

Albuquerque MSA Location Profile 2005

Existing Companies

New Businesses in Albuquerque Metro Area

Company	Start-up Date	Initial Employment	Company/Facility Description
Merillat Industries	2006	700	Cabinet maker
Tempur-Pedic	2006	300	Mattress manufacturer
U.S. Forest Service	2005	750	Financial services operations
Stainless Motors, Inc.	2004	20	Stainless steel products manufacturer
eTelecare Global Solutions	2004	300	Customer service center
QorTek Inc.	2004	20	Electronics research and product manufacturer
Intersections Inc.	2003	110	Customer service center
LifeMasters Supported SelfCare, Inc.	2002	100	Patient support center
Noteworthy Industries, Inc.	2002	15	Plastic and paper promotional products
Gap Inc.	2001	300	Corporate shared services center
MesoFuel, Inc.	2001	8	Energy and fuel cell technology
Eclipse Aviation	2000	175	Personal jet manufacturer and headquarters
Sennheiser Electronic GmbH	2000	45	Printed circuit boards, wireless headphones and digital wireless microphones
Xilinx	2000	75	Programmable logic devices

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Existing Companies

Expanding Businesses in Albuquerque Metro Area

Company	Expansion Date	Additional Employment	Current Total Employees	Company Description
Intel Corp.	2005-2006	300	5,200	Semiconductor Manufacturing
ClientLogic	Aug. 2005	160	760	Sales, Retention, Customer Service, Tech Support
Sandia Resort & Casino	Late 2005	400	1,389	Resort and Casino
Honeywell Defense Avionics	2004-2005	100	1,150	Avionics Control Systems Manufacturer
Eclipse Aviation	2004-2007	300	450	Personal Jet Manufacturer
Ktech Corporation	2003-2008	226	619	Engineering, Specialty Manufacturing
Cardinal Health	2003	155	400	Sterile Injectables Manufacturer
T-Mobile	2003	100	1,410	Customer Service Center
ClientLogic	2002-2003	500	760	Sales, Retention, Customer Service, Tech Support
Blue Cross / Blue Shield of NM	2002-2003	500	830	Claims Processing
Goodrich Aerospace	2002	43	300	Aerospace Components Manufacturer
United Health Care/Uniprise	2002	110	355	Customer Service Center

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Commercial Real Estate

Real Estate

Office Market

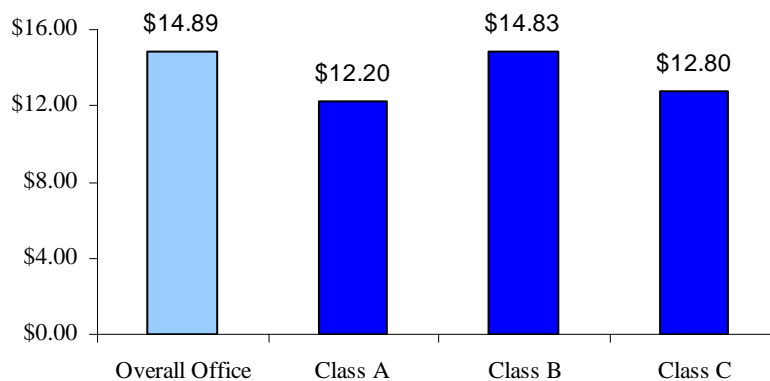
The Albuquerque metro area is often recognized as one of the top business real estate markets in the nation. In August 2005, Expansion Management magazine ranked Albuquerque number 5 in the United States on the Top 40 Real Estate Markets list. The area has abundant real estate choices and affordable prices. The diversity of Albuquerque's market provides a variety of locations for office and industrial companies seeking to expand or relocate. In addition, there are competitive build-to-suit opportunities across the metro area.

The competition to attract new tenants in the Albuquerque area is fierce, which keeps the cost of space quite low. The average high asking rental rate remained low at \$14.89 for the third quarter of 2005. Although office growth is substantial throughout the city, a fair amount of development has been on the city's West Side while the North I-25 Corridor continues to be a hot spot for development.

