

UPPER PETROGLYPHS
TAX INCREMENT DEVELOPMENT DISTRICTS 1-9
FINANCIAL FEASIBILITY STUDY

I. OVERVIEW

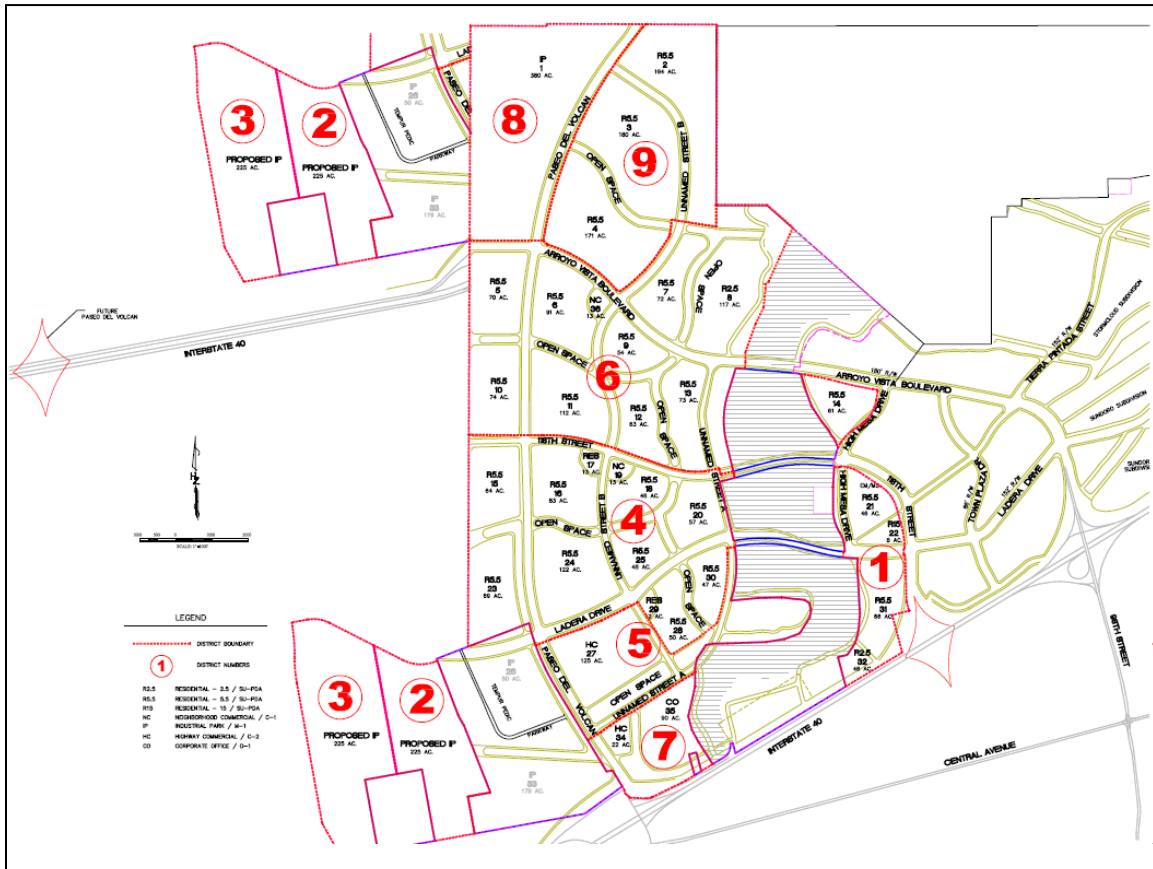
Pursuant to the Tax Increment for Development Act, Sections 5-15-1 through 5-15-28 NMSA 1978 (“TIDD Act”) and the Bernalillo County (“County”) TIDD Policy Ordinance (“TIDD Ordinance”), the WESTLAND DEVCO, LP, a Delaware limited partnership (“DevCo” or “Applicant”) submits this Financial Feasibility Study as part of the application (“Application”) for the formation of the Upper Petroglyphs Tax Increment Development Districts 1 through 9 (collectively, the “TIDD” and/or the “TIDDs”).

The TIDDs will be established for the purpose of issuing tax exempt Gross Receipts Tax Increment Bonds and Property Tax Increment Bonds (collectively the “TIDD Bonds”). Gross Receipts Tax Increment Bonds will be secured by the incremental increase of gross receipt taxes over the base gross receipts tax for land uses within the TIDDs. Property Tax Increment Bonds will be secured by ad valorem property taxes over the base property tax levels for property contained within the boundaries of the proposed TIDDs. The aforementioned revenue streams are collectively defined herein as the “Tax Increment Revenue”.

