

**MARKET VALUE APPRAISAL
FORMER CONTINENTAL HOTEL
LOCATED AT 322 W. COMMERCE STREET
SAN ANTONIO, BEXAR COUNTY, TEXAS**

**DATE OF APPRAISAL: APRIL 9, 2008
APPRAISAL FILE NO.: 0804032**

Prepared For:

**MR. MICK HAASE
SENIOR MANAGEMENT ANALYST
CAPITAL IMPROVEMENTS
MANAGEMENT SERVICES DEPARTMENT
CITY OF SAN ANTONIO
P.O. BOX 839966
SAN ANTONIO, TEXAS 78283**

Prepared By:

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April 22, 2008

Mr. Mick Haase
Senior Management Analyst
Capital Improvements
Management Services Department
City of San Antonio
P.O. Box 839966
San Antonio, Texas 78283

Re: Former Continental Hotel located at
322 West Commerce Street, San
Antonio, Bexar County, Texas.

Dear Mr. Haase:

As requested, Dugger, Canaday, Grafe, Inc. (hereinafter referred to as Dugger/Canaday), has completed a market value appraisal of the former Continental Hotel. The improvements were reportedly built circa 1899 and are situated on a 1.126 acre tract of downtown land which includes the rear parking lot. The Continental Parking Lot comprises the southernmost 0.675 acre (29,441 square feet) of the tract. The building comprises 35,700 square feet and is used as offices by the San Antonio Metropolitan Health District. Essentially, the three-story building serves as the administrative offices, STD clinic, and laboratory for the district. The date of appraisal is April 9, 2008, the date of our most recent site visit.

The appraisal is intended to comply with the Uniform Standards of Professional Appraisal Practice (USPAP), as promulgated by the Appraisal Standards Board of the Appraisal Foundation, and in accordance with the Policies, Practices, Standards, and Code of Ethics of the Appraisal Institute. The following appraisal report is a summary report.

The subject property and the neighborhood were inspected by Richard L. Dugger, MAI, CRE and Johnathan P. Burda.

After consideration of neighborhood and general real estate trends and pertinent market data, it is our opinion that the "as is" market value of the former Continental Hotel located at 322 West Commerce Street, San Antonio, Bexar County, Texas, as of April 9, 2008, is:

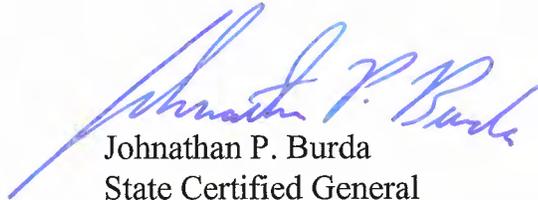
**FOUR MILLION SEVEN HUNDRED THOUSAND DOLLARS
(\$4,700,000)**

Thank you for the opportunity to be of service in this important appraisal assignment.

Respectfully submitted,
Dugger, Canaday, Grafe, Inc.

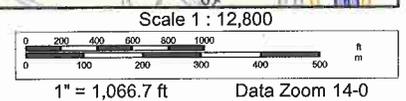
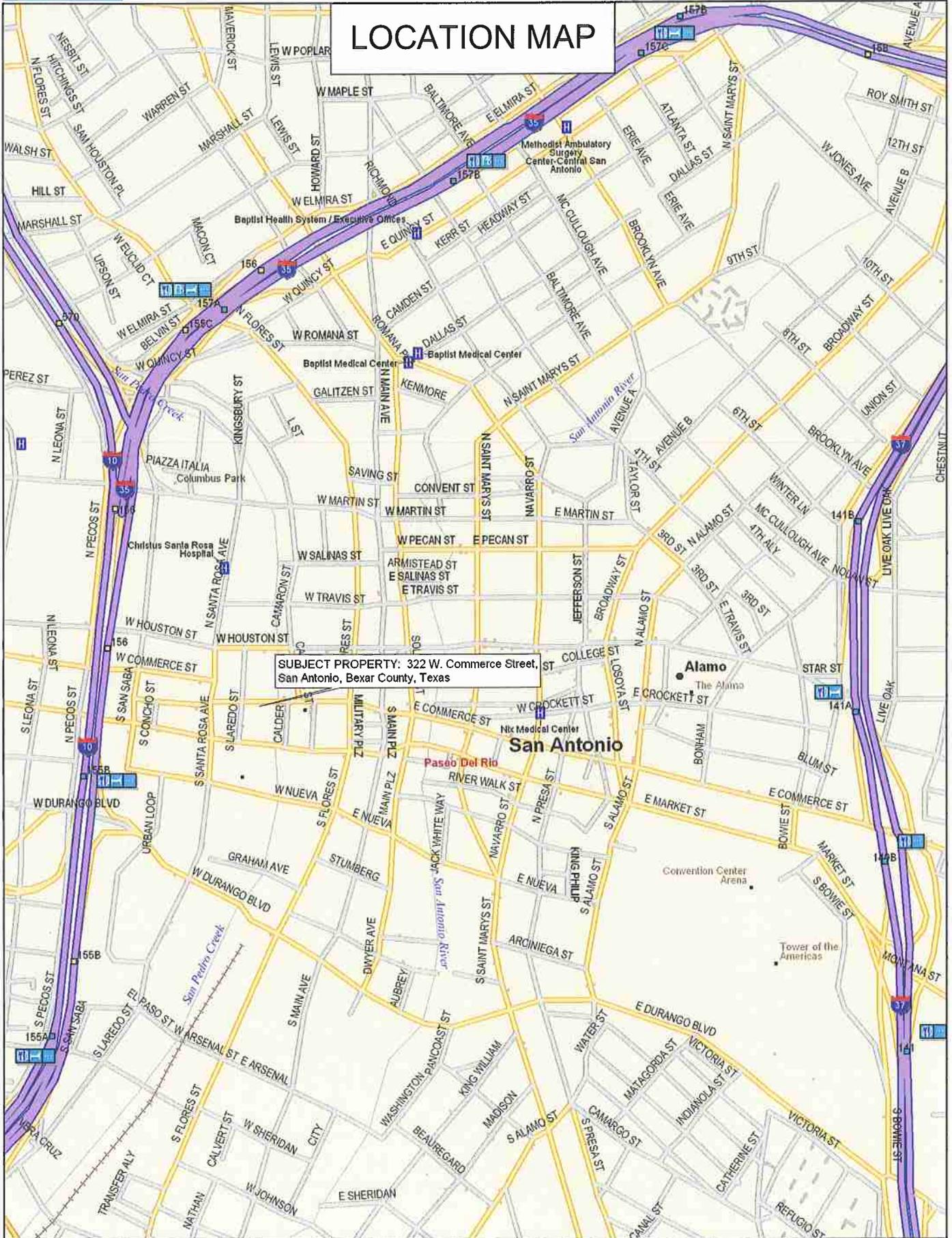


Richard L. Dugger, MAI, CRE
State Certified General
Real Estate Appraiser
TX-1321050-G



Johnathan P. Burda
State Certified General
Real Estate Appraiser
TX-1337407-G

LOCATION MAP



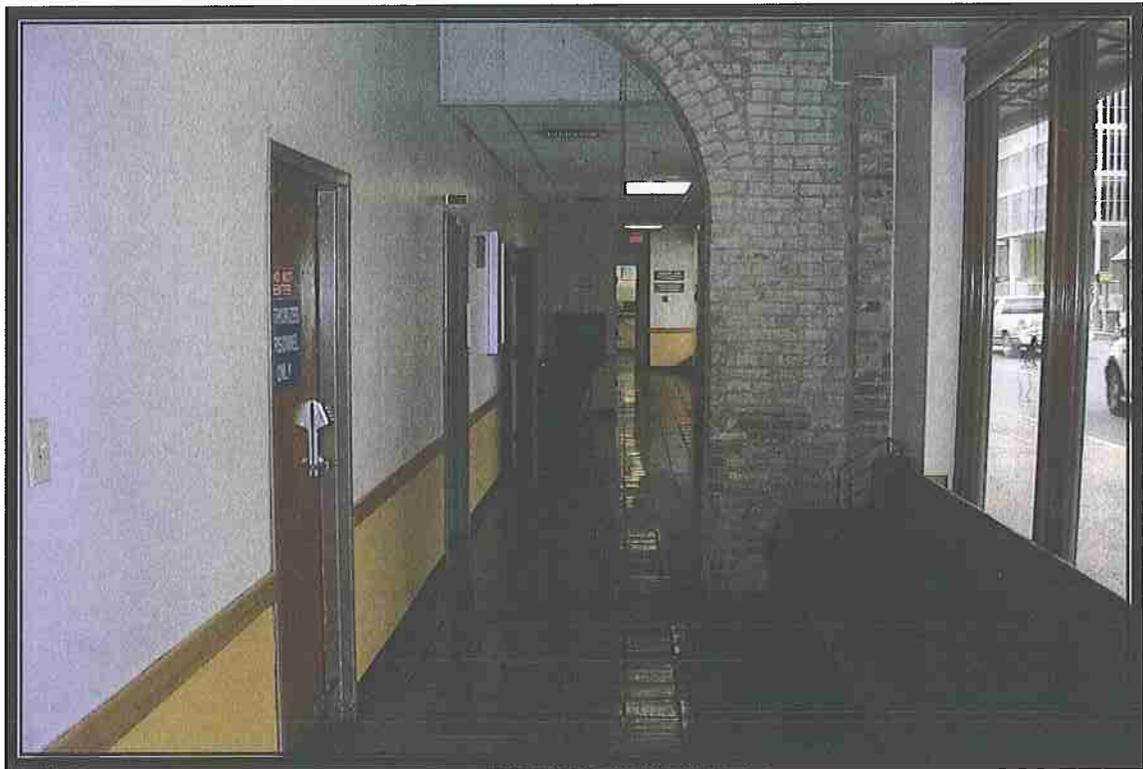
PHOTOGRAPHS OF THE APPRAISED PROPERTY
(Taken April 9, 2008)



View of the north elevation of the building facing southwest from West Commerce Street; note the articulated masonry work as well as the second story arched windows.



View of the south elevation of the building facing northwest from the adjoining property; note the covered loading area.



Typical view of first floor finish-out viewing the entrance to the STD clinic.



