratio because of the large and extra-wide floor plates. The design of the floor plates is fairly basic, with a core of elevators, a stairway, restrooms and janitorial room on each floor, and towards the end of each wing, a stairway and electrical and telephone rooms. Overall quality is considered good. This build-to-suit building would compete in the Class-B office-market sector.

Parking Ratio	4.02 per 1,000 SF
Vacancy	100% pre-leased to US Gov't.
Marketing Time	Build-to-suit N/A
Rental Information	100% preleased. 1st five years $18.29/SF; 2nd five years $19.88/SF

Comments

100% occupied by the United States Department of Interior. The tenant was not obligated to take occupancy of 20,000 square feet of the leased space for the first 24 months. The developer agreed to deliver a "Warm Lit Shell" plus a $20.00/SF Government improvement allowance (±151,000 square feet per BOMA usable square foot). This is what constitutes the tenant's base rent. The rent for the first five years is $18.29 per square foot (BOMA rentable) increasing to $19.88 per square foot for the second five years of the lease term. Although the lease is full-service, it provides for expense-increase protections. The negotiated operating-cost adjustments are based the cost-of-living index. The base-year operating cost is $3.94 per square foot (rentable). Taxes and insurance are adjusted by the actual change from the developer's estimated base-year amount (taxes – $0.85/SF and insurance – $0.11/SF). Overall rate shown above was calculated using the average of the 1st & 3rd year NOI.

Improved Sale 4

Office
Multi-Tenant

Entry Date 2-11-2003
Comp # 20200

Project Name	Wilson & Co. Office Building
Location	Southwest corner of Lang Avenue & Headline Boulevard NE in the Journal Center
Street Address	4900 Lang Avenue NE
City, County, State	Albuquerque, Bernalillo, New Mexico
Legal Description	Journal Center, Tract 1A-4-B
Plat	98C-127
Tax ID	1-017-063-425-463-1-03-04
Market Area	North I-25
Map Page	D-17
Arterial Location	Local
Zoning	IP

Sale Price	$6,750,000
Date of Sale	1 Oct 2002
Gross Building Area	47,992
Rentable Area	44,619
$/SF Gross/Rentable	$140.65 / $151.28
Land Area (Ac/SF)	3.2902 /143,321
Effective Gross	$607,500
Expenses	$0
Net Income	$607,500
EGIM	11.11
Overall Rate	9.00%
FAR	33.5%
Year Built	1999

Grantor 4900 Lang L L C (James G Gibbs)

Grantee Wilbro L L C (Murray Brott, Santa Fe, NM) [84.375 %]/ Brott, Murray L & Cynthia, trustees [15.625%]

Terms Cash to seller

Document Number 02-133344 **Type** Warranty Deed

Property Description

Good quality two-story Class B office building with exterior walls of stucco and glass. Wilson & Company, Engineers and Architects, occupies the majority of the building and the grantors are principals in the firm. Journal Center is a high quality business park in the North I-25 Corridor.

Parking Ratio Adequate

Vacancy 0%

Marketing Time Unknown

Rental Information 15-year master lease

Comments

Wilson & Co. constructed this building for their own occupancy in 1999, although a portion is leased to other tenants. Wilson & Co. signed a 15-year master lease simultaneous to this sale. The lease is triple net and starts at $607,500 per year ($13.62/SF) with 2% annual escalations.

Improved Sale 5

Office
Multi-Tenant

Entry Date 5-11-2004
Comp # 20299

Project Name	The Summit Building
Location	East side of The American Road NW and east of NM Highway 528 line
Street Address	2600 The American Road NW
City, County, State	Albuquerque Bernalillo New Mexico
Legal Description	Rio Hondo, Block 1, Lot 1A
Plat	96C-478 **Tax ID** 1-013-066-443-375-1-04-56
Market Area	NW Mesa **Map Page** A-13
Arterial Location	Local
Zoning	C-1

Sale Price	$4,450,000	
Date of Sale	29 Jun 2004	
Gross Building Area	30,400	
Rentable Area	29,200	
$/SF Gross/Rentable	$146.38	/ $152.40
Land Area (Ac/SF)	1.6089	/70,084
Effective Gross	$558,222	
Expenses	$175,000	
Net Income	$383,222	
EGIM	7.97	
Overall Rate	8.61%	
FAR	43%	
Year Built	1997	

Grantor Summit Wranglers L L C (Vaden F Bales)

Grantee Highlander New Mexico Investments L L C (Richard D Schoenberg/ Ana M Schoenberg, Los Angeles, CA)

Terms Cash to seller

Document Number 04-091838 **Type** Special Warranty Deed

Property Description

Good quality multi-tenant three-story brick veneer office building with very good views to the east. Access is from The American Road, which loops off of Highway 528 to the northwest and southeast of this property.

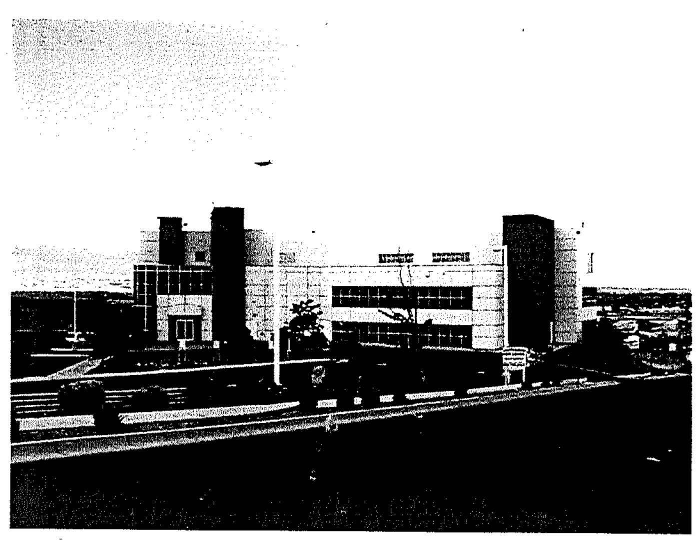
Parking Ratio Below average

Vacancy 0% **Marketing Time** Listed by West Wood Realty

Rental Information $17.00 - $22.00 per square foot, full service

Comments

This building has had a stable occupancy since completion and the current primary tenants are Wilson Engineering and UNM. The income data shown is provided by the owner and based upon the actual rental and historical expenses.



Improved Sale 6

Office
Multi-Tenant

Entry Date 1- 6-2005
Comp # 20350

Project Name	Office building in Presidential Plaza
Location	Within the southeast quadrant of Presidential Drive & Jefferson Street NE
Street Address	6400 Jefferson Street NE
City, County, State	Albuquerque, Bernalillo, New Mexico
Legal Description	One Presidential Plaza. Lot E-2-A -1
Plat	2003C-243 **Tax ID** 1-017-062-366-316-4-01-28*
Market Area	North I-25 **Map Page** E-17
Arterial Location	Minor/Collector
Zoning	IP

Sale Price	$1,600,000
Date of Sale	16 Jul 2004
Gross Building Area	8,453
Rentable Area	8,453
$/SF Gross/Rentable	$189.28 / $189.28
Land Area (Ac/SF)	1.0845 / 47,242
Effective Gross	
Expenses	
Net Income	$118,300
EGIM	
Overall Rate	7.39%
FAR	18%
Year Built	2004

Grantor Pickard, Carolyn J etc

Grantee Jaramillo, John N and Ninfa S, trustees (Las Cruces, NM)

Terms Cash to seller

Document Number 04-101627 **Type** Special Warranty Deed

Property Description

Good quality frame-stucco office building with a good location in the North I-25 Corridor. It is part of a three-building complex named Presidential Plaza.

Parking Ratio Adequate

Vacancy 0% **Marketing Time** Less than six months

Rental Information $17.00 - $19.00 per square foot, modified gross

Comments

The building was recently completed and 100% leased at the date of sale to Yellowbook USA. The property was developed under a ground lease structure that was internal to the selling group. Both the building and land were transferred to the grantee in simultaneous transactions.

Improved Sale 7

Office
Multi-Tenant

Entry Date 1- 5-2005
Comp # 20347

Project Name	Office building in Presidential Plaza
Location	Within the southeast quadrant of Presidential Drive & Jefferson Street NE
Street Address	6300 Jefferson Street NE
City, County, State	Albuquerque, Bernalillo, New Mexico
Legal Description	One Presidential Plaza, Lot E-2-A -2
Plat	2003C-243
Tax ID	1-017-062-366-316-4-01-28*
Market Area	North I-25
Map Page	E-17
Arterial Location	Minor/Collector
Zoning	IP

Sale Price	$1,662,638
Date of Sale	30 Jun 2004
Gross Building Area	8,528
Rentable Area	8,528
$/SF Gross/Rentable	$194.96 / $194.96
Land Area (Ac/SF)	0.9276 / 40,406
Effective Gross	
Expenses	
Net Income	$109,480
EGIM	
Overall Rate	6.58%
FAR	21%
Year Built	2004

Grantor	Pickard, Carolyn J etc
Grantee	Westland Development Co Inc (P Brent Lesley)
Terms	Cash to seller
Document Number	04-091938
Type	Special Warranty Deed

