THE ÆGIS GROUP, INC.
REAL ESTATE APPRAISAL & CONSULTING
8140 North MoPac Expressway, Building 2, Suite 100, Austin, Texas 78759
(512) 346-9983 · FAX (512) 343-6553
info@aegisgroupinc.com

August 31, 2007

Ms. Skye Stuart
THC, Inc.
2716 Spirit of Texas Drive
Austin, TX 78719

RE: Appraisal Report Attachment for the Country Cottage Motel located at 2601 East Highway 71 in Austin, Travis County, Texas.

Dear Mr. Smith:

At your request, I personally inspected and analyzed the above-referenced property. The purpose of this appraisal report attachment is to consider the impact on value of the parking rent for the Bar and the FF&E for the bar for the above described property. This letter "incorporates by attachment" additional information for the Country Cottage Motel report dated March 26, 2007 with an effective date of January 11, 2007.

As of the effective date of appraisal, the appraisers attempted to obtain the Furniture, Fixtures, and Equipment for the recently installed Bar. Since the report date of the previously referenced appraisal, additional information has been provided regarding the parking rental rates for the Bar. We have included the additional value of these two items.

The Bar owner pays $350 per month for parking for the bar. This is included in the addenda of this letter in Item 1. The impact on value for this is approximately $32,000 ($350/month x 12 months divided by 13% capitalization rate).

Additionally, there are three items of tenant improvement that were not included in the earlier report, Bar Marble top ($4,000), Security System ($7,805), and 2 large speakers ($1,180). These items are considered part of the Tenant Improvement. The additional value of these items is $13,000 (rounded). Please refer to the addenda for a summary of these items.

As previously mentioned, the FF&E Itemization for the Bar was recently obtained. The itemization can be found in the addenda of this attachment. The total is $19,595 or $20,000 rounded.

Therefore, the fee simple value of the property is as follows:

Value of Cash Flow:	$730,000
Value of Parking Income:	$ 32,000
Value of Bar FF&E	$ 20,000
Value of Bar TI ($26,000 estimate of TI + $13,000 Bar Items):	$ 39,000
Total Estimate of Market Value:	$821,000
Rounded:	**$820,000**

Based upon my inspection of the Country Cottage Motel parcel and my analysis of the market data, it is my opinion that the "as is" market value of the fee simple interest, as of January 11, 2007, is as follows:

EIGHT HUNDRED TWENTY THOUSAND DOLLARS
($820,000)

The preceding value includes both the contributory value of the real estate and the furniture, fixtures, and equipment (FF&E) for the hotel and bar.

It is my opinion that the contributory value of the **Hotel** furniture, fixtures, and equipment (FF&E), as of January 11, 2007, is as follows:

TWENTY THOUSAND DOLLARS
($20,000)

It is my opinion that the contributory value of the **Bar** furniture, fixtures, and equipment (FF&E), as of January 11, 2007, is as follows:

TWENTY THOUSAND DOLLARS
($20,000)

It is my opinion that the contributory value of the three bedroom/office unit, as of January 11, 2007, is as follows:

ONE HUNDRED THOUSAND DOLLARS
($100,000)

These value conclusions are specifically limited by the *Contingent and Limiting Conditions*, with emphasis on the *Jurisdictional Exceptions* detailed at the beginning of this appraisal report which require that project influence be excluded from the valuation analysis. For

the purpose of my analysis, any increase or decrease in value caused by the Noise Mitigation Project has been excluded from my final value estimate.

The appraiser has been informed that the City of Austin generally requires the Grantor to provide either a General or Special Warranty Deed when conveying real property to the City. In the event a purchase is unsuccessful, the City will acquire the real property by eminent domain and will not receive a General or Special Warranty Deed from the Condemnee. The City Attorney's Office will include all parties shown as "owners" in the Title Commitment in the eminent domain proceeding. Therefore, it is my opinion there is no difference in market value between the two acquisition procedures.

Should you have any questions regarding the contents of this appraisal, please contact my office.

Respectfully submitted,

THE ÆGIS GROUP, INC.

John M. Coleman, MAI, SRA
State Certified General Real Estate Appraiser
No. TX-1320293-G

TITLE PAGE

Property:	Country Cottage Motel (TCAD 03-1430-04-01).
Address:	2601 East Highway 71 (03-1430-04-01), Austin, Travis County, Texas.
Effective Date of Appraisal:	January 11, 2007
As Prepared By:	John M. Coleman, MAI, SRA The Aegis Group, Inc. 8140 North MoPac, #2-100 Austin, TX 78759
Client:	THC, Inc.
Project:	Austin-Bergstrom International Airport Noise Mitigation Program
Parcel No.:	104

THE ÆGIS GROUP, INC.
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March 26, 2007

Mr. Michael Smith
Program Manager
THC, Inc.
2716 Spirit of Texas Drive
Austin, TX 78719

RE: Appraisal report in a self-contained format of the Country Cottage Motel located at 2601 East Highway 71 in Austin, Travis County, Texas.

Dear Mr. Smith:

At your request, I personally inspected and analyzed the above-referenced property. The purpose of this appraisal was to develop an opinion of market value of the fee simple interest. It is my understanding that the use of my appraisal is for the client's decision making purposes related to the acquisition of the subject as part of the Austin-Bergstrom International Airport Noise Mitigation Program. The appraisal report specifically excludes project influence. Any increase or decrease in value caused by the noise mitigation project has been excluded.

For the purposes of this assignment, market value is defined as:

> "The price which the property would bring when it is offered for sale by one who desires, but is not obligated to sell, and is bought by one who is under no necessity of buying it, taking into consideration all of the uses to which it is reasonably adaptable and for which it either is or in all reasonable probability will become available within the reasonable future." (City of Austin vs. Cannizzo, et al., 267 S.W.2d 808,815[1954]).

This appraisal represents an appraisal in a self-contained report format and is intended to conform with the minimum requirements of Standard Rule 2-2(a) of the *Uniform Standards of Professional Appraisal Practice* as adopted by the Appraisal Foundation, July 2006, as well as to the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*.

Additionally, the analysis, opinions and conclusions were developed and the report prepared in conformity with the *Uniform Appraisal Standards for Federal Land Acquisitions*, 2000. The data and analyses used in developing my conclusions are presented in the body of the accompanying report.

Based upon my inspection of the Country Cottage Motel parcel and my analysis of the market data, it is my opinion that the "as is" market value of the fee simple interest, as of January 11, 2007, is as follows:

SEVEN HUNDRED SIXTY THOUSAND DOLLARS
($760,000)

The preceding value includes both the contributory value of the real estate and the furniture, fixtures, and equipment (FF&E).

It is my opinion that the contributory value of the furniture, fixtures, and equipment (FF&E), as of January 11, 2007, is as follows:

TWENTY THOUSAND DOLLARS
($20,000)

It is my opinion that the contributory value of the three bedroom/office unit, as of January 11, 2007, is as follows:

ONE HUNDRED THOUSAND DOLLARS
($100,000)

These value conclusions are specifically limited by the *Contingent and Limiting Conditions*, with emphasis on the *Jurisdictional Exceptions* detailed at the beginning of this appraisal report which require that project influence be excluded from the valuation analysis. For the purpose of my analysis, any increase or decrease in value caused by the Noise Mitigation Project has been excluded from my final value estimate.

The appraiser has been informed that the City of Austin generally requires the Grantor to provide either a General or Special Warranty Deed when conveying real property to the City. In the event a purchase is unsuccessful, the City will acquire the real property by eminent domain and will not receive a General or Special Warranty Deed from the Condemnee. The City Attorney's Office will include all parties shown as "owners" in the Title Commitment in the eminent domain proceeding. Therefore, it is my opinion there is no difference in market value between the two acquisition procedures.

Should you have any questions regarding the contents of this appraisal, please contact my office.

Respectfully submitted,
THE ÆGIS GROUP, INC.

John M. Coleman, MAI, SRA
State Certified General Real Estate Appraiser
No. TX-1320293-G

APPRAISAL REPORT IN A SELF-CONTAINED FORMAT OF THE COUNTRY COTTAGE MOTEL LOCATED AT 2601 EAST HIGHWAY 71 IN AUSTIN, TRAVIS COUNTY, TEXAS.

FOR

MR. MICHAEL SMITH
PROGRAM MANAGER
THC, INC.
2716 SPIRIT OF TEXAS DRIVE
AUSTIN, TX 78719

BY

THE ÆGIS GROUP, INC.
8140 NORTH MOPAC EXPRESSWAY
BUILDING 2, SUITE 100
AUSTIN, TEXAS 78759

AS

OF

JANUARY 11, 2007

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Comparable Motel Sales
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SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Appraised:	The subject is the 20 unit Country Cottage Motel located at 2601 East Highway 71, the Manager's 3 bedroom residence and the Bar. The Country Cottage Motel is located on the northeast corner of E. Highway 71 and Cardinal Lane.
Effective Date of Appraisal:	January 11, 2007
Date of Report:	The report was written between December 12, 2006 and March 26, 2007. The date of this report is March 26, 2007.
Property Rights Appraised:	Fee simple interest
Client:	THC, Inc.
Address:	2601 East Highway 71
Legal Description:	Being a 0.965 acre (42,021 square foot) tract of land out of the Santiago Del Valle Ten League Grant, Abstract No. 24, Travis County, Texas, and being that same tract described in a warranty deed dated October 19, 1992 to So Stamey, recorded in Volume 11802, Page 267, Real Property Records of Travis County, Texas; said 0.965 acre (42,021 square foot) tract also being that same 2.941 acre tract described in a warranty deed dated September 6, 1988 to William E. Stamey, Recorded in Volume 10773, Page 685, Real Property Records of Travis County, Texas, Save & Except, a 2.00 Acre tract referred to as "Tract I" in a Special Warranty Deed dated August 12, 1992 to Del Valle Independent School District, Recorded in Volume 11750, Page 1680, Real Property Records of Volume 11750, Page 1680, Real Property Records of Travis County, Texas.
Parcel I.D. Numbers:	03-1430-04-01
Size:	0.965 acres; 42,021 SF
Shape:	Rectangular.

Frontage:	The subject has approximately 105' of frontage on State Highway 71 and 272' on Cardinal Lane.
Zoning:	GR - Community Commercial CS-1 - Commercial Liquor Sales Hotel/motel use is a conforming land use in GR zoning. The Liquor Sales designation is for the Bar. The subject also lies within conditional overlay zones. The first is the State Highway 71 Scenic Roadway Overlay Zone. The CO overlay also prohibits pawn shops, adult oriented businesses, and limits generated traffic counts. The subject is also in the Airport AO-2 Overlay Zone. This overlay zone was established to control land use near the airport for the public safety reasons. According to Chapter 25-13 of Ordinance No. 010809-78, the motel property lies in an area described as Airport Overlay Zone Two (AO-2), or those areas of the controlled compatible land use area that have yearly day-night average sound levels of at least 65 decibels and not more than 70 decibels. As such, several land uses are prohibited including all residential uses and schools.
Highest and Best Use:	As improved, continued use as a motel.
Improvements:	Four buildings (20 units) motel known as the Country Cottage Motel. There is a 3 bedroom Manager's Unit and also a Bar on the site.
Value Indicated by Cost Approach:	N/A
Value Indicated by Sales Comparison Approach:	$530,000 (does not include value of Bar and Ground lease)
Value Indicated by the Income Approach:	$760,000 (includes value of Bar, Ground lease, and associated tenant improvements with the Bar)
Final Market Value Conclusion:	**$760,000 (Includes Real Estate & FF&E)**
Contributory Value of FF&E:	**$ 20,000**
Contributory Value of 3BR/office:	**$100,000**

These value conclusions are specifically limited by the *Contingent and Limiting Conditions*, with emphasis on the *Jurisdictional Exceptions* detailed at the beginning of this appraisal report which require that project influence be excluded from the valuation analysis. For the purpose of my analysis, any increase or decrease in value caused by the Noise Mitigation Project has been excluded from my final value estimate.

Assumptions:

The following statement is included at the request of the client. The appraiser has been informed that the City of Austin generally requires the Grantor to provide either a General or Special Warranty Deed when conveying real property to the City. In the event a purchase is unsuccessful, the City will acquire the real property by eminent domain and will not receive a General or Special Warranty Deed from the Condemnee. The City Attorney's Office will include all parties shown as "owners" in the Title Commitment in the eminent domain proceeding. Therefore, it is my opinion there is no difference in market value between the two acquisition procedures.

CONTINGENT AND LIMITING CONDITIONS

This report is subject to the following limiting conditions:

The legal description furnished is assumed to be correct. The Aegis Group, Inc., assumes no responsibility for matters legal in character, nor renders any opinion as to the title, which is assumed to be good. The property is appraised having knowledgeable ownership and competent management.

The Aegis Group, Inc., has made no survey and assumes no responsibility in connection with such matters. The information identified in this report as being furnished by others is believed to be reliable, but no responsibility for its accuracy is assumed. The construction and condition of any improvements mentioned in the body of this report are based on observation and no engineering study has been made which would discover any latent defects. No certification as to any of the physical aspects could be given unless a proper engineering study was made.

The distribution of the total evaluation between land and improvements in this report, where applicable, applies only under the existing program of utilization. The separate estimates for land and improvements must not be used in conjunction with any other appraisal, and are invalid if so used.

I am not required to give testimony or attendance in court by reason of the appraisal with reference to the property in question, unless arrangements have been made previously thereof.

Possession of this report or a copy thereof does not carry with it the right of publication. It may not be used for any purpose by anyone other than the addressee without the previous written consent of the appraiser.

Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written approval and consent of the author, particularly as to valuation conclusions, the identity of the appraiser or firm with which he is connected or any reference to the Appraisal Institute, or the SRA or MAI designation.

To the best of the appraiser's knowledge, the subject property does not contain any toxic substances such as hazardous waste, asbestos or radon gas which would adversely impact the market value of the subject. Additionally, to the best of the appraiser's knowledge, there are no properties within the immediate area which contain these substances. This is not a guarantee that these substances do not occur in the subject property or within the immediate area. This is only a statement as to the knowledge of the appraiser.

The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance

survey of the property, when constructed together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the act. However, based upon my visual inspection of the subject, I am of the opinion that it is in compliance with the basic requirements of the act.

The following statement is included at the request of the client. The appraiser has been informed that the City of Austin generally requires the Grantor to provide either a General or Special Warranty Deed when conveying real property to the City. In the event a purchase is unsuccessful, the City will acquire the real property by eminent domain and will not receive a General or Special Warranty Deed from the Condemnee. The City Attorney's Office will include all parties shown as "owners" in the Title Commitment in the eminent domain proceeding. Therefore, it is my opinion there is no difference in market value between the two acquisition procedures.

The contract we received indicated that the appraiser shall disregard the effect on use and value of any encumbrances resulting from the project (such as Airport Hazard and Compatible Land Use Regulations, Chapter 25-13 of Ordinance No. 010809-78), and invoke USPAP's Jurisdictional Exception Rule with respect to Standard Rule 1-3(a).

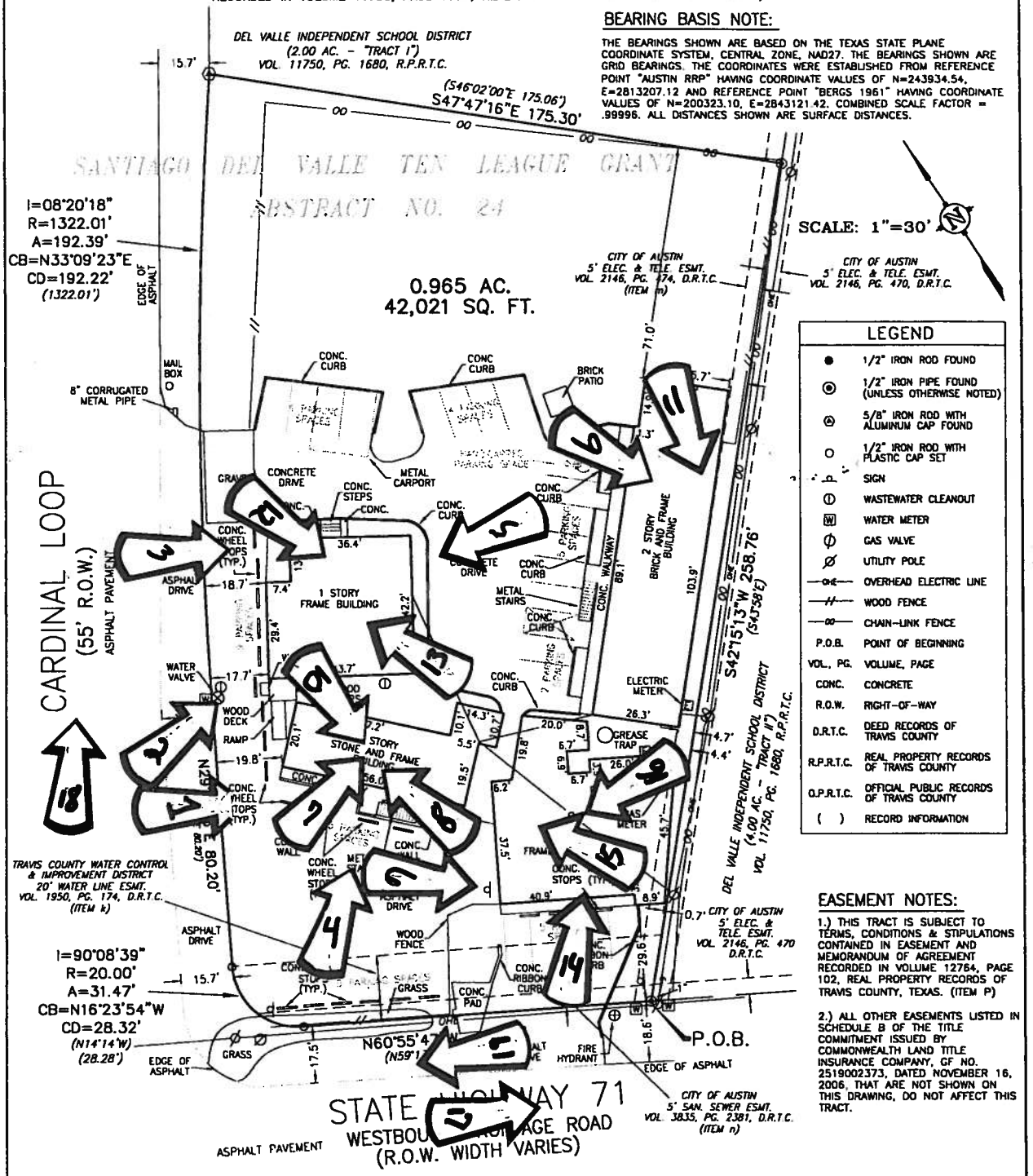
LAND TITLE SURVEY

OF

A 0.965 ACRE (42,021 SQUARE FOOT) TRACT OF LAND OUT OF THE SANTIAGO DEL VALLE TEN LEAGUE GRANT, ABSTRACT NO. 24, TRAVIS COUNTY, TEXAS, AND BEING THAT SAME TRACT DESCRIBED IN A WARRANTY DEED DATED OCTOBER 19, 1992 TO SO STAMEY, RECORDED IN VOLUME 11802, PAGE 267, REAL PROPERTY RECORDS OF TRAVIS COUNTY, TEXAS; SAID 0.965 ACRE (42,021 SQUARE FOOT) TRACT ALSO BEING THAT SAME 2.941 ACRE TRACT DESCRIBED IN A WARRANTY DEED DATED SEPTEMBER 6, 1988 TO WILLIAM E. STAMEY, RECORDED IN VOLUME 10773, PAGE 685, REAL PROPERTY RECORDS OF TRAVIS COUNTY, TEXAS, SAVE & EXCEPT, A 2.00 ACRE TRACT REFERRED TO AS "TRACT I" IN A SPECIAL WARRANTY DEED DATED AUGUST 12, 1992 TO DEL VALLE INDEPENDENT SCHOOL DISTRICT, RECORDED IN VOLUME 11750, PAGE 1680, REAL PROPERTY RECORDS OF TRAVIS COUNTY, TEXAS.

BEARING BASIS NOTE:

THE BEARINGS SHOWN ARE BASED ON THE TEXAS STATE PLANE COORDINATE SYSTEM, CENTRAL ZONE, NAD27. THE BEARINGS SHOWN ARE GRID BEARINGS. THE COORDINATES WERE ESTABLISHED FROM REFERENCE POINT "AUSTIN RRP" HAVING COORDINATE VALUES OF N=243934.54, E=2813207.12 AND REFERENCE POINT "BERGS 1961" HAVING COORDINATE VALUES OF N=200323.10, E=2843121.42. COMBINED SCALE FACTOR = .99996. ALL DISTANCES SHOWN ARE SURFACE DISTANCES.



LEGEND

●	1/2" IRON ROD FOUND
⊙	1/2" IRON PIPE FOUND (UNLESS OTHERWISE NOTED)
⊗	5/8" IRON ROD WITH ALUMINUM CAP FOUND
○	1/2" IRON ROD WITH PLASTIC CAP SET
	SIGN
	WASTEWATER CLEANOUT
	WATER METER
	GAS VALVE
	UTILITY POLE
—OHE—	OVERHEAD ELECTRIC LINE
—//—	WOOD FENCE
—oo—	CHAIN-LINK FENCE
P.O.B.	POINT OF BEGINNING
VOL., PG.	VOLUME, PAGE
CONC.	CONCRETE
R.O.W.	RIGHT-OF-WAY
D.R.T.C.	DEED RECORDS OF TRAVIS COUNTY
R.P.R.T.C.	REAL PROPERTY RECORDS OF TRAVIS COUNTY
O.P.R.T.C.	OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY
( )	RECORD INFORMATION

EASEMENT NOTES:

1.) THIS TRACT IS SUBJECT TO TERMS, CONDITIONS & STIPULATIONS CONTAINED IN EASEMENT AND MEMORANDUM OF AGREEMENT RECORDED IN VOLUME 12764, PAGE 102, REAL PROPERTY RECORDS OF TRAVIS COUNTY, TEXAS. (ITEM P)

2.) ALL OTHER EASEMENTS LISTED IN SCHEDULE B OF THE TITLE COMMITMENT ISSUED BY COMMONWEALTH LAND TITLE INSURANCE COMPANY, GF NO. 2519002373, DATED NOVEMBER 16, 2006, THAT ARE NOT SHOWN ON THIS DRAWING, DO NOT AFFECT THIS TRACT.

No portion of this survey is within the 100-year flood plain boundary as shown on the Flood Insurance Rate Map Community - Panel Number 48453C130F, effective date January 19, 2000.

The easements shown or noted and addressed on this survey are those listed in Schedule B of title commitment issued by Commonwealth Land Title Insurance Company, GF No. 2519002373, effective date: November 16, 2006.

Restrictive covenants of record affect this survey: see Commonwealth Land Title Insurance Company, Schedule B, GF No. 2519002373, dated November 16, 2006.

STATE OF TEXAS |

COUNTY OF TRAVIS |

TO: SO STAMEY F/K/A SO BROOKS, CITY OF AUSTIN AND TO COMMONWEALTH LAND TITLE INSURANCE COMPANY.

I HEREBY CERTIFY THAT THIS SURVEY WAS MADE ON THE GROUND UNDER MY SUPERVISION, THAT THIS PLAT CORRECTLY REPRESENTS THE FACTS FOUND AT THE TIME OF THE SURVEY, AND THAT THIS PROFESSIONAL SERVICE CONFORMS TO THE CURRENT TEXAS SOCIETY OF PROFESSIONAL SURVEYORS STANDARDS AND SPECIFICATIONS FOR A CATEGORY 1A, CONDITION II SURVEY.

MACIAS & ASSOCIATES, INC.

GREGORIO LOPEZ, JR.
REGISTERED PROFESSIONAL LAND SURVEYOR NO. 5272 DATE

DRAWING FILE: 329104.DWG
JOB NO.: 329-104-06
FIELD BOOK F.B.480, PG.40

MACIAS & ASSOCIATES, INC.
LAND SURVEYORS
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5410 SOUTH 1ST STREET
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PH. (512)442-7875 FAX (512)442-7876
EMAIL: MACIASURVEY@EARTHLINK.NET

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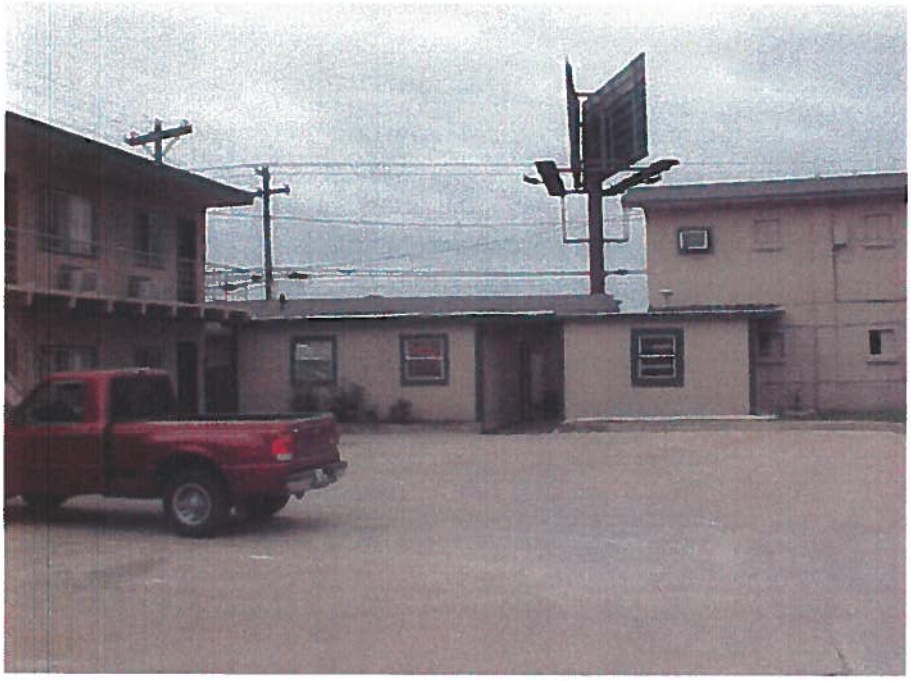


1. Front View of Subject Facing East

2. View of Manager's Residence and Side View of Eight Units

3. View of Subject Facing East

4. Exterior View of Eight Units

5. Exterior View of Manager's Residence

6. Advertising Sign on Property

7. Interior of Unit 3

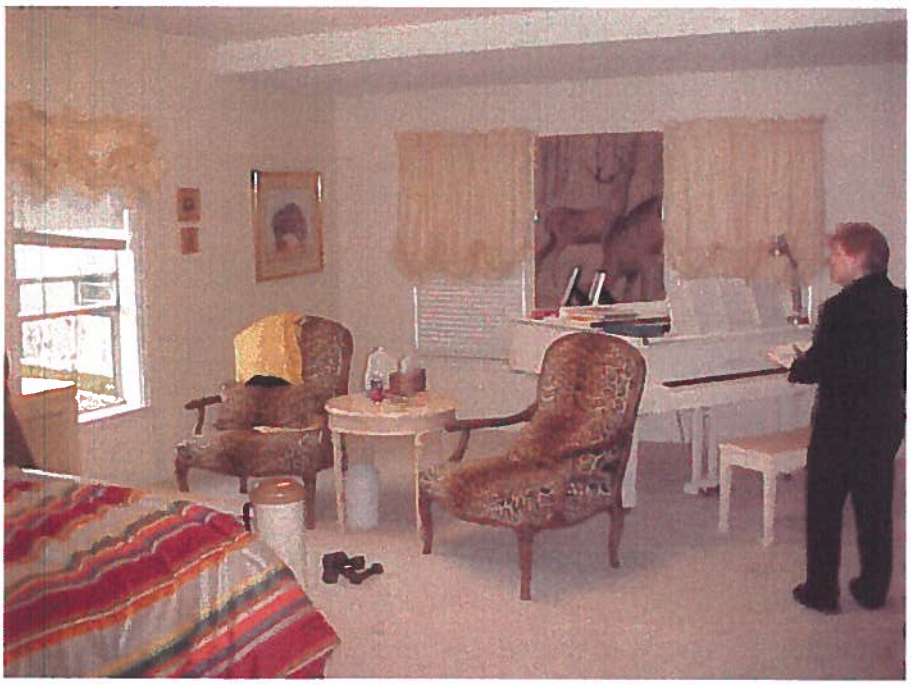
8. Interior of Unit 4

9. Bathroom in Kitchenette Type Room

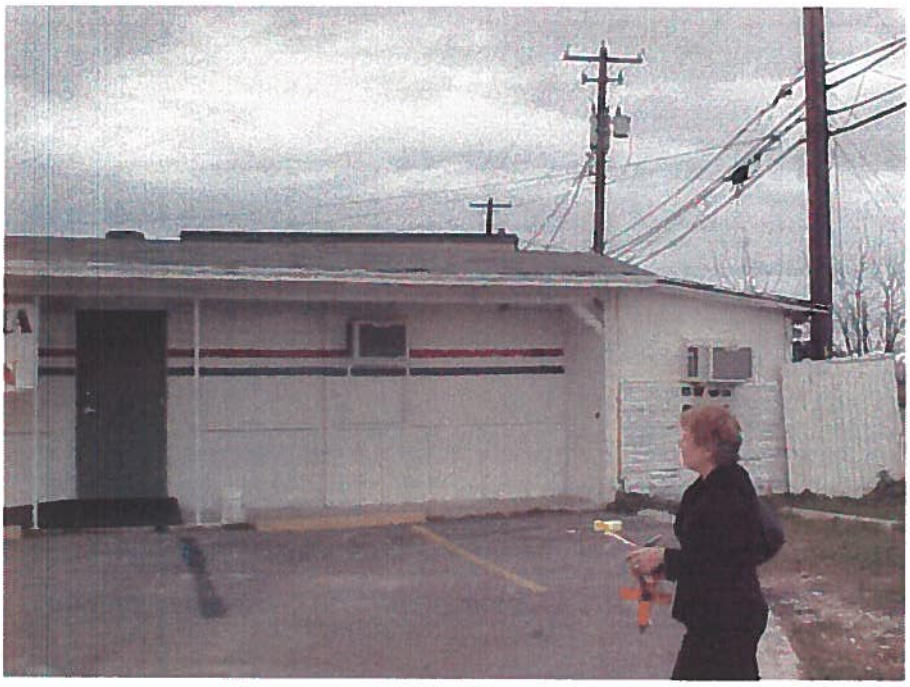
10. Bathroom in Unit 3

11. Kitchenette Type Room

12. Kitchen in Manager's Residence

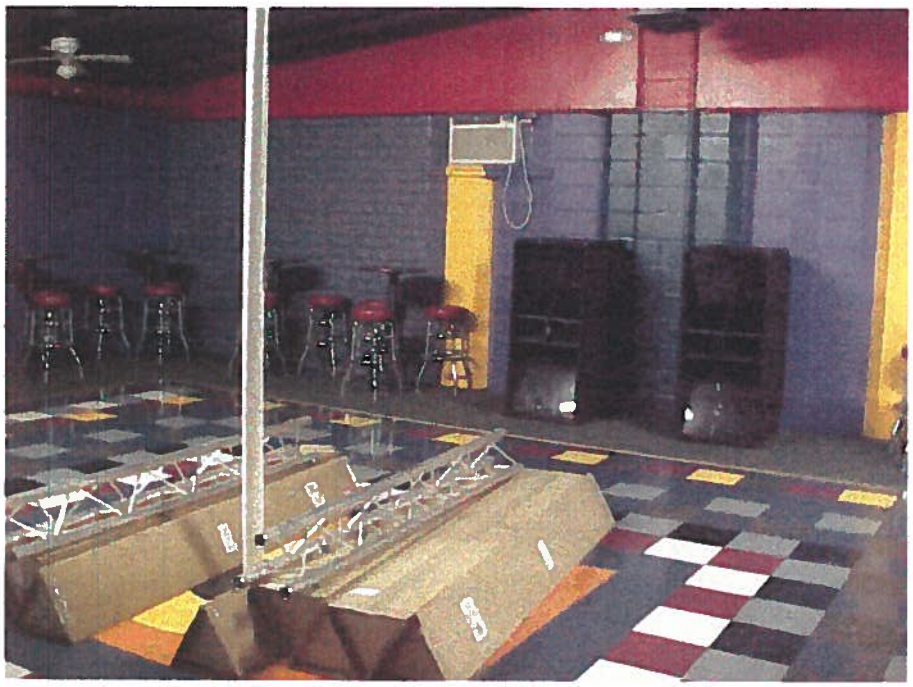


13. Master Bedroom in Manager's Residence



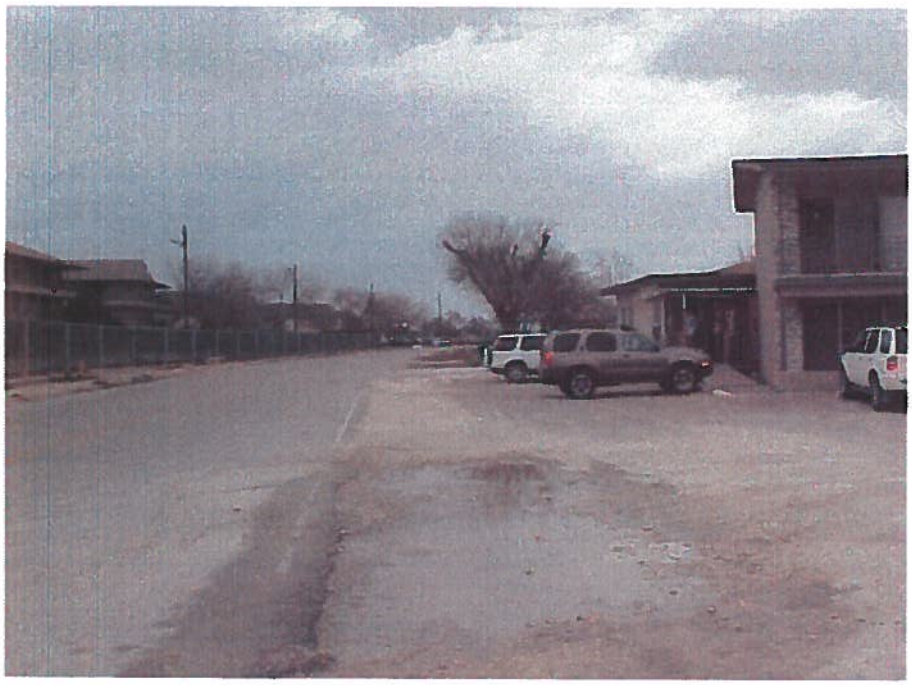
14. Front View of Bar

15. Dance Floor



16. View of Interior of Bar and Dance Area

17. Street Scene Facing East on Highway 71



18. Street Scene Facing North on Cardinal Loop

19. Street Scene Facing West on Highway 71

INTRODUCTION

CLIENT

THC, Inc.