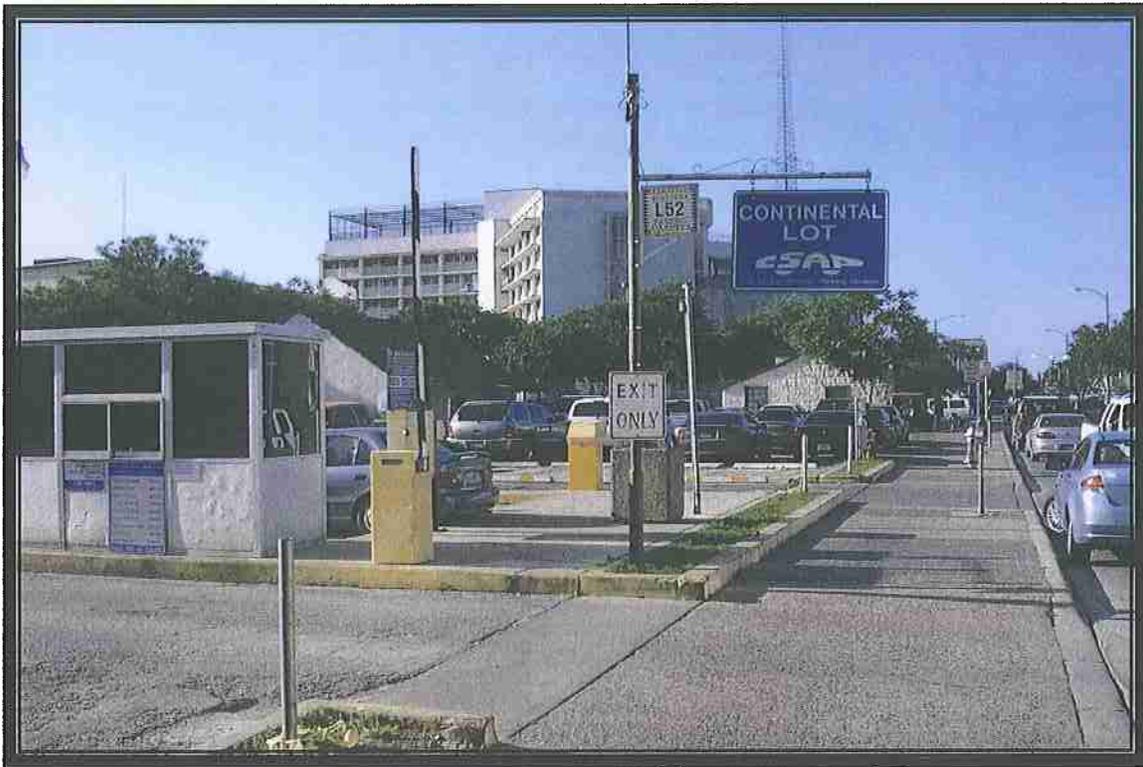
Typical view of laboratory finish-out on the second floor.



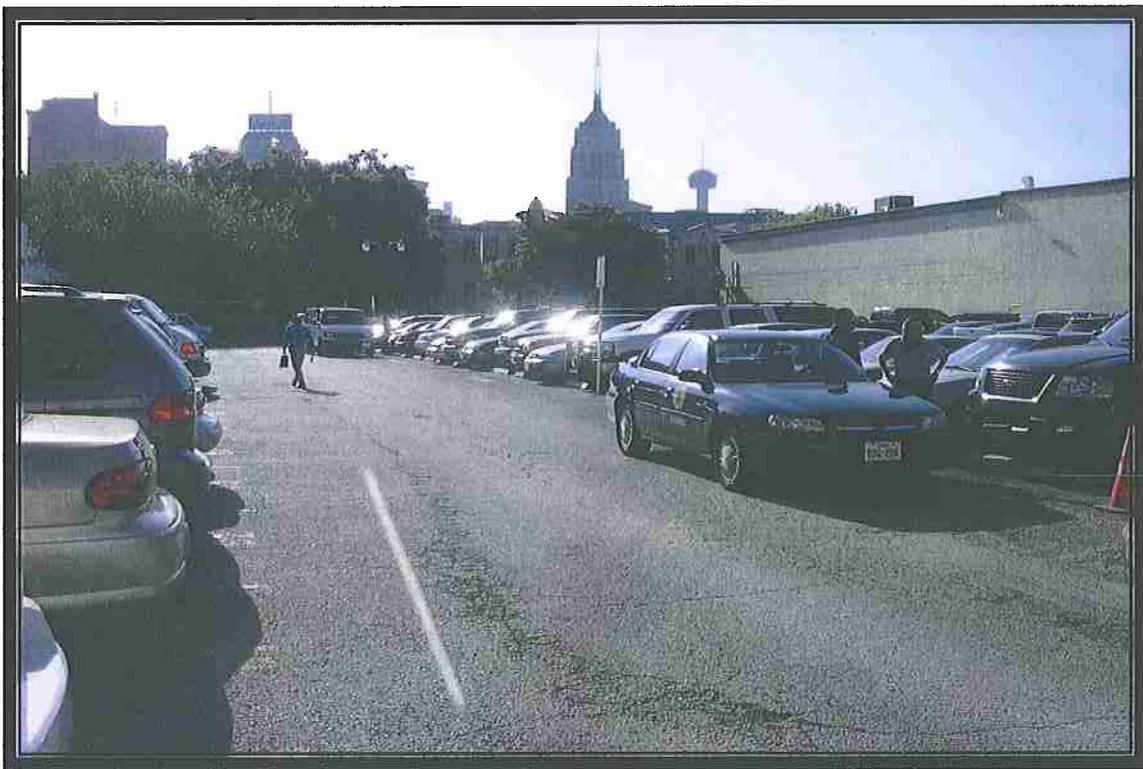
View of San Pedro Creek facing south with the appraised property to the right.



View of frontage along West Commerce Street facing west with the appraised property at the left; note the new Vistana mixed-use development under construction.



View of entrance to Continental Parking Lot from South Laredo Street.



View of parking area facing southeast from the exit on South Laredo.

MARKET VALUE APPRAISAL
Former Continental Hotel
322 West Commerce Street, San Antonio, Texas

PROPERTY IDENTIFICATION: Former Continental Hotel located at 322 West Commerce Street, San Antonio, Bexar County, Texas, 78205. The appraised property is located along the south side of West Commerce Street approximately one-eighth mile east of Market Square within the Central Business District of San Antonio.

LEGAL DESCRIPTION: A 19,621 square foot tract of land being Lots 1, 2, 3 and partially out of Lot 4, New City Block 254, and a 29,441 square foot tract of land being Lots 4, 5, 6, and 7, New City Block 254, San Antonio, Bexar County, Texas.

PURPOSE OF THE APPRAISAL: To estimate the "as is" market value of the property.

DEFINITION OF MARKET VALUE: 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 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.¹

PROPERTY RIGHTS APPRAISED: Fee Simple Estate Interest

DATE OF APPRAISAL: April 9, 2008

DATE OF REPORT PREPARATION: April 22, 2008

¹ As published in the Federal Register, in accordance with Title XI of the Financial Institution Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), 12 CFR 564.2(f), as adopted August, 1990.

INTENDED USE OF REPORT: The appraisal is intended to assist the City of San Antonio Capital Improvements Management Services Department with asset disposition decisions.

INTENDED USER OF REPORT: City of San Antonio Capital Improvements Management Services Department

Information contained in this report, although intended to be sufficient for the needs of our client, may not be sufficient for the needs of any third party who might try to rely on our analysis for their own decision making. Third parties are advised to seek their own experts and counsel.

SCOPE OF THE APPRAISAL: A complete market value appraisal has been performed with reference to the commercial building located at 322 West Commerce Street. Both the Sales Comparison Approach and Income Capitalization Approach were performed in this appraisal. The appraisers toured the interior of the appraised property as well as the surrounding market area. The property manager was present on the date of examination. Gross building area was estimated from measurements taken on the date of inspection.

In the analysis, the appraisers toured the subject neighborhood and confirmed comparable sales of similar commercial buildings in the Central Business District of San Antonio. In addition, comparable market rents were also confirmed. Photographs of the comparable sales were taken and are included in the report.

This summary appraisal report sets forth the appraiser's conclusions based on market data. Supporting documentation in addition to the data included herein is retained in the appraiser's file. This report is prepared for the use of the City of San Antonio Capital Improvements Management Services Department.

HISTORY OF THE PROPERTY: The appraised property is owned by the City of San Antonio according to Bexar County Appraisal District Records. The property was purchased by the City of San Antonio from Continental Investors, Ltd. on December 26, 1986 according to Volume 3898, Page 1325 of the Official Public Records of Bexar County.

To the knowledge of the appraisers, there have been no transactions involving the subject property over the past three years.

NEIGHBORHOOD ANALYSIS: The subject market area is located in the Central Business District of San Antonio immediately west of the San Antonio Riverwalk. The subject market area is a tourist area centrally located between the San Antonio Riverwalk and Market Square. The subject market area is generally bound by Houston Street to the north, Market Street to the south, San Saba to the west, and the main channel of the San Antonio River to the east.

While not part of the San Antonio Riverwalk, the subject market area has a close identification with the Riverwalk as well as Market Square located in the western portion of the market area. Currently, Main Plaza is being developed into a park effectively linking the San Antonio River/Riverwalk area with Market Square. The main tourist destinations in the subject market include San Fernando Cathedral, the Spanish Governor's Palace, and Market Square. In addition, the Bexar County Courthouse is located on the square with the Bexar County Courthouse Annex located immediately north of San Fernando Cathedral. The Main Plaza project has resulted in the permanent closure of both North Main Avenue and Soledad between Market and Commerce Street. This closure enables pedestrian traffic to travel freely between the Riverwalk area and Market Square. Essentially, the subject property is located midway between the Riverwalk and Market Square placing it at a strategic location for retail or a hospitality related business such as a hotel.

In addition to numerous tourist destinations, there is a substantial amount of retail development on Commerce Street. Properties in the immediate area include a series of small retail stores located immediately across West Commerce Street from the appraised property. These retail stores include CiCi's Deli and Gift Shop, Commerce Café, and the Tamale Shop located at 327 West Commerce. There is a large vacant retail space directly in front of the appraised property that was at one time a medical equipment store. The Goodwill Store and Donation Station is located across South Laredo Street from the appraised property at the southwest corner of West Commerce and Laredo. Additional commercial establishments in the general area of the appraised property include Penners Retail Store located at the northwest corner of West Commerce Street and Camaron Street, the AT&T Community Center at San Fernando located at 231 West Commerce, and a Dollar General Store located immediately west of Penners Retail Store. A new Comfort Inn is located on Camaron approximately one-half block northeast of the appraised property. This was at one time the county jail and was recently purchased and renovated within the past two to three years. The Metro Health Immunization Clinic is located at the northeast corner of North Laredo and West Commerce at 345 West Commerce.