The Westland Master Plan (“Master Plan”) covers approximately 6,400 acres in the western area of the Albuquerque region. Approximately 3,950 acres known as the Upper Petroglyphs (“Project”) are located in an unincorporated area of the County bounded generally on the north by the Double Eagle II airport and the Petroglyph National Monument, on the east by the Lower Petroglyphs Project; on the south by Interstate 40, and on the west by vacant unimproved land owned by the Applicant. Nine (9) TIDDs are anticipated to be initially established for the area contained within the boundaries of the Project.

The Financial Feasibility Study provides information related to the initial nine (9) TIDDs. A Boundary Map of the nine (9) TIDDs is included on the following page. At present, the Applicant estimates that the Project will require an investment of \$4.3 billion (2007 dollars) to complete the construction of public infrastructure improvements (“Improvements”), as well as the residential and commercial structures within the Project area. Approximately \$629 million (2007 dollars) of this investment will be utilized to construct and/or acquire the Improvements contained within the boundaries of the TIDDs (“TIDD Improvements”). Upon the construction and/or acquisition of the TIDD Improvements by the TIDDs, it is anticipated that they will be dedicated to the County or other operating agencies for on-going operations and maintenance subject to the “No Impact on County” provisions of the TIDD Ordinance.

**Figure 1
Upper Petroglyphs TIDD
Boundary Map**



II. PLAN OF FINANCE

a. Eligible TIDD Improvements

The purpose of the TIDD Bonds is to finance the construction and/or acquisition of the TIDD Improvements required to serve the land uses contained within each TIDD. A summary of the anticipated TIDD Improvement costs eligible to be financed by the TIDDs is illustrated in Table I.

Detailed engineer's cost estimates prepared by Huitt-Zollars have been included within Section 4 of the Application. Excess TIDD Bond proceeds may exist, and such excess proceeds will be utilized to finance in-tract Improvements including (in order of preference) water lines, sewer lines, roadways and related costs.

Table I
Upper Petroglyphs TIDD
Estimated TIDD Improvement Costs

Infrastructure Costs	Hard Cost (1)	Soft Costs (1)	Total (1)
Roadways	\$ 51,349,550	\$ 28,242,253	\$ 79,591,803
Site Grading	6,465,000	3,555,750	10,020,750
Water Infrastructure	18,017,100	9,909,405	27,926,505
Sanitary Sewer	9,110,000	5,010,500	14,120,500
Storm Drain & Retention	44,488,900	24,468,895	68,957,795
Parks & Trails	22,869,000	12,577,950	35,446,950
Dry Utilities	6,714,500	3,692,975	10,407,475
Enhanced Services	1,820,000	1,001,000	2,821,000
Subtotal - Backbone Improvements	\$ 160,834,050	\$ 88,458,728	\$ 249,292,778
Subtotal - Intract Improvements	\$ 244,977,500	\$ 134,737,625	\$ 379,715,125
Total	\$ 405,811,550	\$ 223,196,353	\$ 629,007,903

(1) Costs are expressed in terms of 2007 dollars. Actual costs are anticipated to be higher than those illustrated due to inflation.

b. Bond Types

The Applicant is requesting the ability to issue both senior and subordinate TIDD Bonds. The senior and subordinate TIDD Bonds will be secured by Tax Increment Revenue. Tax Increment Revenue may be accrued from year-to-year until such time as sufficient revenues have been generated to support the issuance and/or debt service requirements of the TIDD Bonds.

Additionally, it is anticipated that each TIDD will issue bonds secured by excess non-recurring Tax Increment Revenue that is not pledged as security for the long-term revenue senior and subordinate TIDD Bonds ("Short Term Bonds").

The final mix and structure of the TIDD Bonds and Short Term Bonds will be determined at the time of issuance. The proposed structure of the TIDD Bonds and Short Term Bonds is discussed in Section III - Debt Structure and Terms.

Prior to the issuance of TIDD Bonds, the Applicant shall contribute a minimum of 20% of the initial public Improvement costs.