INTENDED USER OF THE REPORT

THC, Inc. and the City of Austin.

DATE OF THIS APPRAISAL

The effective date of this appraisal is January 11, 2007.

DATE OF THE REPORT

The report was written between December 12, 2006 and March 26, 2007.

PROPERTY IDENTIFICATION

The subject of this appraisal is the Country Cottage Motel located at 2601 East Highway 71 in Austin, Travis County, Texas.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to develop an opinion of the "as is" market value of the fee simple interest of the subject property.

USE OF THE APPRAISAL

The use of this appraisal is to assist THC, Inc. and the City of Austin in their internal decision making process related to acquisition of the property as part of the Austin-Bergstrom International Airport Noise Mitigation Program.

MARKET VALUE DEFINITION

For the purposes of this assignment, market value is defined as:

> "The price which the property would bring when it is offered for sale by one who desires, but is not obligated to sell, and is bought by one who is under no necessity of buying it, taking into consideration all of the uses to which it is reasonably adaptable and for which it either is or in all reasonable probability will become available within the reasonable future." (City of Austin vs. Cannizzo, et al., 267 S.W.2d 808,815[1954]).

FEE SIMPLE INTEREST DEFINED

According to The Dictionary of Real Estate Appraisal, published by the American Institute of Real Estate Appraisers, the fee simple estate is "absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power and taxation."

LEGAL DESCRIPTION

Being a 0.965 acre (42,021 square foot) tract of land out of the Santiago Del Valle Ten League Grant, Abstract No. 24, Travis County, Texas, and being that same tract described in a warranty deed dated October 19, 1992 to So Stamey, recorded in Volume 11802, Page 267, Real Property Records of Travis County, Texas; said 0.965 acre (42,021 square foot) tract also being that same 2.941 acre tract described in a warranty deed dated September 6, 1988 to William E. Stamey, Recorded in Volume 10773, Page 685, Real Property Records of Travis County, Texas, Save & Except, a 2.00 Acre tract referred to as "Tract I" in a Special Warranty Deed dated August 12, 1992 to Del Valle Independent School District, Recorded in Volume 11750, Page 1680, Real Property Records of Volume 11750, Page 1680, Real Property Records of Travis County, Texas.

PROPERTY HISTORY

The subject was conveyed from William Stamey to So Stamey, f/k/a So Brooks on October 19, 1992 as recorded in Volume 11802, Page 0267 in the Travis County Deed Records. The purchase price of these transactions was not revealed to my office, nor was it disclosed whether the sale was arms-length. It is not currently on the market.

METHODOLOGY OF VALUATION/SCOPE OF REPORT

In the appraisal of the subject property, I considered the three traditional approaches to value, the Cost, Sales Comparison and Income Approaches, in the valuation of the subject property. I employed those that were appropriate in this instance. Below is a discussion of the methodology and scope of my work used in my analysis of the subject property.

A Description and Analysis Section describing and relating data concerning the area/city, the neighborhood, the site, and the improvements is undertaken to develop the pertinent market characteristics and factual data for further processing in the valuation process. The analysis of all these characteristics is developed in an effort to establish the highest and best use of the site "as if vacant" and the whole property "as improved."

The Valuation Section is then undertaken considering all pertinent market factors that relate to the subject property as recognized in the Description and Analysis Section of the report. The valuation process is typically approached through the use of the three recognized valuation techniques noted above which are each based upon an underlying basic concept or premise. Each of these valuation techniques develops a value indication for the subject property, falling into a

pattern of reasonable limits. Then, through the process of reconciliation, a final market value estimate is correlated.

The first valuation technique is referred to as the Cost Approach, which is a physical analysis of the real property where the property is analyzed with respect to land and improvements. The Cost Approach is based upon the premise that value is inherent to the object itself and that "cost" and "value" tend to coincide. The value indication is developed by estimating the site's value through sales comparison and estimating the improvement's value via replacement cost new less all accrued depreciation, if any. The respective estimates of value of the land and the improvements are then summed to indicate an estimate of value from the Cost Approach. The Cost Approach has not been used in the valuation of the subject property. The subject was constructed in approximately 1963. The motel has been partially renovated over the years, but remains a 40+ year old property. As such, it is my opinion that accurate calculations of depreciation would be difficult. For these reasons, I have not conducted a Cost Approach analysis in this instance, but such an omissions is not felt to lessen the reliability of my final value estimate as market participants rely infrequently on a Cost Approach analysis for older properties.

The second valuation technique is referred to as the Sales Comparison Approach. This approach is based on the premise that persons in the marketplace buy by comparison. Hence, the "principle of substitution" is represented, which basically states that a prudent purchaser/investor will pay no more for a property than the cost of procuring an equally desirable substitute property in the market, given that the substitute property possesses the same utility as the property being appraised. This approach is derived by analyzing comparable property sales by some unit or units of comparison and by adjusting appropriately for the dissimilarities between them and the subject, thus yielding an indication of value from the Sales Comparison Approach.

The third valuation technique, referred to as the Income Approach, is based on the premise that the typical purchaser/investor in the market buys real property in anticipation of its capability to produce an acceptable return on the invested capital; thus, this approach reflects the "principle of anticipation." This approach is developed by taking a potential gross income stream and reducing it by the expenses attributable to the production of that income stream, thus yielding a net operating income. This net income estimate is then capitalized at an appropriate market derived capitalization rate into an indication of value from the Income Approach.

The correlation of a "Final Market Value Estimate" is then developed through reconciliation of pertinent value affecting factors reflected in each of the two applicable approaches. During this process of review and reconciliation, the appraiser considers the strengths and weaknesses of each approach with respect to the property being appraised. Consideration must be given to pertinent physical, legal and economic conditions which exist and influence the value of the subject property. The final market value estimate is concluded through this reconciliation process.

As indicated previously, I elected to value the subject property using the Sales Comparison and Income Approaches. In the application of the Sales Comparison Approach, I used the gross room revenue multiplier (GRRM) as the primary unit of comparison for valuation purposes. I also valued the subject property via the Income Approach. Value indications from the direct capitalization technique were used in the Income Approach. As was discussed on the previous page, the Cost Approach was not used because properties as old as the subject are infrequently compared based on a Cost Approach analysis.

Specifically with regards to the **motel** component of this appraisal, I

- interviewed the owner of the property,
- inspected the subject property on January 11, 2007.
- reviewed the subject's historical operating performance,
- researched improved hotel/motel sales believed comparable to the subject and verified sales with broker or principals whenever possible. Sales were researched occurring since January 1, 2002 until the effective date of this appraisal. I specifically searched for extended stay properties in the southeast submarket of Austin. However, given the shortage of such sales, I broadened my search to economy and moderately priced extended stay and limited service hotels in the Austin metro area,
- surveyed existing competitive properties within the area, specifically with regards to room rates, occupancies, and quality level,
- reviewed secondary source data provided by Source Strategies Texas Hotel Performance factbook and The Highland Group.
- talked with brokers familiar with hotel properties in Austin, Texas, and
- formulated my value opinion and completed my report after considering the appropriateness of each of the three traditional approaches to value.

My analysis of the Country Cottage Motel is based on observations as made from my inspection, TCAD records, and survey records. Representative units in the motel complex were inspected from their interior. The owner of the subject accompanied me on my inspection of the exterior of the motel project and the interior of these representative units.

For the purpose of reporting a value in this report, I will develop an opinion of the subject's market value as of January 11, 2007, the date of my inspection of the motel.

I inspected the bar on February 15, 2007 with the tenant representative present. The tenant was requested to provide tenant improvement costs and itemization of FF&E. However, these items were never provided. I estimated TI costs that are considered real estate using the Marshall Valuation Cost Service.

There is a billboard on the property that has a ground lease to Reagan Advertising. The billboard itself has not been valued as it is personal property; however, the ground lease has been valued.

Our opinion of value is specifically limited by the Contingent and Limiting Conditions, with emphasis on the Jurisdictional Exception.

SUMMARY OF APPRAISAL PROBLEMS

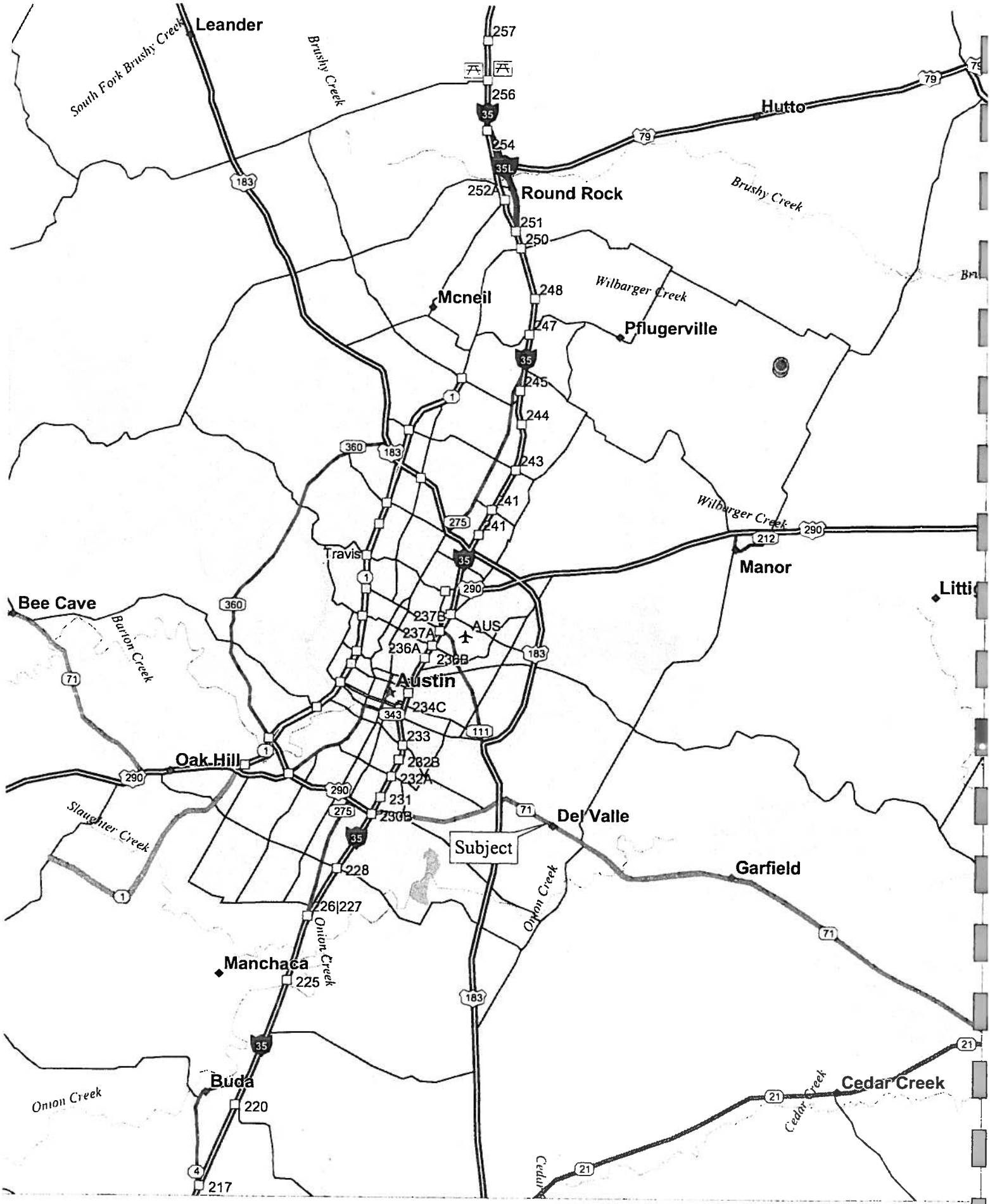
The Country Cottage motel is an older extended stay motel. Historical operating statements were provided, however, they were very inconsistent from 2001 through 2006. There were limited available comparable sales and rentals in the neighborhood. Therefore, it was necessary to use comparable motel data from other areas of Austin. This data was used to estimate NOI at the subject.

The subject is an extended stay and also a limited service property. Most extended stay hotels are of newer construction with interior hallways and current design standards. My Income Analysis includes the available extended stay hotels, and also includes data from physically similar limited service hotels that also lease by the week. Some of these properties did not provide kitchen facilities, but they are believed to be competitive with the subject, particularly the subject units that also do not have kitchenettes.

I also estimated the value of the bar by considering the recently signed lease and added the estimated cost of Tenant Improvements (TI) which were considered to contribute to the real estate. The tenant was requested to provide actual expenses; however, this was not provided.

The billboard on the property was considered personal property; however, I have estimated the value of the ground lease to Reagan Advertising.

DESCRIPTIONS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Area Map

AUSTIN AREA ANALYSIS

Economy/Employment

Austin experienced a strong and rapidly-expanding economy from the late 1970s to the mid-1980s as increases in area employment during that period fueled a high population growth rate. The population growth was primarily a result of in-migration from other parts of the country. The resulting sustained period of demand for real estate products set the stage for unprecedented growth in that industry. A major downturn started in mid-1985, as the collapse of oil prices on the international market devastated the Texas economy. Although Austin did not have a large amount of oil-related employment, the effect was felt nonetheless. At the same time, a downturn in the international semiconductor industry had a direct and immediate impact on the local high-tech industry. The end result of the major industry downturns was a sharp decline in Austin area employment growth. Since active development and construction projects could not be curtailed quickly, all sectors of the real estate market became overbuilt; development and construction virtually ceased for the ensuing several years. From that time until late 1989 and early 1990, the Austin area experienced a period of economic stagnation. 1990 ended with economic optimism as local financial indicators showed signs of a continued modest rate of economic growth. Overall positive trends, catalyzed by lower interest rates and continued employment growth, were seen in 1991 and continued through 2000. In January 2001, the Austin area began to experience an increasing unemployment rate and significantly reduced job growth. Although the labor force continues to expand, the rate of expansion is greatly reduced from that of the mid to late 1990s. At the end of 2003, the unemployment rate stood at 5.7%, this declined to 5.1% in 2004, and by as of year-end 2005 it was 4.4%.

Traditionally, the Austin area has relied heavily on state government and higher education for economic growth and stability. However, in recent years Austin has emerged as a center for research and development as major microelectronics research consortia and major technical product development companies continue to select sites here for new headquarters and branch operations (e.g., Freescale, 3M, Sematech, Applied Materials, Tokyo Electron, Intel, and Samsung). Also, Austin has become a haven for software, Internet, and telecommunications companies alike. This growth is in addition to major expansions by existing high tech hardware and microchip companies such as Dell Computers, Applied Materials, and Advanced Micro Devices. Additionally, the Austin area has seen significant growth in other industries such as biotechnology, film, music, telecommunications, and multimedia. Although there are periodically significant fluctuations in these industries, Austin's economy is partially insulated and stabilized by the presence of employers like City, County, State, and Federal government offices and the University of Texas.

Single-Family Residential Markets

The single-family home market in Austin has seen substantial growth in recent years, as values increased from a median home price of $73,000 in 1990 to $182,500 in August 2006. The average sales price for a single family home in Austin has risen 23.5% over the 2000 average

home prices from $197,300 to $243,684. Austin is experiencing a stable market in most neighborhoods. As a result of low interest rates and recent job creation, the Austin housing market has maintained stability. The month's inventory has declined to a low of 2.90 months as of August 2006. This is a decline from the 2003 high of 6.6 month inventory. In the long-term, as job growth increases, prices are expected to increase at moderate rates.

Apartment Market

Since 1990, average apartment rents in Austin increased sharply. However, the magnitude has decreased somewhat in recent periods with declines beginning in 2001. The primary reason for this overall change in rent escalations has been the introduction of new conventional apartment units into the market, bringing the market more into equilibrium. During 2001, 9,144 units were added. This was the largest single year increase in Austin. Since that time, the annual net amount of new units coming on line has steadily declined. The catalysts for the construction of apartment projects in Austin included an extremely tight housing market, coupled with several years of strong local employment growth. Additionally, Austin regained its favor with the investment and capital communities which resulted in financing and mortgage opportunities which were not available a few years ago. The more recent quarters indicate a stabilization in this market. Since 2001, average rents began declining through 2004; however, rents and occupancies stabilized and occupancies increased in 2005. With occupancy over 90% and rental rates expected to continue to increase, new construction is currently occurring.

Office Market

City-wide office absorption continues to be positive at 239,784 square feet for the first six months of 2006. Overall, the trend towards Class A properties from Class B properties continues. Class A absorption citywide was 506,000 square feet, while Class B properties saw negative 266,000 square feet absorption.

Citywide average weighted rental rates reported by NAI-CIP were $21.88 per square foot per year gross for mid-year 2006.

According to *The Source*, citywide direct vacancy decreased to 15% by mid-year 2006, representing a three percentage point decrease in vacancy since year-end 2004.

The sublease market continues to decrease in square footage, shrinking to 609,767 square feet at mid-year 2006 from 1,420,210 square feet at year-end 2003. It appears that the office market is stabilizing and the market's bottom has been reached and rents are trending upward. For the longer term, the outlook for Austin's office market is bright. New office construction is occurring in some suburban markets.

Retail Market

Over the next several years, the delivery of lifestyle centers and power centers in and around Austin will most likely create some vacancy in second generation space as anchor tenants and the smaller tenants that follow them relocate to the new developments within the same submarket. For instance, some anchor tenants like Home Depot and Whole Foods, have already announced their intention to relocate stores in the Arboretum area to the new Simon projects at The Domain.

Overall retail occupancy rates in the Austin/Round Rock area has remained relatively stable for the last several years. The retail market absorbed a net total of 203,368 square feet of space in the first half of 2006 with a strong overall market occupancy rate of 93.91%.

According to *The Source*, rental rates increased slightly from year-end 2002 to year-end 2003 with rental rates averaging $1.43 per square foot (50,000 square feet to 100,000 square feet) to $1.66 per square foot (greater than 100,000 square feet). As of year-end 2004, rental rates were $1.45 and $1.75 per square foot. By year-end 2005, rates were steady at $1.41 and $1.82 per square foot, respectively. By mid-year 2006, rates had risen slightly from $1.47 to $1.82 per square foot, respectively. The rental market for retail space remains strong as it has been for the past six years.

Industrial Market

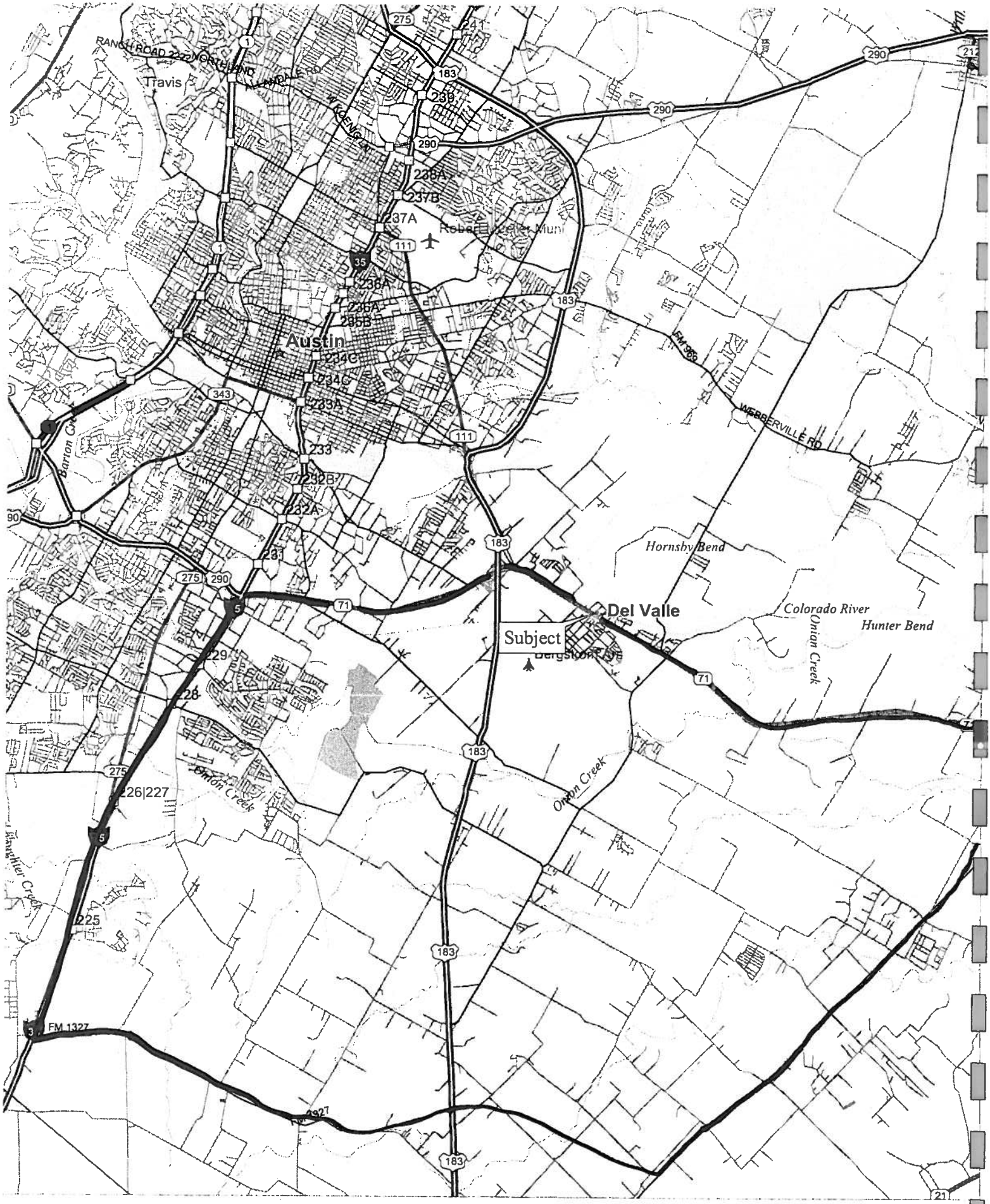
Commercial Industrial Properties, Inc. surveys local industrial market conditions semi-annually. As of midyear 2006, approximately 33,689,644 square feet of warehouse, service center, and R&D space were surveyed. CIP's surveys have been published since 1984 and include industrial buildings in all major industrial parks and developments that are 20,000 square feet or larger. The surveys do not include owner-occupied or pre-leased space. Two basic categories of buildings are surveyed (Flex/R&D and Office/Bulk/Manufacturing/Warehouse).

According to the CIP survey, the overall vacancy rate for the industrial sector was 20% at year-end 2003 and unchanged 20% for year-end 2004. The overall vacant space decreased to 15% by year-end 2005 and remained at that 15% level as of mid-year 2006. Net absorption figures for all sectors for the first six months of 2006 totaled 428,955 square feet. The average citywide rental rate is $3.84 to $5.56 per square foot for bulk warehouse space up to $6.60 to $8.64 per square foot for R&D space. The bulk warehouse market showed significant rental rate increases while the Flex/R&D saw virtually no change in rates.

Conclusion

The Austin-San Marcos MSA, located along the IH-35 corridor, continues to grow in population. Much of the growth in the MSA is taking place outside and on the outskirts of Austin. The area is dominated by high-tech industries, which has helped to bring higher salaries to the area. The latest unemployment rates indicate stabilization and growth in the labor force.

During the 1990s, increasing population, job growth and a good business climate raised rents and occupancy levels throughout the area. However, beginning in 2001, the unemployment rates began rising along with vacancy rates in the office and industrial markets. The retail market has maintained its strength while the office and apartment markets are showing signs of recovery, with new construction occurring in select markets. The overall outlook for Austin and surrounding areas appear positive over the long-term.



Neighborhood Map

NEIGHBORHOOD ANALYSIS

A neighborhood can be considered as a part of a larger city or community wherein there is a tendency towards the grouping of land utilization. As defined in the Twelfth Edition of *The Appraisal of Real Estate*, a neighborhood is "a group of complementary land uses." A neighborhood may be an urban or suburban development, which may include residential, commercial, industrial or other land uses that are generally characterized as being homogeneous in some respects, and include a unified area with some definite boundaries.

The purpose of a neighborhood analysis is to provide a bridge between the study of general influences on all property values and the analysis of a particular subject. Neighborhood boundaries are identified by determining the area in which the four forces which affect value (social, economic, government and environmental) operate in the same way they affect the subject property.

The neighborhood for the subject property can be described as the southeast corner of Travis County. This area can be delineated physically as Ben White Boulevard/U.S. Highway 290/Colorado River to the north, FM 1327 to the south, Bastrop and Travis County lines to the east, and IH-35 to the west. Please refer to the neighborhood map for an overview of the area. Within these boundaries, the land uses are predominantly residential with commercial and industrial uses along major roadways. Additionally, Austin-Bergstrom International Airport (ABIA) is located in the northern portion of the neighborhood. At this time, the majority of the land is not developed. When analyzing a neighborhood comprised of such diverse property types as the subject, it is necessary to first divide the analysis into segments of the forces to be analyzed. These forces include: economic and land use factors, associations between the site and neighborhood, linkage attributes and neighborhood trends. These segments, as they influence the subject site and the neighborhood as a whole, as described below.

Economic and Land Use Factors

The subject neighborhood's outer boundaries are encircled by a wide variety of economic and land use factors. To the north, the State Highway 71/Ben White Boulevard area is the beginning of commercialization as Austin expands to the south. This location has been a preferred area for high-tech expansion in Austin. Advanced Micro Devices, Sematech and Tokyo Electron are all in this area. The completion of the ABIA has been a catalyst for growth in the subject neighborhood primarily to the west of the subject along Ben White Boulevard. Further to the west, the IH-35 Corridor area is an area of relatively intense commercialization and development. In between these areas, assorted small commercial uses and scattered suburban residential subdivisions make up transitional areas. Most of the existing and proposed residential subdivisions are in the lower to middle price category and are clustered around existing major roads such as Nuckols Crossing, Stassney Lane, East William Cannon, Colton-Bluff Springs Road, and Moore's Crossing. To the south lies predominantly agricultural land that is more related to the community of Creedmoor than to southeast Austin. The subject neighborhood is predominately outside the Austin City Limits and, in the southern portion of the neighborhood, is

basically a pocket of undeveloped agricultural land that is primarily still being utilized for crop production and pastureland. A mineral resource extraction operation is located north of Scenic Loop. The properties that front along U.S. Highway 183 which have been developed are commercialized in a low intensive manner with small convenience stores, service stations, and unique uses such as a flea market and a concrete products plant. Development within the interior of the neighborhood is minimal and has occurred most notably along the Highway 183 corridor and western portion of Ben White Boulevard. However, there are numerous large tracts located along U.S. Highway 183, Burleson Road and McKinney Falls Parkway listed for sale. These are primarily proposed for industrial and commercial development to help service the new Austin airport and existing high-tech industry.

The announcement and subsequent opening of ABIA six years ago has slowly provided a catalyst for the surrounding area as well as the Ben White/Highway 71 corridor. A number of projects are currently developed, under construction, or in the planning stages. The following paragraphs summarize the related development activity.

The Met Center, located at the southwest corner of Highway 71 and Highway 183, was one of the first airport-related projects. This mixed use development includes a number of hotels, restaurants, and large industrial/service center users.

The 105,000 square foot Semicon Business Park located at East Oltorf and Metropolis Boulevard has been completed and occupied. An additional 60,000 square feet are planned.

The Commerce Center South, located at Burleson Road and Highway 71 is a 71 acre mixed use corporate park. The majority of this development is devoted to industrial/service center space.

The Expo Center is another large industrial corporate park located in the Burleson Road area with an additional phase under construction.

The Airport Commerce Park is located at the intersection of Highway 71 and Highway 183. This 100 acre mixed use development is to include hotels and restaurants as well as commercial/ industrial space when completed.

The Airport Centre, located to the north of the main entrance to ABIA is proposed for retail, hotel, restaurant, office/warehouse, and remote parking use for the ABIA.

The former Lockheed site located at the intersection of Burleson Road and Highway 183 is to be redeveloped. This 600 acre site has a large component of vacant land as well as large industrial buildings.

The InterPort project is a 651 acre mixed use development located at the northeast corner of Highway 71 and Fallwell Lane. Approximately 238 acres are proposed to be developed with a mix of retail, commercial, multi-family, and industrial uses. Additionally, Highway 130 (when completed) will bisect the tract.

A ±400 acre site owned by the Carr Family Partnership is located at the southeast corner of Highway 71 and FM 973. It is anticipated that this tract will be developed with various commercial and industrial uses.

In addition to the significant development located on the periphery of the ABIA site, several industrial projects are underway within the ABIA boundaries. These are mostly associated with airplane maintenance and cargo operations. It should be noted that sufficient vacant land exists within the airport boundaries to provide additional sites suitable for related development, should the City of Austin pursue development options.

Major utility providers in the neighborhood consist primarily of the City of Austin for water, wastewater, and electric services. SBC provides telephone service and gas is provided by Texas Gas Service. Bluebonnet Electric Cooperative also provides electric service to portions of the neighborhood. Research with the City of Austin water and wastewater engineering staff indicates that the city has infrastructure in place to provide water and wastewater service to a large portion of the northern section of the neighborhood. A 48" water main serves much of the area. The Onion Creek wastewater interceptor is in place to accept wastewater flow from most of the northern part of the neighborhood. Areas of the neighborhood that are not serviced by the City of Austin could possibly be served by an existing private entity known as the Creedmoor-Maha Water Supply Corporation. Otherwise, private water wells and individual septic systems exist as alternate service options.

Generally, the terrain of the neighborhood is flat to gently rolling with low to moderate tree coverage. Information on soil and subsoil conditions in the subject neighborhood is reported in the Soil Survey of Travis County, Texas, published by the Department of Agriculture Soil Conservation Services. The neighborhood contains a number of soil groups and engineering studies are recommended to determine specific soil groups and characteristics as they apply to individual sites. The soil groups consist mainly of deep gently sloping soils of the Blackland Prairies and more specifically belong to the Houston Black-Heiden association. This association of soils is generally deep, calcareous, clayey soils overlying marl. Generally, the high shrink-swell potential of the clay soil groups which are predominate in the neighborhood impose some development constraints. Typically, however, developers have not foregone development in areas with clay soils; the soils are typically viewed as an added development cost and not so much as a hindrance to development.

Associations

There are several major employers within or in close proximity to the neighborhood. Two major employers within the neighborhood are the IRS Regional Office, which is located near the intersection of IH-35 and Ben White Boulevard and employs 4,200, and Advanced Micro Devices, located at Ben White Boulevard just west of Montopolis which employs 3,500. In addition, Motorola, Sematech, BAE Systems and the Texas Parks and Wildlife Department are large employers in the region. Additionally Tokyo Electron constructed their North American

Headquarters on Grove Boulevard just north of Ben White Boulevard near Montopolis. Further, the ABIA has become one of the larger employers in the area.

Linkage Attributes

The primary north/south access to the neighborhood is provided by IH-35 and U.S. Highway 183 South. IH-35 forms the western boundary of the neighborhood. IH-35 is a major interstate highway connecting the City of Austin with its neighboring cities of San Antonio and Dallas/Fort Worth. U.S. Highway 183 runs through the center of the region, and transitions from a divided four-lane down to an undivided four-lane highway within the neighborhood. Ben White Boulevard/State Highway 71 is the major east/west arterial in the neighborhood. This road will eventually be upgraded to freeway status so as to better service the new airport. The next major commercial collector which runs primarily east/west is Burleson Road. Burleson Road has been the location of numerous new commercial developments over the past two years. Scenic Loop and Colton Bluff Springs Road represent the other east/west access roads through the neighborhood. Both roads are primarily small two-lane undivided County roads. The City of Austin and Travis County are working on upgrading roads in the area in an attempt to prepare for future development in the area. Scenic Loop has been partially improved at this time. Once fully extended, East William Cannon Drive will become the primary east/west access through the neighborhood. It is planned to be a divided four-lane road and will provide east/west access between IH-35 and U.S. Highway 183 South. The most recent and significant roadway improvement has been the construction of the four-lane McKinney Falls Parkway which connects Scenic Loop near McKinney Falls State Park northeast across Burleson Road to U.S. Highway 183 opposite the new airport site.

Finally, construction is underway for State Highway 71. It is anticipated that completion of this roadway will not occur until 2009; however, the extension has been completed east of IH-35 for approximately two miles.

Summary

Based upon the previous data and analyses, it is evident that the opening of the ABIA has slowly spurred development activity in the area primarily to the west of the subject along Ben White Boulevard expanding towards the airport. As such, the immediate area surrounding the airport is anticipated to undergo a significant transformation to large, mixed-use developments in the foreseeable future. Other sites in close proximity to ABIA are likely to benefit from the agglomeration of uses related to the airport. Areas further south and east of ABIA (in the immediate vicinity of the subject) are seeing little development at this time.