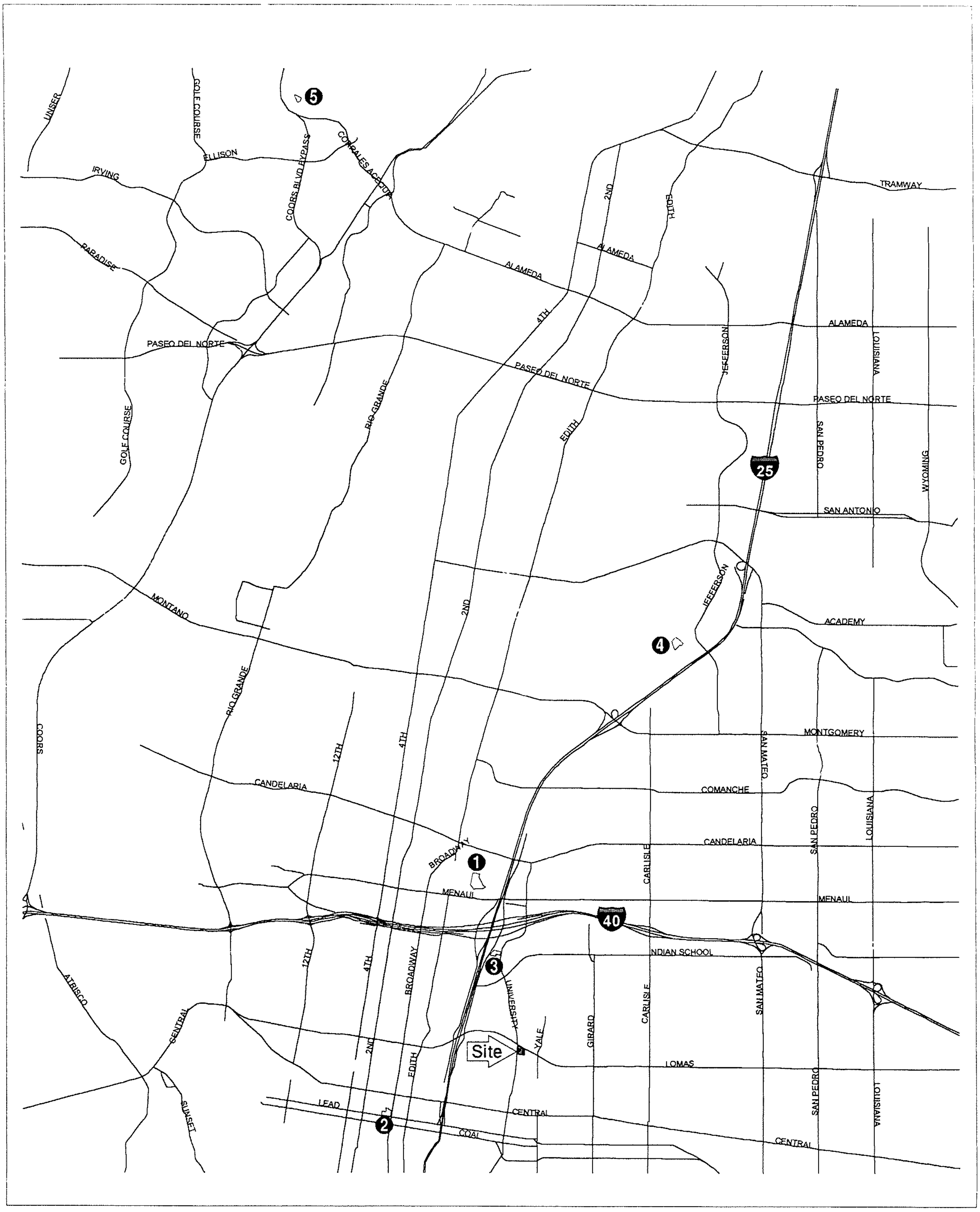
Property Description

Good quality frame-stucco office building with a good location in the North I-25 Corridor. It is part of a three-building complex named Presidential Plaza.

Parking Ratio	Adequate
Vacancy	0%
Marketing Time	Less than six months
Rental Information	$17.00 - $19.00 per square foot, modified gross

Comments

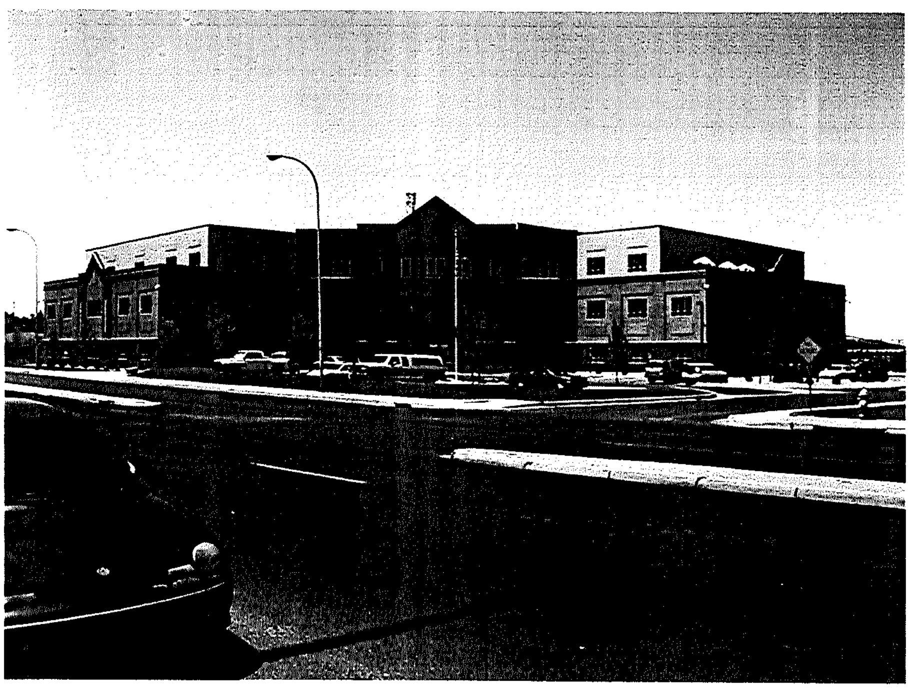
The building was recently completed and 100% leased at the date of sale. The tenants were Madison Medical, Farmers Insurance, Builders Investment Company and Summit Medical. The property was developed under a ground lease structure that was internal to the selling group. Both the building and land were transferred to the grantee in simultaneous transactions.