Two of the most notable recent new developments in the subject neighborhood include the Main Plaza Park which was recently opened on April 13th and the La Vistana multi-use development. The La Vistana project is located at the northwest corner of Commerce and Laredo and is scheduled for completion in the summer of 2008. This project is slated to have a total of 247 apartment lofts as well as approximately 30,000 square feet of retail area. In addition, the project will have a public parking garage. The Market Square is located approximately one block west of the appraised property and is one of the most popular tourist destinations in the Central Business District of San Antonio. Since the completion of the Main Plaza project, pedestrian traffic has a direct route from the main channel of the San Antonio River and the San Antonio Riverwalk to Market Square. The appraised property is located essentially half way between Market Square and Main Plaza.

APPRAISED PROPERTY ANALYSIS:

The appraised site is located at the southeast corner of West Commerce Street and South Laredo Street with a situs address of 322 West Commerce Street. Essentially, the site is rectangular with dimensions of approximately 170' x 295'. The site extends from Laredo Street to the west line of San Pedro Creek which bounds the east end of the property. The site is generally level with a slight slope toward the east in the direction of San Pedro Creek. Overall, the site comprises 1.126 of an acre (49,062 square feet). Approximately 19,621 square feet of the site are associated with the Continental hotel with the southern 29,441 square feet being associated with the Continental Parking Lot.

According to FEMA Map Panel No. 48029C0465F, dated February 18, 2007, approximately 100% of the property is located within the 100 year floodplain. Upon interviewing the property manager, it was indicated that the appraised property has not flooded in the past several years due to the construction of a large underground drainage system which extends for approximately three miles from north of downtown to the old Lonestar Brewery site south of downtown. This drainage system was constructed approximately 15 years ago and has reportedly alleviated many of the flood prone areas downtown.

The subject site is zoned "DH", Downtown Historic District by the City of San Antonio. The downtown district zoning provides concentrated downtown retail, service, office and mixed uses in the existing central business district. Examples of permitted uses include indoor theaters, apartments, hotels, motels, offices, etc. Historic districts are areas in which the cultural or archeological identity, architectural features, and overall character are considered historically significant. These buildings are often designated significant or historical landmarks.

A plat of the appraised site is located on the following page.

The northern 19,621 square foot portion of the appraised site is improved with a 35,700 square foot, three-story commercial building built circa 1899. This building is known as the Continental Hotel and was once known as the La Clede Hotel. This building was at one time located at the extreme east end of the old "red light" district of San Antonio.

The building is constructed with a masonry exterior with decorative crenelations on the north, east and west elevations. The building is three stories tall with the first story extending an approximate 24 feet in width beyond the second and third story dimensions. The building has a concrete foundation and a built up tar and gravel roof. An eight foot wide metal canopy spans the north elevation of the building. The building windows are six foot tall with wood frames. The third story windows have arched tops. The building has a metal gutter system.

The building is occupied by the San Antonio Metropolitan Health District. Essentially, the first floor houses the environmental department, immunization clinic, and STD clinic with the second floor housing a lab and administrative offices. The third floor houses the director offices and accounting department.

The first floor of the building is finished with ceramic floor tiles in the hallway area and carpet and vinyl flooring throughout the office areas. Essentially, all office finish out is similar in that it is of drywall demising walls, acoustic ceiling tile, and metal trim throughout. In the main hallway area, original brick arched ceilings are visible. The environmental department is located on the east end of the building of the first floor with the STD clinic located in the central portion of the floor. The immunization offices are located at the west end of the first floor. The immunization offices have a large number of cubicles creating separate offices for various phone operators. The STD clinic has several examination rooms as well as a common area where patients can view informative videos on various transmittable diseases. The environmental offices have a reception area followed by private offices. In addition, there are men's and women's bathrooms located in this portion of the building as well as an elevator providing access to the second and third floors.

The second floor of the building houses a laboratory in the west one-half and administrative offices the eastern one-half of the floor. The laboratory is generally uniform throughout with carpet in the hallways and either sheet vinyl or vinyl floor tiles in the lab rooms. All interior walls are drywall with acoustic ceiling tile used throughout. Fluorescent lighting is used throughout. A security coded door separates the lab area from the administrative offices. The lab rooms located in the lab feature vinyl flooring, numerous sinks, custom cabinets and formica counter tops. Examples of lab rooms located in the laboratory include the water lab, milk and dairy lab, and the Hepatitis-C lab

as well as a serology lab. There is a single dumbwaiter system located at the west of the laboratory which transports samples taken from the STD lab below to the lab for processing. There is change in floor level approximately midway down the lab area. The administrative offices located on the second floor are finished with drywall, carpet, acoustic ceiling tiles and metal trim throughout. There are approximately eight individual offices in this portion of the building with a conference room located in the middle of the area separated by cubicles.

The third floor (housing the director offices and accounting department) has similar finish as the administrative offices located on the second floor. Finish out includes carpet, drywall, acoustic ceiling tiles and metal trim throughout. There are exposed brick arches that are part of the original building on this floor. Fluorescent lights are used throughout.

On the day of inspection, the property was in overall average condition due to upkeep by the property owner. The entire building is sprinklered.

The Continental Parking Lot (southernmost 29,441 square feet) has approximately 29,000 square feet of asphalt paving allocated to 87 parking spaces. Four of the 87 spaces are handicap-designated. There is an approximate 200 square foot parking attendant booth located at the west end of the lot at the entry drive. The booth is constructed with aluminum panels and has tinted windows. There is a certain amount of concrete paving around the booth and the two electric gates (one entry and one exit). At the time of examination, the asphalt was in fair to average condition with striping and numbering needing a repaint. All spaces have concrete parking stops.

ASSESSED VALUE AND ESTIMATED TAX LIABILITY: The property is identified by the Bexar County Appraisal District under Property ID Nos. 102550 and 102552. The total assessed land value is \$1,890,400. The total assessed improvement value is \$1,504,250, which equates to a total assessed value of \$3,394,650. The estimated 2007 tax rate for the subject property is \$2.536775 per \$100 of assessed value, which equates to approximately \$86,114 in annual tax liability. As the appraised property is owned by a municipal authority, it is currently tax exempt. Thus, no current tax liability is incurred. The assessed value is low in comparison with market value of the property.

HIGHEST AND BEST USE: The appraised site is located on the south side of West Commerce Street in a moderately trafficked area of the Central Business District. The property is essentially midway between the Main Plaza project and Market Square. Recently, Main Plaza has been permanently closed to through traffic and has been developed with a park connecting the San Fernando Cathedral and Riverwalk creating a

pedestrian thoroughfare to Market Square. The subject site is located along this corridor in the path of pedestrian traffic heading to Market Square.

The majority of development in the area is retail in nature with a certain amount of office space as well. In addition, there are a substantial number of hospitality related establishments such as the Drury Hotel, Westin Hotel, and a recently completed Comfort Inn on Camaron Street in proximity to the appraised property. Numerous governmental entities are also in the area including the appraised property's San Antonio Metropolitan Health District, the Bexar County Courthouse, the Bexar County Courthouse Annex, and City Hall. Thus, due to the appraised site's proximity to the San Antonio River, Main Plaza, Market Square, etc., the highest and best use for the appraised site "as vacant" would be for development of a retail or special purpose building. In addition, the site could support development of a downtown office building (current use) or hotel.

The appraised site is improved with a 35,700 square foot, three-story office building constructed circa 1899 and its related parking lot. At one time, the building was known as the Continental Hotel and is used for the offices, clinic, and laboratory of the San Antonio Metropolitan Health District. As the building is historically significant, any renovations to the building would have to incorporate the property's current architecture as a facade. The building appears to be in average condition for its age. The property was reportedly renovated by the city in 1983.

In the current market, a trend exists for developing multi-story buildings in the Central Business District with a variety of uses. These uses range from retail on the street level and offices on the upper floors to having the entire building developed with offices. In addition, there has been a trend in numerous cities to convert similar buildings (multi-level buildings in tourist areas) to "boutique hotels". These hotels are typically constructed of buildings that were at one time hotels and have been reconfigured with larger, and thus fewer, rooms than originally designed. Use of the appraised property for this type of reconfiguration would require a large amount of renovation. Thus, the highest and best use "as improved" is for continued use of the property as an office/commercial building.

VALUATION ANALYSIS: Both the Sales Comparison Approach and Income Capitalization Approach were used to value the appraised property. These approaches are the typical methods for valuing older commercial buildings in the downtown area. The Continental Parking Lot is valued separately to reflect its contributory value. In order to avoid a double valuation of the lot, the Continental Hotel is valued under the hypothetical condition that it has no on-site parking; none of the comparable commercial

building sales have on-site parking. In the value conclusion, both values are combined to estimate the property value as a single entity “in its entirety”.