The Applicant anticipates that the TIDDs will issue the maximum debt supported by the Tax Increment Revenue generated by the TIDDs. The maximum debt to be issued shall not exceed the estimated cost of TIDD Improvements plus all costs connected with the

public infrastructure purposes and the issuance and sale of TIDD Bonds including without limitation, formation costs, credit enhancement and liquidity support fees and costs pursuant to the TIDD Act. Bond proceeds may be used to reimburse the Applicant for its 20% financial contribution to the initial public infrastructure costs pursuant to the TIDD Act.

The actual bonding capacity of the TIDDs will be constrained by the rate of absorption of residential and commercial products within the TIDDs, the Tax Increment Revenues, debt service coverage requirements, and the term of the TIDD Bonds.

c. Anticipated Bonding Capacity and Timing

The aggregate potential TIDD Bond and Short Term Bond par value is estimated to be approximately \$1.05 billion which is anticipated to yield approximately \$946 million in net construction proceeds over a period of up to 25 years for each TIDD after the first bond series within each TIDD is issued (see Table II). Regardless of the TIDDs potential bonding capacity, actual TIDD Bond issuances will be limited so that Bond proceeds do not exceed eligible TIDD Improvement costs.

Improvement costs in excess of TIDD Bond proceeds will be funded from other sources, including internal Project cash flow, third party debt, and Applicant equity contributions. Refer to Section 9 of the Application for further information related to the Applicant's financial position.

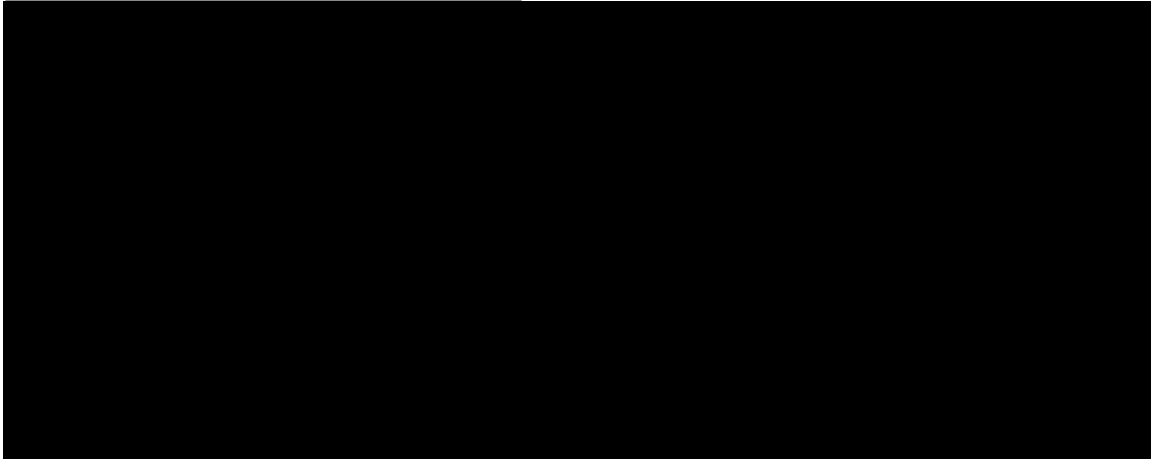
**Table II
Upper Petroglyphs TIDD
Estimated Bond Issuances and Construction Proceeds**

Bonding Capacity of the Project's nine (9) TIDDs	Bond Issues	Bond Proceeds
Estimates (Cumulative over time)	\$ 1,053,900,000	\$ 946,300,000

The information presented in this section of the Financial Feasibility Study is based upon information, estimates, and assumptions provided by the Applicant, Southwest Securities, Huitt-Zollars, Inc., the Concord Group, and the Center for Urban Policy and Research at Rutgers University. The analysis does not assume an escalator or that a reassessment rate will be used for determining the market value of residential and commercial property. In addition, the analysis assumes a constant level of estimated taxable gross receipts generated per commercial square foot over the analysis period. Lastly, the figures were not adjusted for inflation.

Table III illustrates the timing and amount of the TIDD Bonds. Additional detailed projections may be found in Attachment A. The assumptions utilized in determining the revenues available for TIDD bond debt service may be found in Part IV of the Fiscal and TIDD Impacts Analysis included under Exhibit 7.A of the Application.