SITE ANALYSIS

"Site analysis is a careful study of factual data in relation to the neighborhood characteristics that create, enhance, or detract from the utility and marketability of the land or site as compared with competing comparable land or sites." (From *The Appraisal of Real Estate*, Twelfth Edition, published by the Appraisal Institute, 2001).

Subject Overview:	The subject is the 20 unit Country Cottage Motel located at 2601 East Highway 71. The improvements also include a 3 bedroom manager's residence and a Bar. The Country Cottage Motel is located on the northeast corner of Highway 71 East at Cardinal Lane.
Address:	2601 East Highway 71
Legal Description:	Being a 0.965 acre (42,021 square foot) tract of land out of the Santiago Del Valle Ten League Grant, Abstract No. 24, Travis County, Texas, and being that same tract described in a warranty deed dated October 19, 1992 to So Stamey, recorded in Volume 11802, Page 267, Real Property Records of Travis County, Texas; said 0.965 acre (42,021 square foot) tract also being that same 2.941 acre tract described in a warranty deed dated September 6, 1988 to William E. Stamey, Recorded in Volume 10773, Page 685, Real Property Records of Travis County, Texas, Save & Except, a 2.00 Acre tract referred to as "Tract I" in a Special Warranty Deed dated August 12, 1992 to Del Valle Independent School District, Recorded in Volume 11750, Page 1680, Real Property Records of Volume 11750, Page 1680, Real Property Records of Travis County, Texas.
Parcel I.D. Number:	03-1430-04-01
Size:	0.965 acres; 42,021 SF The lot size is from the survey prepared by Macias & Associates, Inc. dated January 4, 2007.
Shape:	Rectangular.

Frontage:	The subject has approximately 105' of frontage on State Highway 71 and 272' on Cardinal Lane.
Topography:	Level
Vegetation:	Limited landscaping. Open field at rear.
Mineral Rights:	Based on my research and all the provided documentation, there appears to be no commercially valuable mineral deposits located within the subject.
Surrounding Property Uses:	Apartments, miscellaneous small commercial, small warehouse, and vacant land
Floodplain:	According to Community Panel 48453C130F dated January 19, 2000, from the Flood Insurance Rate Maps prepared by the Federal Emergency Management Agency, the subject is not within a flood prone area.
Soil Conditions:	I did not receive a soil survey or study which addresses the composition of the subject's underlying soils. Based on the existing development, it is my opinion that, given proper site engineering, the soils do not present an impediment to development of the site.
Utilities:	The City of Austin provides electrical, water, and sewer services. Texas Gas Service provides gas service. Telephone service is provided by SBC.
School District:	Del Valle ISD
Zoning:	The City of Austin zoned the subject GR - Community Commercial. GR zoning is the designation for office or other commercial uses that serve neighborhood and community needs and that are generally accessible from major traffic ways. GR requirements are as follows:

Minimum Lot Size	5,750 SF
Maximum Height:	60 feet

Minimum Setbacks:	
Front Yard:	10 feet
Street Side Yard:	10 feet
Maximum Building Coverage:	75%
Maximum Impervious Coverage:	90%
Maximum Floor Area Ratio:	1:1

Hotel/motel use is a conforming land use in GR zoning.

The subject has a small section within the boundaries of the site that is zoned "CS-1" - Commercial-Liquor Sales. This is for "commercial or industrial activities which typically have operating characteristics or traffic service requirements generally incompatible with residential environments, such as equipment sales, custom manufacturing, vehicle storage, or construction services." Liquor Sales is added to these uses. The "Bar" is located in this area.

The subject also lies within conditional overlay zones. The first is the State Highway 71 Scenic Roadway Overlay Zone. The CO overlay prohibits pawn shops, adult oriented business, and limits generated traffic counts. The subject is also in the Airport AO-2 Overlay Zone. This is an area of controlled compatible land uses that prohibits many types of uses that would be negatively impacted by the sound levels associated with airport traffic.

Easements:

The Commitment for Title Insurance provided my office shows typical public utility easements. It also shows Service and Use Agreements with third parties to provide cable TV and coin-operated laundry service. There is also a restrictive covenant noted in Volume 2780, Page 388 which restricts use "that no gasoline service station shall be operated on any of the land hereby conveyed which is within 300 feet of State Highway 71... and no liquid petroleum products shall in any manner be sold thereon...." unless the 1.37 acres at the southeast corner ceases operation of a service station or sale of liquid petroleum products. These are not

believed to adversely impact the subject. A copy of the Commitment for Title Insurance is in the addenda of this report.

Environmental: According to the Phase I Environmental Site Assessment prepared by Hill Country Environmental, Inc., dated December 29, 2006, "It is the opinion of the Environmental Professional and the supervising Professional Engineer that this assessment has revealed no evidence of recognized environmental conditions. No further action is recommended at this time...This assessment has revealed no evidence of recognized environmental conditions in connection with the Site." I have assumed there to be no adverse environmental influences, other than those pertaining to project influence which are specifically excluded from this valuation analysis.

Improvements: Four buildings used primarily as motel units, manager's residence and a Bar. The property is known as the Country Cottage Motel.

Present Use: Motel (Country Cottage Motel) and Bar

Historical Use: The subject has been operated as a motel since its construction in approximately 1963.

IMPROVEMENT DESCRIPTION

The subject property is improved with a 20-unit, exterior corridor extended-stay and limited service (daily) motel which contains approximately 11,709 square feet of gross building area. The property is operated as the Country Cottage Motel and includes a separate building leased for a bar. The improvements include four, one and two-story buildings containing the guest rooms, a three bedroom residence/manager's office and the Bar.

The following is a summary of the general details of the subject's construction characteristics.

Building Size:

Two Story 8-unit Building	2,399 SF
Two story 12-unit Building	5,068 SF
Manager's Residence	1,757 SF
Bar	2,485 SF
Total:	**11,709 SF**

11,709 square feet of gross building area (per surveyor).

Year of Construction: Approximately 1963

Effective Age: 35 years

Guest Room Configuration: The subject has 20 guest rooms located in two, two-story buildings, a one-story manager's residence and a bar. There are two room configuration. These are as follows:

Room Layout	Kitchen	Number
2 Queen Beds Kitchenette	Yes	12
1 Queen Bed	No	8
Manager's Office/House	Yes	1
Total		21

The north and east property line have chain link fencing, with additional wood fences on the eastern boundary and on the interior of the property.

Guest Room Amenities: 12 of the guest rooms offer a kitchen area open to the main living area. These kitchens contain a stove, refrigerator, food preparation area, and sink. The other 8 units do not have any kitchen amenities. Other guest room amenities include a television. Closets are provided in each bedroom. Bathrooms

include a single vanity with sink, bathtub/shower and toilet, with minimal decor.

Hotel Amenities: The motel launders guest linens in one washer and one dryer. The hotel has no elevators. It offers no food or beverage outlets, nor complimentary breakfast.

Manager's Office/Residence: The management office is located in a separate building that is part of the manager's residence. This building has three bedrooms, a kitchen and one bathroom, as well as the manager's lobby and office area. The kitchen and master bedroom are very spacious.

Condition: The property was built in approximately 1963 and overall the property is in average condition for its quality level. New roofs have been installed over the years, with the latest being approximately four to five years ago. The individual units remain somewhat dated. It is estimated that a building of this type will have a typical life expectancy of approximately 45-50 years. It is my opinion that the subject building exhibits an overall effective age of 35 years.

Foundation: Reinforced concrete slab.

Framing: Concrete Block and wood framing.

Exterior wall finish: Brick and stone.

Interior walls: Gypsum board walls.

Roofing System: Pitched roof with composition shingle.

Interior Guest Room Finish: The guest rooms have gypsum board walls. Most floors are carpeted. The floors of the bathroom and kitchen area are ceramic or vinyl tile.

Doors: The guest room doors are metal doors with key access.

Exterior Windows:	The windows are rectangular with aluminum framed panes and tempered glass.
HVAC:	The guest rooms have window units and radiators.
Electrical:	It is assumed that the electrical engineering is adequate and the electrical systems were built to code.
ADA Compliance:	I do not have the expertise to determine if the subject's improvements comply with all of the requirements of ADA, however, given the building's dated construction, exterior stair towers and lack of elevators, it is probable that the building does not comply with ADA requirements.
Plumbing:	It is beyond the scope of my expertise to comment on the adequacy of the plumbing engineering. Therefore, I assume that the plumbing system was constructed to code.
Interior Lighting:	Interior lighting consists of wall mounted lighting and overhead fixtures.
Bar:	The bar is undergoing remodeling with interior improvements being made by the lessee. The bar was inspected on February 15, 2007. The interior remodel includes a large dance floor of vinyl tile, carpet surrounding the dance floor, a bar service area with large bar counter. The walls are painted concrete block with fluorescent lighting. There are 100 chairs/stools, tables, and bar equipment including sinks, refrigeration, and countertops. There is a large screen tv/security located at the bar. There is a storage area at the rear that the tenant intends to also utilize. The exterior is concrete block, and the roof is approximately 5 years old.
Site Improvements:	The parking lot is asphalt and contains 41 parking spaces (including one handicapped space), which is adequate parking for the subject. The Bar has five of these 41 spaces. Two driveway entrances provide access from Highway 71 and Cardinal Loop. The site contains minimal landscaping.

Signage:	There is a two-faced billboard on the property that is considered personal property. It is on a ground lease to Reagan Advertising.
Fixtures:	A tabulation of the FF&E provided by the tenant is included in the addenda of this report. They were considered to have an economic life of 10 years with an effective age of five years. The FF&E within the bar was not included. I have estimated the contributory value of the tenant improvements using the Marshall Valuation Cost Service.
Occupancy:	The owner/landlord indicated that the kitchenette units are usually 100% occupied, while the other units are 50% to 60% occupied on average.

Summary

The subject is an older property built in approximately 1963. The property has full kitchen facilities in 12 extended stay rooms but not in the eight daily rooms This layout is conducive to both extended stay and shorter term customers. The property leases both by the night and by the week. A few units lease for longer terms as furnished apartment units. As of the date of my inspection, only four units were leased as apartments. All leases are assumed to be on a month-to-month status.

The layout is well suited for extended stay and shorter term users, and the maintenance and updating is sufficient to attract budget-minded extended stay occupants.

ASSESSED VALUES AND PROPERTY TAXES

The following table summarizes the 2006 certified assessments for the subject property. 95% of the property is "non homestead" and 5% is "homestead." This data is as follows:

Component	TCAD Parcel Number	Land	Improvements	Total
95% Non-Homestead	03-1430-04-01-0001	$155,762	$271,040	$426,802
5% Homestead	03-1430-04-01	$8,198	$0	$8,198
Total		$163,960	$271,040	$435,000

The following table highlights the assessed values of competitive hotel properties in the market.

Property	Number of Rooms	Account	2006 Assessed Value	Assessed Value/Room
Suburban Extended Stay	136	03-0702-03-17	$2,883,010	$21,199
Extended Stay America Austin Downtown	143	03-0104-02-35	$2,667,370	$18,653
Best Value Inn	72	03-0702-03-14	$1,385,315	$19,240
Country Gardens Inn & Suites	56	03-0902-03-13	$647,600	$11,564
Park West Inn	40	03-0702-03-13	$693,330	$17,333
Best Western	112	03-1433-01-03	$3,211,295	$28,672
Country Cottage Motel	21 (including managers residence)	03-1430-04-01	$450,000	$21,429

Assessments at the subject are at the higher end of the range than at most of the comparable properties; however, this assessment also includes the bar. The Best Western, at the high end of the range, is the most proximate to the subject; however, it is a newer property constructed in 1998.

Based on the preceding analysis, and considering the bar on the subject property, I have estimated the current assessments to reflect market value. In the Proforma Income Analysis, I have increased the assessment 5%.

The following table summarizes the subject's tax authorities and their 2006 tax rates.

Taxing Authority	2006 Tax Rate/$100 of Value
Del Valle ISD	$1.7277
City of Austin	$0.4126
Travis County	$0.4499
Travis Co. Hospital District	$0.1000
ACC	$0.0965
Total	$2.7867

The next table summarizes the 2006 taxes for the subject.

Parcel I.D.	2006 Assessed Value	Tax Rate/ ($100 of Value)	2006 Taxes
03-1430-04-01	$435,000	$2.7867	$12,122

The 2006 taxes have been paid.

ANALYSES

HOTEL MARKET

The market value of a hotel property is a direct function of the supply and demand for hotel rooms within a market area. Therefore, I have included a brief summary of the extended-stay market and an analysis of the local hotel market.

According to Source Strategies Inc., the Texas Lodging Market for the third quarter 2006 (the latest available data), Room Revenues have increased 11.2 percent above a year ago, representing the eighth straight quarter of strong growth in the Texas lodging market. Third quarter 2006 room nights sold increased by 3.5%, after a 4.4% increase the second quarter 2006. Third quarter occupancy grew to 62%, up 0.8 points over last year. Occupancy in 2005 gained 3.9 points to 59.8% after a one point increase in 2004, and a 1.1 point drop in 2003.

In the Austin-Round Rock area, room revenues improved by 24.3% in 2006, and 14.6% in 2005 from 2004. Current occupancies (3Q2006) were 66.1% with ADR of $93.91 (the highest in the state following San Antonio). Occupancy increased 5.8% over 2005.

Extended-Stay Market

According to The Highland Group, an extended-stay hotel is typically defined as a hotel with fully equipped kitchenette, accepts reservations and does not require a lease. Most of these hotels define an extended-stay guest as one who stays in excess of five nights and the majority of these hotels quote weekly rates. Extended-stay hotels can be divided into three categories upscale, mid-price and economy. The following chart highlights brands that are associated with each category.

Extended-Stay Brands by Weekly Rate Range		
Upscale ($500+)	Mid-Price ($250-$500)	Economy (Under $250)
Hawthorn Suites	Bradford Suites	Budget Suites
Homewood Suites by Hilton	Camden Suites	Crestwood Suites
Lakspur Landing	Candlewood Suites	Crossland Suites
Potomac Hospitality	Extended-Stay America	Hearthside
Residence Inn	Hawthorn Suites LTD	InTown Suites
Staybridge Suites	Homestead Village	Lodge America
Summerfield Suites	Home-Towne Suites	Southern Suites
Woodfin Suites	Lexington Suites	Studio 6
	MainStay Suites	Suite One
	Sierra Suites	Sun Suites
	Studio One	Villager Lodge
	Studio Plus	Other Independents
	Towne Place Suites	
	Villager Premier	

Source: *The Highland Group* - Report on the Extended-Stay Lodging Industry Inn the United States - 2001

The subject motel is included in the economy segment and therefore I will discuss this segment in further detail. The average length of stay for economy properties is significantly longer than the other two price categories. According to the Korpacz Real Estate Investor Survey, Third Quarter 2006, "Within the Limited -Service segment, the midscale-without food-and -beverage sector is expected to continue to outperform the economy segment in the years ahead. The RevPAR growth forecast for the midscale-without-F&B sector is the highest of the six industry segments in both 2006 and 2007. As a result, many hotel investors are seeking to add economy/limited-service hotels to their portfolios through either acquisitions or ground-up development." In the Extend-Stay segment, "strong demand within the Extended-Stay lodging segment is keeping investors actively looking for investment opportunities through both acquisition and development.

According to Source Strategies, Inc, Second Quarter 2006 Segment Performance Results, the extended stay segment had the highest occupancy rates at 70.7%. The Budget segment, the largest number represents in the survey, had an occupancy rate of 57.6% (at the low end of the range among the segments.

Local Competitive Extended-Stay Hotel Market

I have defined the competitive market for the subject based on location, facilities, price points and market performance. The competitive properties range from 40 rooms to 136 rooms and are all located on IH-35 outside of the CBD with the exception of the Best Western Airport located to the east of the subject on Highway 71 East. It should be noted that there were several other hotel properties that were located in the immediate vicinity of the subject that have not been included in the competitive supply. They have already been closed as a result of project influence. Only one, the Best Western Airport, a newer property, has been included because of proximity to the subject. The only other hotels in the immediate area are located together at the intersection of U.S. Highway 183 and Highway 290. All of these motels are quite new and built within the past few years to serve airport travelers. Also, they are not designed for extended stay guests. They are not believed comparable to the subject and have not been included. Due to the extended-stay and economy nature of the subject motel, I have chosen competitive properties based on their orientation to the economy extended-stay market. The following chart highlights the competitive properties.

Competitive Extended Stay Hotels
Source Strategies Inc. Third Quarter 2005

Comparable	Name	No. Rooms	REV PAR 3Q 2005	REV PAR 3Q 2006	Occupancy 3Q 2005	Occupancy 3Q 2006	Comments
1	Best Western Seville	97	$25.69	$36.22	46.3%	60.8%	Built in 1973; interior corridor.
2	Best Western Airport	112	$30.56	$35.07	51.6%	54.7%	Built in 1998, interior corridor.
3	Suburban Extended Stay Hotel	136	$23.66	$31.36	67.3%	75.3%	Built in 2001. Interior corridor. Kitchenettes.
4	Best Value Inn	72	$22.62	$29.48	51.1%	60.2%	Built 1985. Formerly Super 8. Interior corridor. Kitchenette (no stove).
5	Country Gardens Inn and Suites	56	$12.85	$15.81	45.6%	55.4%	Built 1982. No kitchenettes. Exterior corridor.
6	Park West Inn	40	$20.35	$24.37	48.2%	55.9%	Built 1980. No kitchenettes. Exterior corridor.
	Total/Average	**513**	**$22.62**	**$28.72**	**51.68%**	**60.38%**	
Subject	Country Cottage Motel	20	N/A	Daily* $27.50 Kitch. $34.29	N/A	Daily - 50% to 60%; Kitch. - 100%	Built in 1963. Kitchenettes in 12 units). Exterior corridor.

*Estimated by Appraiser. Not included in Factbook.

Revenue and occupancy for the subject was not reported in the Texas Hotel Performance Factbook. Based on information reported by the property owner/manager, I estimated the 2006 ADR. The manager reported the Kitchenettes are always full and the other units range from 50% to 60% occupancy. Because of the high occupancy rate for the kitchenette units reported by the manager, the REVPAR is at the higher end of the range of the preceding comparables.

The highest occupancy rate is for Comparable Three at 75.3%. This is the most recently constructed of the comparables, built in 2001. Additionally, it was the only one that had full kitchenettes. The highest REVPAR is for Comparable One at $36.22. This motel also recently sold (see Sales Comparable Two). The two inferior hotels, Comparables Five and Six, are physically quite similar to the subject with respect to age, condition, exterior corridors, etc. However, these two projects are limited service properties lacking kitchenettes. However, both quote weekly rental rates and are believed only slightly inferior to the subject. All of the comparables reflected increases in both REVPAR and in occupancies. The average increase for REVPAR was approximately 27%. The average increase in occupancy was approximately 17%.

For an aging motel with full kitchenette facilities, occupancies and REVPAR would be expected to fall between observed trends for the superior (newer with kitchenette) and inferior (same condition but no kitchenette). The comparables range in occupancy rates from 54.7% to 75.3%, with an average of 60.38%. This average would be believed to be a reasonable occupancy rate to apply to the subject. Obviously noise from the nearby airport could impact the occupancy rate. However, the proximity to the airport would be a mitigating factor. A typical investor would be expected to anticipate an occupancy rate of 60% would be achievable.

Performance of Subject Hotel

I have been given the operating history for 2001 through 2006. Please refer to the Addenda for copies of these statements. The information indicates highly volatile revenues and expenses since 2001. The revenue ranges from $59,599 in 2004 to $132,190 in 2006, a 122% difference. The expenses also ranged significantly from a total of $43,633 in 2003 up to $697,405 in 2005, a difference of 123%. Little information was provided to explain the large range.

Summary

The delineated competitive market has remained fairly healthy with strengthening indicated over the past three years. There has been some decrease in supply because of conversions of hotels to alternative use supportive housing or razing for condominiums. There has also been a significant increase in occupancies among the comparables surveyed, as well as an increase in the ADRs.

The subject's kitchenette units have outperformed the competitive market, and the limited stay units were in the middle of the range of the comparables surveyed. The subject has good location, visibility and access. It is in average condition for its quality level and offers an economical choice for limited and extended-stay travelers.

HIGHEST AND BEST USE ANALYSIS

The term highest and best use, as used in this appraisal report, is defined as:

> "The reasonably probable and legal use of vacant land or an improved property, that is physically possible, appropriately supported, financially feasible, and that results in the highest value."

A distinction is made between the highest and best use of the land or site as though vacant and the highest and best use of the property as improved.

Highest and best use of the land as though vacant: Among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination.

Highest and best use of property as improved: The use of a property, as improved, that will maximize its value.

(From *The Appraisal of Real Estate*, Twelfth Edition, published by the Appraisal Institute, 2001.)

There are two types of highest and best use. The first type is highest and best use of land or a site as though vacant. The second is highest and best use of a property as improved. Each type requires a separate analysis. Moreover, in each case, the existing use may or may not be different from the site's highest and best use. When a site contains improvements, the highest and best use may be determined to be different from the existing use. Analysis of the highest and the best use of a property as improved implies that *an existing property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.* (From The Appraisal of Real Estate, Twelfth Edition, published by the Appraisal Institute, 2001.)

As Though Vacant

As noted in the Site Analysis section, the motel site contains 0.965 acres or 42,021 square feet and is located on Highway 71 at Cardinal Lane. All public utilities are available to the site and it has no floodplain or topographic issues. Based upon the subject's physical features, most types of physical uses are compatible with the subject. The only physical uses which would not be compatible would be those uses that typically require a site to be larger than 0.965 acres.

Legally Permissible

The subject is zoned "GR" - Community Commercial. GR zoning is the designation for office or other commercial uses that serve neighborhood and community needs and that are generally accessible from major traffic ways. Hotel/motel use is a conforming land use in GR zoning. The

subject is a conforming use. Within the boundaries of this zoning, is a small portion zoned "CS-1" - Commercial- Liquor Sales, specifically for the Bar. The subject also lies within an Airport Overlay Zone which further restricts potential land uses.

An additional factor in determining a legally permissible use is the appraisal principal of conformity. According to the Twelfth Edition of *The Appraisal of Real Estate*, "Conformity holds that real property value is created and sustained when the characteristics of a property conform to the demands of its market." Therefore, surrounding use becomes an important consideration in any Highest and Best Use Analysis.

There are a mixture of apartments, miscellaneous small commercial land uses, a small warehouse and vacant land. East Highway 71 is a major corridor into the Austin area and is suited to these developments.

Based on the subject's zoning and considering the Airport Overlay Zone Restrictions, a variety of commercial land uses, including miscellaneous small commercial properties would be an appropriate use of the site.

Financially Feasible

Uses considered financially feasible are those which are expected to produce income and profit sufficient to justify the land acquisition and development costs associated with a project, as well as the operating expenses incurred in the daily operation of the property. Based on the previous discussion relating to uses for the property which are considered physically possible and legally permissible, a number of commercial uses could represent potential highest and best uses of the property. Based on my research of the local market, as well as the current market conditions for various property types in the Austin area, it is my opinion that the uses likely to produce the highest return to the subject property would be some type commercial land use including restaurants or miscellaneous commercial use.

As previously discussed in the Hotel Market Analysis, the hotel market has made significant gains in occupancy and rental rates; however, the financial feasibility of new development has not yet occurred.

Conclusion As Vacant

The highest and best use as vacant would be small retail or miscellaneous commercial development for a specific user that would capitalize on the proximity to the airport.

As Improved

The subject property is currently improved with a 20-unit extended-stay hotel. The subject was constructed in 1963 is considered to be in average physical condition for a budget property of its age. Although other legally permitted uses are considered physically possible for the subject

property, they would require extensive renovation or demolition of the existing structure. The majority of the property is currently being used as an economy extended-stay lodging facility and its configuration and facilities are appropriate for lodging use. The value "as improved" would exceed the value of the site "as if vacant." Therefore, the highest and best use of the subject property "as improved" is considered to be the continued operation as a lodging facility. This would be a non-conforming use. The Bar is currently undergoing renovation and a lease was recently signed. This would also support the continued use for the Bar.

SALES COMPARISON APPROACH

The Sales Comparison Approach (whole property) is a process of comparing actual improved comparable property sales. This approach to value is premised upon the "PRINCIPLE OF SUBSTITUTION - the appraisal principle that states when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and the widest distribution." (*The Dictionary of Real Estate Appraisal*, Third Edition, Copyright 1993).

The general reliability and applicability of the Sales Comparison Approach rests on the comparability of the available sales data from which the adjustments for the various elements of comparison can be extracted. There are numerous units of comparison available to the appraiser in the application of this approach, typically depending upon the type of property being appraised. Two of the most commonly used when valuing hotel and motel properties are the price per guest room and the gross room revenue multiplier (GRRM).

1. **The price per guest room** comparison is similar to the other price per unit methods of comparison, such as the price per apartment or dwelling unit; it is based on the physical unit of comparison of sales price per guest room. The sales price of the comparable property is divided by the number of guest rooms in the hotel, yielding an unadjusted sale price per unit common denominator. This figure is then adjusted to reflect the attributes of the subject property. Finally, the adjusted sale price per guest room is applied to the subject's total number of rooms to indicate a value of the subject derived by comparison to individual sales.

2. **The gross room revenue multiplier (GRRM)** is very similar to a gross income multiplier (GIM) analysis. Rather than deriving a multiplier based on total potential income from all sources, a GRRM is developed by dividing the sale price by the annual gross revenues generated by the guest rooms. This multiplier is most commonly a misnomer, since the GRRM's usually quoted and calculated from hotel transactions are based on the most recent twelve (12) month period. As most hotels rarely operate continually at a 100 percent occupancy level, the quoted GRRM's are actually effective revenue multipliers. This method is the predominant unit of measure for this property type.

   It should be noted that the GRRM value inherently adjusts for differences between properties because the gross income of a property is reflective of differences in market conditions, facility condition, locations, rents, etc. GRRMs usually do not need to be adjusted. Generally, GRRMs also do not take into account food, beverage and other income not attributable to the rooms. This removes this service element from the calculations and indicates a value based on the rooms alone. **However, the gross room revenue multipliers do not take into account the differing expense ratios between the comparables being analyzed and the subject. If the ratios differ substantially, the**

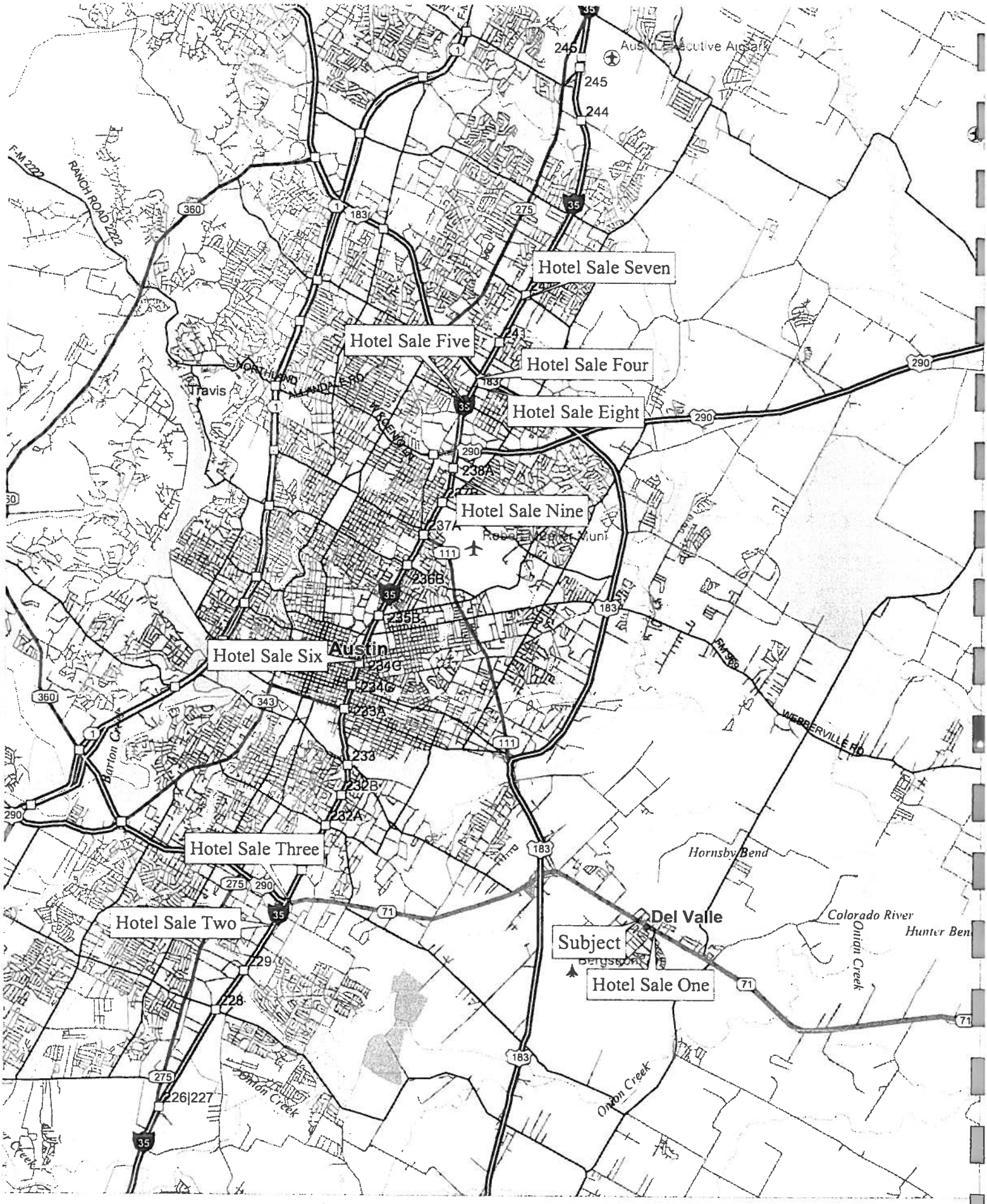
gross room revenue analysis will overstate or understate the market value of the subject.

In the application of the Sales Comparison Approach, I attempted to document recent sales of limited-service facilities which compete within the same market niche as the subject. I made a search of public records and had discussions with representatives of the Travis County Appraisal District, brokers active in the region, and local hotel proprietors. I was able to document several hotel properties that sold in the Austin area and am utilizing nine of the sales as comparable hotel sales.

The data assembled and documented on the following pages represent what I consider to be the best available information from which to develop an opinion of market value for the subject property via the Sales Comparison Approach.

Gross Room Revenue Multiplier Analysis

As discussed in the introduction to this section, the gross room revenue multiplier (GRRM) analysis is a primary unit of comparison utilized to analyze the purchase of hotels in Texas. Thus, in my analysis of the subject via the Sales Comparison Approach, the GRRM analysis will be the primary indicator of value. Included on the following page is a summary of what I considered to be the most pertinent features of the comparables with respect to valuing the subject via this approach.



Hotel Sales Map

SUMMARY OF COMPARABLE ECONOMY/LIMITED-SERVICE HOTEL SALES DATA

Sale No.	Property Name	Location	Date of Sale	No. of Rooms	Year Built	Consideration	Occ %	ADR	REVPAR	GRRM	Price/ Room
1	Best Western	2751 Hwy. 71 E.	03/06/06	112	1998	$3,764,000	51.6%	$59.21	$30.56	3.01	$33,607
2	Best Western Seville Plaza	4323 S. IH-35	02/07/06	97	1973	$3,150,000	46.3%	$55.45	$25.69	3.46	$32,474
3	Hampton Inn South	4141 Governor's Row	06/21/05	123	1997	$4,750,000	55.8%	$63.79	$35.60	2.97	$38,618
4	La Quinta Inn	7622 N. IH-35	06/09/05	125	1980	$3,000,000	53.8%	$65.62	$35.30	1.86	$24,000
5	Hearthside Inn	7101 N. IH-35	05/12/05	146	1999	$2,850,000	48.7%	$28.23	$13.75	3.89	$19,521
6	Super 8 Motel	1201 N. IH-35	12/30/04	64	1966	$2,275,000	62.1%	$59.48	$36.94	2.64	$35,547
7	Home Style Inn	9220 North IH-35	09/27/04	150	1974	$1,265,000	0%	N/A	N/A	N/A	$8,433
8	Comfort Inn	700 Delmar @ N. IH-35	05/07/04	73	1997	$1,900,000	43.3%	$51.61	$22.35	3.18	$26,027
9	Super 8	5526 N. IH-35	06/07/02	140	1984	$2,658,300	N/A	N/A	$17.21	3.02	$18,988
Subject	Country Cottage Motel	2601 East Highway 71	N/A	20 plus manager residence	1963	N/A	N/A*	$48.86 est.	$29.86 est.	--	--

*Not available, or data negatively impacted by project influence.

Conclusion of Value - Sales Comparison Approach

The preceding comparables indicate a range in GRRM's of 1.86 to 3.89 with a mean and median of 3.00 and 3.01, respectively. Sale Five, The Hearthside Inn is at the high end of the range. This property, although a recent sale, was purchased for a change of use and was also reported to have not been well maintained. Sale Four, the La Quinta Inn, is at the low end of the GRRM range and reflects the age of the property as well as the change in franchise. It was originally a Holiday Inn Express which was being dropped. Buyers were reported to be very cautious about revenue going forward and the purchase price was pushed downward.

The remaining sales showing GRRM's reflect a tighter range of 2.64 to 3.46 with a mean and median of 3.05 and 3.01 respectively. The oldest property, the Super 8 Motel, was built in 1966. It had a GRRM multiplier at the low end of this range at 2.64. However, Comparable Two, constructed in 1973 had the second highest GRRM of 3.46. When considering the GRRM's of the properties constructed prior to 1990, the average GRRM was 2.75.