Third Quarter 2005

- The **total market** totals 11,215,168 square feet
- The office **vacancy rate** is 15.5 percent
- **Average high rental rate** across all classes is \$14.89 per square foot

**Average High Rent Rate
3rd Quarter 2005**



Source: Building Interests Inc. Research Report, 3rd Quarter 2005.

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Commercial Real Estate

Real Estate, continued

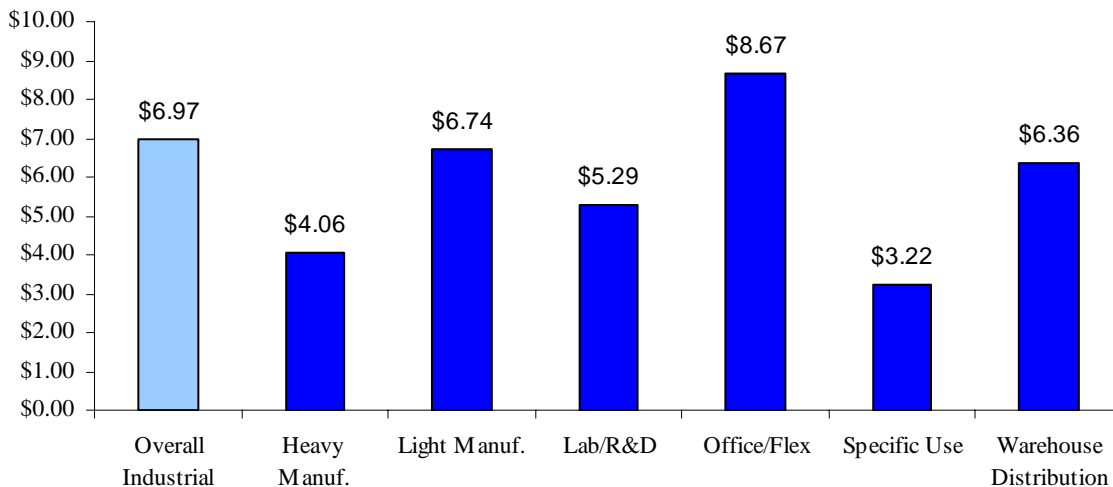
Industrial Market

The population and business growth on the West Side has lead to the development of several industrial properties that can accommodate users of multiple sizes and industries. Nonetheless, there is available industrial sites throughout the metro area. Industrial property in the Albuquerque metro area is fairly inexpensive for companies looking to expand or relocate.

Third Quarter 2005

- Total industrial market 37,085,391 square feet
- Industrial vacancy rate is 8.59%
- **Average high rental rate** across all industrial facility types is \$6.97 per square foot

**Average High Rent Rate
3rd Quarter 2005**



Source: Building Interests Inc. Research Report, 3rd Quarter 2005.

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Utilities

Electricity & Natural Gas

Albuquerque electricity is provided by the Public Service Company of New Mexico (PNM), an investor-owned electric and gas utility. PNM serves about 100 communities in New Mexico. New Mexico has an abundant supply of electricity from coal-burning plants (primary), natural gas, hydropower, and petroleum sources.

PNM is able to supply reasonably priced, large quantities of electricity for residential and commercial use. The supply and relative low-cost of energy helps the Albuquerque MSA continue to develop and employ in all sectors of the economy. PNM also is able to maintain an excellent reliability record. Over the past ten years, they have maintained an average reliability rating of 99.986%.

Albuquerque's natural gas is also provided by the Public Service Company of New Mexico. Since New Mexico is the fourth largest gas producer in the United States and has the second largest reserves in the U.S., Albuquerque has an abundance of natural gas at costs among the lowest in the nation. PNM also offers large gas users the option of purchasing gas from a third party and transporting it over PNM lines.

Utility deregulation is scheduled for 2007.

Water

The City of Albuquerque has taken a number of far-reaching steps in the past few years to ensure an adequate, safe, and guaranteed supply of water for residential, commercial, and industrial uses well into the future.

Albuquerque's water comes from an underground aquifer. The City has recently adopted a new plan for water management that includes the use of river water, recycled water, ground water from the shallow aquifer, and water from the deep aquifer to protect the city's water supply. The City also owns a substantial amount of water from the San Juan-Chama Diversion Project in Northern New Mexico, which, beginning in 2007, will infuse more than 15 billion gallons of water annually into the city.