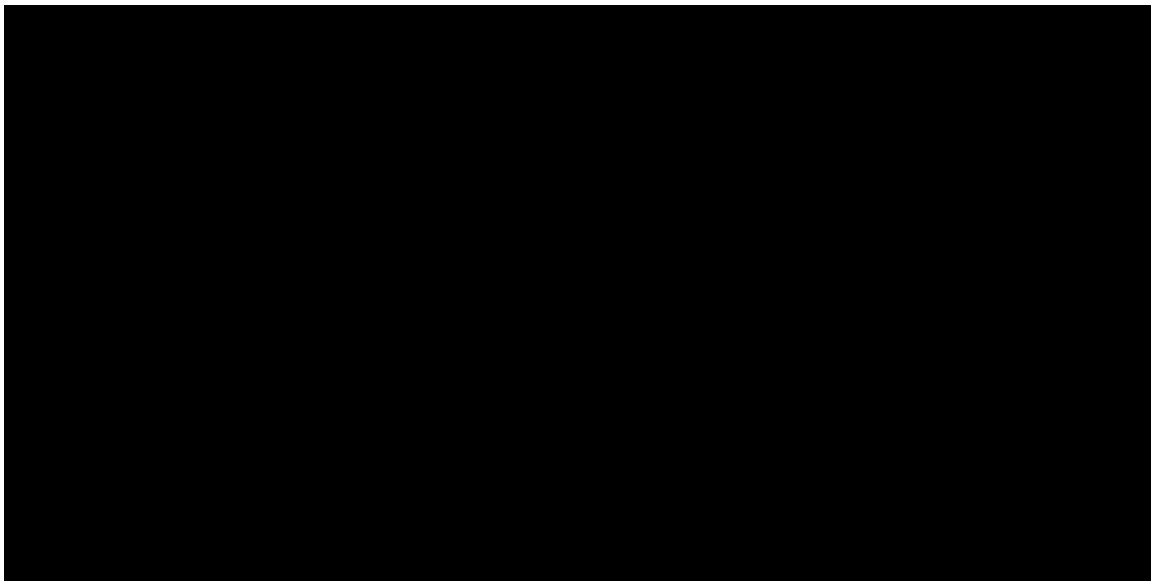
**Table III
Upper Petroglyphs TIDD
TIDD Bonds Corresponding to Development**

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TIDD Bonds are anticipated to be issued in conjunction with the development and absorption of residential and commercial products within each TIDD. The actual timing of the TIDD Bond issuances will be dependent on the build-out of the residential and commercial land uses and the resulting receipt of Tax Increment Revenue. Senior and subordinate TIDD Bonds are anticipated to be issued when the Tax Increment Revenue is sufficient to support such TIDD Bonds. Short Term Bonds are anticipated to be issued with non-recurring incremental Tax Increment Revenue in excess of the previously issued TIDD Bonds' debt service requirements.

Table IV illustrates the estimated timing and amount of the TIDD Bonds.

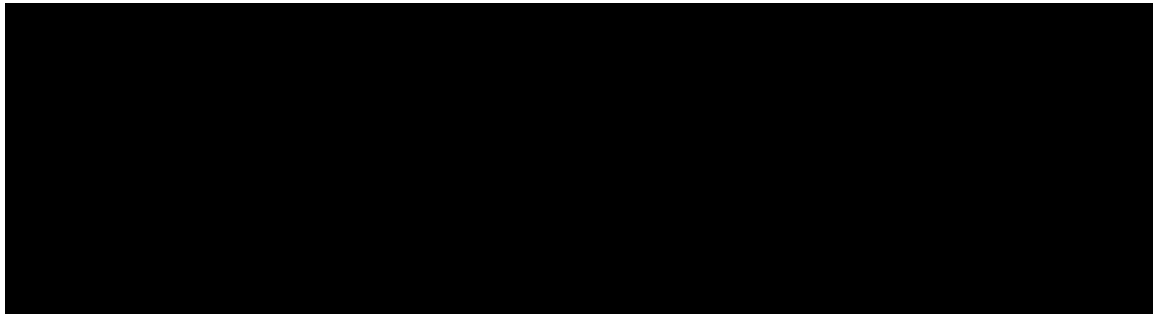
**Table IV
Upper Petroglyphs TIDD
Anticipated Bond Timing and Amount**

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d. Forecast of Pledged Revenues

The estimated TIDD Bond amounts presented within the Financial Feasibility Study (including Attachment A) have been estimated utilizing tax revenue estimates and assumptions provided by the Center for Urban Policy and Research at Rutgers University, and are detailed within Exhibit 7.A of the Application. Table V summarizes the tax rates and portions of the tax rates that may be used for TIDD Improvements pursuant to the TIDD Act and TIDD Policy based on an analysis fully presented in Exhibit 7.A.