Comparable Office Rentals Map

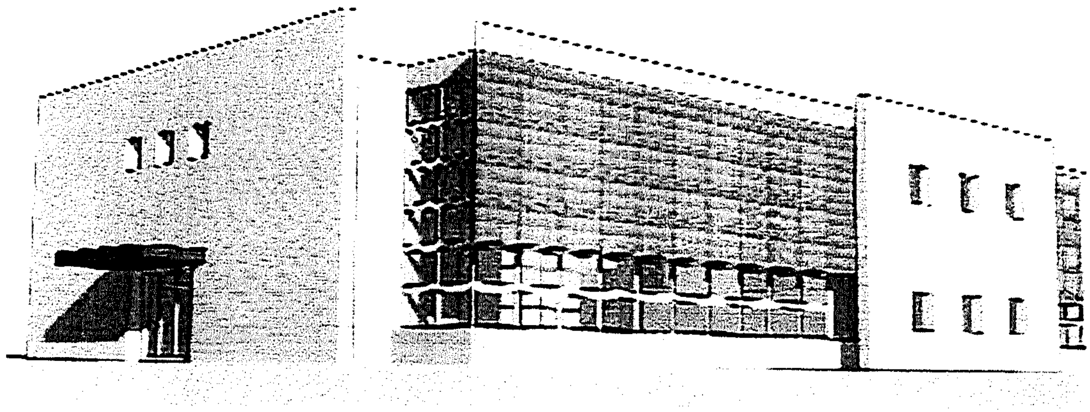
Comparable Office Rentals

Comparable Office Rental 1
NM Children Youth & Family
1031 Lamberton Place NE

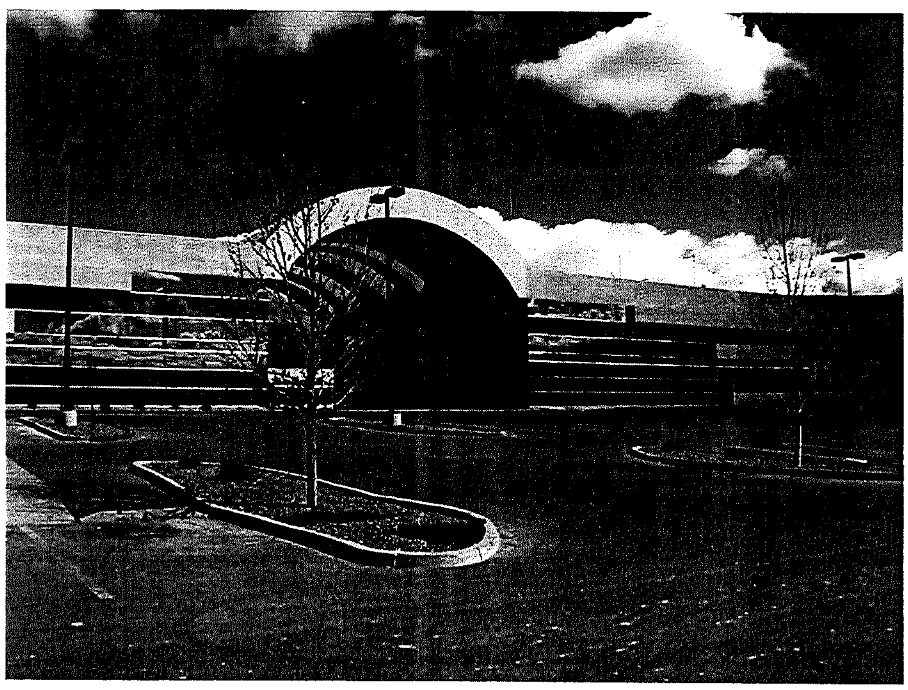


Comparable Office Rental 2
U.S. Forest Service
333 Broadway Boulevard SE

Comparable Office Rentals

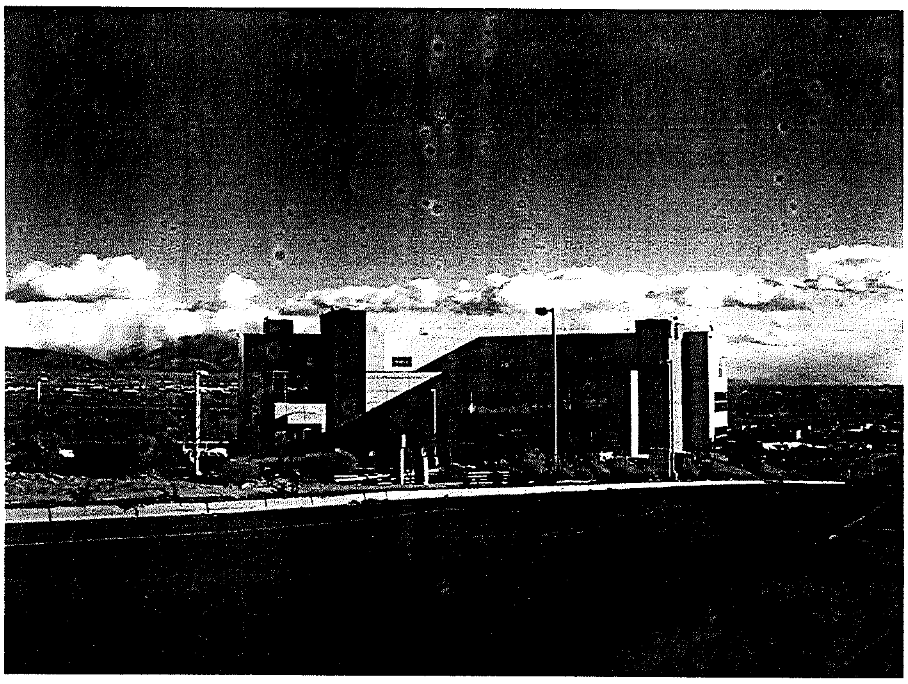


Comparable Office Rental 3
Proposed Office Building
1625 University Boulevard NE



Comparable Office Rental 4
Jefferson Commons
5601 Office Boulevard NE

Comparable Office Rentals



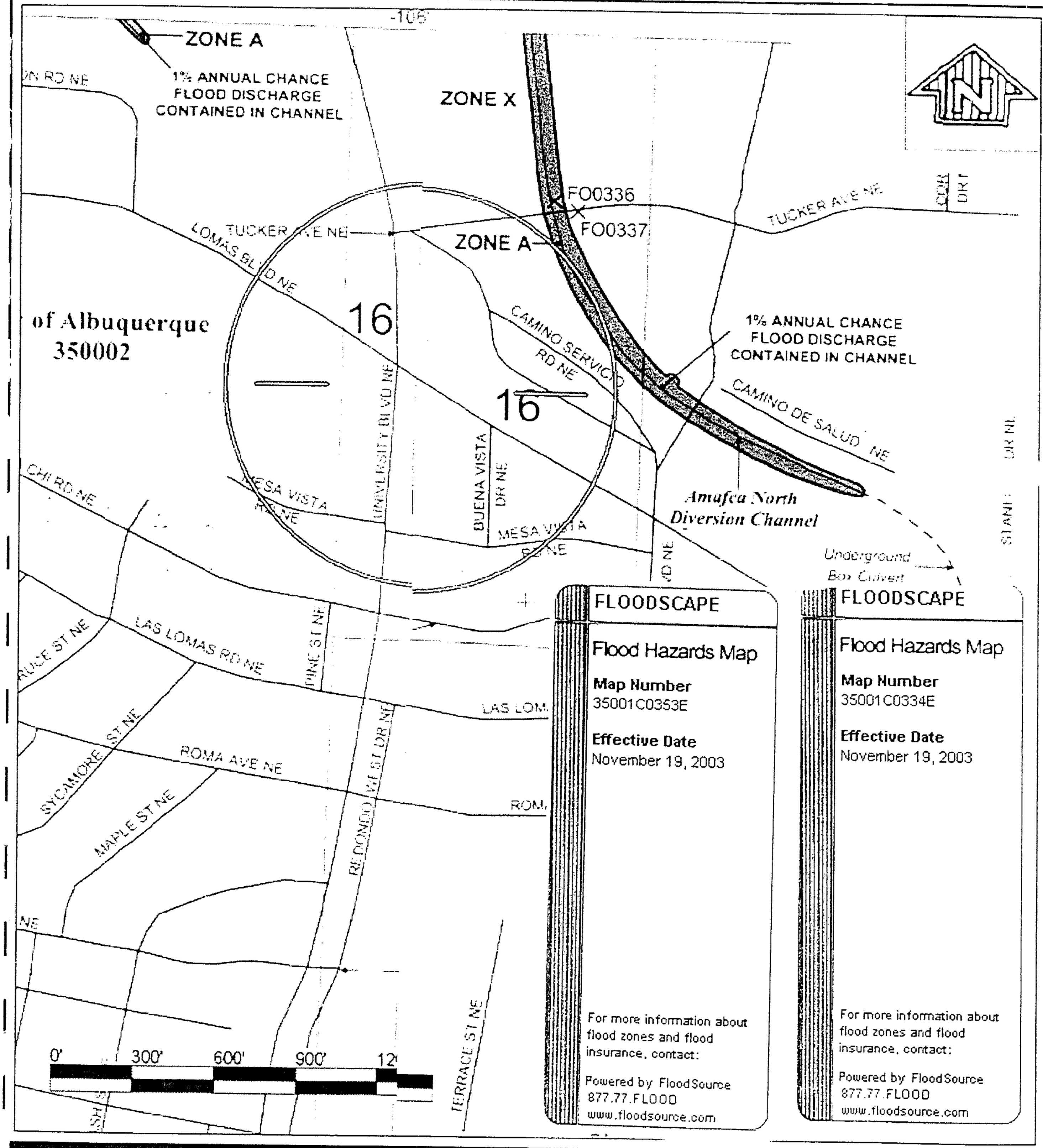
Comparable Office Rental 5
The Summit
2600 American Road NW

InterFlood by a la mode

www.interflood.com • 1-800-252-6633

Prepared for:
Brooks, Lomax & Fletcher, Inc.

1712 Lomas Blvd NE
Albuquerque NM 87106-3807



FLINTCO General Estimate

3102
UNM Lobo Center
Albuquerque, NM/18
1720 Lomas Blvd.

Page ___ of ___
Owner: Sandia Foundation
Date: 20-Jan-2005

	UNIT OF MEASURE	ESTIMATED UNITS	ESTIMATED COST
GENERAL CONDITIONS			
General Conditions			$964,841
SPECIAL CONSTRUCTION			
Tie-in Existing Buildings			$177,600
Special Systems Conduit			$75,000
IT Cabling Coordination Fee			$22,275
Commissioning			$20,000
		SUBTOTAL	$294,875
SUBCONTRACTORS/SUPPLIERS			
Subcontractor Budget			$222,393
CTB Arch/Engineer			$507,930
Developer			$443,634
Final Job Clean Up			$22,400
Asbestos Abatement			$25,000
Earthwork/Building Pad			$45,000
Landscaping/Irrigation			$35,690
Asphalt Paving			$50,000
Demoiition			$90,000
Site Concrete			$117,150
Concrete Reinforcement			$17,375
Building Concrete			$426,618
Structural Steel			$745,000
Exp. Control			$10,800
Steel Erection			$280,000

Rough Carpentry			$210,000
Sealants			$15,693
Insulation (Batts in Walls)			$74,020
Membrane Roofing			$157,650
Repair Exiting Roof			$12,000
Metal Doors and Frames			$280,000
Skylights			$50,000
Aluminum Storefront			$25,000
Metal Windows			$56,250
Glazing			$0
Hardware			$0
Interior/Exterior Framing & Finish			$1,195,250
Flooring			$207,556
Painting			$122,500
Division 10			$124,604
Play Ground Equipment			$15,000
Casework			$0
Window Treatment			$8,400
Wet Pipe Sprinkler System			$140,000
Hydraulic Elevators			$120,000
Plumbing			$437,000
HVAC			$644,000
Electrical			$634,300
		SUBTOTAL	$7,568,213
OVERHEAD/FEE			
Contingency	LS	1	$403,119
Warranty Call-Back	LS		$3,000
General Contracting Bond	LS		$116,114
Subcontractor's Bond	LS		$101,797
Builders Risk Insurance	LS		$7,654
General Liability Insurance	LS		$20,000
FEE	LS	1	$403,047
		SUBTOTAL	$1,054,731
TOTAL BEFORE TAX			$9,882,660
GROSS RECEIPT TAX			
Gross Receipt Tax	LS	1	$599,136
GRAND TOTAL			$10,481,796

GROUND LEASE

This ground lease ("Lease") is dated for reference purposes as of January 1, 2005, and is made and entered into by and between Sandia Foundation, a New Mexico not for profit corporation ("Foundation") and The Regents of the University of New Mexico, a body corporate of the State of New Mexico ("University"). In consideration of the agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by the parties to this Lease, it is agreed as follows:

1. Property. The University hereby leases to the Foundation and the Foundation hereby leases from the University, subject to the terms and conditions of this Lease, the real property (the "Property") commonly known as "Lobo Center" ("Center"), which is bounded by Lomas Avenue on the north, University Boulevard on the west, Lots C and D, Block 28, of the Country Club Addition on the south, and Buena Vista Road on the east in Albuquerque, New Mexico. The Property is more particularly described on Exhibit "A" attached hereto and incorporated herein.

2. Term. The term of this lease ("Term") shall begin on January 1, 2005. The Foundation shall be given possession of the Property on the Lease Commencement Date. The Term shall continue for a period of sixty five (65) years beginning on the first day of the first month after the Rent Commencement Date (as defined below). Notwithstanding the foregoing, the University may terminate this Lease in the event the Building (as defined below) is not completed on or before February 28, 2006 ("Completion Date").

3. Rent. The rent ("Rent") shall be paid in twelve (12) equal monthly installments by the Foundation to the University pursuant to this Lease beginning on January 1, 2005, ("Rent Commencement Date"). The Rent for the first year during the Term shall be One Hundred Sixty Three Thousand Two Hundred and No/100 Dollars ($163,200.00) per year. Beginning on January 1, 2005, and continuing on January 1 of each year thereafter during the Term ("Rent Adjustment Date"), Rent shall be increased by the increase, if any, in the Consumer Price Index (CPI-U All Items) from November, 2004 ("Base Index") to the month of November immediately preceding each such Rent Adjustment Date. Rent shall be paid by the Foundation to the University without further notice or demand. Rent will be paid at the University's address for notice as set forth below, or at such other address or to such other person designated by notice sent by the University to the Foundation.

4. Use. The Foundation will construct the Building under the terms set forth in Section 5 of this Ground Lease and after the completion of the construction, the Property will be used for office purposes. The Foundation may use the Property for other uses upon the University's prior written consent. The Foundation will not use the Property for any other use without the University's prior written consent which the University will not unreasonably withhold. The Foundation will not permit anything to be done in or about the Property which will in any way conflict with any law, statute,

materialmen or other lien. The Foundation agrees to promptly pay for all construction by the Foundation at the Property. All construction by the Foundation at the Property shall continuously progress without stoppages or delays, except for those which are beyond the control of the Foundation. Upon substantial completion of the Building, the Foundation shall deliver to the University copies of all warranties applicable to the Building. Upon completion of the Building, the Foundation shall deliver a complete set of "as built drawings" and such other information related to the Building as is reasonably requested by the University. All of the Foundation's work shall meet the standards for physically handicapped persons' access required by law for public buildings. In conjunction with the Foundation's work, the University, in its reasonable discretion, may require the Foundation to obtain construction bonds and/or builder's risk insurance (from companies, in amounts, with deductibles and on terms reasonably acceptable to the University).

6. Condition of Property. The Foundation has examined the Property prior to the execution of this Lease. The Foundation, at its expense, has obtained such reports and information as the Foundation deems necessary and prudent regarding the Property prior to executing this Lease. The Foundation acknowledges that it is fully apprised of the condition of the Property and that as of the date of this Lease the Property is in good and acceptable condition. The Foundation acknowledges that no representation or warranty has been made to it by the University as to the condition of the Property. THE FOUNDATION HEREBY ACCEPTS THE PROPERTY "AS IS," WITH ALL FAULTS, IF ANY. The Foundation accepts the Property subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the Property, if any, and all easements, covenants and restrictions of record, if any, affecting the Property.

7. Repairs, Maintenance and Capital Improvements. So long as the Occupancy Lease exists, the University shall be responsible for repairs, maintenance, capital expenses and/or capital improvements at the Property. In the event the Occupancy Lease is terminated, the Foundation, at its cost and expense, shall be responsible for repairs, maintenance and capital improvements, if any, at or in conjunction with the Property.

8. Alterations. After completion of the Foundation's work, and so long as the Occupancy Lease exists, the University shall be permitted, pursuant to the Occupancy Lease, to make such alterations, additions and/or improvements to the Property as are desired by the University in its sole discretion. The Foundation agrees that it shall not make or permit to be made any alterations, additions or improvements in the Property without obtaining the prior written consent of the University which shall not be unreasonably withheld; provided, however, that any consent, if given, shall be subject to the express condition that all work must be done at the Foundation's expense and in accordance with all applicable statutes, rules, ordinances, laws and regulations, including but not limited to applicable building codes. The provisions of the Occupancy Lease regarding the Foundation's work (as defined in the Occupancy Lease) shall apply to alterations, additions and improvements. All work also must be done in a good and

Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by the University from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. The University's reasonable determination thereof, in good faith, shall be conclusive.