According to Mr. Jay Weir with Hotel Brokers of Austin, the GRRM's for hotels of medium quality are approximately 3.0. The subject would be substantially older, of lower quality, and higher risk than a "medium" quality property.

In light of the above information, it appears reasonable that a GRRM of approximately 2.75 would be appropriate for the subject. Based upon this multiplier, the following represents the resulting value of the subject property from the Sales Comparison Approach:

Projected Gross Annual Room Revenue	$192,700
Gross Room Revenue Multiplier	2.75

$192,700 x 2.75 = $529,925

Say: $530,000

This value equates to $25,238 per room (assuming 21 units). The nine comparable hotel sales I presented range from $8,433 to $38,618 per room. The average is $26,357 and the median is $26,027. My value per room is within the range of price per room indicated by the comparable sales. It is higher than that indicated by Sale Seven. This would be projected since that was a resale of a vacant, foreclosed property with substantial deferred maintenance and risk. However, the age, condition, and probable income producing ability of the subject would cause it to fall towards the low end of the noted range and below the mean and median values. Consequently, my concluded opinion of value for the subject appears reasonable.

The preceding value indication does not reflect income generated from the Bar Lease or from the ground lease income from Reagan Advertising. For comparability with the Income Approach, I have capitalized the income from the Bar Lease and the Billboard

Lease at the rate derived in the Income Approach, and added this to the value of the Sales Comparison Approach for the Motel as well as the finish-out included for the bar.

Bar Lease Revenue:	**$ 23,400**
Billboard Lease:	**$ 2,900**
	$ 26,300
Capitalization Rate:	**÷ .13**
Value of Bar and Billboard:	**$202,307**
Plus Value of Bar Finish-Out:	**$ 26,000**
Add: Motel Value:	**$530,000**
Indicated Value:	**$758,308**
Rounded:	**$760,000**

INCOME APPROACH

The Income Capitalization Approach is predicated on the premise that a property's value is created by an expectation of future benefits, which are generally the property's anticipated net income streams. "Anticipation is fundamental to the income capitalization approach. All income capitalization methods, techniques, and procedures attempt to consider anticipated future benefits and estimate their present value. This may involve either forecasting the anticipated future income or estimating a capitalization rate that implicitly reflects the anticipated pattern of change in income over time." (From *The Appraisal of Real Estate*, Twelfth Edition, published by the Appraisal Institute, 2001.)

When deriving a value indication for an income-producing property, the future benefits expected are converted or capitalized into a property value generally by the use of the two most common methods - direct capitalization and yield capitalization. Only one or both methods can be utilized by the appraiser, often depending upon the availability of adequate information. Since both methods are market driven, they should reflect typical investor viewpoints as they relate to market value. Both capitalization methods are defined as follows:

> **Direct capitalization** is "a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate income factor."
>
> **Yield capitalization** "is used to convert future benefits, typically a periodic income stream and reversion, into present value by discounting each future benefit at an appropriate yield rate or by applying an overall rate (extracted using one of the yield methods)that explicitly reflects the investment's income pattern, change in value, and yield rate."

In estimating a value of the subject via the Income Approach, I have employed the direct capitalization method. This is considered to more accurately reflect the decision process followed by the market participants than does a discounted cash flow analysis.

The procedure generally followed in the valuation process via the Income Capitalization Approach has been summarized below.

- Rental information from the comparable properties available for lease in the subject area is gathered and compared to the subject property. A market rental rate is estimated to arrive at a Potential Gross Income (PGI) for the subject.

- Vacancy and collection losses, which represent losses in potential gross income, must be deducted. This factor, typically expressed as a percentage of PGI, can be derived from the comparable rental

information, anticipation of future supply and demand, and the subject's historical loss percentages.

- The figure indicated after this vacancy and collection loss has been deducted from the subject's potential gross income estimate is the effective gross income (EGI).

- The operating expenses incurred in the generation of this income must be estimated and applied appropriately. Again, this information should be market derived, by analyzing the typical expenses incurred by the comparable properties, as well as an analysis of the subject's historical expenses.

- An estimate of Net Operating Income (NOI) is then the product when the estimated operating expenses are deducted from the estimated effective gross income figure.

- The direct capitalization method discussed earlier is employed. An appropriate capitalization rate, which is comprised of both a return "on" and return "of" capital, can be derived from the marketplace by several methods, with the most common and preferred technique being the direct market extraction from the improved comparable sales. Other accepted techniques, which include the band of investment - mortgage and equity components, and the debt coverage ratio formula, are more finance oriented, but also require appropriate market support.

- The yield capitalization method is also often employed. A discounted cash flow analysis may be utilized, or appropriate capitalization rates may be developed by application of several techniques via mortgage - equity analysis. The direct capitalization is considered more appropriate in the valuation of the subject. The yield capitalization method has not been employed in this analysis.

- The next step involves processing the net operating income estimates into value indications by dividing the incomes by the various capitalization rates derived.

- The final step involves a reconciliation of the value indications reflected by application of the various capitalization rates derived into a final value estimate via the Income Capitalization Approach.

This sequence is detailed on the following pages, beginning with the comparable rental data gathered.

Methodology Employed in the Application of the Income Approach

When investors analyze a lodging facility for potential purchase, they generally focus on the property's historical income and expense figures in developing their purchase strategy. In addition, secondary source data is consulted to determine general operating parameters of similar quality properties. I received historical financial statements for the subject property through 2006. The subject's operating data that I received is as follows:

SUBJECT'S OPERATING STATEMENT

	2001	2002	2003	2004	2005	2006
Gross	$ 121,595	$ 123,729	$ 69,035	$ 59,599	$ 104,813	$ 132,190
Expenses						
Auto	$ 3,153	$ 5,475			$ 2,590	
Insurance	$ 8,106	$ 10,700	$ 4,690	$ 7,420	$ 16,124	$ 10,268
Fees	$ 4,741	$ 1,100	$ 800	$ 500	$ 800	$ 1,100
Office Exp.	$ 182	$ 79	$ 99		$ 37	$ 38
Rental Exp.	$ 330		$ 167	$ 60	$ 14,560	
Repairs	$ 9,164	$ 4,568	$ 3,549	$ 8,418	$ 7,917	$ 6,347
Supplies	$ 8,961	$ 3,439	$ 605	$ 4,060	$ 3,431	$ 17,700
Taxes	$ 12,020	$ 10,803	$ 10,111	$ 2,557	$ 20,703	$ 14,696
Utilities	$ 23,773	$ 20,461	$ 17,827	$ 17,113	$ 23,870	$ 27,169
Telephone	$ 890	$ 1,263	$ 671	$ 693	$ 662	$ 1,370
Bank Charg.	$ 139	$ 97	$ 298	$ 53	$ 147	$ 87
Dues	$ 30	$ 1,877				
Janitorial		$ 1,659			$ 1,801	$ 2,700
Miscl.		$ 2,242	$ 53	$ 220		
Total Expense	$ 71,489	$ 63,763	$ 38,870	$ 41,094	$ 92,642	$ 81,475
NOI	**$ 50,106**	**$ 59,966**	**$ 30,165**	**$ 18,505**	**$ 12,171**	**$ 50,715**
Net Income %	41%	48%	44%	31%	12%	38%

*Depreciation and Interest were not included in the above restatement

As indicated previously, the first step in performing the Income Approach is to estimate annual gross income to the subject property from all sources. In the valuation of a lodging facility, revenue from three or more sources is generally analyzed. For an extended stay facility without food and beverage sales, the revenue sources are generally rooms revenue, telephone revenue, and other revenue. The last category is for miscellaneous services and items that generate revenue such as vending machine and interest income. In the case of budget extended stay properties such as the subject, phone revenues are not noted. Therefore, only room revenue and miscellaneous revenue (laundry, interest income, miscellaneous) will be considered.
I will begin this analysis by estimating revenues to be generated by the rental of the subject's rooms. To this end, I will rely on both the subject's historical operating performance and market information relative to room rate and occupancy data obtained from lodging properties generally competitive with the subject. These include typical extended stay motels, as well as other

properties quoting weekly rates, but lacking kitchen facilities. I will then estimate annual revenue to be generated by the subject's other operations.

After deriving an estimate of gross annual revenue for the property, I will estimate the annual expenses associated with producing the revenue stream. The primary sources for my estimates will be the subject's operating expenses, data from two extended-stay hotels, one in North Austin and one in the South Austin market, and additional data from two limited service hotels in San Antonio.

Subtracting the subject's estimated expenses from gross annual revenues results in an estimate of the property's annual net operating income. This figure becomes the basis for developing value estimates for the property using the direct capitalization technique.

As can be seen, historical performance for the subject varied dramatically from year to year. The reason for such large variations were not explained.

Hotel revenues, like all real estate, vary over time as supply and demand factors change. The subject's revenues performance in 2001 and 2002 may well have been higher than sustainable for the subject as that was the peak of the local real estate cycle. Since 2005, the revenues have increased along with the general hotel real estate cycle. I have relied on some extended stay motels as well as limited service motels. Both unit types are present at the subject.

Gross Revenues From Room Rentals

Specific data for ADR, occupancy, and REVPAR at all hotels can typically be derived from quarterly room tax data compiled by the Texas State Comptroller.

I consulted the State of Texas Comptroller of Public Account information pertaining to Hotel Occupancy Tax Accounts. Hotel tax receipts were reported for the current period back to 2001. The Texas Hotel Performance Factbook published by Source Strategies is based on information from hotel occupancy tax account filings. The following chart summarizes the annual hotel receipts from 2001.

Annual Hotel Receipts for Country Cottage Motel

2001	$43,598
2002	$27,501
2003	$21,128
2004	$27,905
2005	$32,205
2006	$32,904 (through the 3rd quarter only)

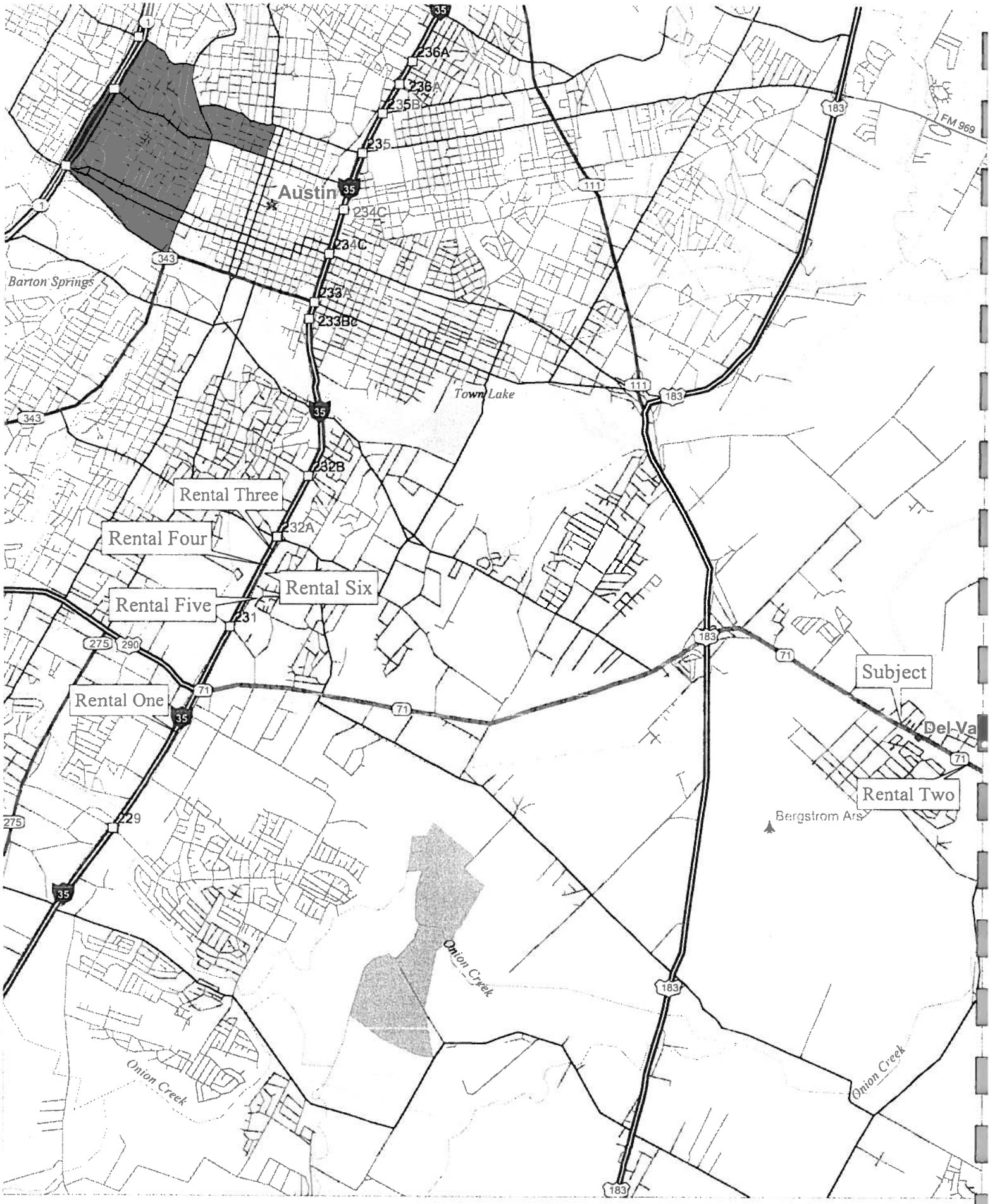
These do not consider rental from the long term tenancies that are leased as apartments. Tenants defined as "non-transient," paying for at least 30 days consecutive periods, are not required to pay room tax. Additionally, it does not include revenue from the Bar or the signage.

In this instance, no performance data was available from Texas Hotel Performance Factbook. The following information summarizes the information for the subject from the State Comptroller in order to estimate REVPAR.

REVPAR can be calculated as Gross Annual Room Revenue divided by 20 total rooms divided by 365 days per year. These REVPAR calculations are as follows:

Year	2001	2002	2003	2004	2005
Total Room Revenue	$43,598	$27,501	$21,128	$27,905	$32,205
/20 rooms	20	20	20	20	20
/365 Days per Year	365	365	365	365	365
REVPAR	**$5.97**	**$3.77**	**$2.89**	**$3.82**	**$4.41**

REVPAR reached a high of $5.97 in 2001 and had a low of $2.89 in 2003, although it has increased slightly since then. **These are not considered to fully reflect the subject's actual room revenues because some are leased on a monthly basis and not required to be reported. Also, actual performance at the subject would likely be inappropriate to apply in this analysis since this appraisal is based on the premise of good marketing management. Therefore in order to estimate revenues at the subject, it is necessary to examine current performance at similar hotels. I have included comparables located along the IH-35 corridor which would be considered similar to traffic intensities along Ben White/Hwy 71. I have also included a comparable near the subject although it is newer and is not an extended stay motel. This comparable, Best Western Airport, is similar in REVPAR to the Best Western Seville Plaza, located on IH-35, which suggests comparability.**



Hotel Rentals Map

SUMMARY OF RENT SURVEY
TEXAS HOTEL PERFORMANCE FACTBOOK - 3rd Quarter 2006 Annual

Rent Comparable	Property	Type	No. of Rooms	ADR - 2006	Occupancy - 2006	REVPAR - 2006**	Daily Quoted Rates		Weekly Quoted Rents	
							Double/ Queen	King	Double/ Queen	King
1	Best Western Seville Plaza	Limited Service	97	$59.53	60.8%	$36.22	$67.30-$69.79	$72.30-$74.79	$402.56	$402.56
2	Best Western Airport	Limited Service	112	$64.15	54.7%	$35.07	$43.99-$54.99	$59.99	$354.13	$394.38
3	Suburban Extended Stay	Extended Stay	136	$41.65	75.3%	$31.36	$69.99	$79.99	$260.05	$279.93
4	Best Value Inn	Extended Stay	72	$48.96	60.2%	$29.48	$49.99-$54.00	$56.99-$59.00	$250.00-$275.00	$300.00
5	Country Gardens	Limited Service	56	$28.54	55.4%	$15.81	$45.00	$55.00	$225.00	$255.00
6	Park West Inn	Limited Service	40	$43.59	55.9%	$24.37	$45.00	$55.00	$250.00	$270.00
Subject	Country Cottage Motel	Extended Stay	20	N/A	Daily: 50% to 60% Kitchenette: 100%	N/A	$50.00*	--	$200.00-$240.00*	

*Subject data not included in Factbook. Reported by Owner.
**Difference due to rounding

Discussion of Comparable Rentals

The primary purpose of presenting this data was to offer the reader a visual and narrative description of properties considered to represent either primary or secondary competition to the subject. This data is presented on the previous table. Also, the information included in the documentation of the comparables facilitates an illustration of the disparity between quoted room rates (sometimes referred to as "rack rates") and the actual historic average daily rates for the properties compiled from other sources. It is common practice in the lodging industry to quote a "rack rate" on the telephone which may or may not correspond to the actual rate achievable by the guest depending on date of stay, number of rooms desired, corporate affiliation, etc. It should be noted that part of this disparity in rates is a result of the prevailing per diem rate which is not initially quoted to prospective guests.

Several of the comparables are not typical extended stay hotels; however, they are considered competitive on a daily rate basis and quote weekly rates. Also, the subject rents rooms on either an extended stay basis and a nightly basis. Comparable Two is located near the subject; however, it does not have kitchenettes, and is of significantly newer construction.

REVPAR's at the comparable properties ranged from a low of $15.81 to a high of $36.22. The mean was $28.72 and the median was $30.42.

Comparable One, is at the high end of the rental range. Although it is not the newest in construction, it has a pool, two restaurants, and meeting facilities, and it operates under a flagship name, Best Western. As previously mentioned, Comparable Two is near the subject; however, it is of significantly newer construction, 1998, and is also operated under a Flag name, Best Western. The REVPAR's of $36.22 and $35.07 are believed in excess of achievable REVPAR's at the subject.

Comparable Five, at the low end of the range is a Country Garden Inn built in 1982. It does not have kitchenettes and is not an extended stay hotel. This REVPAR of $15.81 is significantly below the range of competitive properties. The subject would be expected to have a higher REVPAR, primarily because of the kitchenettes and extended stay option.

Comparables Three and Four are considered somewhat comparable because they reflect the higher occupancies and REVPAR associated with extended stay facilities. Their REVPARs are $31.36 and $29.48 , respectively. However, they are superior in their amenities and significantly newer in age. The subject would have a slightly lower REVPAR than these two comparables.

The mean of the REVPARs of the comparables is $28.72; however, the subject is older than the comparables and would likely have a lower REVPAR on average.

When all data is considered together, a REVPAR of $25.00 would appear supportable to apply to the subject. When examined in conjunction with historical REVPAR's at the subject, this is higher than the REVPARs estimated from the State Comptroller's Accounts. However as

previously discussed, these reports do not include units leased on a monthly basis. According to the owner/manager, occupancies of 50% to 60% for the non-kitchen units and 100% for the kitchenette units are in the range of occupancies for the comparables used in the rent survey. The manager's quoted rental rates are also in the range of the rent comparables. Therefore, a $25.00 REVPAR appears well supported to apply to the subject.

Based on indications from my survey, the Factbook, the Comptroller, and information from the subject, I was able to estimate the subject's REVPAR at $25.00. Using this estimate, the subject's gross annual room revenue can be calculated as follows:

20 rooms x 365 Days x $25.00 = $182,500 Gross Annual Room Revenue

Additionally, the manager's unit, currently homesteaded, would typically generate revenue. I have surveyed several apartment properties in the marketplace using the parameters of a three bedroom one bath unit. However, there are few units similar in configuration, although there are several with 3BR/2BA and 3BR/3BA units. Additionally, the subject is larger than those comparables. I have summarized the most comparable units in the following table.

Three Bedroom Units

The table provides an array of three bedroom units. Only the larger of the units were used in the analysis because of the large size of the subject manager unit.

Bedroom/Bath	Complex Name	YOC	Size SF	Effective Rent/Month	Effective Monthly Rent/SF
3/2	University Crest	1968	1,000	$871	$0.87
3/1.5	Canyon Oaks	1969	1,076	$849	$0.79
3/2	Riverside Place	1966	1,090	$909	$0.83
3/2	Breakers on the Lake	1963	1,096	$1,250	$1.14
3/2	Point South	1973	1,110	$899	$0.81
3/2	Shoreline	1971	1,158	$868	$0.75
3/2	Worthing Ridge	1973	1,263	$945	$0.75
3/3	London Square	1970	1,360	$850	$0.63
3/2	University Heights	1973	1,387	$904	$0.90
3/1	*Subject*	*1963*	*1,757*	*N/A*	*N/A*

The comparables I surveyed range in size from 1,000 to 1,387 square feet. The range of monthly rent is $849 to $1,250, while the range of monthly rent per square foot is $0.63 to $1.14. The high end of the range, Breakers on the Lake, was renovated in 1999 and is superior to the subject and the comparables. It has a lake view and an open bar to the pool. Excluding this comparable, the range narrows significantly to $849 to $945, and $0.63 to $0.90 per square foot. The mean of the monthly rent of these remaining comparables is $887, and the rent per square foot is $0.79. The subject's three bedroom/one bathroom unit's size is larger than indicated by the data's range. I do not feel that the size (1,757 square feet) of the subject's three bedroom unit increases its ability to attract residents. This is supported by the comparables in which the larger units do not

always command the higher rental rates. I have placed more weight on the Canyon Oaks 3/1.5 units with $849 monthly rents, in estimating the subject's market rent. These are the most comparable units with respect to number of baths. Although these units are smaller than the subject, they have an additional half bath.

I concluded that the subject's market rents are as follows:

Size - SF	Rent/Month	Rent/SF
1,757	$850	$0.48

In order to derive the subject's potential gross annual rent, I multiplied the potential monthly rental revenue by 12 months. My calculations are as follows:

$850 x 12 Months = $10,200

Therefore, the subjects total Gross Annual Room Revenue is calculated as follows:

20 rooms x 365 Days x $25.00	**$182,500 Gross Annual Room Revenue**
Manager Apartment	**$ 10,200 Annual Rent**
Total Annual Room Revenue	**$192,700**

Other Income

In order to project other income and operating expenses for the subject, I analyzed operating statements from an extended stay hotel in north Austin, one extended stay hotel in south Austin; two limited-service hotels in San Antonio and eight La Quinta's in Austin. I labeled the Austin hotel Comparables One and Two, and the two San Antonio operating statements Comparables Three and Four. These operating statements are shown on the following pages.

Comparable 1

Location	N. Austin
Property Type	Extended Stay
No. Of Rooms	175-200
REVPAR	$50-$55

	2005	% of Room Revenue	2006	% of Room Revenue
Revenue				
Rooms	$ 3,380,201	98.55%	$ 3,787,975	98.85%
Other Income	$ 49,640	1.45%	$ 44,118	1.15%
Total Revenue	$ 3,429,841	100.00%	$ 3,832,093	100.00%
Departmental Costs				
Rooms and Payroll	$ 1,006,589	29.78%	$ 1,041,184	27.49%
Telephone	$ 53,194	1.57%	$ 94,097	2.48%
Total Dept. Costs	$ 1,059,783	31.35%	$ 1,135,281	29.97%
Undistributed Operating Expenses				
Administrative and General	$ 367,562	10.87%	$ 430,604	11.37%
Management Fee	$ 102,896	3.04%	$ 114,963	3.03%
Marketing	$ 342,547	10.13%	$ 261,368	6.90%
Franchise Fee	$ 99,272	2.94%	$ 109,285	2.89%
Repairs and Maintenance	$ 246,833	7.30%	$ 317,127	8.37%
Utilities	$ 308,533	9.13%	$ 290,571	7.67%
Total Undistributed Expenses	$ 1,467,643	43.42%	$ 1,523,918	40.23%
Other Fixed Charges				
Real Estate Taxes	$ 201,405	5.96%	$ 214,780	5.67%
Insurance	$ 71,676	2.12%	$ 76,730	2.03%
Total Other Fixed	$ 273,081	8.08%	$ 291,510	7.70%
Total Expenses Before Reserve	$ 2,800,507	82.85%	$ 2,950,709	77.90%
Reserve for Replacement	$ -	0.00%		0.00%
Total Operating Expenses	$ 2,800,507	82.85%	$ 2,950,709	77.90%
Net Operating Income	$ 629,334		$ 881,384	

Comparable 2		
Location	S. Austin	
Property Type	Extended Stay	
No. of Rooms	125-150	
REVPAR	$20.00-23.00	
Year		**2005**
Revenues		**% of Room Revenue**
Rooms	$1,094,915	96.73%
Other	$36,984	3.27%
Total Revenues	$1,131,899	100.00%
Operating Expenses		
Departmental Expenses	$224,626	20.52%
Telephone	$25,479	2.33%
Total Departmental Expenses	$250,105	22.85%
Undistributed Expenses		
Administrative & General	$95,349	8.71%
Repairs & Maintenance	$72,608	6.63%
Energy	$113,670	10.38%
Sales and Marketing	$26,393	2.41%
Management Fees	$56,453	5.16%
Asset Management Fees	$5,645	0.52%
Franchise Fees	$45,162	4.12%
Total Undistributed Expenses	$415,280	37.93%
Other Fixed Expenses		
Insurance	$24,726	2.26%
Property Tax	$84,117	7.68%
Miscellaneous Fixed Expense	$21,014	1.92%
Total Expenses	$795,242	72.63% of Room Revenue
Income Before Fixed Charges	$336,657	30.75% of Room Revenue

Comparable 3				
Location	San Antonio			
Property Type	Limited Service			
No. of Rooms	49			
REVPAR	$35.94		$39.30	
Year	**2001**		**2002**	
Revenues				
Rooms	$642,714	94.84%	$702,968	94.84%
Other	$34,951	5.16%	$38,228	5.16%
Total Revenues	$677,665	100.00%	$741,196	100.00%
Operating Expenses				
Departmental Expenses				
Rooms	$256,508	39.91%	$260,098	37.00%
Telephone	$10,968	1.71%	$12,879	1.83%
Other Departments	$1,969	0.31%	$2,154	0.31%
Total Departmental Expenses	$269,445	41.92%	$275,131	39.14%
Undistributed Expenses				
Administrative & General	$79,053	12.30%	$81,532	11.60%
Repairs & Maintenance	$29,356	4.57%	$25,201	3.58%
Energy	$41,275	6.42%	$42,644	6.07%
Advertising	$6,819	1.06%	$11,859	1.69%
Franchise Fees	$35,349	5.50%	$35,148	5.00%
Total Undistributed Expenses	$191,852	29.85%	$196,384	27.94%
Other Fixed Expenses				
Insurance	$8,403	1.31%	$8,285	1.18%
Property Tax	$17,108	2.66%	$17,621	2.51%
Total Other Fixed Expenses	$25,511	3.97%	$25,906	3.69%
Total Expenses as % of Room Revenue	$486,808	75.74%	$497,421	70.76%
Income Before Fixed Charges as % of Room Revenue	$190,857	29.70%	$243,775	34.68%

Comparable 4				
Location	San Antonio			
Property Type	Limited Service			
No. of Rooms	56			
REVPAR	$31.47		$37.96	
Year	**1999**		**2000**	
Revenues				
Rooms	$643,345	96.20%	$775,903	96.67%
Tickets	$5,858	0.88%	$6,816	0.85%
Billboards	$18,304	2.74%	$18,500	2.30%
Laundry	$1,253	0.19%	$1,400	0.17%
Total Revenues	$668,760	100.00%	$802,619	100.00%
Operating Expenses				
Departmental Expenses				
Wages	$35,028	5.44%	$51,527	6.64%
Telephone	$12,589	1.96%	$7,981	1.03%
Room	$37,392	5.81%	$48,850	6.30%
Cable TV	$7,925	1.23%	$8,247	1.06%
Total Departmental Expenses	$92,934	14.45%	$116,605	15.03%
Undistributed Expenses				
Administrative & General	$114,253	17.76%	$167,534	21.59%
Repairs & Maintenance	$1,989	0.31%	$23,699	3.05%
Energy	$21,895	3.40%	$38,888	5.01%
Advertising	$38,545	5.99%	$45,788	5.90%
Management	$0	0.00%	$0	0.00%
Franchise Fees	$40,831	6.35%	$76,418	9.85%
Total Undistributed Expenses	$217,513	33.81%	$352,327	45.41%
Other Fixed Expenses				
Insurance	$15,000	2.33%	$13,000	1.68%
Property Tax	$24,500	3.81%	$14,000	1.80%
Total Other Fixed Expenses	$39,500	6.14%	$27,000	3.48%
Total Expenses as % of Room Revenue	$349,947	54.39%	$495,932	63.92%
Income Before Fixed Charges as % of Room Revenue	$318,813	49.56%	$306,687	39.53%

Location	SW MoPac		Capitol		Highland Mall		Oltorf		North		South/Ben White		MoPac		Airport	
No. of Rooms	128		146		122		132		115		130		148		142	
REVPAR	$76.59		$43.57		$42.51		$46.35		$41.01		$43.20		$56.65		$55.60	
Revenues																
Rooms	$3,578,126	95.60%	$2,321,768	95.98%	$1,892,954	96.66%	$2,233,213	97.37%	$1,721,340	96.90%	$2,050,019	97.58%	$3,060,293	94.74%	$2,881,830	94.78%
Guest Services	$69,105	1.85%	$40,571	1.68%	$22,830	1.17%	$28,393	1.24%	$18,290	1.03%	$28,784	1.37%	$49,318	1.53%	$52,049	1.71%
Other	$95,771	2.56%	$56,660	2.34%	$42,578	2.17%	$32,034	1.40%	$36,709	2.07%	$22,039	1.05%	$120,745	3.74%	$106,801	3.51%
Total Revenues	$3,743,002	100.00%	$2,418,999	100.00%	$1,958,362	100.00%	$2,293,640	100.00%	$1,776,339	100.00%	$2,100,842	100.00%	$3,230,356	100.00%	$3,040,680	100.00%
Operating Expenses																
Departmental Expenses																
Salaries	$542,631	15.17%	$484,092	20.85%	$371,705	19.64%	$431,733	19.33%	$428,736	24.91%	$401,622	19.59%	$542,922	17.74%	$499,447	17.33%
Guest Services	$22,644	0.63%	$16,752	0.72%	$20,120	1.06%	$11,179	0.50%	$11,748	0.68%	$13,348	0.65%	$24,651	0.81%	$32,936	1.14%
Supplies	$35,639	1.00%	$38,937	1.68%	$42,607	2.25%	$41,535	1.86%	$35,023	2.03%	$35,396	1.73%	$37,465	1.22%	$43,926	1.52%
Total Departmental Expenses	$600,914	16.79%	$539,781	23.25%	$434,432	22.95%	$484,447	21.69%	$475,507	27.62%	$450,366	21.97%	$605,038	19.77%	$576,309	20.00%
Undistributed Expenses																
Trash Removal	$2,417	0.07%	$4,370	0.19%	$3,014	0.16%	$2,995	0.13%	$1,953	0.11%	$2,021	0.10%	$2,936	0.10%	$3,768	0.13%
Repairs & Maintenance	$53,789	1.50%	$55,109	2.37%	$44,860	2.37%	$39,364	1.76%	$33,859	1.97%	$42,346	2.07%	$46,911	1.53%	$70,742	2.45%
Utilities	$133,553	3.73%	$147,805	6.37%	$118,948	6.28%	$111,440	4.99%	$106,427	6.18%	$95,595	4.66%	$152,829	4.99%	$143,124	4.97%
Telephone		0.00%	$81	0.00%		0.00%		0.00%		0.00%		0.00%		0.00%	$1,052	0.04%
Continental Breakfast	$45,159	1.26%	$41,552	1.79%	$36,692	1.94%	$41,733	1.87%	$30,183	1.75%	$35,558	1.73%	$45,275	1.48%	$42,118	1.46%
Advertising	$73,389	2.05%	$44,764	1.93%	$92,490	4.89%	$64,385	2.88%	$47,010	2.73%	$55,186	2.69%	$85,235	2.79%	$71,342	2.48%
Franchise Fees	$254,471	7.11%	$164,562	7.09%	$133,857	7.07%	$157,628	7.06%	$121,811	7.08%	$144,613	7.05%	$219,082	7.16%	$206,256	7.16%
Management Fees	$111,189	3.11%	$71,653	3.09%	$58,290	3.08%	$68,476	3.07%	$53,076	3.08%	$62,736	3.06%	$96,130	3.14%	$90,392	3.14%
Administrative	$123,279	3.45%	$131,256	5.65%	$92,082	4.86%	$137,849	6.17%	$100,721	5.85%	$123,055	6.00%	$115,431	3.77%	$136,295	4.73%
Vehicle Expense		0.00%	$10	0.00%	$42	0.00%	$148	0.01%		0.00%	$977	0.05%		0.00%	$26,361	0.91%
Cable	$14,396	0.40%	$15,762	0.68%	$13,722	0.72%	$14,846	0.66%	$12,934	0.75%	$14,621	0.71%	$16,758	0.55%	$15,971	0.55%
Total Undistributed Expenses	$811,642	22.68%	$676,924	29.16%	$593,997	31.38%	$638,864	28.61%	$507,974	29.51%	$576,708	28.13%	$780,587	25.51%	$807,421	28.02%
Other Fixed Expenses																
Other	$110,336	3.08%	$56,462	2.43%	$24,101	1.27%	$23,053	1.03%	$22,868	1.33%	$26,994	1.32%	$91,680	3.00%	$90,859	3.15%
Insurance	$21,925	0.61%	$24,205	1.04%	$19,897	1.05%	$16,993	0.76%	$18,397	1.07%	$20,857	1.02%	$24,541	0.80%	$27,145	0.94%
Property Tax	$272,598	7.62%	$139,729	6.02%	$134,280	7.09%	$144,361	6.46%	$110,990	6.45%	$123,383	6.02%	$245,021	8.01%	$214,482	7.44%
Total Other Fixed Expenses	$404,859	11.31%	$220,396	9.49%	$178,278	9.42%	$184,407	8.26%	$152,255	8.85%	$171,234	8.35%	$361,242	11.80%	$332,486	11.54%
Total Expenses	$1,817,415	50.79%	$1,437,101	61.90%	$1,206,707	63.75%	$1,307,718	58.56%	$1,135,736	65.98%	$1,198,308	58.45%	$1,746,867	57.08%	$1,716,216	59.55%
Income Before Fixed Charges	$1,925,587	49.21%	$981,898	38.10%	$751,655	36.25%	$985,922	41.44%	$640,603	34.02%	$902,534	41.55%	$1,483,489	42.92%	$1,324,464	40.45%

I summarized the La Quinta operating statements for eight properties on the facing page.