Sales Comparison Approach (Continental Hotel Building)

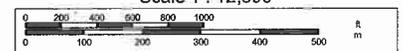
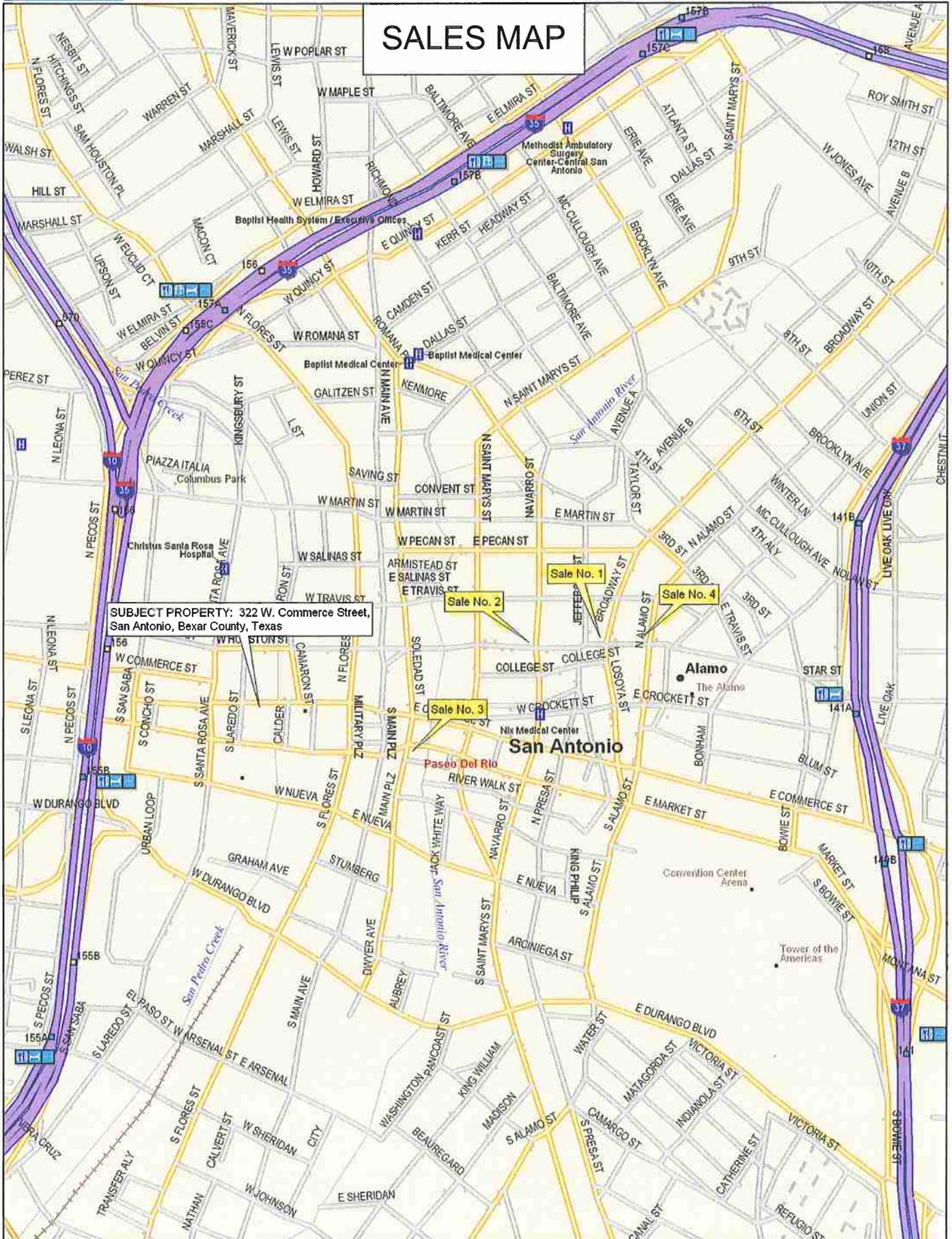
The appraisers have investigated and confirmed recent sales and listings of commercial buildings in the Central Business District of San Antonio. More specifically, these sales are located in the tourism areas of San Antonio along thoroughfares such as East Houston Street, Navarro Street, South Alamo, and Main Plaza. In addition, the majority of these buildings are similar in age to the appraised property.

All sales are generally of masonry construction with multiple stories. The buildings were constructed circa 1909 to 1946, some having been renovated in the 1980s. Sale Nos. 1 and 3 have basement areas as well. Although of limited utility, it is the appraisers’ opinion that the basement areas contribute an additional value to the buildings. In the current market, buildings are typically bought and sold based on their above-grade areas (i.e., street level and up). It should be noted that Sale No. 3 has a finished basement area of fair to average quality office finish-out and thus, this area is considered to have a substantial amount of contributory value. All per-unit sales prices are based on above grade building area.

Essentially, all comparable sales are fairly recent having transacted since March 2005 and exhibit unadjusted pricing from \$49.59 to \$81.83 per square foot of building area.

A comparable sales location map, detailed sales sheets, and adjustment grid are provided on the following pages.

SALES MAP



IMPROVED SALE NO. 1



Property Identification

Record ID	7605
Property Type	Retail
Property Name	Neisner Brothers Store (former)
Address	409 East Houston, San Antonio, Texas 78205
Location	Northwest corner of Broadway Avenue & Houston Street
Tax ID	00417-019-0050
Quadrant	CB
Map/Grid	616/F5

Sale Data

Grantor	BP Neisner Building, Ltd.
Grantee	SAT Neisner, LLC
Sale Date	July 30, 2007
Deed Book/Page	13033/1048
Conditions of Sale	Special Warranty Deed
Verification	David Ballard, Closing Statement; November 05, 2007; DHT/PPG, Deed reviewed by: DHT, November 05, 2007

Sale Price	\$3,700,000
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Land Data

Land Size	0.261 Acres or 11,387 SF
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IMPROVED SALE NO. 1 (CONT.)

Land Data (Cont.)

Front Footage	50 ft East Houston; 156 ft Broadway Avenue
Zoning	I-1, Downtown District
Topography	Generally level
Utilities	All public
Dimensions	77' x 153'
Shape	Rectangular
Flood Info	None
Access/Visibility	Excellent/Excellent
Easements/Other	None adverse

General Physical Data

Building Type	Single Tenant	
Gross SF	56,668	
Area Breakdown	Net Rentable	45,368
	Basement	11,300
Construction Type	Masonry	
Roof Type	Flat	
Foundation	Concrete	
Electrical	Yes	
HVAC	Yes	
Sprinklers	No	
Stories	Four	
Year Built	1946	
Condition	Fair	

Indicators

Sale Price/Gross SF	\$65.29
Floor Area Ratio	4.98
Land to Building Ratio	0.20:1

Legal Description

Lot 5, Block 19, NCB 417, City of San Antonio, Bexar County, Texas.

Remarks

The property is a four-story retail structure visible from Alamo Plaza. Sale property is reported to be in fair condition. The building has roof leaks and water standing in the basement. Seller purchased building in December 2004 for \$1,900,000. The seller had begun demolition work to remove the basement level boiler and heating unit and bring the Neisner building to "shell" condition. **The sale price is \$3,700,000 or \$81.56 per square foot of first - fourth floor area.** The building was at one time "The Antique Sampler Mall".

IMPROVED SALE NO. 2



Property Identification

Record ID	7595
Property Type	Office, Office Building
Property Name	South Texas Building
Address	603 Navarro Street, San Antonio, Texas 78205
Tax ID	00407-017-0150
Quadrant	CB
Map/Grid	616/F5

Sale Data

Grantor	BP South Texas Building, Ltd
Grantee	Holi, Inc.
Sale Date	July 30, 2007
Deed Book/Page	13033/1048
Conditions of Sale	Special Warranty Deed
Financing	Cash to seller
Status	Sale
Verification	David Ballard, Closing Statement; November 05, 2007; DHT/??, Deed Reviewed by: DHT, November 05, 2007

Sale Price	\$7,925,000
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IMPROVED SALE NO. 2 (CONT.)

Land Data

Land Size	0.190 Acres or 8,276 SF
Front Footage	56 ft along north side of E. Houston Street; 148 ft along west side of Navarro Street; 56 ft along south side of 16 ft. paved alley
Zoning	D, H, Downtown Business/Historic
Topography	Gentle slope
Utilities	All public available
Dimensions	56' x 148'
Shape	Rectangular
Landscaping	None
Rail Service	N/A
Fencing	N/A
Flood Info	B; 4804500393
Frontage	None adverse
Access/Visibility	Good/Good

General Physical Data

Building Type	Single Tenant
Gross SF	96,843
Net SF	91,064

Area Breakdown

Construction Type	Reinforced concrete frame
Roof Type	Built-up; tar & gravel
Foundation	Concrete
Electrical	Adequate
HVAC	Chillers; heat pumps

Physical Data

Sprinklers	??
Stories	12
Year Built	1912 Remodeled 1983
Condition	Average

Parking	Public Parking Garage
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Building Class	C
Elevators	Three
Other	Tunnel connecting property to garage operated by City of San Antonio
User 9	Exterior: Brick/marble accent exterior
User 10	Finish out: 100%

Indicators

Sale Price/Gross SF	\$81.83
Sale Price/Net SF	\$87.03
Floor Area Ratio	11.00
Land to Building Ratio	0.09:1
Occupancy at Sale	5% to 7%

IMPROVED SALE NO. 2 (CONT.)

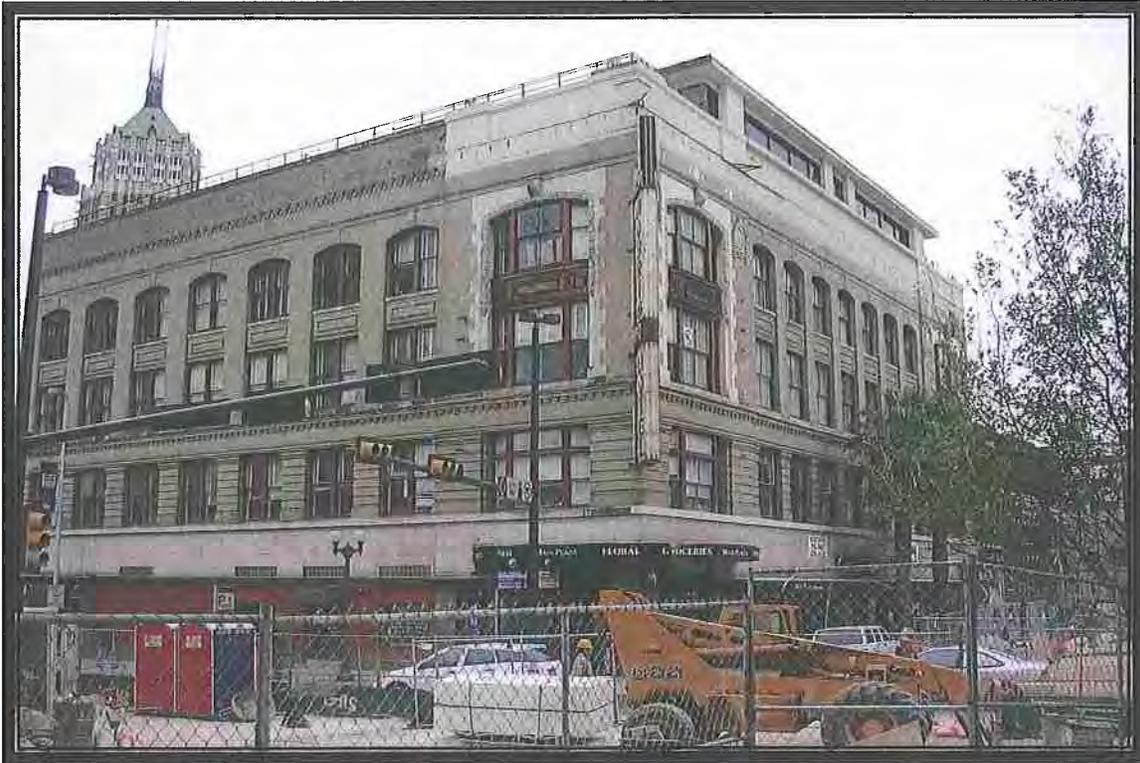
Legal Description

Lot A-6, Block 17, NCB 407, South Texas Building Subdivision, San Antonio, Bexar County, Texas.