11. Utilities. Pursuant to the Occupancy Lease, the University shall pay directly for all utilities and services supplied to the Building, including, but not limited to, water, sewer, electricity, telephone, security, cable television, data communication, and natural gas. If the Occupancy Lease terminates, then the Foundation shall be responsible for such payment

12. Insurance. The Foundation will provide and keep in force, with insurance companies satisfactory to the University and any lender of the Foundation for indebtedness on the Foundation's leasehold interest in the Property, the following insurance:

A. A policy of comprehensive public liability insurance with a minimum of $2,000,000.00 bodily injury, $1,000,00.00 property damage and a combined single limit of $2,000,000.00 (or such increased amounts as may be requested from time to time by the University).

B. Personal property insurance, in an amount reasonably determined by the University on the University's and/or the Foundation's (as specified by the University), personal property at the Property.

C. Real property insurance covering the Building and improvements at the Property in an amount equal at least equal to full replacement costs.

D. Plate glass insurance in an amount reasonably acceptable to the University, if requested by the University.

All insurance policies required by this Lease shall provide that the insurance carrier will give at least ten (10) days' prior written notice to the University before changing or canceling any insurance policy. The Foundation must provide to the University proof of insurance and proof of payment of all insurance premiums. The University shall be named as an "additional insured" on all insurance policies obtained by the Foundation pursuant to this Lease. The specific risks covered, endorsements obtained, premiums paid and the amount of all deductibles regarding all insurance policies must be acceptable to the University. The University and the Foundation each hereby release and relieve the other, and waive their entire right of recovery against the other for loss or damage arising out of or incident to the perils insured against under this Lease, which perils occur in, on, or about the Property, whether due to the negligence of the University or the Foundation or their agents, employees, contractors and/or invitees. The Foundation shall be responsible for giving notice to the insurance carrier or carriers involved that the foregoing mutual waiver of subrogation is contained in this Lease. The

Use, so long as such use is not a Reportable Use and does not expose the Property or neighboring properties to any meaningful risk of contamination or damage or expose the University to any liability therefor. In addition, the University may (but without any obligation to do so) condition its consent to any Reportable Use of any Hazardous Substance by the Foundation upon its giving the University such additional assurances as the University, in its reasonable discretion, deems necessary to protect itself, the public, the Property and the environment against damage, contamination or injury and/or liability therefor.

B. The Foundation shall indemnity, protect, defend and hold the University, its agent, employees, lenders and ground lessor, if any, and the Property, harmless from and against any and all damages, liabilities, judgments, costs, claims, liens, expenses, penalties, loss of permits and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Property by or for the Foundation or by anyone under its control. The Foundation's obligations under this paragraph shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by the Foundation, and the cost of investigation (including consultants' and attorneys' fees and testing), removal, remediation, restoration and/or abatement thereof, or of any contamination therein involved and shall survive the expiration or earlier termination of this Lease. No termination, cancellation or release agreement entered into by the University and the Foundation shall release the Foundation from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by the University in writing at the time of such agreement.

16. Condemnation. If the Property, or any part thereof, is taken, damaged consequently or otherwise condemned by public authority, this Lease shall terminate as to the parts so taken as of the date title vests in the public authority and the rent due thereafter shall be adjusted to the extent, as reasonably determined by the University, that the utility to the Foundation of the Property has been diminished. All damages or payments resulting from the taking, damaging or condemnation of the Property shall accrue to and belong to the University and the Foundation as their interests exist in the Property at the time of the condemnation.

17. Damage or Destruction. If any part of the Property is damaged, the Foundation shall promptly restore the Property to at least as good a condition as existed prior to the casualty. The restoration shall be done by the Foundation, at the Foundation's expense. The duty to restore the Property is not contingent upon the existence of insurance proceeds. In no event shall Rent be abated as a result of any casualty.

18. Estoppel Certificates. Upon the request of either the University or the Foundation, or a lender of the Foundation, at any time, and from time to time, the University and the Foundation will execute and deliver to the other, within 10 days after such request, a written estoppel certificate, duly executed in a form reasonably requested by the other party.

1. Terminate the Foundation's right to possession of the Property. In such event, the Foundation agrees to immediately surrender possession of the Property to the University.

2. Recover from the Foundation all damages incurred by the University by reason of the Foundation's default, including, but not limited to, the cost of recovery of possession of the Property and expenses of reletting, including the expenses of renovation and alteration of the Property, unamortized expenses of the University, tenant improvements, attorneys' fees, advertising costs and broker's commissions.

3. Maintain the Foundation's right to possession, in which case this Lease shall continue in effect, whether or not the Foundation shall have abandoned or surrendered, or attempted to abandon or surrender, the Property.

4. Accelerate all amounts to be due from the Foundation to the University pursuant to this Lease.

5. Exercise the University's lien rights and/or take possession of and sell any of the Foundation's property located in the Property.

6. Exercise any "self-help" remedy available to the University, including but not limited to the changing of locks, the plugging of locks or the erection of barriers. The Foundation specifically consents to all such "self-help" remedies.

7. Initiate legal proceedings, as deemed appropriate by the University.

8. Obtain the appointment of a receiver for the Property and/or the Foundation's business at the Property.

9. Pursue any other remedy now or hereafter available to the University at law, in equity, pursuant to this Lease or otherwise.

Except when otherwise agreed to in writing by the University, the Foundation shall remain liable to the University following any surrender or attempted surrender of the Property. The University can re-enter the Property and relet the Property, without such action constituting a surrender of the Property or a termination of this Lease. The initiation of legal proceedings, by the University against the Foundation including, but not limited to, a forcible entry and detainer action, shall not be deemed to terminate this Lease. Upon exercise of any remedy by the University at its election, all options established by this Lease and/or related to the Property shall immediately and automatically terminate without further action and/or further notice by the University to the Foundation.

improvements, utilities, repair, maintenance and insurance, among other things, be paid by the Foundation regarding the Property.

26. No Lien. The Foundation shall not place or permit any lien or mortgage against the Building and/or the Property at any time, without the University's prior written consent. the University agrees to consent to:

A. A one time construction loan in conjunction with the initial construction of the Building; and/or

B. A permanent loan, from time to time, related only to and secured only by the Center.

Notwithstanding the foregoing, all financing shall be in an amount, from a lender and on terms approved by the University in writing; provided, however, in no event shall the University subordinate its fee interest in the Property, subject the fee interest in the Property to a lien in favor of the Foundation's construction lender, otherwise permit a lien to attach to the University's fee interest in the Property, jeopardize the University's Option (as defined in the Occupancy Lease), and/or cause an increase in the Purchase Price over the amount established by the first Leasehold Mortgage (as defined in the Occupancy Lease).

27. Quiet Possession. Upon payment of all monies by the Foundation and performance of all obligations by the Foundation under this Lease, the Foundation shall have quiet possession of the Property during the Term, subject to the provisions of this Lease.

28. Return of Property. At the end or earlier termination of this Lease, the Foundation will deliver to the University the Property, including all buildings (including the Building), landscaping, signs, fixtures and improvements, in good repair and condition, reasonable wear and tear excepted. At that time, all such property and improvements will be or become the property of the University. The Foundation agrees that it has no interest in the Property other than that of a lessee pursuant to this Lease.

29. Holding Over. No holding over by the Foundation after the end or earlier termination of this Lease, whether with or without the consent of the University, will operate to extend or renew this Lease. Any holding over will be construed as a tenancy from month to month at a rental rate which is at that same rate as established by this Lease for the period immediately prior to the Foundation's holding over. The hold over tenancy will be subject to all of the terms contained in this Lease for the period prior to the holding over by the Foundation.

30. Recording. This Lease shall not be recorded. A memorandum of lease, in a mutually acceptable form, shall be executed and recorded by The University and The Foundation to establish, among other things, the beginning and end of the Term pursuant to this Lease.

If any notice is hand-delivered, it shall be deemed given upon delivery. If any notice is sent by recognized overnight courier, it shall be deemed given upon delivery by the courier. If any notice is mailed, it shall be deemed given three business days after deposit in the United States mail. A party may change its address for notices by sending a notice to the other party pursuant to the provisions of this paragraph.

38. The University's Rights. The University reserves the right, at any time subject to obtaining the prior written approval of the Foundation's lender, to do, among other things, the following:

A. Make alterations or additions to all or any portion of any building (other than and/or other improvements at the Center;

B. Remove any building and/or improvements in the Center;

C. Construct buildings and/or other improvements not shown on Exhibit A in the Center;

D. Alter access, traffic flow and/or parking in the Center;

E. Change the size, location and/or nature of the Common Areas;

F. Alter the location of utilities serving the portions of the Center; and/or,

G. Alter the signs for the Center.

39. Captions. The headings or captions used in this Lease are for convenience and reference only, and in no way define, limit or describe the scope or intent of this Lease or any part, section, paragraph or subparagraph thereof.

40. Severability. If any provision of this Lease is found by a court to be unenforceable, invalid or contrary to law, such finding shall not invalidate or otherwise affect the enforceability of the remaining provisions of this Lease.

41. Successors and Assigns. Each term of this Lease shall extend to and bind all successors, assigns, heirs, devisees, legal representatives, personal representatives and trustees of the parties hereto.

42. No Joint Venture. The relationship between the University and the Foundation is, and in the future shall be, construed to be that of independent parties. The University and the Foundation are not and shall not in the future be deemed to be in a partnership, joint venture or any other similar relationship.

APPROVED AS TO FORM FOR UNM:

HURLEY, TOEVS, STYLES, HAMBLIN &
PANTER, P.A.

By: ______________________
MARK STYLES

LEASE AGREEMENT

SANDIA FOUNDATION, a New Mexico not for profit corporation
"FOUNDATION"

THE REGENTS OF THE UNIVERSITY OF NEW MEXICO,
a body corporate of the State of New Mexico
"UNIVERSITY"

January 1, 2005

LEASE AGREEMENT

This Lease Agreement ("Lease") is made effective as of January 1, 2005, (the "Effective Date") by Sandia Foundation, a New Mexico non-profit corporation ("Foundation"), and the Regents of the University of New Mexico, a body corporate of the State of New Mexico ("University"). The Foundation and the University agree as follows:

1. **Premises.** The Foundation leases to the University, and the University leases from the Foundation, that certain real property ("Premises") known as 1712, 1720 and 1730 Lomas NE, Albuquerque, New Mexico located on the Parcel described in Exhibit A to this Lease. The Premises consist of two (2) existing buildings know as 1712 and 1730 Lomas NE which will remain (the "Existing Buildings") and following the demolition of three buildings the construction of one (1) new building and related improvements by the Foundation pursuant to the terms of this Lease to be known as 1730 Lomas NE (the "New Building"), collectively the "Building" or "Buildings." The Existing Buildings and the New Building are located within the Lobo Center (the "Center") as shown on the site plan attached to this Lease as Exhibit B. The total agreed square footage of the Premises is 16,963rentable square feet for the Existing Buildings and approximately 68,250 rentable square feet for the New Building. The Parcel, including the Existing Buildings, is the subject of a Ground Lease dated as of January 1, 2005, between the University as landlord and the Foundation as tenant (the "Ground Lease"). The Foundation and the University agree that the Premises under this Lease shall be identical to the real property leased under the Ground Lease, plus the New Building.