Not only is the City examining other sources of water, it is emphasizing the importance of water conservation in all areas of use. In a three-year period, Albuquerque has reduced its water use by 22 percent. The majority of the conservation has come from the residential and institutional customers. Simple financial incentives for utilizing low-flow toilets, and "xeriscaping" instead of landscaping, have significantly helped this conservation process.

Together, these steps have helped Albuquerque ensure that there will be ample quantities of clean, safe water for business and residential use in the future.

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Utilities

Telecommunications

Albuquerque benefits from the use of digital technology by **Qwest**, **Time Warner Telecom**, **Xspedius** (formerly e.spire Communications), **and MCI**. A more recent entrant, McLeod USA, is building its fiber network and currently offers both long distance and local dial tone service. Qwest employs digital technology throughout most of its Albuquerque facilities with the local central office a 5ESS Digital Switch; Time Warner, Xspedius and MCI are 100% digitally switched. There are POPs throughout the metro area, most notably in the North I-25 Corridor and Downtown. There is a sonet ring around these areas.

Qwest offers a variety of service plans to respond to any system or circuit problem and its central office has 24-hour technical support. Redundancy and rerouting are available (at an extra cost). MCI and Xspedius both provide all-digital services, a wide variety of service plans and 24-hour technical support; services include DS 1, DS 3 and OC 3. Also, New Mexico has rapid deployment of Frame Relay Services; fast package data systems run on T1 and 56K service.

Albuquerque is also home to a data co-location facility (www.bigbyte.cc). The 65,000 square foot building in the heart of Downtown offers 450 volts of electricity per square foot. Over 100 wired telecom cages are available to business networks.

Long distance carriers with a significant presence in the city include AT&T, LDDS Worldcom, NTS Communications, Sprint, Qwest, and Valu-Line Long Distance. All long distance carriers have T1 capability.

“(Gov.) Bill Richardson has cut New Mexico’s top rate of personal income tax to 5 percent from 8.2 percent, reduced the capital gains tax and kept spending in check.”
- *The Wall Street Journal* editorial, February 2005

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Taxes

Corporate Taxes

Franchise Tax

Each corporation engaged in business in New Mexico and submitting a corporate income tax return must pay a franchise tax of \$50 per year.

Calculating Corporate Income Tax

Corporate income taxes “piggyback” on federal taxable income using the three factor formula: property, payroll and sales in New Mexico calculated as a percentage of the corporation’s property, payroll and sales. A corporation may select one of three methods for reporting their state corporate income tax: Separate corporate entity, combination of domestic unitary corporations or federal consolidated group. New Mexico utilizes the “throwback rule,” which requires a New Mexico plant which sells its product or service in a political subdivision outside the state to count those sales as New Mexico sales.

Corporate Income Tax Brackets

If Net Income Is	The Tax Shall Be:
\$1 to \$500,000	4.8% of net income
\$500,000 to \$1,000,000	\$24,000 + 6.4% in excess of \$500,000
\$1,000,000 and over	\$56,000 + 7.6% in excess of \$1,000,000

Double Weighting the Sales Option

Companies can elect to double weight the sales, in which a corporation takes the New Mexico portion of plant, payroll, sales and sales (counting the sales twice) and uses a divisor of four. Double weighting the sales benefits manufacturers who have a significant investment in plant and payroll in New Mexico but sell most of their product outside the state.

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Taxes

Unemployment Compensation

Employers must make quarterly unemployment compensation contributions. For newly located firms, the initial contribution is 2.0 percent of the employee's Taxable Wage Base for the first four years. After the four-year period, each employer is given an experience rating which can cause a rate to increase or decrease. The Taxable Wage Base for the year 2005 is \$17,200.

Workers' Compensation

New Mexico's direct-loss ratio of 28.8 percent makes the state a model for workers' compensation. Reasons for the state's workers' compensation success include: lack of incentives to file frivolous claims, limited reliance on lawyers and litigation to settle cases, capped legal fees, and contained medical costs. Employers must make quarterly payments to the Workers' Compensation Administration totaling \$4.30; \$2.30 must be paid by the employer and \$2.00 withheld from the employee's wages.