The table on Page 3-27 summarizes all of the indications for the comparables. This information was used to estimate "other income" and expenses for the subject.

Revenue Projections From Other Sources

Motels typically earn some additional income from phones, vending, laundry, and other miscellaneous services used by the guests. The expense comparables showed miscellaneous income as follows:

	% Total Room Revenue
Austin Extended Stay Hotels	1.15% to 3.4%
San Antonio Limited Service Hotel 1	5.4%
San Antonio Limited Service Hotel 2	3.4%
La Quintas	2.42% to 5.26%

As a lower price extended stay hotel property, the subject does not provide many additional services for which miscellaneous income can be earned. Historical data from the subject did not separate out the "Other Income" from the gross revenues.

Miscellaneous Other Income of 0.5% of Total Room Revenue would appear a realistic projection for the subject. This is below the low end of the range of the comparables; however, considering the limited potential for the subject, this appears adequate.

Additional Other Income would be generated by the Bar and the Sign. There is a lease for the Bar space that commenced on November 1, 2006. The initial lease is for $950 per month until the tenant obtains a liquor license. Then the rental rate increases to $1,950 for twelve months and increases 5% per year after that. The tenants pays gas/water and electricity. The landlord pays insurance and taxes. This revenue has been included in a separate line item in my cash flow at $1,950 per month or $23,400 per year. The sign is leased to Reagan Advertising at a rate of $2,900 per year.

OPERATING EXPENSE ESTIMATES

In developing an operating expense estimate, all expenses normally incurred in operating and maintaining the property must be recognized. Expenses are divided into three major areas, as outlined in the *Uniform System of Accounts for Hotels.* The following paragraphs summarize the basis for my projections for each category. They are Departmental, Undistributed, and Fixed Expenses.

Departmental Expenses

Rooms and Salaries

These expenses typically include labor costs such as salaries and wages for front desk, housekeeping, reservations, bell staff, and laundry, plus employee benefits. Other operating expenses in the rooms department include linen, cleaning supplies, guest supplies, uniforms, reservation expenses, equipment leases, and travel agent commissions.

Some of the expense comparables show separate room expense and salaries. As such, I will separate these two expense items.

Comparable One, 2006 expense totals 27.49% for payroll and room.

Comparable Two totals 18.37% for payroll and room.

Comparable Three shows room expenses of 37.00% to 39.91% but no expense for salaries.

Comparable Four shows payroll expenses of 5.44% to 6.64% and room expense of 5.81% to 6.30%.

Revenues	Comparable 1 2006	Comparable 2 2004/2005	Comparable 3 2001	Comparable 3 2002	Comparable 4 1999	Comparable 4 2000	La Quinta Low	La Quinta High
Room	98.85%	96.73%	94.84%	94.84%	96.20%	96.67%	94.74%	97.58%
All Other	1.15%	3.27%	5.16%	5.16%	3.80%	3.33%	5.26%	2.42%
Total Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expenses								
Departmental Expenses								
Payroll	27.49%	14.28%			5.44%	6.64%	15.17%	24.91%
Room		4.09%	39.91%	37.00%	5.81%	6.30%		
Telephone	2.48%	2.32%	1.71%	1.83%	1.96%	1.03%		
Laundry							0.50%	1.14%
Other			0.31%	0.31%			1.00%	2.25%
Cable TV		2.15%			1.23%	1.06%		
Total Departmental Expenses	29.97%	22.76%	41.93%	39.14%	14.44%	15.03%	16.67%	28.30%
Undistributed Expenses								
Administrative & General	11.37%	8.71%	12.30%	11.60%	17.76%	21.59%	5.41%	7.49%
Repairs & Maintenance	8.37%	6.63%	4.57%	3.58%	0.31%	3.05%	1.50%	2.37%
Energy	7.67%	10.38%	6.42%	6.07%	3.40%	5.01%	3.73%	6.37%
Advertising/Sales/Mktg.	6.90%	2.41%	1.06%	1.69%	5.99%	5.90%	1.93%	4.85%
Management	3.03%	5.67%					3.06%	3.14%
Franchise Fees	2.89%	4.13%	5.50%	5.00%	6.35%	9.85%	7.05%	7.16%
Total Undistributed Expenses	40.23%	37.93%	29.85%	27.94%	33.81%	45.40%	22.68%	31.38%
Other Fixed Expenses								
Insurance	2.03%	2.26%	1.31%	1.18%	2.33%	1.68%	0.61%	1.07%
Property Taxes	5.67%	7.68%	2.66%	2.51%	3.81%	1.80%	6.02%	8.01%
Other		1.92%					1.03%	3.15%
Total Other Fixed Expenses	7.7%	11.86%	3.97%	3.69%	6.14%	3.48%	7.66%	12.23%
Total Expenses	77.9%	72.55%	75.75%	70.77%	54.39%	63.91%	47.01%	71.91%
Income Before Fixed Charges	22.1%	27.45%	24.25%	29.23%	45.61%	36.09%	52.99%	28.09%

Comparable One, the most recent expense comparable indicates a total payroll room expense of 27.49%. Comparable Two differs slightly under the comparative chart because of rounding and reallocation of expenses. The La Quinta's show payroll expenses of 15.57% to 24.91% plus laundry expenses of 0.50% to 1.14%. However, there are no room expenses.

The subject expenses for Departmental Expenses for payroll, room expense, laundry, and cable were not allocated or discerned from the statements provided. I have estimated a total expense of $34,686 or 18% of room revenues. Because the subject property is managed by an owner/occupant, it appears that many of the actual expenses were not included in the operating statement. However, a typical operator would incur such expenses.

Based on these indications, I estimated the subject's total payroll and room expense at 18.0% of effective room revenue.

Telephone/Communications

This expense typically includes cost of calls, labor cost of operators, and other related expenses. This expense was $1,370 in 2006, higher than previous years.

The comparables show telephone expenses ranging from 1.03% to 2.48%. Based on these indications, I concluded with an expense for this category of 1.0% of room revenue, or $1,927. Although this is below the range of the comparables on a percentage basis, it is higher than the historic actual expenses.

Undistributed Expenses

Administrative and General

The expense categories which fall under this heading include the payroll and related expenses for the general manager, personnel and training, clerical staff, controller, and accounting staff. Other administrative and general expenses include office supplies, computer services, accounting and legal fees, liability insurance, cash overages and shortages, bad debt expenses, travel insurance, and credit card commissions. The subject's expense for 2006 for this category was $18,925 (inclusive of supplies, fees, office expense and bank charges). In 2006, this included $17,700 for supplies alone. In 2005, this expense was significantly lower due to lower supply expenses of $3,431.

The comparables show a range of 5.41% to 21.59%. Expense Comparable Four's expense ratio (17.76% and 21.59%) is significantly greater than the other indications. However, Comparable Four's Departmental Expenses were significantly less than the other indications. In my opinion, it is reasonable to assume that some of Comparable Four's Undistributed Expenses belong in the Departmental Expenses category.

With the exception of Comparable Four, the expense comparables show a range of 5.41% to 12.30%.

Based on my analysis of this expense category, I have estimated an expense for this at 10% of room revenue, or $19,270. This is slightly higher than the 2006 actual expenses of $18,925. This does not include a management fee.

Management Fee

The subject's operating statement does not include a management expense. This is primarily due to the owner occupancy/management nature of the property. However, an investor would consider such an expense. Not all of the expense comparables show an indication for management, but those that do show a range of 2.50% to 5.67%. For purposes of this analysis, I utilized a management fee of 2.5% of room revenues or $4,818.

Marketing Expenses

It is necessary for hotels to promote their property to be successful. As such, it is necessary to deduct an expense for advertising or marketing. The subject did not allocate an expense for advertising. The expense comparables show a range of expense ratios of 1.06% to 6.9%. I estimated this expense at the low end at 1.0% of room revenue.

Franchise Fee

The subject is not operated under a national flag. A potential purchaser would likely not operate under a flagship either. Therefore, I have not considered an expense for this item.

Maintenance and Repairs and Janitorial

The subject's operating statement for 2006 indicates an expense for janitorial and maintenance and repairs of $9,047. Since 2001, the maintenance/repair expenses have ranged from $3,549 up to $9,164. The expense comparables show a range of 0.31% to 8.37%. Some years janitorial expenses were not included; however, I believe they are an appropriate expense. I have estimated expenses for janitorial and maintenance and repairs at 5% of room revenue, or $9,635.

Utilities

The subject's operating information shows an expense for utilities or energy in 2006 of $27,169. Since 2001, the expense for this has ranged from $17,113 up to $27,169. I projected a utility expense of 14.0% of total room revenue, or $26,978.

Fixed Expenses and Costs

This category includes real estate taxes and property insurance, and reserves for replacement.

Taxes

Taxes projected for 2007, based on a 5% increase in the assessed value over 2006 ($12,122) is estimated at $12,728 as calculated previously in the Assessed Value and Property Tax Analysis section of this report. This equates to 6.61% of room revenue. The comparables show a range of 1.80% to 8.01% of total room revenue. I estimated real estate taxes at $12,728.

Property Insurance

The expense comparables show a range of expense ratios for insurance of 0.61% to 2.33%. The indications for insurance expense for the subject in 2006 were $10,266, down significantly from 2005 expenses of $16,124. I concluded with a 5% increase over 2006 or a total of $10,779. This equals 5.59% of room revenues. While this is significantly higher than the comparables, it includes insurance for the Bar which is not reflected in the room revenues.

Reserves for Replacement

In addition to the three major expense categories, a fourth deduction commonly made is the cost associated with estimating replacement reserves. Hotels and motels age at a higher rate than most property types and require renovation every seven to 10 years. None of the expense comparables show a deduction for reserves. A prudent operator will set aside reserves for replacement yearly to allow for renovation expenses. I made a deduction for reserves for replacement of 1.0% of room revenues.

Expense Summary and Net Operating Income Projections

Proforma of Estimated Operating Performance

	Total	% of Room Revenue
Revenue		
Rooms	$192,700	99.50%
Other Income	$968	0.50%
Total Room Revenue	$193,668	100.00%
Bar Lease	$23,400	
Reagan Sign Lease	$2,900	
Total Revenue	$219,968	
Departmental Costs		
Rooms and Payroll	$34,686	18.00%
Telephone	$1,927	1.00%
Total Dept. Costs	$36,613	19.00%
Undistributed Operating Expenses		
Administrative and General	$19,270	10.00%
Management Fee	$4,818	2.50%
Marketing	$1,927	1.00%
Franchise Fee	-	0.00%
Repairs and Maintenance	$9,635	5.00%
Utilities	$26,978	14.00%
Total Undistributed Expenses	$62,628	32.50%
Other Fixed Charges		
Real Estate Taxes	$12,728	6.61%
Insurance	$10,779	5.59%
Total Other Fixed	$23,507	12.20%
Total Expenses Before Reserve	$122,748	63.70%
Reserve for Replacement	$1,927	1.00%
Total Operating Expenses	$124,675	64.70%
Net Operating Income	$95,294	

I estimated annual operating expenses for the subject property to approximate $124,675. Total expenses represent 64.70% of room revenues. Thus, net income represented 35.3% of room revenues. The net income ratios from the comparables range from 24.26% to 49.21%. The mean

of the eight La Quinta's 40.49%, while the most recent Expense Comparables are at the lower end of the range, 27.37% to 29.24%. The subject's net income ratio is within the range. Historically, according to the Operating Statement information provided from the property owner, the Net Income Ratio has ranged from 12% (2005) to 48% in 2002. The 2006 Net Income Ratio was 38%. Therefore, the subject's pro-formaed Net Income Ratio of 35.3% is supported by the expense comparables as well as historic information for the subject.

Direct Capitalization

Using the subject's proformaed net operating income of $95,294, the appraiser was able to capitalize this figure at a market extracted overall rate (OAR) in order to derive an indication of value from the direct capitalization approach. To summarize:

$$\frac{NOI}{OAR} = \text{Value}$$

The most reliable method of determining a market derived cap rate for the subject property is to calculate the capitalization rates from the comparable improved sales included in the Sales Comparison Approach. However, much of the available data for the comparables did not include capitalization rates. Also, the reliability of using the rates extracted from the improved sales is directly tied to the similarity of the sale properties to the subject in terms of physical and operating features. Furthermore, it is significant to analyze the source of the revenue and expense estimates for the properties in relation to their sales prices (i.e. do they represent the actual operating results or are they based on the purchaser's pro-forma results).

Included below is a summary of the overall capitalization rates extracted from comparables and additional improved sales **not** included in the Sales Comparison Approach. These sales occurred in San Antonio, Dallas, Houston, and Austin.

Summary of Overall Capitalization Rates

Comparable No.	Property Name	Date of Sale	Consideration	OAR
1	Mountain Star Ridge Lake Travis, TX	01/09/07	$4,000,000	10% to 11%
2	Best Western Seville Plaza Austin, TX	02/07/06	$3,150,000	13.6%
3	Hawthorn Suites Austin, TX	06/07/05	$2,900,000	11.65%
4	Clarion San Antonio, TX	03/06/03	$3,900,000	13.82%
5	Country Hearth San Antonio, TX	03/28/02	$1,900,000	12.83%
6	Sleep Inn San Antonio, TX	03/28/01	$3,000,000	13.54%
7	Baymont Inn Irving, TX	01/24/01	$2,500,000	10.00%
8	Best Western Humble, TX	12/04/00	$3,650,000	10.80%
9	Super 8 Motel Houston, TX	09/01/00	$2,100,000	9.70%

The overall rates extracted from the above data range from 9.7% to 13.82%. However, most of the facilities are newer than the subject. The most comparable sale in Austin is the Best Western Seville Plaza with a cap rate of 13.6%. This building was constructed in 1973. This property also included a Subway and a Vietnamese restaurant which would be similar to the subject's Bar and Signage lease. Incorporating information relating to the features of these properties, I was able to extract a range of overall rates to apply to the subject's projected net operating income in deriving an estimate of value from this technique. Placing most weight on the capitalization rate indicated from the Best Western Seville Plaza sale which occurred in 2006, a rate of 13.0% to 14.0% would be considered appropriate for the subject.

In order to update the preceding historical data, I spoke with Mr. Jay Weir, a local hotel broker with Hotel Brokers of Austin. In a first quarter 2007 conversation, he indicated an OAR in the range of 10.5% to 11.5% would have been appropriate to apply to most Austin area limited service hotels. However, Mr. Weir stated that for a property such as the subject, a higher OAR would have been required by market participants.

The final source used in developing an overall capitalization rate to apply to the subject's net operating income was the *Korpacz Real Estate Investor Survey*, conducted by Peter F. Korpacz & Associates, Inc., who surveys major institutional equity real estate participants. The "National Lodging Highlights" survey, is conducted semi-annually, with the most recent survey conducted in the Third Quarter 2006. This survey referenced investors opinions regarding overall capitalization rates applied to the National Extended-Stay Lodging hotel market sectors. The range of capitalization rates given for this property type, National Extended-Stay Lodging Segment, was 9.5% to 13.0%, with an average of 10.75%, down from the first quarter 2006 average of 10.85% and a year ago rate of 11.05%. The subject is an older, non-branded motel, and its age and general condition are below the criteria typically required for investment grade properties. Non-investment grade properties typically demand a small premium as compared to investment properties. Therefore, the subject would be at the high end or higher than this range.

Considering the above discussion relating to the relevancy of the overall rates extracted from the comparable improved sales, as well as the data from the investor survey, it was my opinion that a capitalization rate of 13.0% should be applied to the subject's first year income stream as summarized below.

$95,294÷ 13.0% = $733,031

Say: $730,000

<u>Bar Tenant Improvements</u>

The previous estimate of value does not consider the additional tenant improvements that contribute to the value of the property. The lease payments do not reflect this additional value. Although the tenant expended time, labor, and capital for these improvements, the tenant did not provide these actual expenses. Therefore, I have estimated the contributory value of these

improvements. I have not capitalized them into perpetuity. Because the cost of these improvements are typically amortized over the initial lease term, capitalizing them would typically overstate the subject's value. I have used Marshall Valuation Cost Service to estimate the finish-out (Section 43, Page 2 and Section 55, Page 5).

Tenant Improvements

Carpet (1,000 SF @ $4.65/SF)		$ 4,650
Vinyl Tile (1,000 SF @ $4.00/SF)		$ 4,000
Paint (1,720 SF @ $0.50/SF)		$ 875
Electric and Lighting (2,000 SF @ $7.14/SF)		$14,280
Total		$23,805
Add Developer's Profit (10%)		$ 2,381
		$26,186
	Say:	$26,000

Therefore the final estimate of market value via the Income Approach is estimated as follows:

Value of Cash Flow:		$730,000
Additional TI:		$ 26,000
		$756,000
	Say:	$760,000

CONCLUSIONS

RECONCILIATION AND FINAL VALUE ESTIMATE

The reconciliation process involves a review and summary of the contents of the appraisal report and development of the various value indications into a final value estimate. This process is an analysis of the quality and quantity of the data contained in the report, discussing the advantages and disadvantages of each of the three approaches to value. **Reconciliation** is defined as "The last phase of any valuation assignment in which two or more value indications derived from market data are resolved into a final value opinion, which may be either a final range of value or a single point estimate." (From *The Appraisal of Real Estate*, Twelfth Edition, published by the Appraisal Institute, 2001). On the following pages, I will review the strengths and weaknesses of each approach to value leading up to the conclusions and opinion of a final value estimate for the subject.

The Cost Approach is based upon the premise that value is inherent to the object itself and that "cost" and "value" tend to coincide. The value indication is developed by estimating the site's value through sales comparison and estimating the improvement's value via replacement cost new less all accrued depreciation, if any. The respective estimates of value of the land and the improvements are then summed to indicate an estimate of value from the Cost Approach. The Cost Approach has not been used in the valuation of the subject property. The subject was constructed in approximately1963. As such, it is my opinion that accurate calculations of depreciation would be difficult. For these reasons, I have not conducted a Cost Approach analysis in this instance, but such an omissions is not felt to lessen the reliability of my final value estimate as market participants rely infrequently on a Cost Approach analysis for older properties.

The Sales Comparison Approach was used in estimating the value of the subject property. In performing this approach, I assembled recent sales which included extended stay and limited service motel properties exhibiting physical, locational, and operating features consistent with the subject's. In the application of the Sales Comparison Approach, I used the gross room revenue multiplier (GRRM) as the primary unit of comparison for valuation purposes. This is the primary unit of comparison used to analyze hotel purchases in Texas. **It should be noted, this does not include the operating income generated from the lease of the bar or the sign rental ground lease.** The GRRM multipliers extracted from the comparable sales reflects the room revenues only. Including the income generated from the Bar and Billboard Leases and the bar finish-out, the indicated value is as follows:

$760,000

When appraising income-producing properties, the Income Capitalization Approach generally lends the greatest support for a value estimate of the subject. Investors purchasing income-producing properties require a "return of" and "return on" investment capital. The Income Capitalization Approach is the only approach to value which addresses these investors' demands in the marketplace. Pertinent information to process this is usually quite accessible. In the case of the subject, historical operating information was available, but performance is assumed to

have been impacted by project management/marketing. Therefore while the subject's operating history was considered, it was given less weight than in a typical Income Approach Analysis. Instead revenue and expense projections for the subject were concluded based on data from comparable motels inside and outside the subject neighborhood. I collected room rate and occupancy data obtained from lodging properties generally competitive with the subject. These included typical extended stay motels, as well as other properties quoting weekly rates, but lacking kitchen facilities. I then estimated annual revenue to be generated by the subject's other operations. After deriving an estimate of gross annual revenue for the property, I estimated the annual expenses associated with producing the revenue stream. Subtracting the subject's estimated expenses from gross annual revenues resulted in an estimate of the property's annual net operating income. This figure became the basis for developing value estimates for the property using the direct capitalization technique. Appropriate capitalization rates were available from local sales, conversations with local hotel brokers, and secondary data.

The Income Approach is believed to provide a strong indication of value for the subject as it mimics the likely decision making analysis of market participants. **This approach also included the revenue streams from the Bar lease and the ground lease to Reagan Advertising and an estimate of the contributory value of the Bar Tenant Improvements**. The Income Approach indicated a value as follows:

$760,000

Correlation and Conclusion

Two approaches to value were considered in this appraisal, the Sales Comparison Approach and the Income Approach; however, in analyzing the property via the Sales Comparison Approach, the GRRM method did not consider the revenue stream from the Ground lease or the Bar lease. These revenue streams were added to the value via the GRRM method. The total indicated value of $760,000 was strongly supported by the Income Approach.

The Income Approach was believed more appropriate as sufficient comparable data was readily available, and market participants frequently use this analysis in their purchase decisions. Additionally, it readily includes the income associated with the Bar Lease and the Ground Lease to Reagan Advertising. I have concluded to a value of $760,000 based primarily on the Income Approach, but supported by data from the Sales Comparison Approach for the Room Revenue portion of the property.

The preceding value includes both the contributory value of the real estate and the FF&E.

There is not considered to be a "business enterprise" contributory value associated with this property.

Contributory Value of Furniture, Fixtures and Equipment (FF&E)

The *Marshall Valuation Service* indicates that average to low cost to average furniture, fixtures and equipment (FF&E) cost for hotels ranges between approximately $1,875 and $3,450 per guest room, including housekeeping, linen, etc.

I have also considered the contributory value of each component included in the Property Analysis Parcel Description included in the addenda. Using both Marshall Valuation and Sears market estimates, I calculated the contributory value by component to be $34,790, or $1,740 per room which is strongly supported by the low end of the range of the Marshall Valuation estimate of $1,875 per room.

I have used my estimate of $34,790 and estimated depreciation (Marshall Valuation, Section 97, Page 18) of 42% based on an effective age of 5 years with a life expectancy of 10 years. The contributory value is $20,178, say: $20,000. This calculates to an FF&E value of $1,000 per room (excluding the manager's residence).

Contributory Value of Manager's Residence

I have also been asked to estimate the contributory value of the real estate only of the manager's residence to the whole property. I have analyzed this on the basis of the contributory value on a per square foot basis (excluding the contributory value of the Bar and Sign Revenue). As previously calculated, the net income net of the Bar and Sign income was estimated at $68,994. Capitalized at 13% indicated a value of $530,723. This was similar to the GRRM analysis for the hotel and residence via the Sales Comparison Approach of $530,000. This is $57.46 per square foot of building area for the hotel and manager's residence. The manager's residence has 1,757 square feet of gross building area. Applying the unit value of $57.46, the contributory value of the manager's residences is estimated as follows:

Manager's Residence (1,757 SF @ $57.46/SF)	$100,957
Rounded:	$100,000

CERTIFICATION AND FINAL OPINION OF VALUE

John M. Coleman, MAI, SRA has personally inspected the aforementioned subject property.

The undersigned, to the best of my knowledge and belief, do hereby certify that, except as otherwise noted in this appraisal report:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

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

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

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

6. 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.

7. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*, except to the extent that the *Uniform Appraisal Standards for Federal Land Acquisitions* required invocation of USPAP's Jurisdictional Exception Rule, as described in Section D-1 of the *Uniform Appraisal Standards* for Federal Land Acquisitions.

8. I have made a personal inspection of the property that is the subject of this report. The owner accompanied us on inspection.

9. Wendy Milman, MAI gave assistance in the compilation of market data as well as the opinion of market value.

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

11. As of the date of this report, I, John M. Coleman, MAI, SRA, have completed the requirements under the continuing education program of the Appraisal Institute.

12. To the best of the appraiser's knowledge the subject property does not contain any toxic substances such as hazardous waste, asbestos or radon gas which would adversely impact the market value of the subject. Additionally, to the best of the appraiser's knowledge, there are no properties within the immediate area which contain these substances. This is not a guarantee that these substances do not occur in the subject property or within the immediate area. This is only a statement as to the knowledge of the appraiser.

13. This appraisal was made and the appraisal report prepared in conformity with the *Uniform Apprisal Standards* for Federal Land Acquisitions.

Based upon my inspection of the Country Cottage Motel parcel and my analysis of the market data, it is my opinion that the "as is" market value of the fee simple interest, as of January 11, 2007, is as follows:

SEVEN HUNDRED SIXTY THOUSAND DOLLARS
($760,000)

The preceding value includes both the contributory value of the real estate and the furniture, fixtures, and equipment (FF&E).

It is my opinion that the contributory value of the furniture, fixtures, and equipment (FF&E), as of January 11, 2007, is as follows:

TWENTY THOUSAND DOLLARS
($20,000)

It is my opinion that the contributory value of the three bedroom/office unit, as of January 11, 2007, is as follows:

ONE HUNDRED THOUSAND DOLLARS
($100,000)

These value conclusions are specifically limited by the *Contingent and Limiting Conditions*, with emphasis on the *Jurisdictional Exceptions* detailed at the beginning of this appraisal report which require that project influence be excluded from the valuation analysis. For the purpose of my analysis, any increase or decrease in value caused by the Noise Mitigation Project has been excluded from my final value estimate.

The appraiser has been informed that the City of Austin generally requires the Grantor to provide either a General or Special Warranty Deed when conveying real property to the City. In the event a purchase is unsuccessful, the City will acquire the real property by

eminent domain and will not receive a General or Special Warranty Deed from the Condemnee. The City Attorney's Office will include all parties shown as "owners" in the Title Commitment in the eminent domain proceeding. Therefore, it is my opinion there is no difference in market value between the two acquisition procedures.

The contract we received indicated that the appraiser shall disregard the effect on use and value of any encumbrances resulting from the project (such as Airport Hazard and Compatible Land Use Regulations, Chapter 25-13 of Ordinance No. 010809-78), and invoke USPAP's Jurisdictional Exception Rule with respect to Standard Rule 1-3(a).

Respectfully submitted,

THE AEGIS GROUP, INC.

John M. Coleman, MAI, SRA
State Certified General Real Estate Appraiser
No. TX-1320293-G

U.S Department of Transportation **Federal Aviation Administration**	**CERTIFICATE OF APPRAISER**	
Airport	Project Number	Parcel No. 104
	Project Location 2601 East Highway 71, Travis County, Texas.	

I hereby certify:

That on *January 11, 2007* I personally made a field inspection of the property herein appraised and that I have afforded the property owner the opportunity to accompany me at the time of inspection. I have also personally made a field inspection of the comparable sales relied upon in making said appraisal. The subject and the comparable sales relied upon in making said appraisal were as represented by the photographs contained in said appraisal or in the data book or report that supplements the appraisal.

That to the best of my knowledge and belief the statements contained in the appraisal attached hereto are true and the information contained therein upon which the opinion of value expressed below is based is correct, subject to the limiting conditions set forth in the appraisal.

That I understand this market value appraisal is to be used in connection with the acquisition of land for an airport project by *THC, Inc.* with the assistance of FAA funds or other Federal funds. .

That such appraisal has been made in conformity with the appropriate State laws, regulations, policies, and procedures applicable to appraisal of land for such purposes, and that to the best of my knowledge no portion of the value assigned to such property consists of items which are non-compensable under the established law of said State.

That any decrease or increase in the fair market value of real property prior to the date of valuation caused by the public improvement for which such property is acquired, or by the likelihood that the property would be acquired for such improvement, other than that due to physical deterioration within reasonable control of the owner, has been disregarded in determining the compensation for the property.

That neither my employment nor my compensation for making this appraisal are in any way contingent upon the values reported herein.

That I have no direct or indirect, present or contemplated, future personal interest in such property or in any benefit from the acquisition of such property appraised.

That I have not revealed the findings and results of such appraisal to anyone other than the proper officials of the acquiring agency of said Airport or officials of the FAA and I will not do so until so authorized by said officials, or until I am required to do so by due process of law, or until I am released from this obligation by having publicly testified as to such findings.

That the conclusion set forth in this appraisal is our independent opinion of the value of the property as of *January 11, 2007,* and that such conclusion was reached without collaboration or direction as to value.

It is my opinion that the market value of the above captioned real property is as follows:

Value Before Acquisition:	$760,000 (includes FF&E)
Value After Acquisition:	$ 0
Value Difference:	$760,000 (includes FF&E)

The property has been appraised for its fair market value as though owned in fee simple, or as encumbered only by the existing easement in favor of recorded parties in the attached title commitment.

The opinion of value expressed above is the result of and is subject to the data and conditions described in detail in this report plus Addenda.

Date of contract January 11, 2007

Typed name John Coleman

Signature

Date 3/26/2007

Note - Other statements, required by the regulations of an appraisal organization of which the appraiser is a member or by circumstances connected with the appraisal assignment or the preparation of the appraisal, may be inserted where appropriate.

FAA Form 5100-1 11

QUALIFICATIONS OF JOHN M. COLEMAN, MAI, SRA

John Coleman has been actively involved in the Real Estate profession since 1972. Mr. Coleman is President of The Aegis Group, Inc., a real estate appraising and consulting firm founded in 1987 and located in Austin, Texas.

Mr. Coleman is involved in all types of real property valuation including residential, commercial, office, industrial, agricultural, condemnation, recreation and special purpose appraisals such as the evaluation projections for utility districts. Mr. Coleman often serves in the capacity of expert litigation witness in cases involving eminent domain, bankruptcy, civil litigation and ad valorem tax appeal. He is qualified as an appraisal expert in various county district courts, Federal District Court, U.S. Bankruptcy Court, and various county commissioners courts and appraisal district review boards.

ASSOCIATION MEMBERSHIP

Member Appraisal Institute (MAI), Appraisal Institute - Certificate No. 7628.
Senior Residential Appraiser (SRA), Appraisal Institute
Texas Real Estate Broker License No. 338677-23.
Texas State Certified General Real Estate Appraiser - Certificate No. TX-1320293-G

EDUCATION

Bachelor of Arts in Economics and Political Science, MacMurray College, Jacksonville, Illinois.
Attended Washington University School of Law, St. Louis, Missouri.

Appraisal and Related Courses:

Appraisal Institute, Standards of Professional Practice
Appraisal Institute, Advanced Income Capitalization
AIREA, Course 1-A, Basic Principles, Methods and Techniques
AIREA, Course 1-B, Capitalization Theory and Techniques
AIREA, Course II, Urban Properties
AIREA, Course III, Rural Properties
AIREA, Course VIII, Residential Properties
AIREA, Litigation Valuation

Attended various appraisal seminars offered by the Appraisal Institute and the Society of Real Estate Appraisers.

ADDENDA

LETTER OF ENGAGEMENT

T • H • C

Improving Your Community

December 5, 2006

Mr. John Coleman
The Aegis Group, Inc.
8140 N. Mopac Expressway
Building 2, Suite 100
Austin, TX 78759

Re: Austin-Bergstrom International Airport
Noise Mitigation Program
Fee Proposal for Appraisal Services for Parcel 104

Dear John:

You are hereby authorized to proceed with the appraisal services for Parcel 104 on the Austin-Bergstrom International Airport's Noise Mitigation Program. This letter serves as the amendment to your consulting agreement with THC, Inc. dated March 2, 2005. You shall have 40 days to complete this work.

The total fee for this work is $7,500.00. This amount will be added to your total contract amount. Please submit a copy of this authorization with your invoice.

Should you have any questions or need any additional information, please feel free to contact us.