2. **Term of the Lease.**

2.1 Initial Term. The initial term of this Lease ("Initial Term") shall be as set forth below. For the Existing Buildings, the Initial Term of this Lease shall begin on the Effective Date and continue until the end of the Initial Term for the New Building. For the New Building, the Initial Term of this Lease shall be for a period of sixty (60) months, begin on the earlier of: (a) thirty (30) days after substantial completion (as evidenced by the written approval or certificate of occupancy which is typically issued by the State of New Mexico) of the New Building of the Foundation's Work set forth in Exhibit C, (b) the date the University takes possession of the New Building, or (c) at such earlier date as the University agrees that the term of this Lease shall commence ("Commencement Date"), provided that in no event shall the term of this Lease commence any later than February 28, 2006, and expiring at 11:59 PM MST on the last day of the sixtieth month following the Commencement Date (the "Expiration Date"), unless extended or renewed as provided herein. The Foundation agrees to notify the University of the date of substantial completion promptly following the same and thereupon the University may have possession of the Premises. Within five (5) days after the Commencement and Expiration Dates of this Lease become ascertainable to the Foundation, as provided above, the Foundation shall execute and deliver a written statement ("Statement") to the University specifying the Commencement and Expiration Dates of this Lease. The University shall within ten (10) days to execute and deliver the same back to the Foundation. The Statement when so executed and delivered shall be deemed to be incorporated in and shall become a part of this Lease. The failure by the University to either notify the Foundation of its objection to the Statement within ten days of receipt or to execute and return the Statement shall be deemed acceptance of the Statement by the University. Notwithstanding any other provision to the contrary, the University shall have the right to occupy the Existing Buildings subject to the provisions of this Lease Agreement beginning on the Effective Date.

2.2 Renewal Term. The University shall have the right to renew the Lease for one additional term of sixty (60) months ("Renewal Term") provided that the University has fulfilled all of the terms and conditions of the Lease during the Initial Term. The Lease shall renew automatically for the Renewal Term materially adversely affects all or any of the following: (a) the Rent; (b) the Purchase Price; (c) the Option; and/or (d) the other rights and interests of the University pursuant to this Lease or otherwise related to the Premises. Prior to any refinancing by the Foundation, the Foundation agrees to give the University at least six (6) months prior written notice of the refinance setting forth all of the terms and conditions of the proposed new loan. Any such refinance is subject to the prior written approval of the University which shall not be unreasonably withheld.

3.2.3 **Rent During Renewal Term.** If the University renews this Lease in accordance with the terms of this Lease, the amount of Rent to be paid during the Renewal Term shall be determined by mutual agreement between the Foundation and the University during the last ninety (90) days of the initial term. The Foundation and the University each agree to negotiate in good faith in connection with reaching an agreement concerning the Rent to be paid during the Renewal Term. If the Foundation and the University are unable to agree on the Rent for the Renewal Term, then the Foundation and the University agree that the Rent during the Renewal Term shall be calculated in the same manner as the Rent during the Initial Term.

3.3 **Net Lease.** The University agrees that payment of Rent to the Foundation shall be absolutely net to the Foundation and shall be free of any offset whatsoever; and the University shall be responsible for the payment of all Building Operating Expenses, Insurance Costs and Real Estate Taxes associated with or related to the Premises. The University agrees to reimburse the Foundation as Additional Rent (within thirty (30) days of receipt by the University of the Foundation's invoice of any such out-of-pocket expenses incurred by the Foundation) for Building Operating Expenses, Insurance Costs and Real Estate Taxes.

3.4 **Security Deposit.** None.

3.5 **Late Payment.** Rental payments received by the Foundation after the 10th day of the month or any payment received by the Foundation after the 10th day following its due date will be assessed interest at the rate of LIBOR plus two percent (2%) per annum until paid.

4. **The Foundation's Work.** The Foundation shall perform construction of the New Building and certain improvements to the Premises as described on Exhibit "C" (collectively "the Foundation's Work"). The Foundation's Work shall be performed pursuant to plans and specifications to be approved by the University in writing. The plans and specifications ("Plans and Specifications") shall be prepared by CTB Architects and Planners ("Architect"). A total budget ("Total Budget") for all costs incurred by the Foundation to perform the Foundation's Work shall be prepared by the Foundation which shall include without limitation a budget for all hard and soft costs, to be incurred by the Foundation, including architects fees, accounting and legal fees, financing and title fees and costs, construction bonds, builder's risk insurance and a construction budget ("Construction Budget") prepared by FLINTCO, Inc., the Foundation's contractor (the "Contractor"). The University must approve in writing the Total Budget. The Foundation shall arrange, supervise, coordinate, contract and pay for all architectural, development, planning, improvement and construction services pursuant to this Lease. The duties of the Foundation shall include, without limitation, the following:

A. Prepare a detailed schedule of construction ("Schedule") which shall show the anticipated timing and sequencing of events related to the construction and the estimated completion date;

Foundation anticipates an increase in the Budget and/or the cost of the Foundation's Work as a result of a Change Order, the Foundation shall prepare an amendment to the Total Budget and, the University shall provide its written consent to the amendment to the Total Budget within two (2) days of its receipt of the amendment. The University shall not be liable for any costs in excess of the Total Budget, which have not been approved by the University in writing.

The Foundation agrees with the University that all of the Foundation's Work shall be performed:

A. In a good and workmanlike manner;

B. Free from defects;

C. In accordance with all applicable building codes and all governmental, quasi-governmental and other authorities having jurisdiction;

D. In accordance with the Plans and Specifications; and,

E. In a timely manner consistent with the Schedule.

The University agrees to respond promptly and not more than two (2) days after the receipt of any notice from the Foundation of any matter requiring the approval of the University related to the Foundation's Work. The University has designated Roger Lujan, Director of Facilities Planning, for purposes of all notices and communications between the University and the Foundation in connection with the Foundation's Work. A copy of all notices to Roger Lujan shall be sent to the UNM Real Estate Office.

If any of the Foundation's Work is found to be defective or not in accordance with the Plans and Specifications, the Foundation, at its sole expense, shall correct, repair, remove or replace the defective portion of the Foundation's Work. If the problem is discovered by the University, the Foundation agrees to correct all defects in the Foundation's Work discovered by the University. If he Foundation discovers a defect, the Foundation shall give the University prompt notice of the defect and shall promptly commence, at the Foundation's expense, all necessary and appropriate corrective work. The Foundation agrees to act diligently, promptly, and in good faith to commence all corrective work as soon as possible and continue such work until the problem has been remedied. The University agrees to give notice concerning work that needs to be corrected promptly within two (2) days after the University discovers the need for such work. The Foundation hereby warrants to the University the quality and good workmanship of all of the Foundation's Work for a period of one (1) year after the Commencement Date or such longer period coincident with Contractor's warranty.

The Foundation shall insure that all persons performing the Foundation's Work are duly licensed to do such work. The Foundation shall perform the Foundation's Work in a manner which minimizes disruption to The University regarding already occupied portions of the Premises, including the Existing Buildings.

In order to insure that the University has adequate current information regarding the Foundation's Work, the Foundation agrees to provide to the University the following reports:

A. Status Report setting forth the major portions of the Foundation's Work completed, insurance policy covering the Premises, Existing Buildings, New Building or the Center, nor shall the University use, or permit to be kept or used in or about the Premises any article which may be prohibited by environmental laws.

5.6 **Hazardous Substances.** The University shall not use or allow the Premises to be used for the Release, storage, use, treatment, disposal or other handling of any Hazardous Substance, without the prior consent of the Foundation. The term "Release" shall have the same meaning as is ascribed to it in the comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., as amended ("CERCLA"). The term "Hazardous Substance" means (i) any substance defined as a hazardous substance under CERCLA, (ii) petroleum, petroleum products, natural gas, natural gas liquids, liquefied natural gas and synthetic gas and (iii) any other substance or material deemed to be hazardous, dangerous, toxic, or a pollutant under any federal, state or local law, code, ordinance or regulation.

The University shall: (a) give the Foundation prior notice of any activity or operation to be conducted by the University at the Premises which involves the Release, use, handling, generation, treatment, storage, or disposal of any Hazardous Substance ("the University's Hazardous Substance Activity"), (b) comply with all federal, state and local laws, codes, ordinances, regulations, permits and licensing conditions governing the Release, discharge, emission, or disposal of any Hazardous Substance and prescribing methods for or other limitations on storing, handling, or otherwise managing Hazardous Substances, (c) at its own expense, promptly contain and remediate any Release of Hazardous Substances arising from or relating to the University's Hazardous Substance Activity in the Premises, Existing Building, New Building, Center or the environment and remediate and pay for any resultant damage to property, persons, and/or the environment, (d) give prompt notice to the Foundation, and all appropriate regulatory authorities, of any Release of Hazardous Substance in the Premises, Existing Building, New Building, Center or the environment from or related to the University's Hazardous Substance Activity, which Release is not made pursuant to and in conformance with the terms of any permit or license duly issued by appropriate governmental authorities, any such notice to include a description of measures taken or proposed to be taken by the University to contain and remediate the Release and any resultant damage to persons, property or the environment, (e) at the Foundation's request from time to time, execute affidavits, representations and the like concerning the University's best knowledge and belief regarding the presence of Hazardous Substances in the Premises, Existing Building, New Building or Center, (f) reimburse to the Foundation, upon demand, the reasonable cost of any testing for the purpose of ascertaining if there has been any Release of Hazardous Substances in the Premises, Existing Building, New Building or Center if such testing is required by any government agency or the Foundation's Mortgagee, and (g) upon expiration or termination of this Lease, surrender the Premises to the Foundation free from the presence and contamination of any Hazardous Substance.

6. Liability and Insurance.

6.1 **The Foundation's Liability.** The Foundation or its agents shall not be liable for any damage to property of the University or of others entrusted to employees of the University, nor for the loss of or damage to any property of the University by theft or otherwise except through the willful misconduct or gross negligence of the Foundation, its servants or agents. The Foundation or its agents shall not be responsible or liable for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain or snow or leaks from any part of the Building or from the pipes, appliances or plumbing works or from the roof, street or sub-surface or from any other place or by dampness or by any other cause of whatsoever nature, unless caused by or due to the gross negligence of the Foundation, its agents, servants or employees; nor shall the Foundation or its agents be liable for any such damage caused by other tenants or all of the interior of the Premises, including lighting fixtures, security systems, toilet, sinks, minor repairs to hot water heater, heating, cooling and ventilation, walls, flooring, glass and doors. The University shall not perform or permit to be performed any maintenance or repair which will impair the structural soundness of the New Building or which would invalidate any warranties of the Foundation's Work, without prior written approval of the Foundation.