Remarks

Improvements are in average condition and have generally been well maintained and managed over the years. The building has a Sullivanesque design with elaborate exterior panels of marble, cast stone, scrolling and arched windows. Washington Mutual is a tenant with a branch bank on the street level. The building is adjoined by The Palm restaurant.

IMPROVED SALE NO. 3



Property Identification

Record ID 6919
Property Type Retail/Apartments
Property Name Morris Apartments Building
Address 126 East Main Plaza, San Antonio, Texas 78205
Tax ID 00146-000-0040
Quadrant CB
Map/Grid 616/E5

Sale Data

Grantor Suite Eight, Inc.
Grantee 126 Main Plaza Building, LLC
Sale Date October 31, 2005
Deed Book/Page 11753/1288
Financing Cash to seller
Verification Contract, G. Miller; March 01, 2006; DHT/??, Deed Reviewed By: DHT, March 01, 2006

Sale Price \$1,900,000

Land Data

Land Size 0.287 Acres or 12,502 SF
Front Footage 113 ft along Market; 114 ft along Soledad; 108 ft along Dolorosa

IMPROVED SALE NO. 3 (CONT.)

Land Data (Cont.)

Zoning	D,H, Downtown Business/Historic
Topography	Generally level
Shape	Rectangular
Flood Info	100 and 500 year floodplain; see remarks
Frontage	None adverse
Access/Visibility	Good/Good

General Physical Data

Building Type	Single Tenant
Gross SF	48,436
Area Breakdown	Basement 10,123
	Above ground level 38,313
Construction Type	Concrete
HVAC	Five units
Stories	Five
Year Built	1925 Average quality const.
Condition	Fair
Parking	No onsite parking
Elevators	One
Other	Concrete basement floor, wood sub-floor on street and upper levels
User 9	Masonry
User 10	100%

Indicators

Sale Price/Gross SF	\$39.23
Floor Area Ratio	3.87
Land to Building Ratio	0.26:1

Legal Description

Lots 3, 4, and 5, NCB 146, City of San Antonio, Bexar County, Texas.

Remarks

The property has an additional 113 feet of frontage along an unnamed alley and west bank of main channel of the San Antonio River.

The property is within the 100 and 500 year floodplains according to FEMA Map Panel No. 48029CO461 E.

Location at southeast corner of East Market and Soledad streets. Building covers 100% of site leaving no onsite parking. Basement office area includes two restrooms; street level occupancy is 8 retail units; levels 2, 3, 4 and 5 are divided as 52 apartments. Access to the upper levels is via an elevator and central stairwell

Purchase price is reported as \$1,900,000. The purchase price equates to \$151.98 per square foot of land area (purchaser is Paul A. Boskind). Current street level occupancy includes Main Plaza Market, La Jalisco Mexican Restaurant and Central Park Pizza.

IMPROVED SALE NO. 4



Property Identification

Record ID 6795
Property Type Office, Commercial
Property Name Gibbs Building
Address 105 N. Alamo, San Antonio, Texas
Tax ID 00422-026-0030
Quadrant CB
Map/Grid 616 F5

Sale Data

Grantor TW-Downtown North, Ltd.
Grantee 1909 Ltd.
Sale Date March 30, 2005
Deed Book/Page 11304/979
Financing Cash to seller; \$4,000,000 note to Bank of Las Vegas
Verification G. Peavy; 299-1172, September 27, 2005; DHT/PPG, Deed reviewed by: DHT, September 23, 2005

Sale Price \$3,500,000

Land Data

Land Size 0.165 Acres or 7,206 SF

IMPROVED SALE NO. 4 (CONT.)

Front Footage	42 ft north side of East Houston; 127 ft east side of North Alamo
Zoning	D, Downtown Historic
Topography	Gentle slope
Shape	Rectangular
Flood Info	FEMA Map Panel # 48029C0461E
Frontage	No adverse
Access/Visibility	Good/Good

General Physical Data

Building Type	Multi Tenant
Gross SF	59,303
Net SF	52,130

Construction Type	Masonry
Year Built	1909
Condition	Fair

Indicators

Sale Price/Gross SF	\$59.02
Sale Price/Net SF	\$67.14
Floor Area Ratio	7.25
Land to Building Ratio	0.14:1
Occupancy at Sale	0%

Legal Description

Lot 6, Block 26, NCB 422, City of San Antonio, Bexar County, Texas.

Remarks

The Patels (purchaser) plan to preserve the building and redevelop the Gibbs into a four-star hotel known as The (Indigo) Alamo Plaza Hotel. The hotel, when complete, will have 91 rooms. The Gibbs Building was originally designed as multi-tenant offices. Building area taken from Bexar County Appraisal District records. There is no parking garage included in sale. The building is under renovation.

Comparable Improved Sales Summary & Adjustment Grid

Comparable No.	SUBJECT	1	Adj.	2	Adj.	3	Adj.	4	Adj.
Location	322 W. Commerce	409 E. Houston		603 Navarro		126 E. Main Plaza		105 N. Alamo	
Property Name	Former Continental Hotel	Former Neisner Brothers Store		South Texas Building		Morris Apartments Building		Former Gibbs Building	
Total Price		\$3,700,000		\$7,925,000		\$1,900,000		\$3,500,000	
Price/Square Foot		\$81.56		\$81.83		\$49.59		\$59.02	
Market Conditions									
Financing	Cash	Cash to Seller	0%	Cash to Seller	0%	Cash to Seller	0%	Conventional	0%
Condition of Sale	Arm's length	Arm's Length	0%	Arm's Length	0%	Arm's Length	0%	Arm's Length	0%
Date of Sale		Jul-07	6%	Jul-07	6%	Oct-05	20%	Mar-05	24%
Adjusted Price per Sq. Ft.			\$86.45		\$86.74		\$59.51		\$73.18
Adjustments									
Location / Access	Average to Good	Good (prominent corner)	-20%	Good (prominent corner)	-20%	Above Average	0%	Good (prominent corner)	-20%
Size (sf)	35,700	45,368	5%	96,843	15%	38,313	0%	59,303	10%
Land Size (sq ft)	19,621	11,387	0%	8,276	0%	12,502	0%	7,206	0%
Physical Characteristics									
Land to Building Ratio	0.55	0.25	0%	0.09	0%	0.33	0%	0.12	0%
Age/condition	1899, renovated 1980s/Avg. Condition	1946/Fair Condition (open floor plates)	10%	1912, renovated 1983/Fair to Avg. Condition; various upper floors are shell	10%	1925/Fair (Old) Condition	20%	1909/Fair (Old) Condition	20%
On-Site Parking	None	None	0%	None	0%	None	0%	None	0%
Basement	None	11,300 square feet (collects water)	-5%	None	0%	10,123 square feet	-10%	None	0%
Construction Quality	Masonry/Average	Masonry/Average	0%	Masonry, marble, cast stone/Above Average	-10%	Masonry/Average	0%	Masonry/Average	0%
Total Adjustments			-10%		-5%		10%		10%
Indicated Value per Sq. Ft.			\$77.80		\$82.41		\$65.46		\$80.50
Minimum Ind.		\$65.46							
Maximum Ind.		\$82.41							
Avg. Ind.		\$76.54							

\$2,750,000 (RD)

\$77.00 per Square Foot

Concluded Value

Conclusion - Sales Comparison Approach:

Generally, all sales are considered superior in location to the appraised property in that they are located in heavier trafficked tourist areas of downtown. Sale No. 4 is actually located within site of the Alamo on Alamo Plaza. Sale No. 3 is considered slightly superior in location in that it is located on Main Plaza as well as having frontage along the main channel of the San Antonio River. After adjusting the sales mainly for date of transaction, size, condition, and construction quality, the sales indicate a value in the range of \$65.46 to \$82.41 per square foot with an average indicated value \$76.54 per square foot. All of the sales are considered generally similar to the appraised property; however, Comparable Sale Nos. 1, 3 and 4 are considered most similar to the appraised property with regard to configuration and build quality. Of these three sales, Sale No. 1 is considered most relevant in that it is the most recent sale. Sale No. 1 indicates a value of \$77.80 per square foot for the appraised property. Thus, considering the value range indicated by all four sales, it is the appraisers' opinion that the market value is \$77.00 per square foot, or \$2,750,000, rounded.

Income Capitalization Approach

In valuing the appraised property by the Income Capitalization Approach, the subject market area was researched for comparable rents of commercial buildings of similar location and appeal. Similar to the appraised property, the majority of the rent comparables are multi-level buildings located in the immediate downtown area of the Riverwalk, Main Plaza, and other tourist attractions. For the appraised property, a rental rate of \$14.40 per square foot annually was selected for the income analysis.

The rents in the subject market area are primarily of a modified gross or gross lease structure with the landlord paying utilities as well as property taxes, insurance, janitorial, maintenance, etc. Thus, a gross lease structure is considered appropriate and is used in the Income Capitalization Approach.

A summary of the rent comparables is included on the following page.