**Table V
Upper Petroglyphs TIDD
Tax Rate Assumptions**



e. Projected Bond Coverage Ratios

Each TIDD is anticipated to issue TIDD Bonds secured by the Tax Increment Revenue generated by residential and commercial property development within its boundaries.

Tables A-2.e and A-3.e in Attachment A illustrate the projected debt service coverage ratios for each of the proposed TIDDs. The expected debt service coverage ratio for each TIDD Bond issuance is expected to range from 125% to 150% of annual available Tax Increment Revenue (see Section III - Debt Structure and Terms). Non-recurring Tax Increment Revenue has not been included in debt service coverage projections.

III. DEBT STRUCTURE AND TERMS

a. Proposed Issuance Structure, Timing and Maximum Final Maturities

Each TIDD is anticipated to issue both senior and subordinate TIDD Bonds. The sale of TIDD Bonds may be delayed until such time as there is sufficient Tax Increment Revenue to support their issuance.

i. Senior Revenue TIDD Bonds

Total estimated senior revenue bonded indebtedness is anticipated to be \$495 million (2007 dollars), as summarized in Table VI. It is anticipated that the senior revenue TIDD Bonds will be issued in maturities of up to twenty-five (25) years, with level annual debt service, a fully-funded debt service reserve fund (if required), with an annual debt service coverage ratio anticipated to be 1.50. Provided that the appropriate ratings and/or Bond insurance are obtained, these TIDD Bonds will be offered in minimum denominations of \$5,000. Additional credit enhancement from the Applicant is not anticipated.

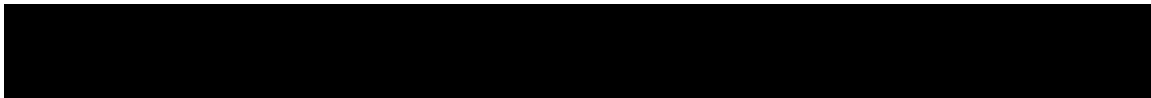
**Table VI
Upper Petroglyphs TIDD
Senior Revenue TIDD Bond Estimates**



ii. Subordinate Revenue TIDD Bonds

Total subordinate revenue bonded indebtedness is estimated to be approximately \$82.6 million (2007 dollars), as summarized in Table VII below. The subordinate revenue TIDD Bonds will be issued simultaneously with the senior revenue TIDD Bonds. Level annual debt service is anticipated with maturities of up to twenty-five (25) years. There may be a reserve fund and the annual debt service coverage ratio is anticipated to be 1.25. It is anticipated that subordinate revenue TIDD Bonds will be privately placed with "qualified institutional buyers" as such term is defined in Rule 144A of the Securities Exchange Commission in minimum denominations of \$100,000. Credit enhancement is not anticipated.

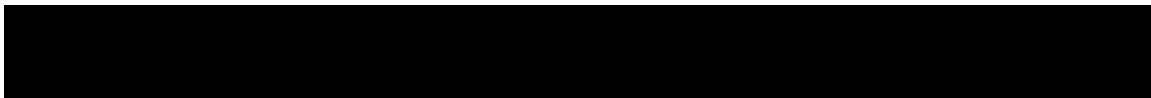
**Table VII
Upper Petroglyphs TIDD
Subordinate Revenue TIDD Bond Estimates**



iii. Short Term Bonds

Total estimated Short Term Bond indebtedness is anticipated to be approximately \$476 million (2007 dollars), as summarized in Table VIII. Short Term Bonds are anticipated to be issued at the end of each calendar year. These bonds will be sized in an amount equal to the excess accrued non-recurring Tax Increment Revenue and the excess annual recurring Tax Increment Revenue less issuance costs and accrued interest. These bonds will be privately placed with "qualified institutional buyers" as such term is defined in Rule 144A of the Securities Exchange Commission in minimum denominations of \$25,000. Credit enhancement is not anticipated. It is anticipated that the Applicant may be the initial purchaser of the first series of Short Term Bonds.