Gross Receipts Tax

Instead of a sales tax, New Mexico imposes a Gross Receipts Tax, which is a tax imposed on persons engaged in business in the state. In almost every case the business passes along the tax to the consumer, so the tax resembles a sales tax. Sales and leases of goods and other tangible property are taxable. Sales and performances of services are also taxable in New Mexico. The gross receipts tax rate for purchases made in the metro area ranges from 5.375 to 7.125 percent throughout the MSA. The compensation tax (use tax) for purchases made outside New Mexico is 5.0 percent.

Property Tax

Property taxes in New Mexico are ranked among the lowest in the nation. Since it would require amendment of the State of New Mexico's Constitution (which entails a vote by the electorate), it is unlikely that property taxes will increase in the near future. Unless otherwise expressly exempt, all tangible personal and real property located within New Mexico is subject to an ad valorem tax, which is assessed by each county at the rate of 1/3 percent of value.

For residential property, the mill levy rate ranges from 26.330 to 42.809 of assessed value. For non-residential property, the mill levy rate ranges from 30.170 to 48.263 of assessed value.

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Incentives

Industrial Revenue Bonds

The Incentive

Significant real and personal property tax and compensating tax exemptions can occur through the use of an Industrial Revenue Bond (IRB). An IRB is a loan from the bond purchaser to a company where the loan proceeds and repayment flows through a governmental issuer. Instead of purchasing a facility directly, companies can enter into a lease with the issuer, provided the company will lease the facility from the issuer and at end of lease, purchase the facility from the issuer for a nominal amount. In Albuquerque, the maximum life of an IRB is 20 years.

IRBs can also be used when a developer is involved. A separate series of bonds is issued to finance the developer's real estate and building costs and the tax savings of the IRB can flow through to the ultimate user through a sublease.

The benefit of remaining property tax exemptions can be passed on to the new owner or flow through a lease in the event of a sale or lease to a new user under certain qualifying conditions. City Council must vote to induce an IRB, and the community does not lend its credit to an IRB. The company must secure its own purchaser of IRBs or the company can purchase its own IRB.

Example

Assume a company invests \$10,000,000 in Albuquerque: \$5,000,000 in land and building, and \$5,000,000 in equipment purchased out of state:

Tax Exemption	Calculation	Value
Property Tax Exemption on Land and Building	$(\$5,000,000 / 3) \times 0.042493$	\$ 70,822
Nominal value for 20 years:	\$70,822 x 20 years	\$ 1,416,440
Property Tax Exemption on Equipment (first year)	$(\$5,000,000 / 3) \times 0.042493$	\$ 70,822
Nominal value for 7 years	(Depreciated value / 3) x 0.042493	\$ 283,287
Tax Exemption on Equipment	\$5,000,000 x 0.05	\$ 250,000

**Out-of-state purchases subject to compensating tax rate of 5% are exempted. Property tax is assessed at the mill levy rate multiplied by 1/3 of book value. The current mill levy rate in the city of Albuquerque is 42.493*

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Incentives

Job Training Incentive Program

Incentive

The New Mexico Job Training Incentive Program is a highly flexible state program to provide pre-employment (classroom) and on-the-job training. Customized training may be provided by post-secondary educational institutions, company trainers, or outside trainers.

The state will reimburse

- Up to 50% of trainees' wages up to 1,040 hours in urban areas
- 100% of classroom training costs provided by New Mexico post-secondary education institutions (e.g. Albuquerque Technical Vocational Institute)
- 50% of trainees' travel and per diem for out-of-state training
- 50% of company or outside trainers' travel and per diem when using out-of-state trainers

Conditions

- Maximum wage reimbursement is tied to hours required to learn the job and the hourly wage
- Applicants must be a New Mexico resident for at least one year in their lifetime
- Trainees must be guaranteed full-time, year-round employment upon successful completion of training
- "Hands-on" or production jobs qualify; technical jobs such as first-line supervisors and engineering generally qualify; support, administrative and sales positions are limited to 10% of total number of positions that qualify for funding
- Re-training does not qualify for assistance
- Companies can apply for subsequent assistance if they have maintained hiring levels that exceed the peak employment as established by the initial application
- Reimbursement is subject to availability of funds and approval by the Industrial Development Board