Comparable Lease Summary

Rental No.	Identification/Location	Size (SF)	Lease Commence Date	Annual Rent/SF	Lease Term
1	Milam Building-115 E. Travis	210,851	2005-2008	\$15.50 - \$16.50	Gross
<p>Comments: The property is at 91% occupancy. Tenants include the Texas Railroad Commission, Southwest Legal Printing, Alamo Workforce Commission, and various other professionals. Tenant spaces range from a minimum of 210sf to a maximum of 14,000sf (Railroad Commission). All leases are for a term of three years with a 15% add on factor. These are full service leases.</p>					
2	One Ten Broadway-110 Broadway	92,000	2004	\$12.00 - \$15.00	Gross
<p>Comments: This property is at 85% occupancy. Rental rates are \$12.00 per square foot to \$15.00 per square foot on a gross basis. This is a six story building just west of Alamo Plaza. There is an 18% add on factor. Lease terms are 3 to 10 years.</p>					
3	The Book Building - 140 E. Houston	20,371	Quoted	\$12.00	Modified Gross
<p>Comments: This is a 20,371 square foot building with three above grade levels and a basement level. The building was constructed circa 1885 and renovated in 1987. The property has approximately 102 feet along the west side of the San Antonio River. Lease terms range from 3 to 5 years. Occupancy is reportedly at 80%.</p>					
4	Riverview Tower - 111 Soledad	251,111	2008	\$15.00 - \$17.00	Gross
<p>Comments: This is a twenty story office building located across Main Plaza from the Bexar County courthouse. Lease terms are generally three to five years. There is a \$0.50 per sf per year increase. There is a base year expense stop.</p>					
5	Metro Health Immunization Clinic - 345 W. Commerce	10,500	2002	\$10.08	Modified Gross
<p>Comments: This lease is structured on a modified gross basis with the tenant paying utilities, janitorial, and routine maintenance. The lease term was not disclosed. This building is two stories located at the northeast corner of W. Commerce and N. Laredo.</p>					

Applying the appropriate rents indicates potential gross income of **\$514,080** annually. Vacancy and collection loss is estimated at 10%. After deducting the 10% vacancy and collection loss, effective gross income is **\$462,672**.

Ownership expenses for a property managed under a gross lease structure include real estate taxes, property insurance, utilities, and a certain amount of management, and miscellaneous expenses/reserves. Management is estimated at 4.0% of effective gross income with maintenance and reserves estimated at \$1.10 per square foot of net rentable area. Miscellaneous expenses are estimated at \$0.20 per square foot. Thus, total ownership expenses are estimated to be **\$231,869**. Annual net operating income of **\$230,803** is estimated.

In order to select an appropriate capitalization rate for the appraised property, the appraisers utilized the *Korpacz Real Estate Investor Survey* for the First Quarter of 2008. According to the *Korpacz Survey*, overall cap rates for the national net lease market range from a low of 6% to a high of 10% for the First Quarter of 2008. Due to the appraised property's desirable location in proximity to Main Plaza, Market Square, City Hall, San Fernando Cathedral and the Bexar County Courthouse, it is the appraisers' opinion that only moderate risk is associated with the appraised property. Thus, it is the appraisers' opinion that the overall capitalization rate should be near the mid range rate quoted by *Korpacz* of 8% to 8.5%, say **8.25%**.

Applying an overall capitalization rate of 8.25% to the net operating income of \$230,803 indicates total value as per Direct Capitalization of **\$2,800,000**, rounded.

A summary of the Income Capitalization Approach follows.

DIRECT CAPITALIZATION APPROACH**Old Continental Hotel****322 W. Commerce
San Antonio, TX**

		<u>Per SF</u>	
Gross Potential Rental Income			
Net Rentable Area:	35,700 <i>sf</i>	\$14.40	\$514,080
Total Gross Potential Income			\$514,080
Less - Vacancy And Collection Loss	10%		<u>(\$51,408)</u>
Effective Gross Income			\$462,672
Less - Ownership Expenses			
Real Estate Taxes			\$56,282
Insurance		\$0.20	\$7,140
Janitorial		\$0.90	\$32,130
Utilities		\$2.00	\$71,400
Management	4.0% of EGI	\$0.52	\$18,507
Maintenance/Reserves		\$1.10	\$39,270
Miscellaneous Exp. <i>(legal, unforeseen contingencies etc.)</i>		\$0.20	\$7,140
Total Ownership Expenses		\$6.49	\$231,869
Net Operating Income		\$6.47	\$230,803
Overall Capitalization Rate			8.25%
Total Value Indicated by the Income Approach		\$78.43	\$2,800,000

Final Value Conclusion (Continental Hotel Building)

The Sales Comparison Approach and Income Capitalization Approach indicate a range of value for the appraised property from **\$2,750,000** to **\$2,800,000**. Greatest weight is assigned the Sales Comparison Approach as there have been a number of comparable downtown commercial properties which have sold over the past several years. Moreover, it has been the appraisers' experience that the Sales Comparison Approach tends to reflect the attitudes of buyers and sellers in the current market.

Based on the results of these two approaches, as well as considering all pertinent market data in the area, it is the appraisers' opinion that the "as is" market value of the former Continental Hotel building (without the parking lot) located at 322 West Commerce Street, San Antonio, Bexar County, Texas, as of April 9, 2008, is:

**TWO MILLION SEVEN HUNDRED FIFTY THOUSAND DOLLARS
(\$2,750,000)**

The estimated contributory value of the parking lot follows.

CONTINENTAL PARKING LOT

Valuation

Land Value Analysis

The **Continental Parking Lot** is approximately 0.675 acre or 29,441 square feet of land. The appraisers considered land sales in the general market area ranging in price from \$48.73 to \$100.51 per square foot. The sale properties range in size from 7,462 to 43,342 square feet. The four comparable sales selected are in the west and southern sector of the Central Business District. The four comparable sales range in date of transaction from July 2002 to October 2006.

- **Sale No. 1** is located at the southeast corner of Houston Street and Santa Rosa Street. The property was purchased as part of an assemblage to develop the Vistana Loft high-rise development. The transaction closed in October 2006 for \$60.41 per square foot of land area. The sale is adjusted upward for date of transaction. After adjustments, Sale No. 1 indicates a value of to \$65.24 per square foot of land area for the appraised property.
- **Sale No. 2** is located at the northwest corner of Dolorosa and Laredo Streets. The property transacted from Gus Galindo to Goodwill Industries in December 2005. The sale price equates to \$100.51 per square foot of land area. The property is improved with an older “boarded up” downtown former retail building. The building is considered by the appraisers to contribute limited value. The sale is an assemblage of land that is perceived to have been above a typical assemblage price at the time of transaction; a downward adjustment is applied. The sale property is considered to have a superior location and street frontage; downward adjustments are applied. After adjustments, Sale No. 2 indicates a value of \$66.45 per square foot of land area for the appraised property.
- **Sale No. 3** is identified as 211 E. Nueva Street between the Bexar County Courthouse and the San Antonio River channel. The sale transacted in February 2003 for \$70.37 per square foot. The sale property is adjusted upward significantly for date of sale. The property’s location is between the river and the courthouse; a downward adjustment is applied for superior location. The sale property is considered to have superior access and frontage; a downward adjustment is applied. After adjustments, the sale property indicates a value of \$68.96 per square foot of land area for the appraised property.
- **Sale No. 4** is the former parking lot located at the northeast corner of W. Commerce Street and Camaron Street. The property transacted in July 2002. The price was \$48.73 per square foot. The property operated for many years as a surface parking lot

located across Commerce Street from City Hall. A significant upward adjustment is applied for date of sale. The sale property is located on W. Commerce Street across from City Hall; this location is considered slightly superior to the appraised property. The sale property has superior street frontage and access; a downward adjustment is applied. After adjustments, Sale No. 4 indicates a value of \$64.90 per square foot of land area for the appraised property.

After adjustments, the four comparable sales indicate a value range of \$64.90 to \$68.96 per square foot. The average indicated value is approximately \$66.38 per square foot. The concluded market value is \$66.00 per square foot for the appraised property. The total value for the Continental Parking Lot (29,441 square feet) as per the Sales Comparison Approach is \$1,940,000, rounded.

The comparable land sales sheets are included in the *Addenda* of this report.

Income Capitalization Approach

The appraiser has completed an Income Capitalization Approach for the Continental Parking Lot. It is recognized that the most likely buyer of the appraised property would be a user; however, a segment of the buyer market might be an investor who would buy the property and continue to operate it or lease it out as a parking lot on an intermediate to long-term basis. While most downtown acquisitions are for near-term development, a segment of the buyer market may well be an investor seeking a fair return on the land investment from parking revenue.

Various downtown “core” area parking lot leases have been confirmed to estimate the market rent for the appraised property. Several small well located parking lots exhibit rental rates from approximately \$737 to \$2,217 per parking space per year. The Continental Parking Lot is currently operated by the City of San Antonio Parking Division; thus, no lease encumbers the property.

The lease rates for the comparables indicate a wide range on a per square foot basis of \$1.25/SF, \$3.46/SF, and \$8.59/SF.

The appraisers have considered the four lease comparables. The market lease rate for the appraised property is concluded to be \$1,200 to \$1,400, say \$1,300 per parking space per year (for approximately 87 spaces), or \$113,100 per year, triple net. The gross potential income for the property is estimated as \$113,100.

Vacancy and collection loss for the property is estimated to be 3.0% of the annual income. Vacancy and collection loss is calculated to be \$3,393. The anticipated effective gross income for the subject property is \$109,707.

Operating expenses are anticipated to be minimal as the tenant is responsible for insurance and property taxes. Operating expenses for reserves and miscellaneous expenses are estimated to be 1.0% of effective gross income. Management expenses are estimated to be 1.5% of effective gross income. The total operating expenses are estimated as \$2,743. Net operating income is calculated by deducting total operating expenses from effective gross income. The net operating income is estimated as \$106,964.

The final step in the Income Capitalization Approach is to capitalize or convert the net income stream into capital value. Capitalization rates have typically been quite low for downtown parking lots, particularly when the property is envisioned for future development or has excellent appreciation potential. The appropriate capitalization rate for downtown parking lot properties which are well located is judged to be a minimum of 5.0% to a maximum of 7.0%. The appropriate capitalization rate is influenced by a number of factors including risk. The appraised property is not a risk prone investment. The parking lot is essentially located mid-way between Main Plaza and Market Square. In addition, the Vistana development is located less than one block to the northwest. This lot is a candidate for tourists visiting Market Square as well as Main Plaza and other tourist destinations. Therefore, from a parking lot standpoint, the property has a relatively low degree of risk (related to the likelihood of continued income). The estimated overall capitalization rate is 5% to 5.5%, say 5.25%. When divided into the anticipated net rental income of \$106,964 per annum, the indicated value of the appraised property by the Income Approach is \$2,040,000. The comparable rental summary and calculations of the Income Capitalization Approach are included in the *Addenda*.