7.3 **Emergency Repairs.** If in an emergency, it becomes necessary to make promptly any repairs or replacements, the Foundation may reenter the Premises and perform emergency repairs or replacements made and pay the cost. The University shall reimburse the Foundation for the cost of the repairs or replacements within thirty days after the Foundation has rendered to the University a bill for the cost and proof of payment.

7.4 **Surrender of Premises.** On the last day of the Term of this Lease or on the earlier termination because of Default or other provisions in this Lease, the University shall surrender the Premises in good order, broom clean condition and repair; reasonable wear and tear excepted. The University shall have removed its trade fixtures, signs and other property from the Premises promptly at the expiration or the earlier termination of this Lease. If the Premises are not surrendered promptly at the end of this Lease, the Foundation shall have the right to take an offset against any distributions to be made by it to the University or to the University of New Mexico Foundation for any loss or the costs of any liability resulting from delay in surrendering the Premises, including reasonable attorneys fees and claims by a succeeding tenant founded upon such delay. The University shall surrender all keys for the Premises to the Foundation at the place designated for payment of rent.

8. **Condition of Premises, Services, Alterations, Signs.**

8.1 **Condition of Premises.** The University has inspected the Premises, and subject to the completion of the Foundation's Work as described in Exhibit C attached hereto, is satisfied that the Premises is suitable for the University's business and accepts the Premises as is, exclusive of latent defects. The Foundation has made no representations, covenants or warranties with respect to the Premises including a warranty of fitness concerning the suitability of the Premises for the University's business, except as expressly set forth in this Lease.

8.2 **Services.** Provided there are no deficiencies in the Foundation's Work, the University shall be responsible for furnishing: (i) heat and air conditioning to maintain the Premises at a reasonably comfortable temperature; (ii) electricity for lighting purposes and operation of ordinary office equipment excluding, computers, supplemental HVAC and other equipment which requires heavier than normal office use of electricity; (iii) elevator service, (iv) janitorial and cleaning service. The University hereby acknowledges and agrees that the Foundation shall not be liable in any way for any damage or inconvenience caused by the cessation or interruption of such heating, air conditioning, electricity, elevator, janitor or cleaning services occasions by fire, accident, strikes, necessary maintenance, alterations or repairs or other causes beyond the control of the Foundation and the University shall not be entitled to any abatement or reduction of Rent by reason thereof. The University shall pay all utility costs resulting form electro-data processing machines, telephone equipment, computers and other equipment of high electrical consumption, including without limitation the cost of installing, servicing and maintaining any special or additional inside or outside wiring or lines, meters or sub-meters, transformers, poles, air conditioning costs or the cost of any other equipment necessary to increase or determine the amount or type of electricity or power available to the Premises.

9. **Destruction or Damage to the Leased Premises.**

9.1 **Partial Destruction.** If the Premises become partially destroyed by fire or other casualty insurable under full standard extended coverage insurance, to the extent that the restorations or repair cost estimate is less than one-third (1/3) of the estimated improvement replacement cost of the Premises, then the University shall within thirty (30) days of such destruction or damage notify the Foundation in writing of its intention to restore or repair said damage and to commence such restoration or repair work within forty-five (45) days after the occurrence date and complete this work with due diligence.

9.1.1 **Abatement of Rent.** If all or any portion of the Premises becomes partially destroyed by fire or other casualty insurable under full standard extended to coverage insurance not caused by the negligence of the University or the University's agents and if this Lease is not terminated pursuant to any other provisions of this Lease, then rent shall abate from the date of the occurrence, in the proportion that the unusable area bears to the entire leased area of the Premises. Such abatement shall continue until the unusable area of the Premises is repaired or restored to substantially the former condition, provided that completion of the restoration or repairs is accomplished in less than ninety (90) days.

9.1.2 **Unabatement of Rent.** If the fire or other casualty was caused by the negligence of the University or the University's agents, the rent shall not abate and the Lease shall remain in full force and effect.

9.2 **Extensive Damage.** If the Premises are extensively destroyed by fire or other casualty insurable under full standard extended coverage insurance, to the extent that the restoration or repair cost estimate would exceed one-third (1/3) of the estimated improvement replacement cost of the Premises or if the estimated time of completion of the restoration or repair exceeds ninety (90) days, then subject to the requirements of the Foundation's lender the University may elect either to restore or not restore the Premises. The University will notify the Foundation in writing of this election within forty-five (45) days from the date the damage, injury or destruction occurred. If the University elects not to restore or repair the Premises, then this Lease will terminate as of the occurrence date. In such event, the University may also terminate the Ground Lease if the University exercises its Option (as defined below) and purchases the Premises pursuant to the Option. Notwithstanding any other provision of this Lease, in such event, the Purchase Price for the Option Property shall be 100% (not 105%) of the amount then owed by the Foundation increased to include any and all prepayments made by the Foundation to its lender pursuant to a Leasehold Mortgage previously approved in writing by the University. If the Foundation elects to restore or repair the Premises, such restoration or repair work shall commence within forty-five (45) days and be completed with due diligence. If neither party terminates this Lease, then rent shall abate from the occurrence date until the Premises are restored to substantially their previous condition and the lease shall remain in full force and effect.

10. **Assignment and Subletting.**

10.1 **Prior Written Consent.** The University shall not sell, assign, transfer all or any part of this Lease or sublease all or any part of the Premises, either voluntarily or by operation of law, directly or indirectly or permit the Premises or any part thereof to be occupied by anyone other than the University or the University's employees without the prior written consent of the Foundation. Any sale, assignment, transfer of this Lease or sublease of the Premises which is not in compliance with the provisions of this paragraph shall be agreement consistent with this provision is required by a mortgage, and such agreement contains non-disturbance language acceptable to the University, the University agrees to execute, acknowledge, and deliver the same.

11.2 **Attornment.** If any person shall succeed to all or any part of the Foundation's interest in the Premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease or otherwise, and if so requested or required by such successor in interest, the University shall attorn to such successor in interest; provided, however, that any attornment agreement must contain reasonable non-disturbance language acceptable to the University.

12. **Default:**

12.1 **Nonpayment.** The University shall be in "default" under this Lease if the Rent, including Additional Rent and any other payment due the Foundation or any part thereof, shall remain unpaid on the date of payment as herein provided and shall remain unpaid for ten (10) days after written demand shall have been made upon the University for the payment thereof;

12.2 **Failure.** The University shall be in "default" under this Lease, if the University fails to perform or carry out any of the covenants or agreements which the University has agreed to keep under the terms of this Lease other than any payment of Rent or any other amount due to the Foundation, and the University fails to commence and diligently pursue a cure of any breach of any covenant or agreement within thirty (30) days after written notice of such breach, except that a default which is of such a character that the rectification thereof reasonably requires longer than the said thirty (30) day period shall be deemed cured within such period if the University commences the rectification thereof within the thirty (30) day period and completes the same with due diligence.

12.3 **The Foundation's Default.** The Foundation shall be in "default" under this Lease, if the Foundation fails to perform or carry out any of the covenants or agreements which the Foundation has agreed to keep under the terms of this Lease, and the Foundation fails to commence diligently pursue a cure of any breach of any covenant or agreement within thirty (30) days after written notice of such breach, except that a default which is of such a character that the rectification thereof reasonably requires longer than the said thirty (30) day period shall be deemed cured within such period if the Foundation commences the rectification thereof within the thirty (30) day period and completes the same with due diligence.

13. **Remedies.**

13.1 **The Foundation's options.** If the University defaults under this Lease, the Foundation may, at its option, declare this Lease forfeited or terminated and enter the Premises or any part thereof, and expel and remove any person occupying the Premises. The University agrees to peaceably surrender and deliver up the Premises upon termination of this Lease. Default of this Lease shall not excuse the University from liability for any Rent then due or for the Rent to become due during the remainder of the Term of this Lease, except that the Foundation shall make reasonable efforts to re-rent the Premises at the fair market price as soon as practical. The Foundation has an affirmative duty to make reasonable efforts to mitigate damages. The Foundation shall have the absolute right to offset any unpaid Rent against any distributions that the Foundation might otherwise make to the University or the University of New Mexico Foundation until all amounts owed to the Foundation have been paid in full. In conjunction with the transactions by the Foundation related to the Buildings, the University agrees that any financial loss incurred by the Foundation can be offset at any time (before or after the Term) against distributions that the Foundation might otherwise make to the University.

set forth; provided, however, that such tenancy shall not be construed to be a renewal of this Lease for any period whatsoever.

14.4 Rent. Whenever it is provided in this Lease that the University is required to make any payment to the Foundation such payment shall be deemed to be Rent and all remedies applicable to the nonpayment of rent shall be applicable thereto.

15. The Foundation's Right of Entry and Inspection. The Foundation, its agents or employees, may upon prior request and permission from the University, which permission the University will not unreasonably withhold, enter the Premises for any of the following purposes: to inspect the same, to maintain the Building; to make such repairs to the Premises as the Foundation is obligated or may elect to make; to make repairs, alterations, or addition to any other portion of the Building; to post notices on nonresponsibility for alterations or additions or repairs. The Foundation shall have such right of entry and the right to fulfill the purpose thereof without any rebate or proration of rent for any loss of occupancy unless such entry results in the loss of quiet enjoyment or occupancy of the Premises occasioned by such entry.

16. Condemnation. If the whole Premises, or a portion thereof which will make the Premises unsuitable for the purposes herein leased, is condemned for any public use or purpose by any legally constituted authority, then in either of such events this Lease shall cease from the time when possession is taken by such public authority and rental shall be accounted for between the Foundation and the University as of the date of the surrender of possession. Such termination shall be without prejudice to the rights of either the Foundation or the University to recover compensation from the condemning authority for any loss or damage caused by such condemnation. Neither the Foundation nor the University shall have any rights in or any award made to the other by the condemning authority.

17. Bankruptcy of the University. The appointment of a receiver to take possession of all or substantially all of the assets of the University or of the operations of the University in the Premises, or a general assignment by the University for the benefit of creditors, or the filing of proceedings in insolvency or bankruptcy, involuntarily or voluntarily, by or against the University, shall at the option of the Foundation, be deemed a breach of this lease to the extent that this provision does not conflict with the Bankruptcy Code of the United States. Upon the happening of this event, the Foundation shall have the option to immediately terminate this Lease and to reenter the Premises to take possession thereof, and the University shall quit and surrender peaceably the Premises to the Foundation. In the event the University contemplates any of the above events taking place, the University will so advise the Foundation at least one hundred twenty (120) days in advance. Upon such notification, the Foundation may elect to provide the University with some consideration in the form of cash or otherwise and in return the University will terminate the existing Lease. Thereafter, the University's occupancy could be agreed upon, on a month to month basis, at the sufferance of the Foundation.

18. Option to Purchase.

18.1. Grant The Foundation hereby grants the University an option (the "Option") to purchase the Premises (hereinafter referred to as the "Option Property") and to obtain cancellation of this Lease upon the terms and conditions provided herein.