Example

Assume a company hires three types of workers at different wage rates and different training time schedules

Number of Employees	Hourly Wage*	Est. Allowable Training Hours**	Job Training Incentive Dollars
50	\$ 19.50	1,040	\$ 557,700
100	\$ 14.00	1,040	\$ 728,000
100	\$ 11.50	960	\$ 552,000
50	\$ 9.50	640	\$ 152,000
Estimated Job Training Value			\$ 1,432,000

* Job Training Incentive Program provides reimbursement of 50% of hourly wages in urban areas; 60-65% in rural. Employees who meet the High Wage Job requirements qualify for an additional 5% reimbursement.

** The Job Training Board uses the "O-Net" to determine the maximum allowable training hours for a position. Proof of actual training hours will be required.

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Incentives

High Wage Jobs Tax Credit

The Incentive

In 2004, the New Mexico State Legislature approved the High Wage Jobs Tax Credit, which provides businesses with a tax credit equal to ten percent of the combined value of salaries and benefits for each net new job paying a salary of at least \$40,000 per year in the Albuquerque metropolitan area and other communities larger than 40,000 in population. The value of the credit cannot exceed \$12,000 per job. Qualified employers can take the credit for four years. The credit can be applied against the modified combined tax liability of a taxpayer, including the state portion of gross receipts tax, compensating tax and withholding tax. Any excess credit will be refunded to the taxpayer.

Eligible jobs are those created by qualified employers after July 1, 2004 and prior to July 1, 2009.

In New Mexico, companies located in communities smaller than 40,000 persons, are eligible for a tax credit equal to ten percent of the combined value of salaries and benefits paid for each new job created paying at least \$28,000 annually.

Example

No. of Employees	Hourly Wage	Annual Employee Benefits	Annual Value of Salary plus Benefits Per Employee	Annual Tax Credit = 10% of Wages & Benefits	Value of Credit Over 4 Years
25	\$19.25	\$10,010	\$50,050	\$125,125	\$500,500
20	\$25.00	\$13,000	\$65,000	\$130,000	\$520,000
10	\$30.00	\$15,600	\$78,000	\$78,000	\$312,000
Estimated High Wage Jobs Tax Credit Value					\$1,332,500

Example Notes:

- * High-Wage Jobs Tax Credit provides annual credit equal to 10% of salary plus benefits for jobs paying \$40,000 or more per year in a community of 40,000 or more. Credit is capped at \$12,000/job/year. Credit can be claimed for 4 years, assuming the net increase of new jobs in New Mexico is maintained.
- * Assumes value of benefits at 25% of base salary per employee per year.
- * Assumes company makes more than 50% of its sales outside of New Mexico.

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Incentives

Technology Jobs Tax Credit

In order to keep New Mexico competitive with the types of recruitment projects that continue to add value to the local economy, the legislature enacted the Technology Jobs Tax Credit to give credit to qualified expenditures on qualified research at qualified NM facilities.

The Incentive

Qualified New Mexico facilities may take a credit equal to 4% (8% in rural areas) of expenditures related to qualified research for land, buildings, equipment, computer software and upgrades, consultants, technical books and manuals, test materials, costs associated with patents, payroll, and labor. The credit may be taken against gross receipts tax, compensating tax or state payroll tax, and may be carried forward.

Additional Incentive

An additional 4% (8% total urban, 16% total rural) may be applied against state income tax if base payroll expenses increase by at least \$75,000 per \$1,000,000 of expenditures claimed. The credit may be carried forward.

Credits are not available for expenditures on buildings owned by a local government entity in conjunction with an Industrial Revenue Bond or already owned by the taxpayer or an affiliate before 2/2/00.