Continental Parking Lot

In estimating the market value of the subject property, two traditional approaches to value have been utilized. The indicated values of the appraised property by the two approaches are as follows:

Sales Comparison Approach	\$1,940,000
Income Capitalization Approach	\$2,040,000

The value of the appraised parking lot as exhibited by the Sales Comparison Approach of \$66.00 per square foot or \$1,940,000 is slightly less than the indicated value by the Income Capitalization Approach. The Sales Comparison Approach is the most meaningful approach.

Therefore, it is the appraisers' opinion that the market value of the 29,441 square foot parking lot located at 322 W. Commerce Street in San Antonio, Bexar County, Texas, as of April 9, 2008, is:

ONE MILLION NINE HUNDRED FIFTY THOUSAND DOLLARS
(\$1,950,000)

The market value calculates to be \$66.23 per square foot.

**FORMER CONTINENTAL HOTEL AND
CONTINENTAL PARKING LOT (as a single unit)**

In estimating the market value of the appraised properties, the properties have been analyzed and valued individually. The two values are added to indicate the value of the entire property as **\$4,700,000**.

It is the appraisers' opinion that the market value of the former Continental Hotel and Continental Parking Lot (as an entity) located at 322 W. Commerce Street, San Antonio, Texas, as of April 9, 2008, is:

**FOUR MILLION SEVEN HUNDRED THOUSAND DOLLARS
(\$4,700,000)**

Estimated Marketing Time

The estimated marketing time for the appraised property considering its good Central Business District location near major buildings and tourist destination points is 12 months or less.

Attached to this report are a certificate, contingent and limiting conditions and the qualifications of the appraisers. The *Addenda* concludes this report. The subject property and surrounding neighborhood were toured by Richard L. Dugger, MAI, CRE, Johnathan P. Burda, and Doug Eckhardt on April 9, 2008.

C E R T I F I C A T E

The undersigned does hereby 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, impartial, and unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

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 Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As the date of this report, Richard L. Dugger, MAI, CRE, has not completed the requirements of the continuing education program of the appraisal institute.

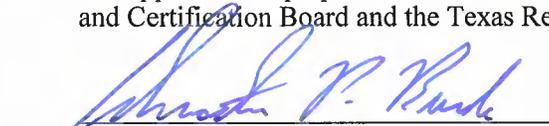
Johnathan Burda and Richard L. Dugger, MAI, CRE have made a personal inspection of the property that is the subject of this report unless otherwise noted in the attached report.

No one provided significant professional assistance to the person signing this report in performing the appraisal.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned.

The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan (12 CFR 564.4 (a) (10)).

The appraisal was prepared in conformance with the rules and regulations of the Texas Appraiser Licensing and Certification Board and the Texas Real Estate Commission.


Johnathan P. Burda
State Certified General Real Estate
Appraiser (Number: TX-1337407-G)


Richard L. Dugger, MAI, CRE
State Certified General Real Estate
Appraiser (Number: TX-1321050-G)

QUALIFICATIONS OF RICHARD L. DUGGER

Presently, and since 1969, Richard L. Dugger has been engaged in independent fee appraising and contract work with other professional appraisers in the San Antonio, Texas area. He is Chairman of the firm of Dugger, Canaday, Grafe, Inc., Real Estate Consultants and Appraisers, 111 Soledad, Suite 800, San Antonio, Texas. Appraisal experience includes residential, commercial, industrial, farm and ranch lands, and special purpose properties including automobile dealerships, public buildings, aircraft related buildings, restaurants, properties in Latin America, undivided/fractional interests, machinery and equipment, etc. Other business interests include cotton and grain sorghum farming in Nueces County, livestock and hunting operations in Bexar, Val Verde and Bee Counties, and ownership and management of commercial, multi-family, light industrial and special purpose properties in Bexar and Nueces Counties, Texas.

During 1968 and 1969, he served in the Right-of-Way Association Section for District No. 2 of the Texas Highway Department with district headquarters in Fort Worth, Texas. His function was completing staff appraisals, reviewing fee appraisals and establishing a relocation program for families displaced by eminent domain.

In 1969, he attended a two-week Real Estate Principles Appraisal Course. In 1971, he attended an advanced residential appraisal course conducted by the American Institute of Real Estate Appraisers. He attended advanced capitalization of income courses in the spring of 1973, spring of 1974, and summer of 1975. He was awarded the RM designation by the American Institute of Real Estate Appraisers in the spring of 1973. In the spring of 1977, he was awarded the MAI designation by the American Institute of Real Estate Appraisers. In 1990, he was awarded the CRE designation by the American Society of Real Estate Counselors. He has been on the staff of San Antonio College where he has taught Real Estate Appraisal Principles. He has also been on the national faculty staff of the Appraisal Institute being qualified to teach various courses on a national basis.

Generally his trade area includes South, West, and Central Texas. Appraisals have also been made in New Mexico, California, Tennessee, Georgia, Oklahoma, Arizona, Florida, Louisiana, Colorado and South Carolina; since 1993, he has been active in the appraisal of properties in Latin America including Mexico and Honduras.

Graduate, Bachelor of Business Administration, with major being finance, the University of Texas, Austin, Texas; 1968.

Graduate School, University of North Texas, Denton, Texas; 1968 and 1969.

Clients served include corporations, attorneys, estates, individuals, financial institutions, and governmental agencies.

He has been a licensed Real Estate Broker in the State of Texas since 1972 (License No. 0147916). He is also a State Certified General Real Estate Appraiser (License No. TX-1321050-G).

Professional affiliations include the following organizations:

- Member, Appraisal Institute, Certificate No. 5692
- Member, American Society of Real Estate Counselors, Certificate No. 1288
(President of Houston/Gulf Coast Chapter for 2000)
- Active Member, San Antonio Board of Realtors
- Active Member, International Real Estate Section; National Association of Realtors
- Member, International Right of Way Association
- Member, Monte Vista Historical Association
- President (1984), American Institute of Real Estate Appraisers, Chapter 29, South Central Region, San Antonio, Texas
- Active Member, Alamo Kiwanis Club (President for 1997-1998)
- 1995 Chairman, Fiesta Noche del Rio (benefitting The Children's Shelter and other children's charities)
- Former Associate Board Member, Southwest Texas Methodist Hospital
- Former Board Member, Kidney Association of San Antonio
- Former Board Member, Harry Jersig Speech and Hearing Center
- Former Trustee, Acacia Fraternity, University of Texas Chapter
- Former Member, The Golden Circle, Southwest Foundation for Biomedical Research
- Member, Real Estate Financial Society, San Antonio Chapter

QUALIFICATIONS OF JOHNATHAN P. BURDA

Education:

- Bachelor of Liberal Arts, Southwest Texas State University, San Marcos, Texas; May 2003

Specialized Education:

Received credit for and successfully completed the following courses sponsored by the Appraisal Institute:

- National Uniform Standards of Professional Appraisal Practice (410)
- Basic Appraisal Principles (110)
- Basic Appraisal Procedures (120)
- Basic Income Capitalization (310)
- Advanced Sales Comparison and Cost Approaches (530)
- General Market Analysis and Highest and Best Use (400G)

National Association of Realtors Approved Classes:

- Principles of Real Estate
- Law of Agency
- Law of Contracts
- Real Estate Finance
- Buyer's Agency

Experience:

Presently and since September 2006, Johnathan P. Burda has been employed by Dugger, Canaday, Grafe, Inc., Real Estate Consultants and Appraisers. He is currently recognized as a State Certified General Real Estate Appraiser (License No. TX-1337407-G). Experience includes appraisal and consulting assignments related to farm and ranch, special use, commercial and residential properties completed for various lending institutions including Bank of America, American National Bank, Broadway National Bank, Texas AgFinance, Schertz Bank and Trust, and First Victoria Bank. In addition, appraisal assignment related to commercial and industrial properties have been completed for various public agencies including the City of San Antonio.

Prior work experience includes two years as an appraiser trainee at Menn and Associates in Seguin, Texas, as well as currently holding a Sales Associate's license with Wolf Real Estate in Yorktown, Texas, specializing in farm and ranch sales.

CONTINGENT AND LIMITING CONDITIONS
(Unless Otherwise Stated in this Report)

The estimate of value for the property analyzed in the attached report is subject to the following limiting conditions:

The legal description furnished the appraiser is assumed to be correct. No responsibility is assumed for matters legal in character, nor is any opinion rendered as to title. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless non-compliance is stated, defined and considered in the appraisal report. All existing liens and encumbrances, if any, have been disregarded, and the property is analyzed as though free and clear and under responsible ownership and competent management.

The boundaries of the land and the dimensions and size thereof as indicated to the appraiser, are assumed to be correct, no provision having been made for a special survey of the property. Valuation is reported without regard to questions of encroachments.

The use of the term "inspection" within the attached report only refers to the act of visiting and/or viewing the property or properties being appraised or a property or properties used as comparables. I am not a licensed real estate inspector in the State of Texas and am not qualified to render opinions required of those who are licensed real estate inspectors.

All engineering is assumed to be correct. The plot plans and illustrative materials in this report are included only to assist the reader in visualizing the property.

The information contained in this report and identified as having been furnished by others is believed to be reliable, but no responsibility is assumed for its accuracy.

No responsibility is assumed, nor is any guarantee made as to the structural soundness of the improvements. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

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.

It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

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

Possession of this report, or a copy thereof, does not carry with it the right of publication, nor may it be used for any other purposes by anyone but the applicant without the previous written consent of the appraiser.

The appraiser, by reason of this report, is not required to give testimony or attendance in court, or any other hearing with reference to the property in question, unless arrangements therefore have been previously made.

The distribution of the total valuation in this report between the land and the improvements applies only under the existing program of utilization. The separate valuations for land and improvements should not be used in conjunction with any other appraisal and are invalid if so used.

The appraiser has no present or contemplated future interest in the property which is not specifically disclosed in this report. Neither his employment for making this analysis nor the fee to be received therefore are contingent upon the valuation placed on the property.

No attempt was made, unless otherwise noted in the attached report, to detect the presence of various potentially hazardous materials or conditions upon the subject site or within or upon the subject improvements, and the appraiser is not qualified to do so. These hazardous materials or conditions could include, but are not limited to, the existence of toxic waste (within or around the subject site, presently or in the past), UREA formaldehyde foam insulation, ACMs (asbestos containing materials), or communicable diseases from present or former occupants. The existence of any such hazardous materials or conditions could adversely affect the value of the property. Unless otherwise stated in the attached report, the appraiser has no knowledge of the existence of any such materials or conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert, if desired. The value estimate is predicated on the assumption that there are no such hazardous conditions or materials present that would cause a loss in value.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned.