Sincerely yours,

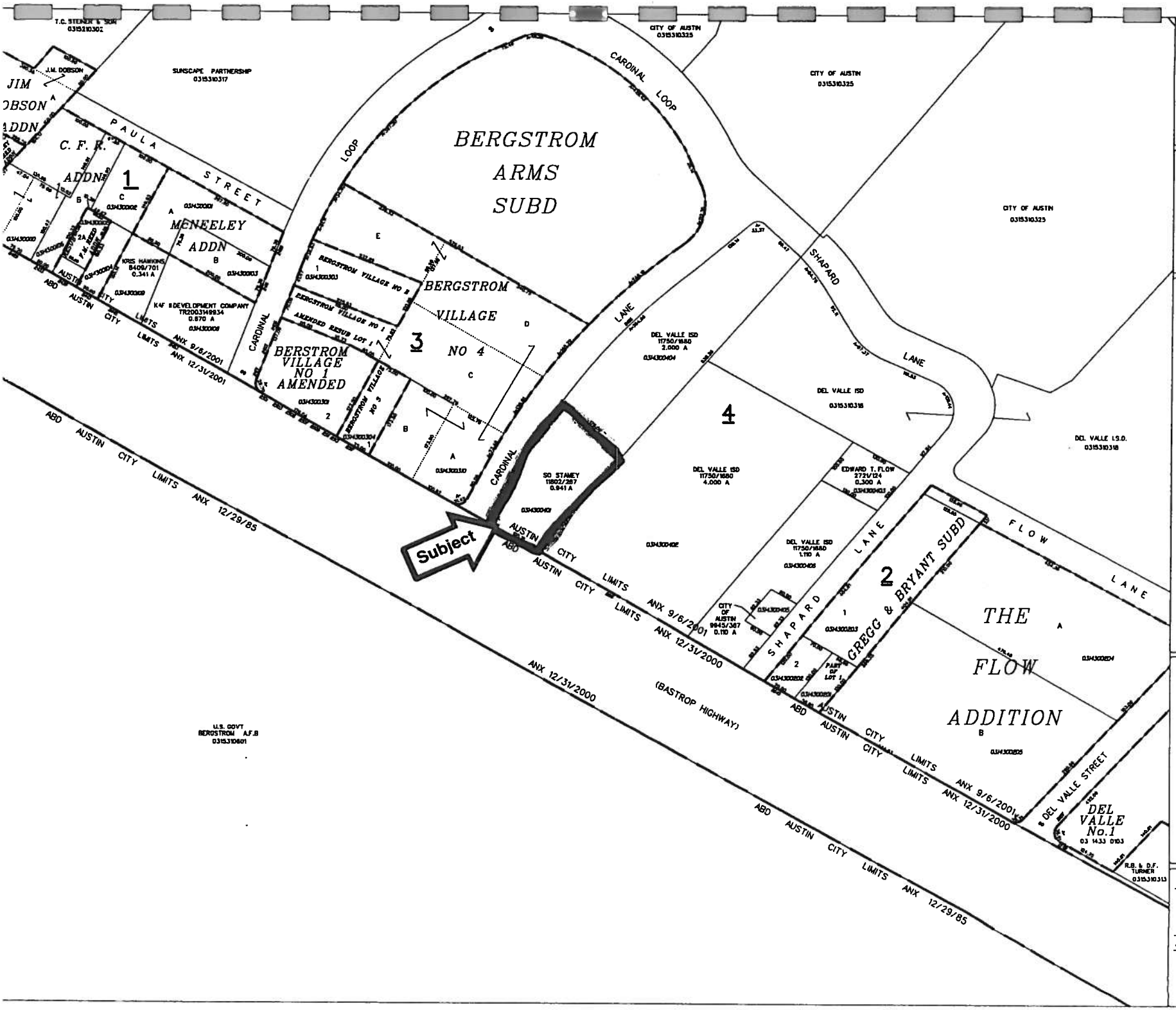
Joe A. Carroll
President

JAC/hpf

Cc: Ms. Melinda Ruby, ABIA
Mr. Michael Smith, THC
Ms. Susan Edwards, THC
File – Subconsultant Contract File

2905 Premiere Parkway Suite 325 Duluth, GA 30097
Phone *770.623.0520* Fax *770.495.2384* *www.thcinc.net*

PLAT MAP OF SUBJECT


BERGSTROM ARMS SUBD
CARDINAL LOOP
PAULA STREET
C. F. R. ADDN
MENEELEY ADDN
BERGSTROM VILLAGE NO 1 AMENDED
BERGSTROM VILLAGE NO 4
BERGSTROM VILLAGE NO 3
BERGSTROM VILLAGE NO 2
AMENDED RESUB LOT 1
SHAPARD LANE
GREGG & BRYANT SUBD
THE FLOW ADDITION
FLOW LANE
DEL VALLE STREET
DEL VALLE No.1
(BASTROP HIGHWAY)
Subject
CITY OF AUSTIN
DEL VALLE ISD
SUNSCAPE PARTNERSHIP
U.S. GOVT BERGSTROM A.F.B
ABD AUSTIN CITY LIMITS ANX 12/29/85
ABD AUSTIN CITY LIMITS ANX 12/31/2000
ABD AUSTIN CITY LIMITS ANX 9/6/2001
REVISIONS
02/12/2004 ASV
JURISDICTIONS
CITY OF AUSTIN
DEL VALLE ISD
TCESD NO 11
TRAVIS CENTRAL APPRAISAL DISTRICT
P.O. Box 149012
Austin, Tx 78714
8314 Cross Park Drive
Austin, Tx 78754
Internet Address WWW.TRAVISCAD.ORG
Main Telephone Number (512)834-9317
Appraisal Information (512)834-9138
Fax Number (512)835-5371
TDD (512)836-3328
0' 100'
SCALE
MAP NO.
3 1430
3 1428
3 1433
1" = 400' MAP REFERENCE
3 1531

FLOODPLAIN MAP

N
Subject
ZONE X
71
ZONE A
McWHIRK
BOULEVARD
MELDRUM
AUSTIN
COUNTY
NATIONAL FLOOD INSURANCE PROGRAM
FIRM
FLOOD INSURANCE RATE MAP
TRAVIS COUNTY,
TEXAS AND
INCORPORATED AREAS
PANEL 130 OF 410
MAP NUMBER
48453C0130 E
EFFECTIVE DATE:
JUNE 16, 1993
Federal Emergency Management Agency

SURVEY

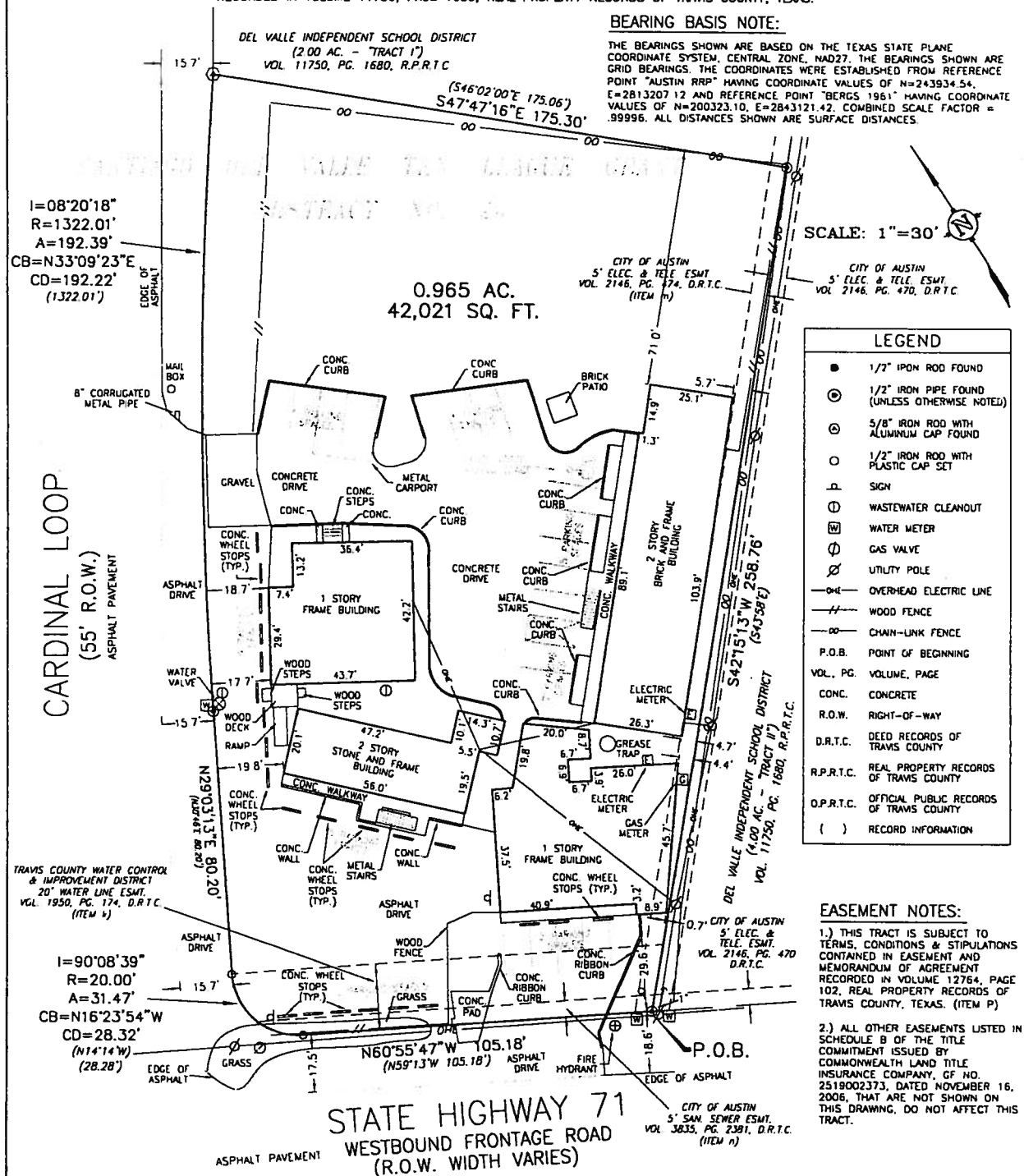
LAND TITLE SURVEY

OF

A 0.965 ACRE (42,021 SQUARE FOOT) TRACT OF LAND OUT OF THE SANTIAGO DEL VALLE TEN LEAGUE GRANT, ABSTRACT NO. 24, TRAVIS COUNTY, TEXAS, AND BEING THAT SAME TRACT DESCRIBED IN A WARRANTY DEED DATED OCTOBER 19, 1992 TO SO STAMEY, RECORDED IN VOLUME 11802, PAGE 267, REAL PROPERTY RECORDS OF TRAVIS COUNTY, TEXAS; SAID 0.965 ACRE (42,021 SQUARE FOOT) TRACT ALSO BEING THAT SAME 2.941 ACRE TRACT DESCRIBED IN A WARRANTY DEED DATED SEPTEMBER 6, 1988 TO WILLIAM E. STAMEY, RECORDED IN VOLUME 10773, PAGE 685, REAL PROPERTY RECORDS OF TRAVIS COUNTY, TEXAS, SAVE & EXCEPT, A 2.00 ACRE TRACT REFERRED TO AS "TRACT 1" IN A SPECIAL WARRANTY DEED DATED AUGUST 12, 1992 TO DEL VALLE INDEPENDENT SCHOOL DISTRICT, RECORDED IN VOLUME 11750, PAGE 1680, REAL PROPERTY RECORDS OF TRAVIS COUNTY, TEXAS.

BEARING BASIS NOTE:

THE BEARINGS SHOWN ARE BASED ON THE TEXAS STATE PLANE COORDINATE SYSTEM, CENTRAL ZONE, NAD27. THE BEARINGS SHOWN ARE GRID BEARINGS. THE COORDINATES WERE ESTABLISHED FROM REFERENCE POINT "AUSTIN RRP" HAVING COORDINATE VALUES OF N=243934.54, E=2813207.12 AND REFERENCE POINT "BERGS 1961" HAVING COORDINATE VALUES OF N=200323.10, E=2843121.42. COMBINED SCALE FACTOR = .99996. ALL DISTANCES SHOWN ARE SURFACE DISTANCES.



LEGEND

●	1/2" IRON ROD FOUND
⊙	1/2" IRON PIPE FOUND (UNLESS OTHERWISE NOTED)
⊛	5/8" IRON ROD WITH ALUMINUM CAP FOUND
○	1/2" IRON ROD WITH PLASTIC CAP SET
	SIGN
Ⓘ	WASTEWATER CLEANOUT
W	WATER METER
Ⓖ	GAS VALVE
Ø	UTILITY POLE
—OHE—	OVERHEAD ELECTRIC LINE
—//—	WOOD FENCE
—oo—	CHAIN-LINK FENCE
P.O.B.	POINT OF BEGINNING
VOL., PG.	VOLUME, PAGE
CONC.	CONCRETE
R.O.W.	RIGHT-OF-WAY
D.R.T.C.	DEED RECORDS OF TRAVIS COUNTY
R.P.R.T.C.	REAL PROPERTY RECORDS OF TRAVIS COUNTY
O.P.R.T.C.	OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY
( )	RECORD INFORMATION

EASEMENT NOTES:

1.) THIS TRACT IS SUBJECT TO TERMS, CONDITIONS & STIPULATIONS CONTAINED IN EASEMENT AND MEMORANDUM OF AGREEMENT RECORDED IN VOLUME 12764, PAGE 102, REAL PROPERTY RECORDS OF TRAVIS COUNTY, TEXAS. (ITEM P)

2.) ALL OTHER EASEMENTS LISTED IN SCHEDULE B OF THE TITLE COMMITMENT ISSUED BY COMMONWEALTH LAND TITLE INSURANCE COMPANY, GF NO. 2519002373, DATED NOVEMBER 16, 2006, THAT ARE NOT SHOWN ON THIS DRAWING, DO NOT AFFECT THIS TRACT.

No portion of this survey is within the 100-year flood plain boundary as shown on the Flood Insurance Rate Map Community - Panel Number 48453C130F, effective date January 19, 2000

The easements shown or noted and addressed on this survey are those listed in Schedule B of title commitment issued by Commonwealth Land Title Insurance Company, GF No. 2519002373, effective date: November 16, 2006.

Restrictive covenants of record affect this survey: see Commonwealth Land Title Insurance Company, Schedule B, GF No. 2519002373, dated November 16, 2006.

STATE OF TEXAS }
COUNTY OF TRAVIS }

TO: SO STAMEY F/K/A SO BROOKS, CITY OF AUSTIN AND TO COMMONWEALTH LAND TITLE INSURANCE COMPANY

I HEREBY CERTIFY THAT THIS SURVEY WAS MADE ON THE GROUND UNDER MY SUPERVISION, THAT THIS PLAT CORRECTLY REPRESENTS THE FACTS FOUND AT THE TIME OF THE SURVEY, AND THAT THIS PROFESSIONAL SERVICE CONFORMS TO THE CURRENT TEXAS SOCIETY OF PROFESSIONAL SURVEYORS STANDARDS AND SPECIFICATIONS FOR A CATEGORY 1A, CONDITION II SURVEY

MACIAS & ASSOCIATES, INC

GREGORIO LOPEZ, JR.
REGISTERED PROFESSIONAL LAND SURVEYOR NO. 5272 DATE

DRAWING FILE: 329104.DWG
JOB NO.: 329-104-06
FIELD BOOK: F.B.480, PG.40

MACIAS & ASSOCIATES, INC.
LAND SURVEYORS
5410 SOUTH 1ST STREET
AUSTIN, TEXAS 78745
PH. (512)442-7875 FAX (512)442-7876
EMAIL: MACIASURVEY@EARTHLINK.NET

J:\JOBS\THC\ABIA\32910406\DWG\329104.dwg

LEGAL DESCRIPTION

MACIAS & ASSOCIATES, L.P.
LAND SURVEYORS

EXHIBIT "A"

So Stamey f/k/a
So Brooks
To
City of Austin

LEGAL DESCRIPTION

BEING A 0.965 ACRE (42,021 SQUARE FOOT) TRACT OF LAND OUT OF THE SANTIAGO DEL VALLE TEN LEAGUE GRANT, ABSTRACT NO. 24, TRAVIS COUNTY, TEXAS, AND BEING THAT SAME TRACT DESCRIBED IN A WARRANTY DEED DATED OCTOBER 19, 1992 TO SO STAMEY, RECORDED IN VOLUME 11802, PAGE 267, REAL PROPERTY RECORDS OF TRAVIS COUNTY, TEXAS; SAID 0.965 ACRE (42,021 SQUARE FOOT) TRACT ALSO BEING THAT SAME 2.941 ACRE TRACT DESCRIBED IN A WARRANTY DEED DATED SEPTEMBER 6, 1988 TO WILLIAM E. STAMEY, RECORDED IN VOLUME 10773, PAGE 685, REAL PROPERTY RECORDS OF TRAVIS COUNTY, TEXAS, SAVE & EXCEPT, A 2.00 ACRE TRACT REFERRED TO AS "TRACT I" IN A SPECIAL WARRANTY DEED DATED AUGUST 12, 1992 TO DEL VALLE INDEPENDENT SCHOOL DISTRICT, RECORDED IN VOLUME 11750, PAGE 1680, REAL PROPERTY RECORDS OF TRAVIS COUNTY, TEXAS; SAID 0.965 ACRE (42,021 SQUARE FOOT) TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING at a 1" iron pipe found on the northeast right-of-way line of State Highway No. 71, a varying width right-of-way, at the south corner of said 2.941 acre tract and at the west corner of a 4.00 acre tract referred to as "Tract II" in a Special Warranty Deed dated August 12, 1992 to Del Valle Independent School District, recorded in Volume 11750, Page 1680, Real Property Records of Travis County, Texas, for the south corner of this tract;

THENCE, N60°55'47"W, with the northeast right-of-way line of State Highway No. 71 and the southwest line of said 2.941 acre tract, a distance of 105.18 feet to a 1/2" iron rod with plastic cap set at the point of curvature of a curve to the right;

THENCE, along said curve to the right having a radius of 20.00 feet, a central angle of 90°08'39", a chord which bears, N16°23'54"W, 28.32 feet, an arc distance of 31.47 feet to a 1/2" iron rod with plastic cap set on the southeast right-of-way line of Cardinal Lane, a 55-foot wide right-of-way, at the point of tangency;

5410 South 1st Street · Austin, Texas 78745 · (512) 442-7875 · Fax (512) 442-7876 · e-mail: maciasurvey@earthlink.net

THENCE, Northeasterly, with the southeast right-of-way line of Cardinal Lane and the northwest line of said 2.941 acre tract, the following two (2) courses:

1) N29°03'13"E, a distance of 80.20 feet to a 1/2" iron pipe found at the point of curvature of a curve to the right;

2) Along said curve to the right having a radius of 1322.01 feet, a central angle of 08°20'18", a chord which bears, N33°09'23"E, 192.22 feet, an arc distance of 192.39 feet to a 5/8" iron rod with aluminum cap found at the west corner of said 2.00 acre tract referred to as "Tract I", for the north corner of this tract;

THENCE, S47°47'16"E, across said 2.941 acre tract, with the southwest line of said "Tract I", a distance of 175.30 feet to a 1/2" iron pipe found on the southeast line of said 2.941 acre tract and on the northwest line of said 4.00 acre tract referred to as "Tract II", at the south corner of said "Tract I", for the east corner of this tract;

THENCE, S42°15'13"W, with the southeast line of said 2.941 acre tract and the northwest line of said "Tract II", a distance of 258.76 feet to the **POINT OF BEGINNING**, containing 0.965 acre (42,021 square feet) of land, more or less.

BEARING BASIS NOTE

The bearings described herein are Texas State Plane Grid bearings (Central Zone, NAD27, Combined Scale Factor = 0.99996). The coordinates were established from reference point "Austin RRP" having coordinate values of N=243934.54, E=2813207.12 and reference point "Bergs 1961" having coordinate values of N=200323.10, E=2843121.42.

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF TRAVIS §

That I, Gregorio Lopez, Jr., a Registered Professional Land Surveyor, do hereby certify that the above description is true and correct to the best of my knowledge and belief and that the property described herein was determined by a survey made on the ground under my direction and supervision.

WITNESS MY HAND AND SEAL at Austin, Travis County, Texas, this 4th day of January, 2007, A.D.

STATE OF TEXAS
REGISTERED
GREGORIO LOPEZ, JR.
5272
PROFESSIONAL
LAND SURVEYOR

Gregorio Lopez, Jr.

MACIAS & ASSOCIATES, INC.
5410 South 1st Street
Austin, Texas 78745

Gregorio Lopez, Jr.
Registered Professional Land Surveyor
No.5272 - State of Texas

REFERENCES
MAPSCO 2003 647J
Austin Grid No. MN-17
TCAD PARCEL ID NO. 03-1430-0401
MACIAS & ASSOCIATES PROJ. NO. 329-104-06

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF TRAVIS §

That I, Gregorio Lopez, Jr., a Registered Professional Land Surveyor, do hereby certify that the above description is true and correct to the best of my knowledge and belief and that the property described herein was determined by a survey made on the ground under my direction and supervision.

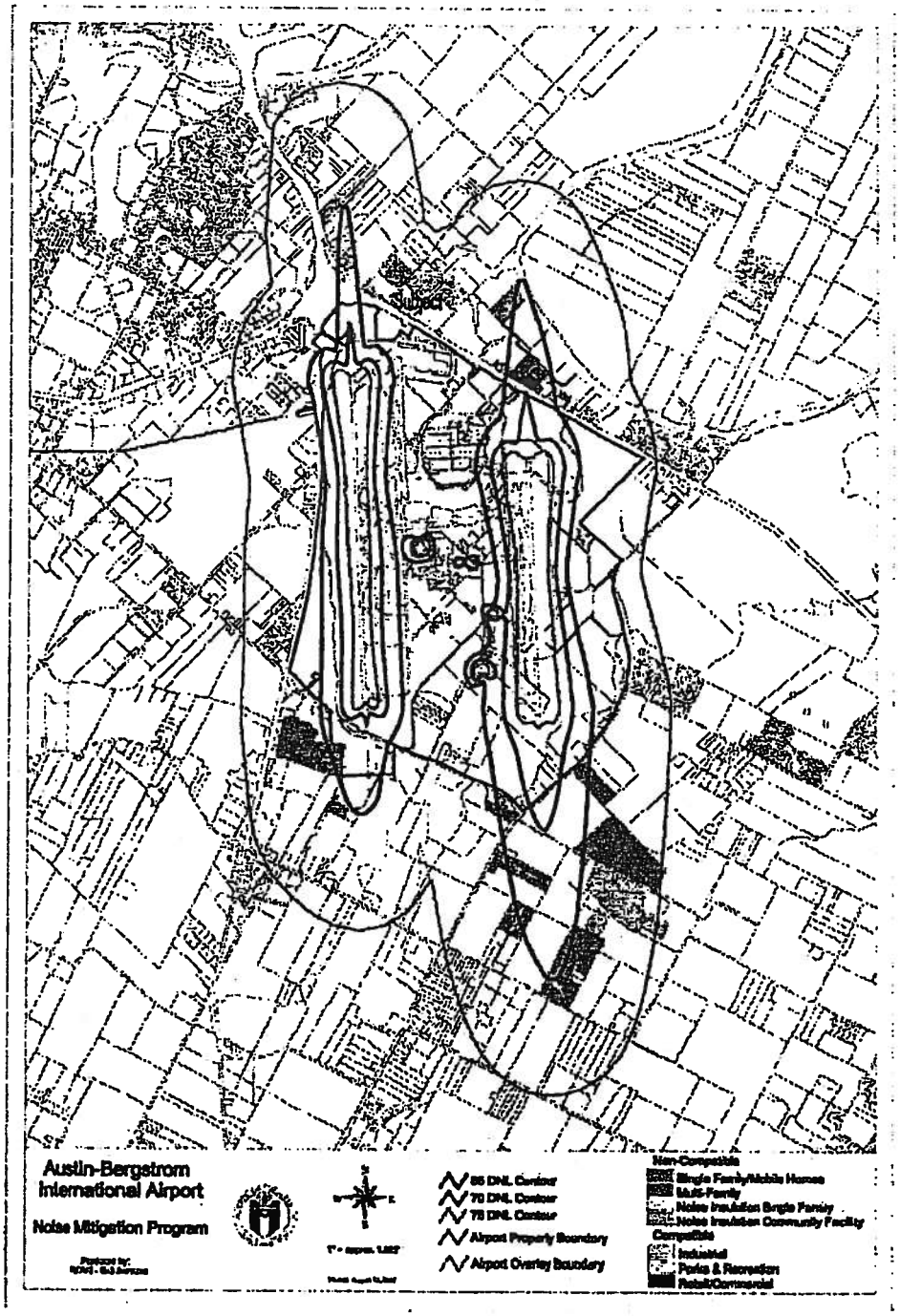
WITNESS MY HAND AND SEAL at Austin, Travis County, Texas, this _____ day of January, 2007, A.D.

MACIAS & ASSOCIATES, INC.
5410 South 1st Street
Austin, Texas 78745

_____
Gregorio Lopez, Jr.
Registered Professional Land Surveyor
No.5272 - State of Texas

REFERENCES
MAPSCO 2003 647J
Austin Grid No. MN-17
TCAD PARCEL ID NO. 03-1430-0401
MACIAS & ASSOCIATES PROJ. NO. 329-104-06

AIRPORT NOISE MITIGATION MAP



AIRPORT NOISE MITIGATION MAP

Source: City of Austin

TITLE COMMITMENT

COMMITMENT FOR TITLE INSURANCE

SCHEDULE A

Effective Date: **November 16, 2006** GF. No. 2519002373

Commitment No.: Not Applicable issued: **November 29, 2006**
(if applicable)

1. The policy or policies to be issued are:

   (a) OWNER POLICY OF TITLE INSURANCE (Form T-1)
   (Not applicable for improved one-to-four family residential real estate)
   Policy Amount:
   PROPOSED INSURED: **City of Austin**

   (b) TEXAS RESIDENTIAL OWNER POLICY OF TITLE INSURANCE - ONE-TO-FOUR FAMILY RESIDENCES (Form T-1R)
   Policy Amount:
   PROPOSED INSURED:

   (c) MORTGAGEE POLICY OF TITLE INSURANCE (Form T-2)
   Policy Amount:
   PROPOSED INSURED:
   Proposed Borrower:

   (d) TEXAS SHORT FORM RESIDENTIAL MORTGAGEE POLICY OF TITLE INSURANCE (Form T-2R)
   Policy Amount:
   PROPOSED INSURED:
   Proposed Borrower:

   (e) MORTGAGEE TITLE POLICY BINDER ON INTERIM CONSTRUCTION LOAN (Form T-13)
   Binder Amount:
   PROPOSED INSURED:
   Proposed Borrower:

   (f) OTHER
   Policy Amount:
   PROPOSED INSURED:

2. The interest in the land covered by this Commitment is:
   Fee Simple

3. Record title to the land on the Effective Date appears to be vested in:

   So Stamey f/k/a So Brooks

4. Legal description of the land:

   Being a tract of land out of the SANTIAGO DEL VALLE GRANT, in TRAVIS County, Texas, and being a portion of the 2.941 acre tract of land conveyed to So Brooks by deed recorded in/under 7393/310 of the Real Property Records of TRAVIS County, Texas; said tract to be more particularly described in accordance with the Schedule C requirement shown herein.

COMMITMENT FOR TITLE INSURANCE

SCHEDULE B

EXCEPTIONS FROM COVERAGE

In addition to the Exclusions and Conditions and Stipulations, your Policy will not cover loss, costs, attorneys' fees, and expenses resulting from:

1. The following restrictive covenants of record itemized below (We must either insert specific recording data or delete this exception):

   Restrictive Covenants recorded in/under 2570/388 of the Real Property Records of TRAVIS County, Texas, but omitting any covenant or restriction based on race, color, religion, sex, handicap, familial status, or national origin.

2. Any discrepancies, conflicts, or shortages in area or boundary lines, or any encroachments or protrusions, or any overlapping of improvements.

3. Homestead or community property or survivorship rights, if any, of any spouse of any insured. (Applies to the Owner Policy only).

4. Any titles or rights asserted by anyone, including, but not limited to, persons, the public, corporations, governments or other entities,

   a. to tidelands, or lands comprising the shores or beds of navigable or perennial rivers and streams, lakes, bays, gulfs or oceans, or

   b. to lands beyond the line of harbor or bulkhead lines as established or changed by any government, or

   c. to filled-in lands, or artificial islands, or

   d. to statutory water rights, including riparian rights, or

   e. to the area extending from the line of mean low tide to the line of vegetation, or the rights of access to that area or easement along and across that area.

   (Applies to the Owner Policy only.)

5. Standby fees, taxes and assessments by any taxing authority for the year **2006**, and subsequent years; and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership, but not those taxes or assessments for prior years because of an exemption granted to a previous owner of the property under Section 11.13, *Texas Tax Code*, or because of improvements not assessed for a previous tax year. (If Texas Short Form Residential Mortgagee Policy (T-2R) is issued, that policy will substitute "which become due and payable subsequent to Date of Policy" in lieu of "for the year **2006**, and subsequent years.")

6. The terms and conditions of the documents creating your interest in the land.

7. Materials furnished or labor performed in connection with planned construction before signing and delivering the lien document described in Schedule A, if the land is part of the homestead of the owner. (Applies to the Mortgagee Title Policy Binder on Interim Construction Loan only, and may be deleted if satisfactory evidence is furnished to us before a binder is issued.)

8. Liens and leases that affect the title to the land, but that are subordinate to the lien of the insured mortgage. (Applies to Mortgagee Policy (T-2) only.)

9. The Exceptions from Coverage and Express Insurance in Schedule B of the Texas Short Form

Residential Mortgagee Policy (T-2R). (Applies to Texas Short Form Residential Mortgagee Policy (T-2R) only. Separate exceptions 1 through 8 of this Schedule B do not apply to the Texas Short Form Residential Mortgagee Policy (T-2R).

10. The following matters and all terms of the documents creating or offering evidence of the matters (We must insert matters or delete this exception.):

a. **Rights of parties in possession. (Owner's Title Policy only)**

b. **Rights of tenants in possession under unrecorded leases or rental agreements.**

c. **Easements, or claims of easements, which are not recorded in the public records. (Owner Title Policy only)**

d. **Any portion of the property described herein within the limits or boundaries of any public or private roadway and/or highway.**

e. **NOTE: The Company is prohibited from insuring the area or quantity of the land described herein. Any statement in the legal description contained in Schedule "A" as to area or quantity of land is not a representation that such area or quantity is correct, but is made only for informal identification purposes and does not override Item 2 of Schedule "B" hereof.**

f. **Easement executed by J.B. Norwood, to Texas Power & Light Company, dated April 6, 1928, recorded in/under 417/247 of the Real Property Records of TRAVIS County, Texas.**

g. **Easement executed by J.B. Norwood, to Texas Power & Light Company, dated February 16, 1929, recorded in/under 433/545 of the Real Property Records of TRAVIS County, Texas.**

h. **Easement executed by B.W. Giles, to Texas Power & Light Company, dated March 16, 1938, recorded in/under 589/497 of the Real Property Records of TRAVIS County, Texas.**

i. **Easement executed by Leora Giles, to the City of Austin, dated January 15, 1941, recorded in/under 660/465 of the Real Property Records of TRAVIS County, Texas.**

j. **Easement executed by Harry Peterson, to the City of Austin, dated September 10, 1942, recorded in/under 700/618 of the Real Property Records of TRAVIS County, Texas.**

k. **Easement executed by Merle Goodnight, to Travis County Water Control & Improvement District No. 12, dated July 2, 1958, recorded in/under 1950/174 of the Real Property Records of TRAVIS County, Texas.**

l. **Easement executed by F.M. Reed and Merle Goodnight, to the City of Austin, dated September 8, 1959, recorded in/under 2128/116 of the Real Property Records of TRAVIS County, Texas.**

m. **Easement executed by Merle Goodnight, to the City of Austin, dated January 4, 1960, recorded in/under 2146/474 of the Real Property Records of TRAVIS County, Texas.**

n. **Easement executed by Ralph R. Parker and Jack M. Vaught, to the City of Austin, dated April 17, 1970, recorded in/under 3835/2381 of the Real Property Records of TRAVIS County, Texas.**

o. **Terms, conditions and stipulations contained in Lease Agreement executed by and between Country Cottages Courts, as Lessor, and Kwik-Wash Laundries, Inc., as Lessees, dated September 1, 1981, as evidenced by Short Form Lease recorded in/under 7617/842 of the Real Property Records of TRAVIS County, Texas.**

p. **Terms, conditions and stipulations contained in Easement and Memorandum of Agreement executed by and between So Stamey dba Country Cottages Motel, and Austin Cablevision, a Division of Time Warner Entertainment Company, L.P., dated August 29, 1996, recorded in/under 12764/102 of the Real Property Records of TRAVIS County, Texas.**

q. **Terms, conditions and stipulations contained in Lease Agreement, including but not limited to right to purchase and/or restrictive covenants, executed by and between So Stamey, as Lessor, and Reagan National Advertising of Austin, Inc., as Lessee, dated February 18, 1998, a Memorandum of which is recorded in/under 1999071500 and 2000160698 of the Real Property Records of TRAVIS County, Texas.**

COMMITMENT FOR TITLE INSURANCE

SCHEDULE C

Your Policy will not cover loss, costs, attorneys' fees, and expenses resulting from the following requirements that will appear as Exceptions in Schedule B of the Policy, unless you dispose of these matters to our satisfaction, before the date the Policy is issued:

1. Documents creating your title or interest must be approved by us and must be signed, notarized and filed for record.

2. Satisfactory evidence must be provided that:

   a. no person occupying the land claims any interest in that land against the persons named in paragraph 3 of Schedule A,

   b. all standby fees, taxes, assessments and charges against the property have been paid,

   c. all improvements or repairs to the property are completed and accepted by the owner, and that all contractors, subcontractors, laborers and suppliers have been fully paid, and that no mechanic's, laborer's or materialmen's liens have attached to the property,

   d. there is legal right of access to and from the land,

   e. (on a Mortgagee Policy only) restrictions have not been and will not be violated that affect the validity and priority of the insured mortgage.

3. You must pay the seller or borrower the agreed amount for your property or interest.

4. Any defect, lien or other matter that may affect title to the land or interest insured, that arises or is filed after the effective date of this Commitment.

5. **Company requires evidence of the marital status of So Stamey f/k/a So Brooks as of March 5, 1981. If So Stamey f/k/a So Brooks was married and is now single, or was married to a different spouse, Company requires sufficient information to determine the status of any outstanding community interest for purposes of the joinder of additional parties, if necessary. Company requires the joinder of spouse, if any, in any conveyance of homestead property.**

6. **Appears to be clear of liens. Company requires Lien Affidavit.**

7. **Secure a staked survey, on the ground, by a Registered Professional Land Surveyor acceptable to the Company, together with a full property (metes and bounds) description based thereon and submit for review and possible additional exceptions.**

8. **Company requires Reagan National Advertising of Austin, Inc. to release the Right of First Refusal contained in instrument dated July 21, 1999, recorded in/under 2000160698 of the Real Property Records of TRAVIS County, Texas, as to the conveyance of the herein described property by So Stamey, to the City of Austin.**

9. **Chapter 156 of the Tax Code of the State of Texas provides for a Hotel Occupancy Tax. Effective May 3, 1983, that Chapter was amended to provide that upon sale of hotel/motel property, the Purchaser must:**

   A) require the Seller to furnish a receipt from the Comptroller of the State of Texas showing all such taxes paid, or;

   B) require the Seller to furnish a certificate from the Comptroller of the

State of Texas stating that no amount is due, or;
C) the Purchaser must withhold sufficient funds from the sale price to pay the outstanding tax or the Purchaser will be held responsible for the tax to the extent of the purchase price paid.