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Incentives

Manufacturing Investment Tax Credit

The Incentive

New Mexico tax law provides for a credit equal to five percent of the value of qualified equipment and other property used directly and exclusively in a manufacturing operation. The credit can be applied against compensating or gross receipts tax or withholding tax due. Gross receipts tax acts very much like a sales tax; the city rate is 6.75 percent. Compensating (or use) tax applies to purchases made out of state and totals 5.0 percent.

The credit is limited to 85% of the sum of the taxpayer's gross receipts tax, compensating tax, and withholding tax due for the reporting period. Any remaining available credit may be claimed in subsequent operating periods.

The credit may be claimed for equipment acquired under an IRB. This is a double benefit since no gross receipts or compensating tax was paid on the purchase or importation of the equipment.

The credit is available through 6/30/2011.

Criteria

For Claims

\$0 - \$30,000,000
Over \$30,000,000

1 New Worker Employed for Each

\$500,000 in qualified equipment
\$1 million in qualified equipment

Example

Value of qualified equipment is \$15,000,000

$\$15,000,000 / \$500,000 = 30$ employees required

$\$15,000,000 \times .05 = \$750,000$ Savings

Albuquerque MSA Location Profile 2005

Incentives

Interstate WATS Tax Exemption

New Mexico tax law provides for an exemption from interstate telecommunications gross receipts taxes (4.25%) for receipts from the provision of wide-area telephone service (WATS) and private communications services. Therefore, there are no local or state taxes on interstate WATS or private communications services. (Private communications services are defined as dedicated services for a single customer that entitles the customer to exclusive or priority use of a communication channel or group of channels between a location within New Mexico and one or more specified locations outside the state.)

Child Care Tax Credit

New Mexico tax law provides for a corporate income tax credit of up to 30 percent of eligible expenses, net of reimbursements for child care services incurred and paid by the taxpayer in the taxable year for dependent children of their employees. A taxpayer that operates a child care facility used primarily by the dependent children of the taxpayer's employees may also claim a corporate income tax credit of up to 30 percent of the net cost of operating a child care facility. The credit may not exceed \$30,000 in any taxable year and unused credits can be carried forward for three consecutive years.

Additional Incentives

Out-of-State Tuition Waiver and Lottery Scholarships

UNM and TVI will make in-state resident tuition rates available to relocating employees and their families who qualify for admission.

In addition, all resident New Mexican high school seniors with at least a 2.5 GPA are eligible for a New Mexico Lottery Scholarship which pays for students to attend a state college tuition free. The scholarship is funded by a New Mexico Lottery Program in which 100 percent of lottery net proceeds goes to the Lottery Tuition Fund.

Access to Local & State Government

This type of "incentive" is difficult to place a value on, however, many New Mexico companies explain that access to the Governor of New Mexico and the Legislature is common and very valuable. This extends to local government as well as to the state's congressional delegation.

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About AED

Albuquerque Economic Development

Albuquerque Economic Development, Inc. (AED), is a private, nonprofit, membership-based organization that is focused on the recruitment of new industry into the Albuquerque Metropolitan Area and also assists with the retention and expansion of existing industry. AED has served the Albuquerque area for 40 years, recruiting more than 200 companies, which employ an estimated 20,000 persons. AED actively recruits those companies that will export goods or services from New Mexico, thereby bringing new investment dollars to the state. These economic base jobs contribute to the area's economic growth, development and diversification, thereby improving the standard of living and opportunities within the Albuquerque area. A few examples of the companies AED has recruited or assisted include:

- America Online
- BF Goodrich Aerospace
- ClientLogic
- Eclipse Aviation
- Ethicon Endo-Surgery
- Gap Inc.
- General Mills
- Honeywell Defense & Space Electronic Systems
- Intel
- Sennheiser Electronic
- SUMCO USA
- T-Mobile
- Tempur-Pedic

Albuquerque Economic Development, Inc. is eager to provide assistance specific to your company's location or expansion needs, in complete confidence. Our team of economic development professionals is organized to help you obtain the facts you need to thoroughly evaluate the Albuquerque metro area. We can save you countless hours of research and analysis by providing a full complement of services, all at no cost or obligation to you. For more information about expanding your business to the Albuquerque area, please visit our web site at www.abq.org or call **(800) 451-2933**. You can also call any of our team members. For AED staff information, please see the following page.

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