18.2. Exercise. At any time during the Term, the University may exercise this Option by giving the Foundation written notice ("Option Notice") of the University's exercise in the following manner:

18. 2.1. At least ninety (90) days prior to the date the University submits a request for

Foundation. If the University does not terminate this Option, the Commitment as modified to remove those objectionable exceptions which the Foundation agrees to remove shall be deemed to be an "Approved Commitment."

18.6.2. At Closing the Foundation shall deliver a cancellation of this Lease, a bill of sale, and, at the University's election, an assignment of the Ground Lease or a termination of the Ground Lease, a Special Warranty Deed and title to the Option Property free and clear of all liens and, encumbrances except those which may have been placed on the Option Property by the University or resulted from the University's actions or the actions of any occupant, assignee or sublessee, but subject to the exceptions contained in the Approved Commitment. At Closing, the Foundation, at the University's expense, shall deliver a title insurance policy in accordance with the terms of the Approved Commitment in an amount equal to the Purchase Price.

18.7. **Assumption of Rights and Liabilities.** At Closing, the University shall assume and agree to perform all the Foundation is obligations under all contracts in respect of the Option Property only to the extent that the University has approved such contracts in writing before the Closing.

18.8. **Proration and Costs**. At Closing the Foundation and the University shall prorate to the date of Closing all real property taxes, assessments, rents, insurance if any, security deposits, utilities, and such other items of income and expense with respect to the Option Property as are customary. The Foundation and the University shall each pay for the recording documents which they are required to deliver at Closing. The University shall only pay any prepayment penalty, fee or other charges imposed for prepayment if such charge is pursuant to a Leasehold Mortgage previously approved by the University in writing. Closing costs, escrow fees and costs of recording documents required to be executed by both parties shall be divided equally. Each party shall pay its own attorneys' fees. All other costs of Closing this transaction shall be divided in the manner customary for the community, if any, otherwise, equally.

18.9 **Warranties.** Except as expressly provided herein, the Foundation makes no warranties as to the condition of the Option Property or to its fitness for any purpose or to the income that may be derived from it and the University agrees that it will be acquiring the Option Property "as is," subject to no warranties of the Foundation and upon its own investigation and inspection, upon which it will rely solely. Within thirty (30) days after the Foundation receives the University's notice pursuant to Section 18.2.1:

18.9.1 The Foundation will warrant to the University that any written information delivered to the University in connection with the purchase of the Option Property will be true and correct to the best knowledge and belief of the Foundation.

18.9.2 The Foundation will disclose to the University any material defect in the Premises of which the Foundation has actual knowledge as of the date of closing.

18.9.3 The Foundation will warrant to the University that the Foundation has the right to convey the Option Property without the necessity of obtaining consent from any third party.

18.9.4 At Closing the Foundation shall assign to the University the guarantees or warranties, if any, of the Foundation's contractors, subcontractors or material suppliers relating to the Foundation's Work.

18.10 Failure to Close.

formance of any such act shall be extended for a period equivalent to the period of such delay. The provisions of this paragraph shall not operate to excuse the University from prompt payment of Rent, including all Additional Rent and all other payments required by the terms of this Lease.

19.3 **Estoppel Certificates.** At any time and from time to time, within ten (10) days after written notice from one party to the other party, the other party the Foundation shall request the same, the University will execute, acknowledge and deliver to the other party and/or its lender, an estoppel certificate in an acceptable form with respect to the performance of obligations of the parties hereunder as may be reasonably requested by the Foundation.

19.4 **Separate Provisions.** If any term, covenant or condition of this Lease or application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and enforced to the fullest extent permitted by law.

19.5 **Laws, Paragraph Headings.** The laws of the State of New Mexico shall govern the interpretation, validity performance, and enforcement of this Lease. The paragraph headings of this Lease are inserted only as a matter of convenience and for reference, and that they in no way define, limit or describe the scope or intent of this Lease.

19.6 **Foundation Liability Limitation.** Notwithstanding anything to the contrary contained in this Lease, the University shall look only to the Foundation's ownership of the Center for satisfaction of the University's remedies for the collection of a judgment (or other judicial process requiring the payment of money by the Foundation in the event of any default by the Foundation under this Lease, and no other property or assets of the Foundation, disclosed or undisclosed, shall be subject to levy, execution or the enforcement procedure for the satisfaction of the University's remedies under or with respect to this Lease, the relationship of the Foundation and the University under this Lease or the University's use or occupancy of the Premises or any part of the Center. No personal liability or personal responsibility is assured by nor shall at any time be asserted or enforceable against the Foundation or its directors, officers, employees, or agents, their legal representative, successors and assigns on account of this Lease or any undertaking or agreement of the Foundation contained in this Lease. If any provision of this Lease either expressed or implied obligates the Foundation not to unreasonably withhold its consent or approval, an action for declaratory judgment or specific performance shall be the University's sole right and remedy in any dispute as to whether the Foundation has breached such obligation.

19.7 **Successors in Interest.** The Foundation and the University each covenant and agree that the covenants and agreements set forth in this Lease shall extend to and be binding upon their respective heirs, personal representatives, assigns and successors in interest.

19.8 **Notice.** Any notice which may be required to be given under this lease by either party to the other shall be in writing. Notice may be served personally or shall be deemed duly served if mailed by registered or certified mail, return receipt requested, with proper postage prepaid. Service by personal delivery shall be deemed received when delivered. Service by registered or certified mail shall be deemed complete as of the third business day following mailing such notice. Service by registered or certified mail shall be made upon the University at UNM Real Estate Office, 1721 Las Lomas, NE, Albuquerque, NM 87131-3181; the Foundation at 6211 San Mateo Blvd., NE, #100, Albuquerque, New Mexico 87109. The addresses of the

19.16 Memorandum of Lease. Upon execution of this Lease, the parties shall execute and record a Memorandum of Lease in the form attached hereto as Exhibit D.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the day above written.

THE FOUNDATION:	THE UNIVERSITY:
SANDIA FOUNDATION	THE REGENTS OF THE UNIVERSITY OF NEW MEXICO,
By: ______	By: ______
Date: ______, 2005	Date: 1/17, 2005

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Tracts "F" and "F-1" as shown and designated on the Revised Assessment Plat of Tract "F" and "F-1", Lands of Southwestern Construction Company, Block 1, Valmonte Acres, Albuquerque, New Mexico, filed in the office of the County Clerk, Bernalillo County, New Mexico on June 9, 1960 in Volume C5, folio 12;

LESS AND EXCEPTING therefrom that portion conveyed to the City of Albuquerque, New Mexico, a municipal corporation by Warranty Deed recorded July 19, 1971 in Book D 898, page 625 as Document No. 35742, records Bernalillo County, New Mexico, being more particularly described as follows:

A certain parcel of land situate within the City Limits of the City of Albuquerque, New Mexico, and being identified as a Westerly portion of Tract F, Block 1, Valmonte Acres, as the same is shown and designated on the Revised Assessment Plat of Tracts F and F-1, Lands of Southwestern Construction Company, Block One (For Assessment Purposes), filed in the office of the County Clerk of Bernalillo County, New Mexico on June 9, 1960, and being more particularly described by metes and bounds survey as follows:

BEGINNING at the Southwest corner of the parcel herein described, said Southwest corner being the Southwest corner of above mentioned Tract F, Block 1, and a point on the existing Easterly line of University Boulevard NE;

thence N. 00 deg. 19' 00" E., 349.58 feet distant along said existing Easterly line of University Boulevard NE to a point of curvature;

thence Northeasterly, 52.05 feet distant along the arc of a curve bearing to the right (said arc having a radius of 25.00 feet and a long chord which bears N. 59 deg. 57' 30" E., 43.14 feet distant) to a Point of Tangency, said Point of Tangency being on the Southerly line of Lomas Boulevard NE;

thence S. 60 deg. 24' 00" E., 23.02 feet distant along said Southerly line of Lomas Boulevard NE to a point of curvature;

thence Southwesterly, 51.47 feet distant along the arc of a curve bearing to the left (said arc having a radius of 25.00 feet and a long chord which bears S. 60 deg. 36' 56" W., 42.85 feet distant) to a Point of Tangency;

thence S. 01 deg. 37' 52" W., 340.80 feet distant to the Southeast corner of the parcel herein described;

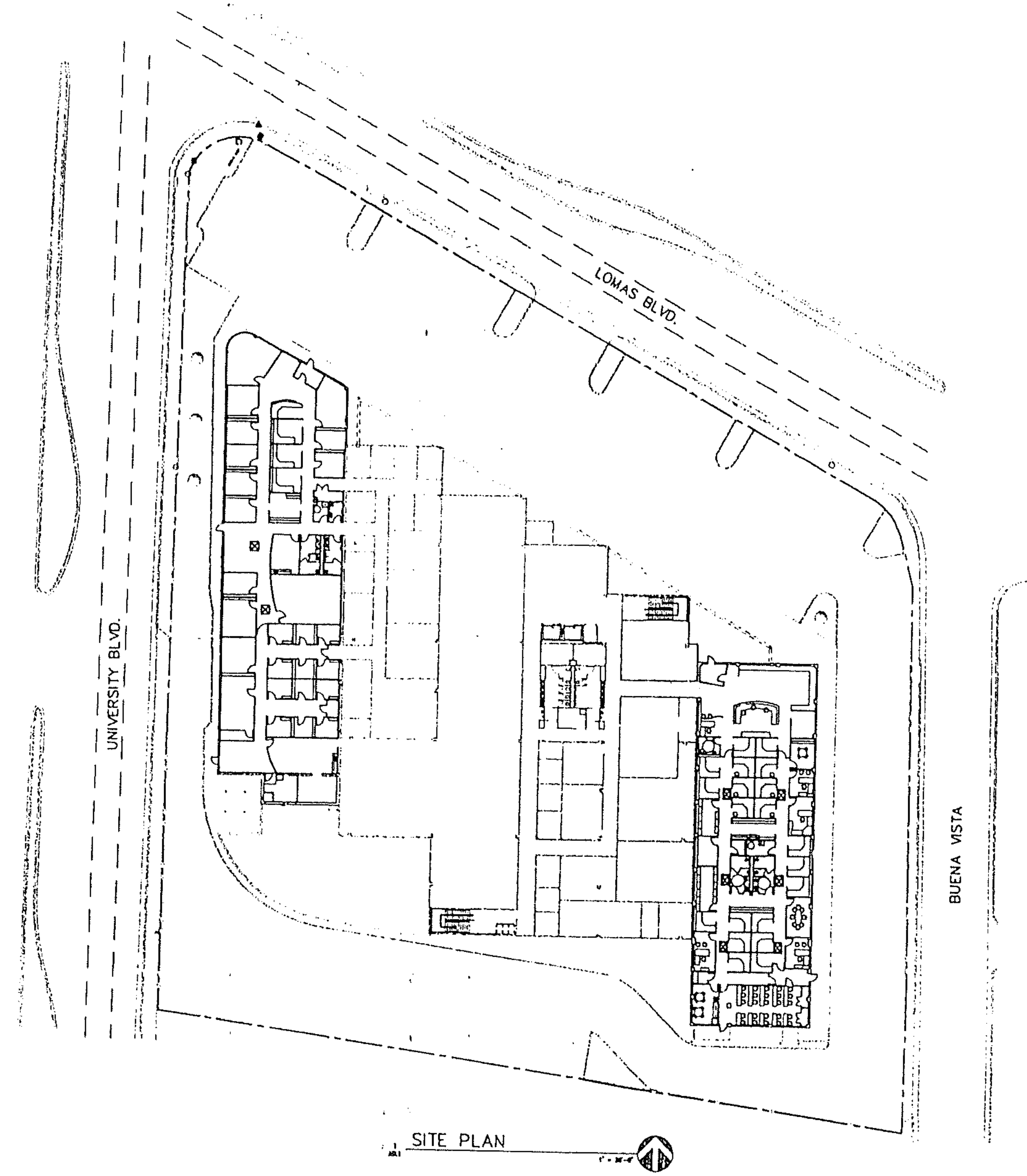
thence N. 81 deg. 15' 00" W., 12.40 feet distant to the Southwest corner of the parcel herein described and place of beginning.