The Company requires satisfactory evidence that such taxes are paid, or that none are due, or that Purchaser withhold sufficient funds from the sale price to pay the outstanding tax.

10. In addition to the requirements set forth in Schedule C of the enclosed Commitment, the following requirements must be met by the Settlement Agent prior to Policy issuance:

a) A properly completed Affidavit as to Debts and Liens executed by Seller;
b) A properly completed Waiver of Inspection, executed by proposed Insured, for each Owner Policy requested.
c) A properly completed Owner Policy Rejection, executed by purchaser, for each residential sale in which a Mortgagee Policy is to be issued, but no Owner Policy.
d) Proof of payment of all taxes due and owing at the time of settlement, in a form acceptable to the Company.

Prior to closing, you must request from the Company a "downdated" Commitment for Title Insurance with an "Effective Date" of no more than five (5) days prior to your anticipated closing.

11. For Informational purposes only, the following instruments have vested title to subject property for the past twenty four months: 7393/310, 10773/685, 11802/267 and 13243/2521

COMMITMENT FOR TITLE INSURANCE

SCHEDULE D

G.F. No. or File No. **2519002373** Effective Date: **November 16, 2006**

Pursuant to the requirements of Rule P-21, Basic Manual of Rules, Rates and Forms for the writing of Title Insurance in the State of Texas, the following disclosures are made:

1. The following individuals are directors and/or officers, as indicated, of the Title Insurance Company issuing this Commitment Commonwealth Land Title Insurance Company is a wholly owned subsidiary of LandAmerica Financial Group, Inc., a Virginia Corporation whose securities are publicly traded on the New York Stock Exchange.

   Commonwealth Land Title Insurance Company's Officers and Directors are as follows:

   Officers:
   Theodore L. Chandler, Jr., President & Chief Executive Officer
   Ronald B. Ramos, Senior Vice President, Assist. Secretary & Treasurer
   Anna M. King, Vice President, Secretary & Corporate Counsel
   G. William Evans, Senior Executive Vice President
   Christine Vlahcevic Chief Financial Officer, Senior Vice President
   Kenneth Astheimer, Executive Vice President
   Ross W. Domeman, Executive Vice President
   John A. Magness, Executive Vice President
   Margaret M. Foster, Executive Vice President
   Michelle H. Gluck, Executive Vice President & General Counsel
   Melissa A. Hill, Executive Vice President
   Lynn M. Riedel, Executive Vice President
   Marcy A. Welburn, Executive Vice President
   Glyn J. Nelson, Executive Vice President
   John M. Obzud, Executive Vice President
   Jeffrey C. Selby, Executive Vice President
   Jeffery D. Vaughn, Executive Vice President
   Paul Bedell, Executive Vice President
   James E. Sindoni, Executive Vice President

   Directors:
   Theodore L. Chandler, Jr.
   G. William Evans
   Kenneth Astheimer
   Lawrence F. Harr
   Melissa A. Hill
   Glyn J. Nelson
   Jeffrey C. Selby

2. The following disclosures are made by the Title Insurance Agent issuing this commitment pursuant to Rule P-21. LandAmerica Commonwealth Title of Austin, Inc., a 100% wholly owned subsidiary of Commonwealth Land Title Insurance Company.

   OFFICERS
   Lori Allen Naylor - President
   Susan Graham - Executive Vice President
   Ronald B. Ramos - Senior Vice President & Treasurer

   Anna M. King - Vice President, Corporate Counsel & Secretary
   Laura Brookshire - Vice President
   David M. Parnell - Vice President

   DIRECTORS
   John A. Magness
   Lori Allen Naylor
   Ronald B. Ramos

3. You are entitled to receive advance disclosure of settlement charges in connection with the proposed transaction to which this commitment relates. Upon your request, such disclosure will be made to you. Additionally, the name of any person, firm or corporation receiving any sum from the settlement of this transaction will be disclosed on the closing or settlement statement.

   You are further advised that the estimated title premium* is:

   Owners Policy
   Mortgagee Policy
   Endorsements
   Other $
   Total

   Of this total amount: 15% will be paid to the policy issuing Title Insurance Company: 85% will be retained by the issuing Title Insurance Agent; and the remainder of the estimated premium will be paid to other parties as follows:

Amount	To Whom	For Services

The estimated premium is based upon information furnished to us as of the date of this Commitment for Title Insurance. Final determination of the amount of the premium will be made at closing in accordance with the Rules and Regulations adopted by the State Board of Insurance.

This commitment is invalid unless the insuring provisions and Schedules A, B, and C are attach

TEXAS TITLE INSURANCE INFORMATION

Title insurance insures you against loss resulting from certain risks to your title.	El seguro de titulo le asegura en relacion a perdidas resultantes de ciertos riesgos que pueden afectar el titulo de su propiedad.
The Commitment for Title Insurance is the title insurance company's promise to issue the title insurance policy. The Commitment is a legal document. You should review it carefully to completely understand it before your closing date.	El Compromiso para Seguro de Titulo es la promesa de la compania aseguradora de titulos de emitir la poliza de seguro de titulo. El Compromiso es un documento legal. Usted debe leerio cuidadosamente y entendario completamente antes de la fecha para finalizar su transaccion.

Your Commitment for Title Insurance is a legal contract between you and us. The Commitment is not an opinion or report of your title. It is a contract to issue you a policy subject to the Commitment's terms and requirements.

Before issuing a Commitment for Title Insurance (the Commitment) or a Title Insurance Policy (the Policy), the Title Insurance Company (the Company) determines whether the title is insurable. This determination has already been made. Part of that determination involves the Company's decision to insure the title except for certain risks that will not be covered by the Policy. Some of these risks are listed in Schedule B of the attached Commitment as Exceptions. Other risks are stated in the Policy as Exclusions. These risks will not be covered by the Policy.

Another part of the determination involves whether the promise to insure is conditioned upon certain requirements being met. Schedule C of the Commitment lists these requirements that must be satisfied or the Company will refuse to cover them. You may want to discuss any matters shown on Schedules B and C of the Commitment with an attorney. These matters will affect your title and your use of the land.

When your Policy is issued, the coverage will be limited by the Policy's Exceptions, Exclusions and Conditions, defined below.

- EXCEPTIONS are title risks that a Policy generally covers but does not cover in a particular instance. Exceptions are shown on Schedule B or discussed in Schedule C of the Commitment. They can also be added if you do not comply with the Conditions section of the Commitment. When the Policy is issued, all Exceptions will be on Schedule B of the Policy.

- EXCLUSIONS are title risks that a Policy generally does not cover. Exclusions are contained in the Policy but not shown or discussed in the Commitment.

- CONDITIONS are additional provisions that qualify or limit your coverage. Conditions include your responsibilities and those of the Company. They are contained in the Policy but not shown or discussed in the Commitment. The Policy Conditions are not the same as the Commitment Conditions.

You can get a copy of the policy form approved by the State Board of Insurance by calling the Title Insurance Company at or by calling the title insurance agent that issued the Commitment. The State Board of Insurance may revise the policy form from time to time.

You can also get a brochure that explains the Policy from the Texas Department of Insurance by calling 1-800-252-3439.

Before the Policy is issued, you may request changes in the Policy. Some of the changes to consider are:

- Request amendment of the "area and boundary" exception (Schedule B, paragraph 2). To get this amendment, you must furnish a survey or comply with other requirements of the Company. On the Owner Policy, you must pay an additional premium for the amendment. If the survey is acceptable to the Company or if the Company's other requirements are met, your Policy will insure you against loss because of discrepancies or conflicts in

boundary lines, encroachments or protrusions, or overlapping of improvements. The Company may then decide not to insure against specific boundary or survey problems by making special exceptions in the Policy. Whether or not you request amendment of the "area and boundary" exception, you should determine whether you want to purchase and review a survey if a survey is not being provided to you.

- Allow the Company to add an exception to "rights of parties in possession." If you refuse this exception, the Company or the title insurance agent may inspect the property. The Company may except to and not insure you against the rights of specific persons, such as renters, adverse owners or easement holders who occupy the land. The Company may charge you for the inspection. If you want to make your own inspection, you must sign a Waiver of Inspection form and allow the Company to add this exception to your Policy.

The entire premium for a Policy must be paid when the Policy is issued. You will not owe any additional premiums unless you want to increase your coverage at a later date and the Company agrees to add an Increased Value Endorsement.

IMPORTANT NOTICE	AVISO IMPORTANTE
FOR INFORMATION, OR TO MAKE A COMPLAINT, CALL OUR TOLL-FREE TELEPHONE NUMBER **(800) 925-0965** ALSO, YOU MAY CONTACT THE TEXAS DEPARTMENT OF INSURANCE AT **1-800-252-3439** to obtain information on: 1. filing a complaint against an insurance company or agent, 2. whether an insurance company or agent is licensed, 3. complaints received against an insurance company or agent, 4. policyholder rights, and 5. a list of consumer publications and services available through the Department. YOU MAY ALSO WRITE TO: The Texas Department of Insurance P.O. Box 149104 Austin, Texas 78714-9104 FAX No (512) 475-1771	PARA INFORMACION, O PARA SOMETER UNA QUEJA LLAME AL NUMERO GRATIS **(800) 925-0965** TAMBIEN PUEDE COMUNICARSE CON EL DEPARTAMENTO DE SEGUROS DE TEXAS AL **1-800-252-3439** para obtoner información sobre: 1. como someter una queja en contra de una compañia de seguros o agente de seguros, 2. si una compañia de seguros o agente de seguros tiene licencia, 3. quejas recibidas en contra de una compañia de seguros o agente de seguros, 4. los derechos del asegurado, y 5. una lista de publicaciones y servicios para consumidores disponibles a traves del Departamento. TAMBIEN PUEDE ESCRIBIR AL: Departamento de Seguros de Texas P.O. Box 149104 Austin, Texas 78714-9104 FAX No. (512) 475-1771

THE FOLLOWING COMMITMENT FOR TITLE INSURANCE IS NOT VALID UNLESS YOUR NAME AND THE POLICY AMOUNT ARE SHOWN IN SCHEDULE A, AND OUR AUTHORIZED REPRESENTATIVE HAS COUNTERSIGNED BELOW.

DELETION OF ARBITRATION PROVISION

(Not Applicable to the Texas Residential Owner Policy)

ARBITRATION is a common form of alternative dispute resolution. It can be a quicker and cheaper means to settle a dispute with your Title Insurance Company. However, if you agree to arbitrate, you give up your right to take the Title Company to court and your rights to discovery of evidence may be limited in the arbitration process. In addition, you cannot usually appeal an arbitrator's award.

Your policy contains an arbitration provision (shown below). It allows you **or the Company** to **require arbitration** if the amount of insurance is $1,000,000 or less. If you want to retain your right to sue the Company in case of a dispute over a claim, you must request deletion of the arbitration provision before the policy is issued. You can do this by signing this form and returning it to the Company at or before the Closing of your real estate transaction or by writing to the Company.

The Arbitration provision in the Policy is as follows:

"Unless prohibited by applicable law or unless this arbitration section is deleted by specific provision in Schedule B of this policy, either the Company or the Insured may demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this Policy, and service of the Company in connection with its issuance or the breach of a policy provision or other obligation. All arbitrable matters when the Amount of Insurance is $1,000,000 or less **SHALL BE** arbitrated at the request of either the Company or the Insured, unless the Insured is an individual person (as distinguished from a corporation, trust, partnership, association or other legal entity). All arbitrable matters when the Amount of Insurance is in excess of $1,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this Policy and under the Rules in effect on the date the demand for arbitration is made or, at the option of the Insured, the Rules in effect at the Date of Policy shall be binding upon the parties. The award may include attorneys' fees only if the laws of the state in which the land is located permit a court to award attorneys' fees to a prevailing party. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

The Law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules.

A Copy of the Rules may be obtained from the Company upon request."

I request deletion of the Arbitration provision.

_____

Signature Date

OWNER'S OPERATING STATEMENTS

So Stamey dba Country Cottage

Summary

Year	Gross	Net
2001	121,595	41,499
2002	123,729	55,203
2003	69,035	25,402
2004	59,599	13,742
2005	104,813	7,408
2006	132,190	50,715
Total	610,961	193,969
6 yr. avg.	101,827	32,328

Detail

	2001	2002	2003	2004	2005	2006
Gross	121,595	123,729	69,035	59,599	104,813	132,190
Expenses						
Auto	3,153	5,475			2,590	
Depreciatio	4,763	4,763	4,763	4,763	4,763	
Insurance	8,106	10,700	4,690	7,420	16,124	10,268
Interest	3,844					
Fees	4,741	1,100	800	500	800	1,100
Office Exp.	182	79	99		37	38
Rental Exp.	330		167	60	14,560	
Repairs	9,164	4,568	3,549	8,418	7,917	6,347
Supplies	8,961	3,439	605	4,060	3,431	17,700
Taxes	12,020	10,803	10,111	2,557	20,703	14,696
Utilities	23,773	20,461	17,827	17,113	23,870	27,169
Telephone	890	1,263	671	693	662	1,370
Bank Charg	139	97	298	53	147	87
Dues	30	1,877				
Janitorial		1,659			1,801	2,700
Miscellaneous		2,242	53	220		
Total	80,096	68,526	43,633	45,857	97,405	81,475
Net	41,499	55,203	25,402	13,742	7,408	50,715

REAGAN SIGN ADVERTISING LEASE

Reagan National Advertising

LEASE NO. 50299

This agreement made and entered into by the undersigned lessor, (the "Lessor") and by Reagan National Advertising, (the "Lessee"). Both lessor and lessee acknowledge the receipt and sufficiency of good and valuable consideration and agree as follows:

The lessor does hereby grant and convey to the lessee and its assigns and successors, the exclusive right to use the following described property for the purpose of erecting and maintaining thereon outdoor advertising structures including such necessary devices, structures, connections, supports and appurtenances as may be desired by lessee for a term of ~~[illegible]~~ five years commencing on or before 1st day of December, 19 97 at option of lessee, upon the following described land, together with ingress and egress to and upon the same, located in the county of Travis State of Texas and more particularly described as follows: 2601 Bastrop Hwy. (Hwy 71 East) on .941 Acres in the S Del Valle Surv., AB 24

Lessee may place on or attach to this instrument, subsequent to execution, a metes and bounds description of the location.

Lessee shall pay lessor the amount of $ 2,400.00 annually, payable (monthly, quarterly, semi-annually): ~~However, prior to construction and obtaining permits by lessee the rental shall be Few Dollars.~~

This lease shall continue on the same terms and conditions for a like successive period; thereafter, this lease shall continue in full force on the same terms and conditions for a like successive period or periods, unless lessor delivers to lessee notice of termination prior to ninety days of the end of said term.

It is further expressly agreed that lessee may terminate this lease by giving written notice and paying a penalty of one year's rent at any time within thirty days prior to the end of any twelve month period subsequent to the commencement date of this lease. Provided further, if the said space becomes obstructed so as to lessen the advertising value of any of lessee's signs erected on said premises, or if traffic is diverted or reduced, or if the use of any such signs is prevented or restricted by law, or if for any reason a building permit for erection or modification is refused this lease may, at the option of lessee, be terminated or the rent reduced to Five Dollars while said condition exists and in such event lessor shall refund prorata any prepaid rental for the unexpired term. Lessor agrees that no such obstruction insofar as the same is within lessor's control will be permitted or allowed. Lessor authorized lessee to trim and cut whatever trees, bushes, brush, as it deems necessary for unobstructed view of its advertising display.

All advertising signs placed upon the described premises are to remain the property of lessee and may be removed by lessee at any time. If lessee is prevented by law, or government or military order, or other causes beyond lessee's control, from illuminating its signs, the lessee may reduce the rental provided herein by one-half with such reduced rental to remain in effect so long as such condition continues to exist.

Lessor warrants the title of said leasehold for the term herein mentioned. In the event this lease is not renewed or cancelled, lessor agrees that he will not for a period of five years subsequent to the date of termination, release said premises to any other advertiser other than lessee for advertising purposes. In the event lessor shall decide during the term of this lease to sell the premises described herein, lessor shall give written notice to Reagan of the terms and price offered by a third party. Reagan shall be entitled for thirty (30) days to acquire the premises on the terms and conditions in said notice. If Reagan does not exercise said right of purchase, the lessor shall not sell the premises on other terms for six (6) months. Thereafter, Reagan shall have the same right as to any subsequent offer to purchase. It is expressly understood that neither the lessor nor the lessee is bound by any stipulations, representations, or agreements not printed or written in this lease.

In the event of condemnation or the threat of condemnation or acquisition by any lawful governmental authority, Lessee will have the right to participate in any condemnation award, separately or jointly, of settlement to the extent of its damages for the loss of the use of its sign(s) including the cost of removal or replacement from the leased premises and the loss of the leasehold interest.

This agreement shall inure to the benefit of and shall be binding upon the heirs, personal representatives, successors, and assigns of the parties hereto.

Executed this 18th day of February, 19 98.

LESSEE: REAGAN NATIONAL ADVERTISING

Real Estate Rep: [signature] Date: 2-18-98

ACCEPTED AND APPROVED BY:

General Manager: Charles W. (Bill) Horn Date: 2-18-98

Address: P.O. Box 19573, Austin, Texas 78761

LESSOR: (Please Print) So. Stamey (Country Cottage Motel)

Signature So. Stamey Date: 2-18-98

Address 2601 Bastrop Hwy (Hwy 71 E.)

City Del Valle State Texas Zip: 78617

Soc. Security or Fed. ID #: Phone: (512) 385-2120

* So * Rental to increase to $2,900. a year

PROPERTY ANALYSIS LIST (INCLUDES FF&E)

PROPERTY ANALYSIS

Parcel # 104 Project # N4062M

Owner(s) So Stamey

Address 2601 State Hwy 71 East Del Valle, Texas 78617

Item #	Qty	Description	O	T	RE	PP
1		carport			✓	
12		full size refrigerators			✓	
12		stoves			✓	
1		washer			✓	
1		dryer			✓	
32		queen size beds			✓	
20		televisions			✓	

Key: O = Owner T = Tenant RE = Real Estate PP = Personal Property

Property Agent

Property Owner

Date

Date

Form 605

Furniture, Fixture, and Equipment Estimate of Contributory Value

	Number	Estimated Price/Each	Total Price
Carport	1	$ 300	$ 300
Refrigerator	12	$ 500	$ 6,000
Stoves	12	$ 330	$ 3,960
Washer	1	$ 760	$ 760
Dryer	1	$ 430	$ 430
Queen Size Beds	32	$ 495	$ 15,840
Televisions	20	$ 375	$ 7,500
Total New			$ 34,790
Discount for effective age of 5 years with life expectancy of 10 years			42%
Discount			14,612
Discounted FF&E Estimate of Contributory Value			$ 20,178
		Rounded	$ 20,000

IMPROVED MOTEL SALES

COMPARABLE HOTEL/MOTEL SALE NUMBER ONE

Name:	Best Western Airport Hotel and Suites
Address:	2751 Highway 71 East
Parcel Number:	03-1433-01-03
Legal Description:	Lot 1, Block A, Del Valle No. 1 Subdivision, Travis County, Texas
Type Facility:	Hotel suites

Transaction Information

Date of Sale:	03/06/06
Recording Data:	Document #: 2006041898; Date: 03/08/06
Grantor:	Austin Airport Hotel II, Ltd.
Grantee:	Shrimad Holdings, L.P.

Consideration:	$3,764,000
Terms:	Cash
Marketing Time:	N/A

Physical Data

Year of Construction:	1998
Building Size:	59,916 SF
Number of Rooms:	112
Improvement Description:	Three-story limited services hotel
Building Amenities:	Microwave, refrigerator, Jacuzzi suites, shuttle service, business center, pool.
Parking:	126 surface spaces; 1.13/room
Land Size:	2.55 acres

Financial Indicators

Average Occupancy:	51.6% (3Q 2005)
Average Daily Rate:	$59.21 (3Q 2005)

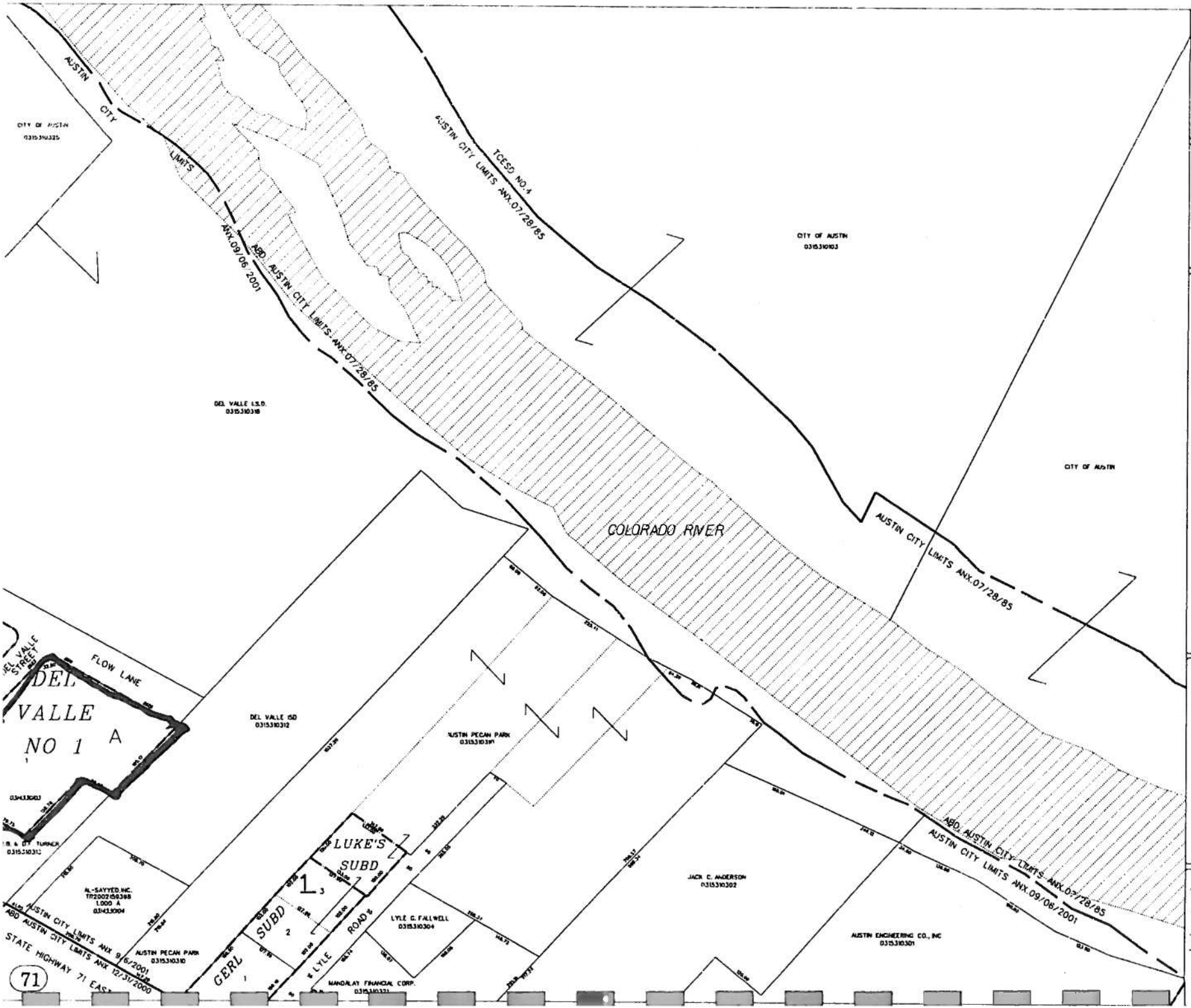
Units of Comparison

Expense Ratio:	N/A
Gross Income Per Room:	N/A
Gross Room Revenue Multiplier:	3.01x
Overall Rate:	N/A
Sales Price Per Room:	$33,607
Sales Price Per SF:	$62.82
Projected Holding:	N/A

Comments: This is located two blocks to the east of the subject. It sold with all FF&E. Was a Holiday Inn Express. There was no noise mitigation concern at the time of sale. However, they were concerned about expansion of the roadway. This was not analyzed on a cap rate basis.

Confirmation:

Name: David Morrison
Phone: 320-8040
Date: 01/10/07
Appraiser: WM
Deed Reviewed: WM
Photo Taken: JMC 12/14/06


AUSTIN CITY LIMITS
CITY OF AUSTIN
0315310325
ANX.09/06/2001
ABD. AUSTIN CITY LIMITS ANX.07/28/85
AUSTIN CITY LIMITS ANX.07/28/85
TCESD NO.4
CITY OF AUSTIN
0315310103
DEL VALLE I.S.D.
0315310318
COLORADO RIVER
AUSTIN CITY LIMITS ANX.07/28/85
CITY OF AUSTIN
DEL VALLE STREET
FLOW LANE
DEL VALLE NO 1 A
DEL VALLE ISD
0315310312
AUSTIN PECAN PARK
0315310391
LUKE'S SUBD
GERL SUBD
LYLE ROAD
LYLE G. FALLWELL
0315310304
JACK C. ANDERSON
0315310302
AUSTIN ENGINEERING CO., INC
0315310301
MANDALAY FINANCIAL CORP.
AL-SAYYED, INC.
AUSTIN PECAN PARK
0315310310
AUSTIN CITY LIMITS ANX 9/6/2001
ABD AUSTIN CITY LIMITS ANX 12/31/2000
STATE HIGHWAY 71 EAST
71
ABD. AUSTIN CITY LIMITS ANX.07/28/85
AUSTIN CITY LIMITS ANX.09/06/2001
REVISIONS
02/12/2004 ASV
JURISDICTIONS
DEL VALLE ISD
TCESD NO.4
CITY OF AUSTIN
TRAVIS COUNTY
TRAVIS CENTRAL APPRAISAL DISTRICT
P.O. Box 149012
Austin, Tx 78714
8314 Cross Park Drive
Austin, Tx 78754
Internet Address WWW.TRAVISCAD.ORG
Main Telephone Number (512)834-9317
Appraisal Information (512)834-9138
Fax Number (512)835-5371
TDD (512)836-3328
N
0' 100'
SCALE
MAP NO.
3 1433
3 1430
3 1533
3 1636
1" = 400' MAP REFERENCE

COMPARABLE HOTEL/MOTEL SALE NUMBER TWO

Name:	Best Western Seville Plaza
Address:	4323 South IH-35
Parcel Number:	04-1301-04-03
Legal Description:	Travelodge International Inc., Subdivision 1, Travis County, Texas.
Type Facility:	Motel/restaurants

Transaction Information

Date of Sale:	02/07/06
Recording Data:	Document #: 2006026510; Date: 02/15/06
Grantor:	Seville Plaza Hospitality, Inc.
Grantee:	OM Hospitality, Inc.

Consideration:	$3,150,000
Terms:	Cash
Marketing Time:	N/A

Physical Data

Year of Construction:	1973
Building Size:	54,139 SF
Number of Rooms:	97
Improvement Description:	Four-story limited service motel. The sale also included the shopping cneter with two restaurants (Subway and a Vietnamese restaurant)
Building Amenities:	Restaurants and IH-35 frontage
Parking:	98 surface spaces; 1.01/room
Land Size:	2.30 acres

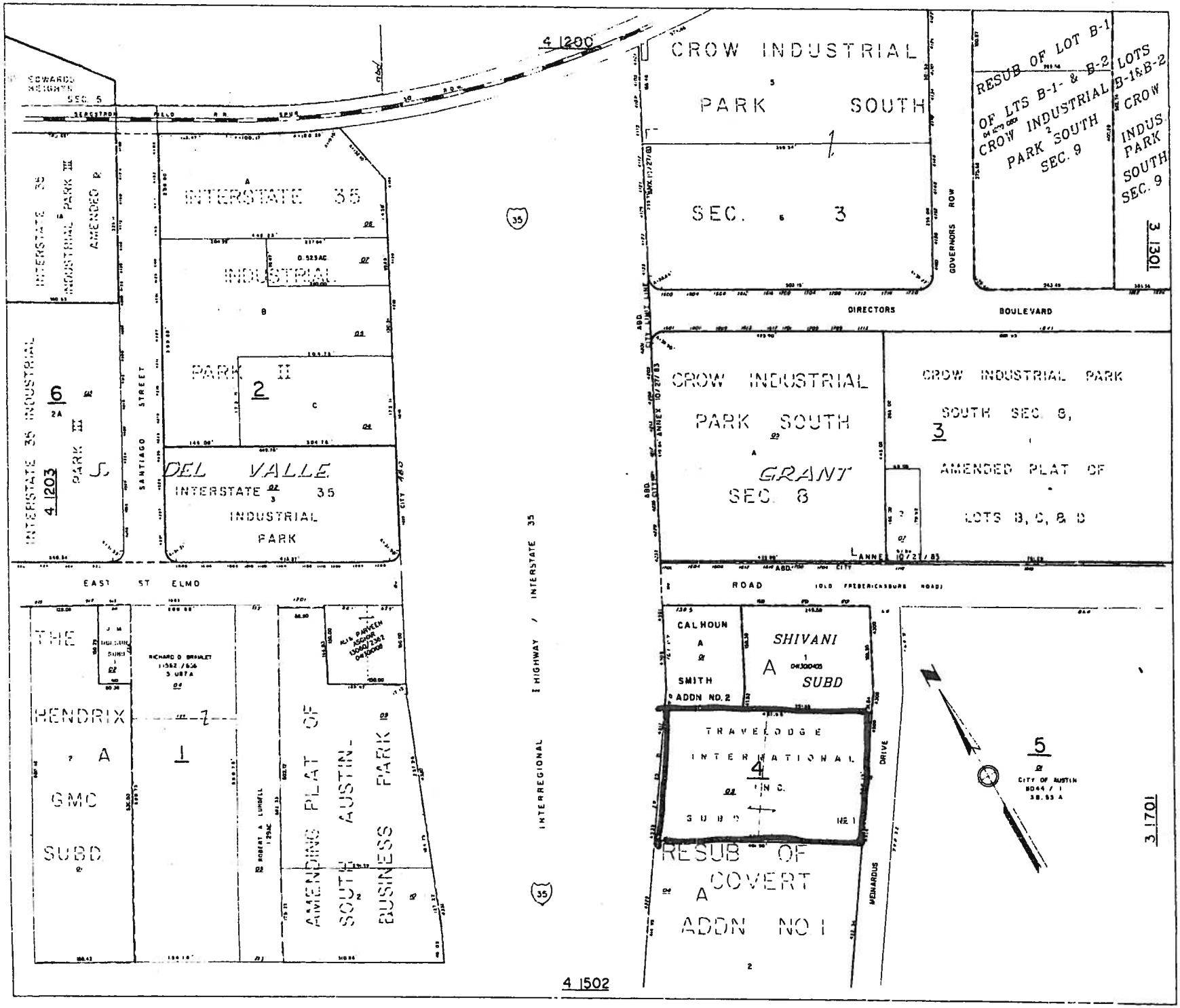
Financial Indicators

Average Occupancy:	46.3%
Average Daily Rate:	$55.45
Room Revenue:	$1,026,112
Food Revenue:	$ 129,200
Gross Revenue:	$1,155,312
Operating Expenses:	($ 725,777)
Net Operating Income:	$ 430,000 (rounded)

Units of Comparison

Gross Income Per Room:	$11,910
Expense Ratio:	63%
Gross Income Per Room:	2.73x
Gross Room Revenue Multiplier:	3.46x

Overall Rate:	13.6%
Sales Price Per Room:	$32,474
Sales Price Per SF:	$58.18
Investment Criteria:	N/A
Projected Holding:	N/A
Comments:	The property sold with a shopping center that included two restaurants, a Subway and a Vietnamese restaurant. They were included in the purchase price and were not separately allocated at the time of sale. They were leased and the agent estimated a cap rate for these two leases of approximately 9.5% and contributory value of $700,000 to $800,000. This previously sold December 30, 1997 for $3,100,000.
Confirmation:	Name: Michael Yu with Marcus and Millichap Phone: 713-626-3040 Date: 01/11/07 Appraiser: WM Deed Reviewed: WM Photo Taken: JMC 12/14/06



REVISIONS
12/14/99 NH

JURISDICTIONS
CITY OF AUSTIN
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ACC