ADDENDA

COMPARABLE LAND SALES

LAND SALE NO. 1

Property Identification

Record ID 6425
Address San Antonio, Texas
Location Southeast corner of Houston Street and Santa Rosa Street
Map/Grid 616/E5

Sale Data

Grantor Sterling Bank
Grantee Vistana, Ltd.
Sale Date October 27, 2006
Deed Book/Page 12484/1527
Verification Buyer; FF, Deed Reviewed By:FF

Sale Price \$1,750,000

Land Data

Zoning D
Topography Level
Utilities Public
Dimensions Irregular
Shape Corner
Fencing No
Flood Info No
Access/Visibility Good/Good

Land Size Information

Gross Land Size 0.665 Acres or 28,967 SF
Front Footage 162 ft E/S Santa Rosa Street; 115 ft W/S Laredo Street; 196 ft S/S Houston Street

Indicators

Sale Price/Gross Acre \$2,631,579
Sale Price/Gross SF \$60.41

Legal Description

Being 0.665 acres out of New City Block 175, Urban Renewal Rosa Verde Project TexR-78 Subdivision, Unit VII, San Antonio, Bexar County, Texas.

Remarks

Improved with Sterling Bank and drive thru's - will be demolished for redevelopment (with high rise Vistana Loft).

LAND SALE NO. 2

Property Identification

Record ID	7089
Property Type	Retail
Address	119 S. Laredo Street, San Antonio, Texas 78207
Location	NW/C Dolorosa and Laredo Street
Quadrant	CBD
Map/Grid	616/D5

Sale Data

Grantor	Gus Galindo, Galindo Family Partners, Ltd., et al
Grantee	Goodwill Industries of San Antonio
Sale Date	December 16, 2005
Deed Book/Page	11834/2386
Conditions of Sale	Arm's length
Financing	Cash to seller
Status	Warranty Deed
Verification	Buyer; DR/RD, Deed Reviewed By: DR

Sale Price	\$750,000
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Land Data

Land Size	0.171 Acres or 7,462 SF
Front Footage	134 ft along north side of Dolorosa;56 ft along west side of Laredo Street
Zoning	DH, Downtown Business/Historic
Topography	Level
Utilities	Public
Shape	Rectangular
Landscaping	None
Fencing	Yes
Flood Info	Yes
Access/Visibility	Good/Good

General Physical Data

Building Type	Single Tenant
Gross SF	6,767

Construction Type	Masonry
Roof Type	Built-up
Foundation	Concrete
HVAC	Partial
Sprinklers	None
Stories	One
Year Built	1927

Indicators

Sale Price/Gross SF	\$110.83
Floor Area Ratio	0.91
Land to Building Ratio	1.10:1

Legal Description

Lot 13 and 14, NCB 138, San Antonio, Bexar County, Texas.

LAND SALE NO. 2 (CONT.)

Remarks

Amenities: Older "boarded up" downtown former retail shops located close to El Mercado. Building is in worn condition. Sale price equals \$100.51 per square foot of land area.

Adjacent property owner paid significant premium to own this property.

LAND SALE NO. 3

Property Identification

Record ID 5169
Property Type Vacant Land, Parking Lot
Address 211 East Nueva, San Antonio, Texas 78205
Location Northeast corner of East Nueva and Dwyer
Tax ID 00118-000-0101
Quadrant CB
Map/Grid 616/E5

Sale Data

Grantor Realty Parking Properties II, LP
Grantee Allright Corporation
Sale Date February 20, 2003
Deed Book/Page 9840/2073
Recorded Plat 3572/1285
Financing Cash
Status Sold
Verification L. Eckmann; March 10, 2004; DHT/RLD, Deed Reviewed By: DHT, December 08, 2003

Sale Price \$3,050,000

Land Data

Zoning D,H, Downtown, Historic District, River Walk
Topography Gentle slope
Utilities All public connections available
Dimensions 243' x 250'
Shape Irregular
Flood Info Zone X; 48029C0461E
Access/Visibility Good/Excellent

Land Size Information

Gross Land Size 0.995 Acres or 43,342 SF
Front Footage 243 ft approx. on East Nueva; 167 ft on Dwyer; 250 ft on w/s San Antonio River

Indicators

Sale Price/Gross Acre \$3,065,327 Actual or \$3,065,327 Adjusted
Sale Price/Gross SF \$70.37 Actual or \$70.37 Adjusted

Legal Description

0.955 acre (43,341 square feet) of land being described as Lot 9, A10, B10, 32 and 33, New City Block 118, City of San Antonio, Bexar County, Texas.

Remarks

Location is between the Bexar County Courthouse and San Antonio River Channel. Property is utilized as a private surface parking lot. Parking lot has a high volume of traffic and good turnover due to location across from courthouse. The property location along the river is one of the few undeveloped sites in the Central Business District. The site is elevated above the river channel. Improvements include asphalt paving.

LAND SALE NO. 4

Property Identification

Record ID 4537
Property Type Vacant Land
Address 223 - 231 West Commerce St., San Antonio, Texas
Location Northeast corner of West Commerce St. and Camaron St.
Quadrant CB
Map/Grid 616/E5

Sale Data

Grantor John F. Sheridan
Grantee Patrick F. Flores, Archbishop for the Archdiocese of San Antonio
Sale Date July 26, 2002
Deed Book/Page 9489/1154
Financing Cash
Status Sold
Verification J. Sheridan; (303) 321-0100, September 30, 2003; DHT/RLD, Deed Reviewed By: DHT, September 24, 2003

Sale Price \$1,800,000

Land Data

Zoning I-1, Business District
Topography Level
Utilities All Public Available
Dimensions 149' x 209"
Shape Rectangular
Parking Parking Lot
Flood Info Zone "B" - Panel# 4800450039B
Access/Visibility Good/Good

Land Size Information

Gross Land Size 0.848 Acres or 36,935 SF
Front Footage Approx. 149.19' along W. Commerce; 209 ft along Camaron St.

Indicators

Sale Price/Gross Acre \$2,122,892 Actual or \$2,122,892 Adjusted
Sale Price/Gross SF \$48.73 Actual or \$48.73 Adjusted

Legal Description

Lots 22 and 23, NCB 122, San Antonio, Bexar County, Texas.

Remarks

Location is the north east corner of West Commerce and Camaron Streets. Site is operating as a daily parking lot. The location is convenient to City Hall and San Fernando Cathedral. The seller received an unsolicited offer from a hotelier for \$1,800,000. The seller made a similar offer to sell to the Archdiocese for \$1,800,000. The Archdiocese accepted the seller's offer for the full price. The purchaser intends to develop the site as a community center.

Intended for use as a parking lot.

**COMPARABLE RENTALS SUMMARY
AND INCOME CAPITALIZATION
APPROACH**

COMPARABLE RENTALS SUMMARY

No.	Name/Location	NRA (SF)	Parking Spaces	Lease Commence Date	Annual Base Rental	Annual Rent (Space)	Length of Lease	Terms
1	Central Parking Systems / NW/C West Nueva & South Flores	43,313	100	8/1/2007	\$150,000	\$1,500	5 years	Triple Net
<p>Description: Surface parking lot across South Flores Street from Bexar County Justice Center; Irregular-shape, asphalt paved and striped; Lease renewal with the base five-year fixed rental being \$12,500 per month plus overage rent of 50% of parking lot fees exceeding \$275,000 per annum. Tenant is responsible for base year property taxes. Landlord is Nueva Corporation.</p>								
2	Enter Park / SW/C North Alamo & Travis Street	18,581	72	12/1/2004	\$181,200	\$2,517 (see below)	3 years	Net Utilities & Repairs
<p>Description: Surface parking lot approximately one-half block north of Alamo Plaza; Rectangular-shape, asphalt paved and striped; Lease terms are three-year fixed rental of \$15,100 per month. Landlord pays base year taxes and tenant pays increase above the first year taxes. Tenant responsible for maintenance and utilities. Effective lease rate less real estate taxes is \$159,616 /year or \$2,217 /space. Landlord is Frost National Bank as Trustee for Emma Freeman Foundation.</p>								
3	Safety Park / 215 North San Saba	58,252	99	1/1/2007	\$108,000	\$1,091 (see below)	1 Year	Gross
<p>Description: Surface parking lot of downtown medical office building; Location is adjacent to Santa Rosa Hospital; Rectangular-shape, asphalt paved and striped; Building owner leased the parking concession to Safety Park for \$7,000 per month in 2006. In 2007, a representative of the owner indicated the operation of the parking may be renewed with a yearly agreement for \$9,000 per month. Landlord pays real estate taxes and maintenance. Effective lease rate less allocated real estate taxes is \$72,985 /year or \$737 /space. The lease rate is reflective of the economical daily rates of \$3.50 /day for hospital parking and \$1.50 /day to patients of San Saba Medical Building. Landlord is Columbia Investments, LP.</p>								
4	Nicholas & Barrera, PC / 305 South Presa Street	n.a.	18	1/1/2008	\$19,440	\$1,080 (see below)	Month to Month	Gross
<p>Description: Tenant leases 18 parking spaces adjacent to the small office building. Tenant has leased 16 to 18 parking spaces from the church for many years. Landlord pays all expenses associated with parking lot. Effective lease rate less allocated real estate taxes is \$17,060 /year or \$948 /space. Landlord is St. Johns Evangelical Lutheran Church.</p>								

Minimum Indicated: \$737.00 /space
 Maximum Indicated: \$2,217.00 /space
 Average Indicated: \$1,351.00 /space

Indicated Value: \$1,300.00 /space

DIRECT CAPITALIZATION APPROACH

Continental Parking Lot

322 W. Commerce Street, San Antonio, Texas

NRA: 29,441 square feet of land

Gross Potential Income	Monthly	Annual
Rental Income	\$9,425	\$113,100
Less Vacancy & Collection Loss 3.0%		<u>\$3,393</u>
Effective Gross Income		\$109,707
Operating Expenses		
Reserves and Miscellaneous 1.0%		\$1,097
Management/Administrative 1.5%		<u>\$1,646</u>
Total Operating Expenses		\$2,743
Net Operating Income		\$106,964
Capitalized at Overall Rate		5.25%
Indicated Value By Direct Capitalization		\$2,037,416
	(RD)	\$2,040,000
	(PER SF)	\$69.29