EXHIBIT "A"

EXHIBIT B

GENERAL NOTE:

KEYED NOTES:



SITE PLAN

NCA
ARCHITECTS · PLANNERS · AIA

MK	DATE	DESCRIPTION
LDM		DP

JANUARY 2005

AD4.58

AS1.1

EXHIBIT C

CONCEPT "B"

1/13/2005 13:39

ROOM NAME	AREA	SHELL COST / SF	SHELL COST	FINISH COST/SF	FINISH COST	TOTAL COST		
BUILDINGS								
GEOTECH REPORT						$ 7,500.00		
ASBESTOS REMOVAL						$ 25,000		
SITEWORK						INCLUDED		
SITE UTILITIES						INCLUDED		
DEMOLITION (22,500 +/- sf)	lump sum		$ 90,000			$ 90,000.00		
*EXISTING TO BE RE-USED	14800 sf	$ 12.00	$ 177,600.00			$ 177,600.00		
NEW CONSTRUCTION - 1ST FLOOR	25475 sf	$ 85.00	$ 2,165,375	$ 23.00	$ 585,925	$ 2,751,300.00		
NEW CONSTRUCTION - 2ND FLOOR	26275 sf	$ 85.00	$ 2,233,375	$ 23.00	$ 604,325	$ 2,837,700.00		
NEW CONSTRUCTION - 3RD FLOOR	18250 sf	$ 85.00	$ 1,551,250	$ 23.00	$ 419,750	$ 1,971,000.00		
	84,800 sf		$ 4,666,350		$ 1,190,250	$ 7,860,100	112.29 SF	
RELOCATION UNM PRESS	allowance					BY OWNER		
ASBESTOS SURVEY (asbestos removal NIC)	allowance					BY OWNER		
FURNITURE FIXTURES & EQUIPMENT	allowance					BY OWNER	$600,000	
SPECIAL SYSTEMS CONDUIT	allowance					$ 75,000		
IT CABLING & TERMINATION CORDINATION FEE						$ 22,275	$ 405,000	
PERMITS, PRO-RATA & EXPANSION CHARGES	allowance					$ 100,000		
PLAN CHECK FEE	allowance					$ 5,000		
CONTINGENCY (5%)						$ 403,119		
SUB TOTAL CONSTRUCTION COST (without fees)						$ 8,465,494	120.94 SF	
CONTRACTOR FEE						$ 465,602		5.5%
TOTAL CONSTRUCTION COST						$ 8,931,096		
DESIGNER / CONSULTANTS						$ 507,930		6%
DEVELOPER						$ 443,634		4.7%
SUB-TOTAL FEES						$ 951,564		
							SF COST	W/TAX
TOTAL PROJECT COST 11 MONTH SCHEDULE						$ 9,882,660	141.18 SF	$ 10,481,796
CONSTRUCTION INTEREST RESERVE ALLOWANCE								$318,204
							TOTAL	$10,800,000

*MINOR EXTERIOR FAÇADE RENOVATION AND RE-ROOFING OF EXISTING BUILDING INCLUDED IN THE SQUARE FOOT COSTS.

TAX 6.0625%

EXHIBIT D

MEMORANDUM OF OCCUPANCY LEASE

This Memorandum of Occupancy Lease is executed to provide record notice of that certain Occupancy Lease that exists with respect to the property described on Exhibit "A" attached hereto and incorporated herein.

Notice is herby given that Sandia Foundation, a New Mexico not for profit corporation ("Foundation") and The Regents of the University of New Mexico, a body corporate of the State of New Mexico ("Regents") have entered into a Occupancy Lease dated as of January 1, 2005 with a primary lease term beginning January 1, 2005 and continuing until ______________. The Occupancy Lease also grants Regents the right to renew the Lease for one (1) additional term of sixty (60) months.

Dated this _____ day of January, 2005

THE REGENTS OF THE UNIVERSITY OF NEW MEXICO, a body corporate of the State of New Mexico

By:______________________________
Davis W. Harris, Executive Vice President for Administration

THE FOUNDATION:

SANDIA FOUNDATION, a New Mexico not for profit corporation

By:______________________________
John Perovich, President

Tracts "F" and "F-1" as shown and designated on the Revised Assessment Plat of Tract "F" and "F-1", Lands of Southwestern Construction Company, Block 1, Valmonte Acres, Albuquerque, New Mexico, filed in the office of the County Clerk, Bernalillo County, New Mexico on June 9, 1960 in Volume C5, folio 12;

LESS AND EXCEPTING therefrom that portion conveyed to the City of Albuquerque, New Mexico, a municipal corporation by Warranty Deed recorded July 19, 1971 in Book D 898, page 625 as Document No. 35742, records Bernalillo County, New Mexico, being more particularly described as follows:

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thence N. 00 deg. 19' 00" E., 349.58 feet distant along said existing Easterly line of University Boulevard NE to a point of curvature;

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thence N. 81 deg. 15' 00" W., 12.40 feet distant to the Southwest corner of the parcel herein described and place of beginning.

EXHIBIT "A"

BANK OF OKLAHOMA N.A.

January 20, 2005

Mrs. Liz Pearsall
Brooks, Lomax & Fletcher, Inc.
6753 Academy Rd. NE. Suite C
Albuquerque, New Mexico 87109

Dear Mrs. Pearsall:

This is to confirm the request from Bank of Oklahoma, N.A. for you to prepare a Complete Self-Contained Appraisal report on the following real property:

The Lobo Center (Sandia Foundation/UNM).

For information on the property and access to the property please contact **Pat Glennon (505) 242-2684.**

The appraisal must conform with the Uniform Standards of Professional Appraisal Practice, must contain an affirmative statement of appraiser competency, and must include a certification as to appraiser independence and compliance with USPAP. The appraisal must be based on the USPAP definition of market value. The appraiser must analyze and report appropriate deductions and discounts for proposed construction or renovation, partially leased buildings, non-market lease terms, and tract developments with unsold units and in these situations must include the current market value of the property in its actual physical condition and subject to the zoning in effect as of the date of the appraisal. A prospective market value based on complete construction or stabilized occupancy should also be provided.

Bank of Oklahoma, N.A. is the client for this report. The appraisal shall be ordered/requested from an employee of this institution and payment shall be made directly from the bank to the appraiser. All documents furnished to the appraiser from this bank are to be considered confidential information to the appraiser.

Please note that Bank of Oklahoma, N.A. reserves the right to convey a copy of the appraisal to a third party. You may be requested to meet with us, and possibly a third party, to discuss the analysis and value conclusion in the appraisal report. As Bank of Oklahoma, N.A. wants to preserve the independence of your appraisal process, please be aware that value or asset balances cannot be discussed.

All appraisal reports must include a signed copy of this letter. We request that you submit 4 copies of the appraisal report to the undersigned no later than **February 23, 2005**. For your services, **Bank of Oklahoma** agrees to pay you a compensation not to exceed a total of $6,500.00 plus the applicable tax payable upon completion and presentation in final format.

Please signify your understanding and agreement with the above conditions by returning a signed copy of this letter to the undersigned. You may contact me at (505) 222-8428 if you have any questions regarding this assignment.

Sincerely,

Sherry Read
Vice President

Acknowledged and Agreed this ________________ day of ______________________, 2004.

By: ____

____

Please address, send/deliver all report copies to:

Sherry Read
Bank of Oklahoma, N.A.
201 Third Street NW
14th Floor
Albuquerque, NM 87102

Qualifications of Elizabeth Pearsall, MAI, CCIM

Professional Memberships and Licenses

MAI, Member of the Appraisal Institute, Certificate No. 8864, issued 1990

CCIM Institute, Certified Commercial Investment Member, No. 11966, issued 2004

Certified Real Estate Appraiser, State of New Mexico, General Certificate No. 206-G, issued 1991

Chairperson of the Experience Review Committee for the State of New Mexico Real Estate Appraisers Board, 1991-1996

Education

BA, Journalism, University of Kentucky, Lexington, Kentucky

Legal Assistant Program, George Washington University, Washington, DC

Courses and Seminars

Specialized courses and seminars necessary to obtain the MAI and CCIM designations and complete the continuing education requirements of the Appraisal Institute. Recent courses and seminars include the following:

Market Analysis for Commercial Investment Real Estate
Financial Analysis for Commercial Investment Real Estate
User Decision Analysis for Commercial Investment Real Estate
Investment Analysis for Commercial Investment Real Estate
Appraising Natural Resources
Feasibility Analysis, Market Value and Investment Timing
Appraisal of Nursing Facilities
Valuation of Detrimental Conditions
Internet Search Strategies for Real Estate Appraising

Experience

1996 – Present	Senior Analyst/Appraiser, Brooks, Lomax & Fletcher, Inc.
1994 – 1996	Principal Analyst/Appraiser; Commercial Appraisal, Inc.; Albuquerque, New Mexico. Commercial Appraisal, Inc. was formed with the merger of three established firms: Payne, Burman & Pearsall, P.C., Shipman, Foley and Associates, and Hagen, Inc.
1991 – 1994	Principal Analyst/ Appraiser; Payne, Burman & Pearsall, P.C.; Albuquerque, New Mexico. Provided valuation and consulting services for commercial properties in New Mexico and the Southwest region.
1991	Assistant Vice President/Appraisal Supervisor, First National Bank in Albuquerque. Conducted appraisal reviews and managed in-house appraisal department for $1.5 billion financial institution.
1985 – 1991	Associate Analyst/Appraiser; Brooks, Lomax & Fletcher, Inc.; Albuquerque, New Mexico. Specialized in appraising income properties and vacant land in Albuquerque and other Southwest cities.
1982 – 1985	Sunwest America Commercial Real Estate; Albuquerque, New Mexico

Appraisal Assignments

Assignments have included a variety of commercial, industrial and multifamily valuations, appraisal reviews, as well as feasibility analyses and market studies. Appraisals have involved major shopping centers; office buildings, including Downtown historic renovations; restaurants; hotels; office/warehouses; apartment complexes, including existing, proposed and tax-credit projects; vacant land, including commercial tracts, mixed use subdivisions and residential subdivisions.