**Table VIII
Upper Petroglyphs TIDD
Short Term Bond Estimates**



b. Estimated Interest Rates for each Series of TIDD Bonds

This Financial Feasibility Study assumes an average borrowing rate of 5.50% for all senior TIDD Bonds and 7.00% for all subordinate TIDD Bonds issued by the TIDDs over time. It is expected that TIDD Bonds issued in the first few years will be issued with higher rates than later TIDD Bond issuances as more consistent and stable revenues are generated through the successful build-out of the Project. Interest rates are also anticipated to vary with market conditions at the time of sale.

c. Estimated Average Life of each Series of TIDD Bonds

Based on the estimated maturity schedule, the average life of the TIDD Bonds is expected to range from 15 to 25 years for each TIDD. The Short Term Bonds are anticipated to have terms of one to 30 days.

d. Terms and Conditions of Bonds

The anticipated terms and conditions of each series of TIDD Bonds are as follows;

- Debt Service Reserve: If required, a debt service reserve will be funded from bond proceeds.
- Capitalized Interest: It is expected that interest may be capitalized for a period not to exceed three (3) years following issuance for the first several series of TIDD Bonds in order to compensate for the lack of Tax Increment Revenue during build out. The capitalized interest period for subsequent series are anticipated to be shorter than three (3) years, reflecting the advanced stage of development within the TIDDs and greater Tax Increment Revenue being generated.

IV. OPERATIONS AND MAINTENANCE PLAN

The TIDDs will be established exclusively for the financing, construction and/or acquisition of eligible TIDD Improvements and will have no continuing obligation with respect to the operation and/or maintenance of TIDD Improvements financed, constructed and/or acquired, once constructed and/or acquired and dedicated to the County and/or other jurisdictional authority by the TIDDs. Accordingly, the TIDDs are not anticipated to have any costs and/or expenses related to the operation or maintenance of eligible TIDD Improvements.

a. County Operational and Maintenance Costs

The County's anticipated costs associated with the operation and maintenance of the TIDD Improvements including public works, recreation, and public safety is anticipated to be offset by the gross receipts taxes and property taxes generated by the property contained within the boundaries of the TIDD not subject to the use by the Applicant for debt service on the TIDD Bonds and Short Term Bonds. As illustrated in the Fiscal and TIDD Impact Analysis included as Exhibit 7.A of the Application it is anticipated that the County will be able to fund current levels of service in relation to the on-going operations and maintenance of the aforementioned facilities and retain an estimated annual average operating surplus. As such, it is not anticipated that the financing will have an adverse fiscal impact on the County.

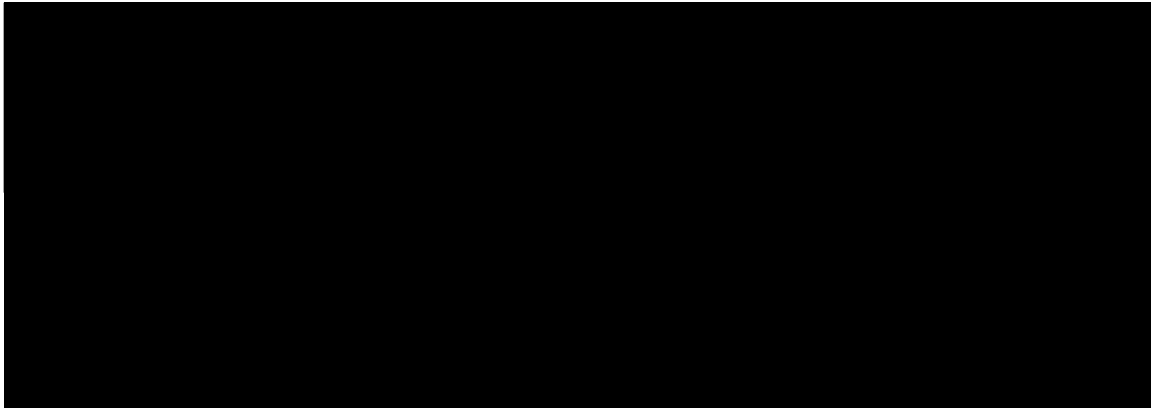
b. Water and Sewer Operation and Maintenance Costs

The estimated costs associated with the operation and maintenance of the public water and sewer facilities financed through the TIDD is anticipated to be offset by the monthly usage fees charged to the end users of the water and sewer facilities by the Albuquerque/Bernalillo County Water Utility Authority (“ABCWUA”).

V. MARKET ABSORPTION STUDY

A market absorption study was completed by the Concord Group in September 2007. Table IX below outlines the basic assumptions of market value and number of units for the residential and commercial parcels in the nine TIDDs. The complete study is attached as Exhibit 7.B of the Application.

**Table IX
Upper Petroglyphs TIDD
Land Use Program and Estimated Market Value**



Note: The figures presented above assume no inflationary increases, and may differ significantly compared to actual results.

Attachment A

Financial Projections for the TIDDs