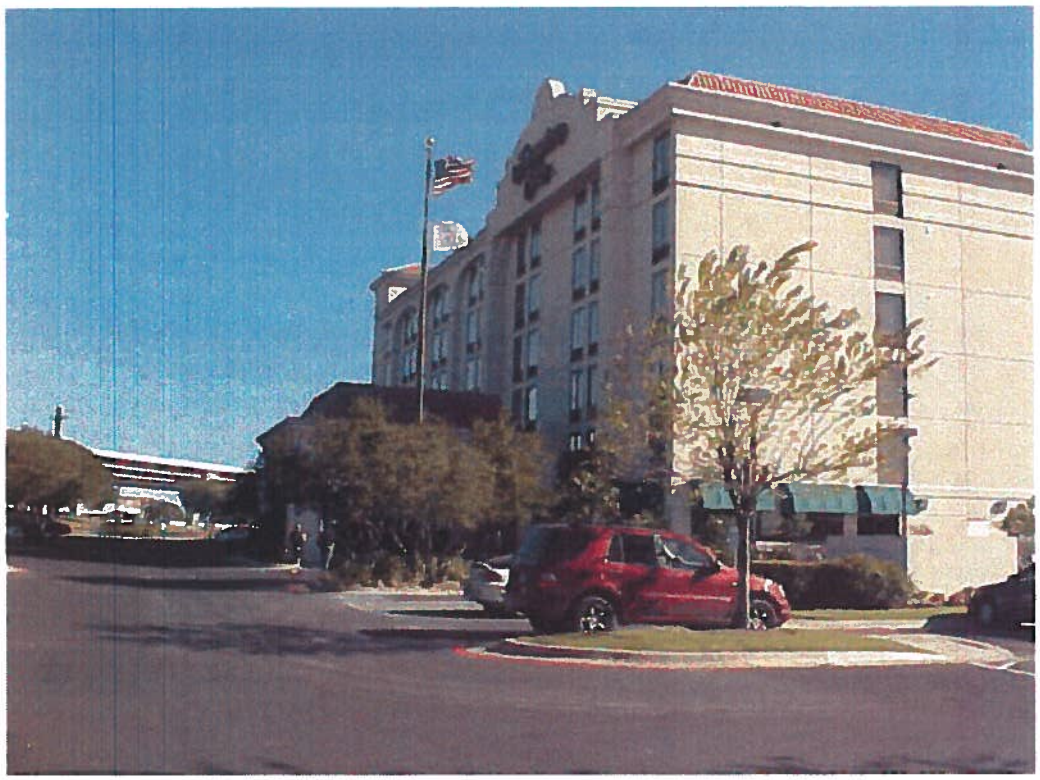
TRAVIS CENTRAL APPRAISAL DISTRICT
8314 CROSS PARK DRIVE
78754
P.O. BOX 149012
78714
AUSTIN, TEXAS
(512) 834-9317

0' 100'
SCALE

MAP NO.
4 1301

1" = 400' MAP
REFERENCE
3 1501
1 1508

COMPARABLE HOTEL/MOTEL SALE NUMBER THREE



Name:	Hampton Inn South
Address:	4141 Governors Row, south of Ben White and east of IH-35
Parcel Number:	04-1200-08-02
Legal Description:	Lot 1, Block A, Resubidivion of Lots B-1 and B-2, Crow Industrial Park, South, Section 9, Austin, Travis County, Texas.
Type Facility:	Limited service hotel

Transaction Information

Date of Sale:	06/21/05
Recording Data:	Document #: 2005112309; Date: 06/23/05
Grantor:	Valencia Hotel Partners I, LP

Grantee:	JP Sethi, Tr.
Consideration:	$4,750,000
Terms:	Cash
Marketing Time:	N/A

Physical Data

Year of Construction:	1997
Building Size:	61,200 SF
Number of Rooms:	123
Improvement Description:	Five-story, interior corridor hotel with steel frame and stucco veneer in average condition.
Building Amenities:	Proximity to IH-35, outdoor pool, meeting room, exercise facility, outdoor jogging trail, complimentary breakfast, banquet facilities.
Parking:	145 open asphalt spaces.
Land Size:	2.470 acres

Financial Indicators

Average Occupancy:	55.8% (1st quarter 2005); up from 46.8% in 2004.
Average Daily Rate:	$63.79
Room Revenue:	$1,598,091 (reported)

Units of Comparison

Gross Income Per Room:	$12,993
REVPAR:	$35.60
Expense Ratio:	N/A
Gross Income Multiplier:	N/A
Gross Room Revenue Multiplier:	2.97 (ending March 31, 2005)
Overall Rate:	N/A

Sales Price Per Room:	$38,618
Sales Price Per SF:	$77.61

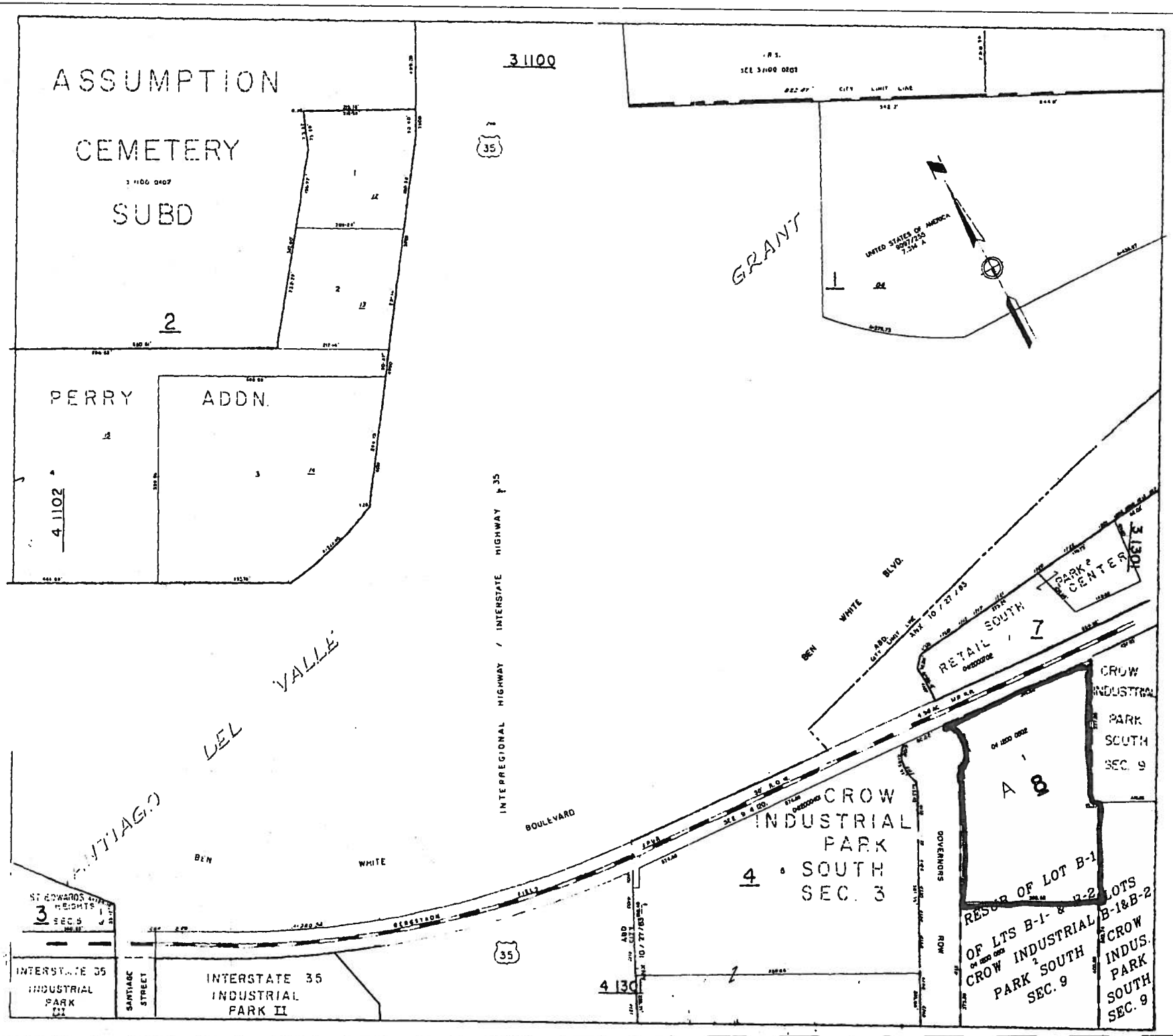
Comments:

The broker indicated that cap rates for properties with a flag such as a Marriott or a Hilton are approximately 9%. Without a Marriott or Hilton, it is slightly higher at 9.5% to 10%. Full-service hotels are lower around 8% to 8.5%.

This is a Hampton Inn. It is just off Ben White Boulevard/Highway 71 East which is currently under construction. This will be a main road to the airport.

Confirmation:

Name: Evelyn Keeling with PKF Consulting
Phone: 713-621-525
Date: 11/02/05
Appraiser: WM
Deed Reviewed: WM
Photo Taken: JMC 12/14/06



REVISIONS
07/02/2001 LJHJ

JURISDICTIONS
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TRAVIS CENTRAL APPRAISAL DISTRICT
P.O. Box 149012
Austin, Tx 78714
8314 Cross Park Drive
Austin, Tx 78754
Internet Address WWW.TRAVISCAD.ORG
Main Telephone Number (512)834-9317
Fax Number (512)835-5371
Appraisal Information (512)834-9138
TDD (512)836-3328

0' 100'
SCALE

MAP NO.
4 1200

1" = 400' MAP REFERENCE

COMPARABLE HOTEL/MOTEL SALE NUMBER FOUR

Name:	Future La Quinta Inn (formerly Holiday Inn Express)
Address:	7622 North IH-35
Parcel Number:	02-3215-01-18
Legal Description:	Lot C, Resubdivision of Lot 1, of Resubdivision of Tract H Chevy Chase Center, Austin, Travis County, Texas.
Type Facility:	Limited service hotel

Transaction Information

Date of Sale:	06/09/05
Recording Data:	Document #: 2005105264; Date: 06/14/05; Special Warranty Deed
Grantor:	RFS Financing Partnership LP

Grantee:	Shiv Partners Ltd. and Athens Host 1, LLC
Consideration:	Approximately $3,000,000
Terms:	N/A
Marketing Time:	N/A

Physical Data

Year of Construction:	1980
Building Size:	63,454 SF
Number of Rooms:	125
Improvement Description:	Four-story interior corridor hotel with concrete block frame, membrane roof and decorative tile with stucco veneer
Building Amenities:	940 SF meeting room, outdoor pool and spa
Parking:	Open, asphalt
Land Size:	2.4934 acres
Highest and Best Use:	Motel, as improved

Financial Indicators

Average Occupancy:	53.8%
Average Daily Rate:	$65.62
Room Revenue:	$1,614,184 (2004)
Notes:	They were asking $5,750,000 and it was reduced to $3,875,000 and then $3,300,000.

Units of Comparison

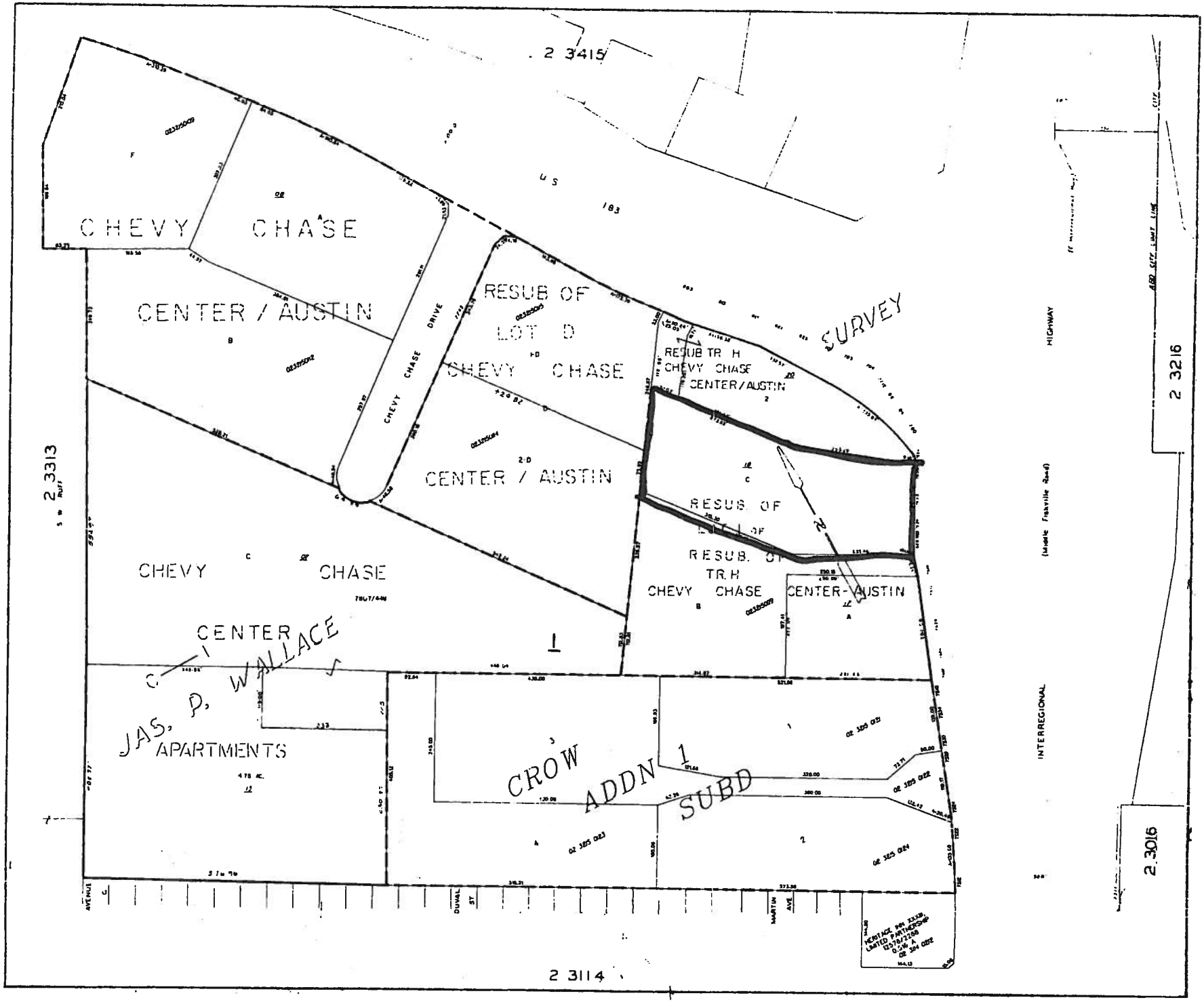
Gross Income Per Room:	$12,913
REVPAR:	$35.30

Expense Ratio:	N/A
Gross Income Multiplier:	N/A
Gross Room Revenue Multiplier:	1.86 (this does not include renovation)
Overall Rate:	N/A
Sales Price Per Room:	±$24,000
Sales Price Per SF:	$47.28

Comments: The Hi Express franchise was being dropped and buyers were cautious about revenue going forward. Punchlist was very high also.

Confirmation:

Name: Confidential
Date: 06/16/05
Appraiser: WM
Deed Reviewed: CN
Photo Taken: John M. Coleman; 06/17/05



REVISIONS
09/16/99 HRG

JURISDICTIONS
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AUSTIN I.S.D.
ACC

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AUSTIN, TEXAS 78754
P.O. BOX 149012 78714
(512) 834-9317

0' 100'
SCALE

MAP NO
2 3215

1" = 400' MAP REFERENCE

COMPARABLE HOTEL/MOTEL SALE NUMBER FIVE

Name:	Hearthside Inn
Address:	7101 North IH-35
Parcel Number:	02-2915-01-45
Legal Description:	Lot 3, Hendricks Commercial Properties, Austin, Travis County, Texas.
Type Facility:	Limited service hotel

Transaction Information

Date of Sale:	05/12/05
Recording Data:	Document #: 2005088389; Date: 05/29/05; Special Warranty Deed
Grantor:	Austin CSA1 LP

Grantee:	FC Ashford Housing Corp. (Foundation Communities)
Consideration:	$2,850,000
Terms:	Cash
Marketing Time:	N/A

Physical Data

Year of Construction:	1999
Building Size:	67,117 SF
Number of Rooms:	146
Improvement Description:	3-story interior corridor hotel in fair condition.
Building Amenities:	Refrigerators, microwaves, pet friendly.
Parking:	Open, adequate
Land Size:	2.53 acres
Highest and Best Use:	Motel, as improved

Financial Indicators

Average Occupancy:	48.7% (early 3/31/05) compared to 56.4% 12 months earlier
Average Daily Rate:	$28.23
Room Revenue:	$733,226
Notes:	12 months ending 03/31/05; in 2004 it was $938,771.

Units of Comparison

Gross Income Per Room:	$5,022
REVPAR:	$13.75

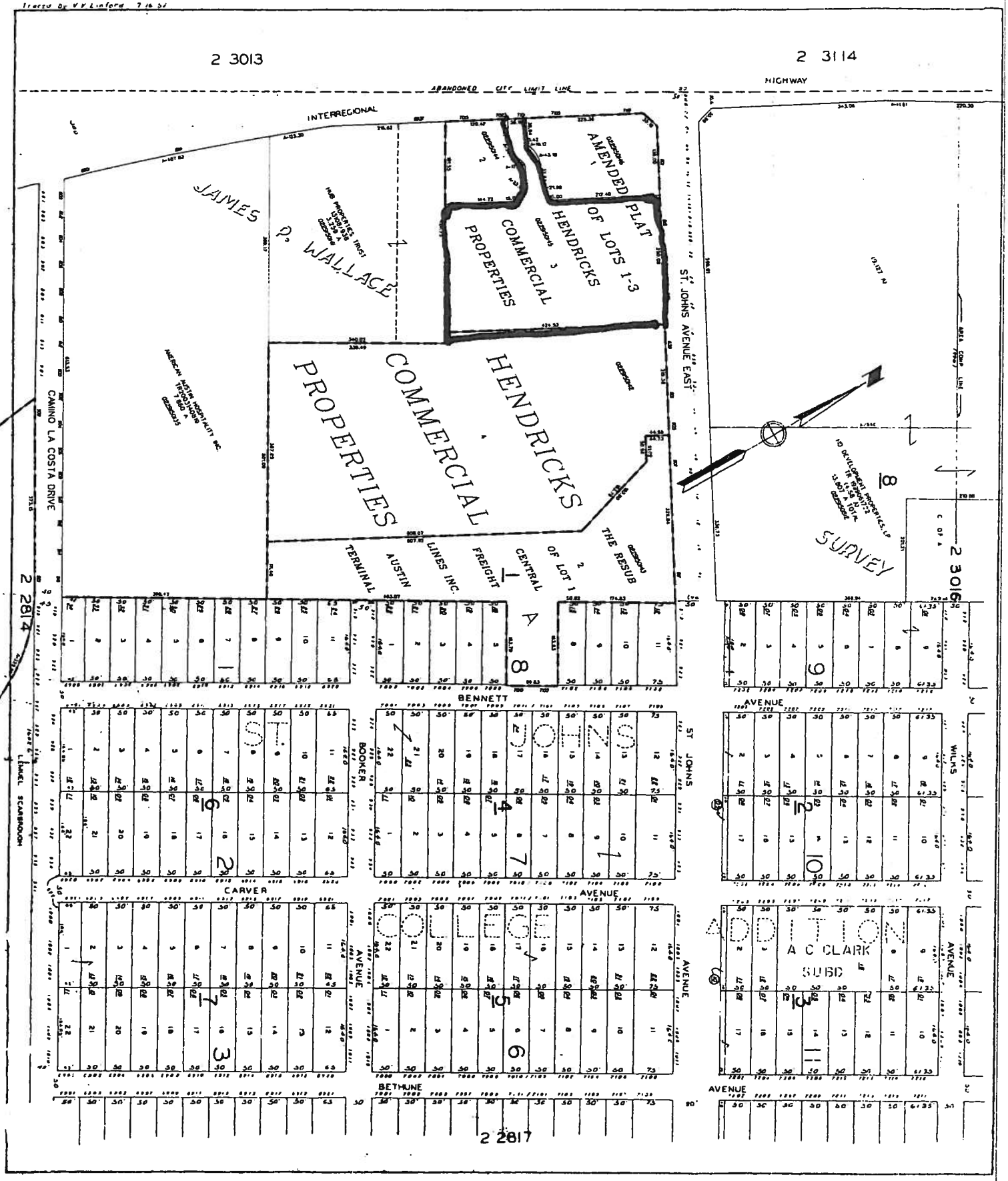
Expense Ratio:	N/A
Gross Income Multiplier:	N/A
Gross Room Revenue Multiplier:	3.89 (ending 03/31/05) in 2004 - 3.04
Overall Rate:	N/A
Sales Price Per Room:	$19,521
Sales Price Per SF:	$42.46

Comments:

This was purchased for a different use. It will be used for supportive housing for various non-profits such as Caritas. The price was derived from a negotiating process. The buyers did not consider it from an on-going use as a hotel. They plan to spend approximately $500,000 for renovation. The grantee thinks the building was not well maintained.

Confirmation:

Name:	Walter Moreau
Phone:	447-2026
Date:	06/16/05
Appraiser:	WM
Deed Reviewed:	WM
Photo Taken:	John M. Coleman; 06/17/05



MAP NO. 2 2915

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SCALE 0' 100'

TRAVIS CENTRAL APPRAISAL DISTRICT
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JURISDICTIONS
AUSTIN COMMUNITY COLLEGE
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CITY OF AUSTIN
TRAVIS COUNTY

REVISIONS
17/22/2003 HRG

COMPARABLE HOTEL/MOTEL SALE NUMBER SIX

Name:	Super 8 Motel
Address:	1201 North IH-35
Parcel Number:	02-0806-01-11
Legal Description:	Lots 3-6, Outlot 41, Division B, Austin, Travis County, Texas.
Type Facility:	Limited service hotel

Transaction Information

Date of Sale:	12/30/04
Recording Data:	Document #: 2004241469; Date: 12/30/04; Warranty Deed with Vendors Lien
Grantor:	Milan Motel Investments, Inc.
Grantee:	SDR Hospitality No. 1, Ltd.

Consideration:	$2,275,000
Terms:	Cash
Marketing Time:	N/A

Physical Data

Year of Construction:	1966
Building Size:	20,272 SF per TCAD; 19,872 per CoStar plus 1,048 SF free-standing building
Number of Rooms:	63 or 64
Improvement Description:	Two-story wood frame with brick veneer in fair condition, composition shingle roofs, stucco veneer.
Building Amenities:	Hi-speed Internet, 24-hour front desk service, laundry facilities, business center, pool and complimentary continental breakfast, rooms have cable TV and refrigerators.
Parking:	62 open asphalt spaces
Land Size:	0.93 acre
Highest and Best Use:	Motel, as improved

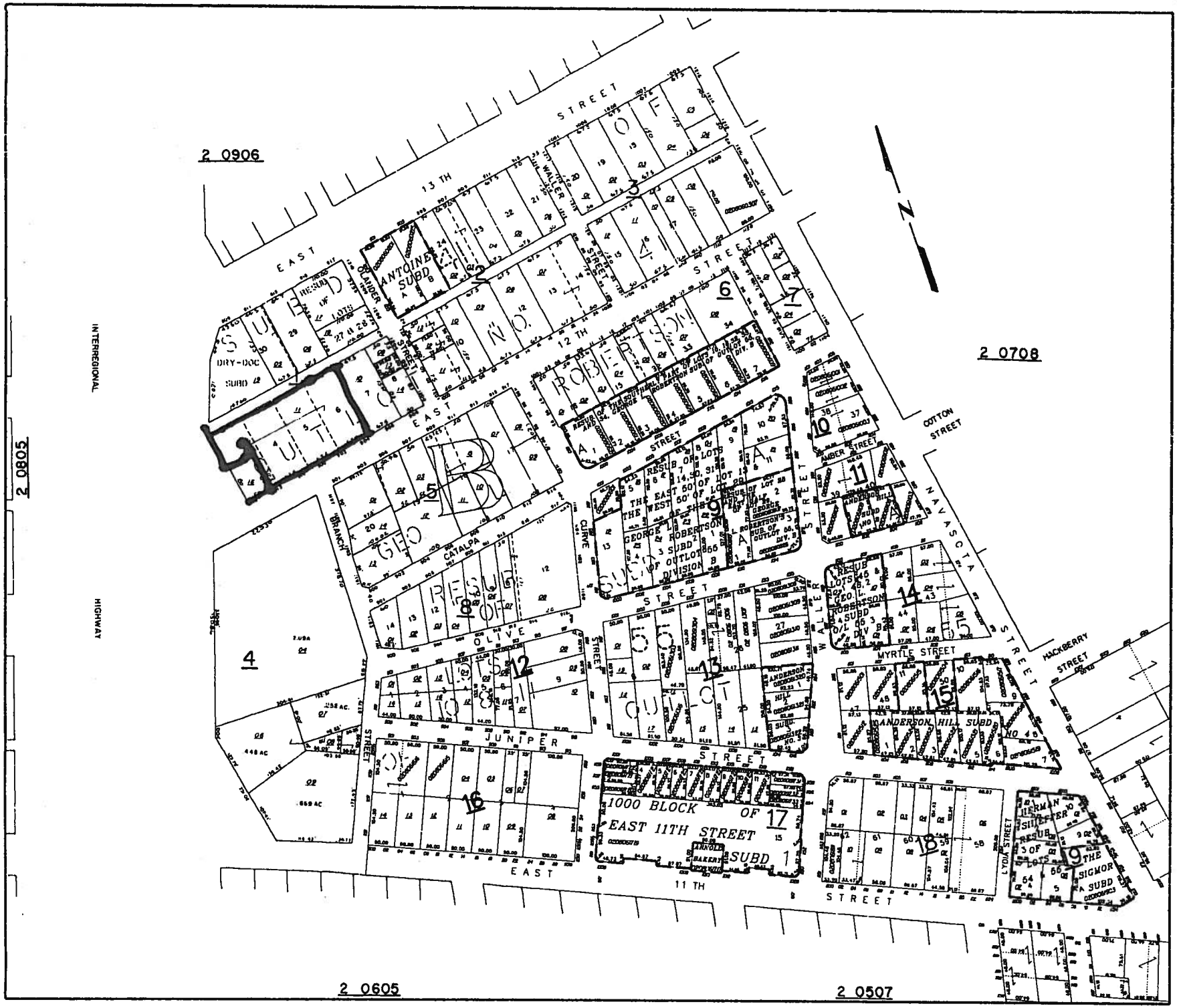
Financial Indicators

Average Occupancy:	62.1%
Average Daily Rate:	$59.48
Gross Revenue:	$862,451
Notes:	Year-end; based on 2003 year-end.

Units of Comparison

Gross Income Per Room:	$13,476
REVPAR:	$36.94 (based on 64 rooms)

Expense Ratio:	N/A
Gross Income Multiplier:	N/A
Gross Room Revenue Multiplier:	2.64
Overall Rate:	N/A
Sales Price Per Room:	$35,547
Sales Price Per SF:	$112.22
Investment Criteria:	N/A
Projected Holding Period:	N/A
Comments:	This is located near the Frank Erwin Center. Site includes a 1,048 SF free-standing building that was four hotel rooms. Renovated to become an apartment.
Confirmation:	Name: CoStar Phone: N/A Date: 06/16/05 Appraiser: WM Deed Reviewed: WM Photo Taken: John M. Coleman; 06/17/05



REVISIONS
02/26/2004 HRG

JURISDICTIONS
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0' 100'
SCALE

MAP NO.
2 0806

1" = 400' MAP
REFERENCE
2 0701
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COMPARABLE HOTEL/MOTEL SALE NUMBER SEVEN

Name:	Budget Lodge (formerly Home Style Inn)
Address:	9220 North IH-35
Parcel Number:	02-3919-02-51
Legal Description:	Lot 1, Reindale Acres, Austin, Travis County, Texas.
Type Facility:	Limited service hotel

Transaction Information

Date of Sale:	09/27/04
Recording Data:	Document #: 2004189253; Date: 10/04/04; Warranty Deed with Vendors Lien
Grantor:	Wachovia SBA Lending Inc., dba Wachovia Small Business Capital

Grantee:	9920 NIH35 LLC (as to 90%), 339 Elk Drive LLC (as to 5%) and Wavecrest Properties LLC (as to 5%)
Consideration:	$1,200,000 $1,265,000 (after deferred maintenance)
Terms:	Cash to seller
Marketing Time:	N/A

Physical Data

Year of Construction:	1974
Building Size:	60,404 SF
Number of Rooms:	150
Improvement Description:	Three-story exterior corridor hotel with wood and stucco veneer
Building Amenities:	Banquet room available
Parking:	Open, asphalt
Land Size:	3.016 acres
Highest and Best Use:	Motel, as improved

Financial Indicators

Average Occupancy:	0%
Average Daily Rate:	N/A
Room Revenue:	N/A
Notes:	This was a resale of a foreclosed property. It had been vacant for at least five months at the time of sale; therefore, meaningful occupancy/REVPAR etc. information was not available.

Units of Comparison

Gross Income Per Room:	N/A
REVPAR:	N/A
Expense Ratio:	N/A
Gross Income Multiplier:	N/A
Gross Room Revenue Multiplier:	N/A
Overall Rate:	N/A
Sales Price Per Room:	$8,000; $8,433 (after deferred maintenance)
Sales Price Per SF:	$19.87; $20.94 (after deferred maintenance)
Comments:	Property reportedly had substantial deferred maintenance $60,000 to $70,000 (say $65,000) was spent by buyer to replace all doors and install electronic locks.
Confirmation:	Name: CoStar Date: 07/22/05 Appraiser: CN Deed Reviewed: CN Photo Taken: John M. Coleman; 07/22/05

REVISIONS
05/12/2003 HRG

JURISDICTIONS
AUSTIN COMMUNITY COLLEGE
AUSTIN ISD
CITY OF AUSTIN
TRAVIS COUNTY

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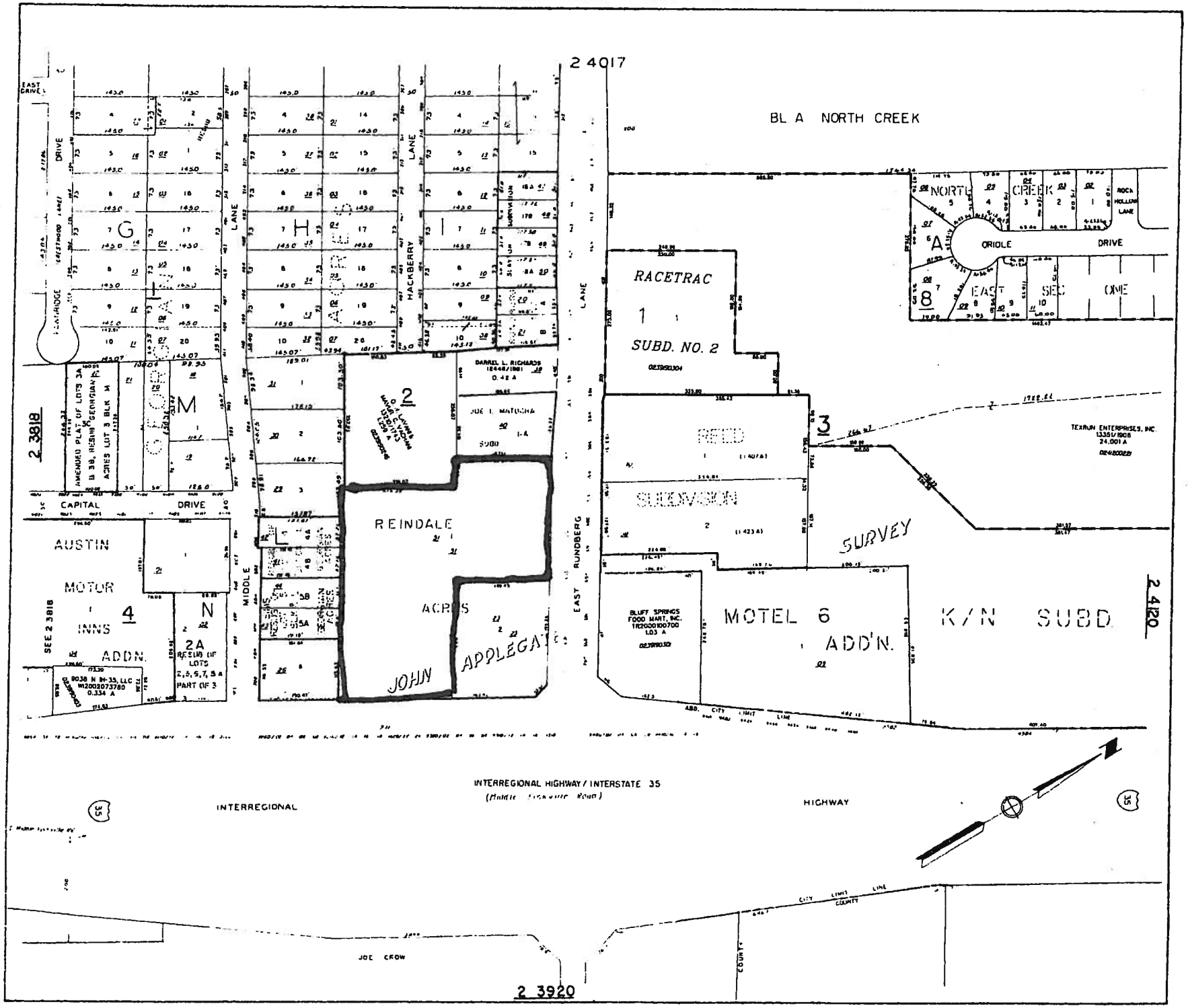


0' 100'
SCALE

MAP NO.
2 3919

1" = 400' MAP
REFERENCE
2 3411
2 4211

COMPARABLE HOTEL/MOTEL SALE NUMBER EIGHT

Name:	Comfort Inn
Address:	700 Delmar Avenue (at IH-35, south of Highway 183)
Parcel Number:	02-3114-02-14
Legal Description:	
Tract One:	1.203 acres out of Lots 1, 2, and 3, Block 1, Lots 1, 2, and 3, Block 6, and a vacated portion of Martin Avenue out of St. John's Home Addition, Austin, , Travis County, Texas.
Tract Two:	0.533 of an acre of land, more or less, out of the James P. Wallace Survey No. 57, in Austin, Travis County, Texas.
Type Facility:	Limited service hotel

Transaction Information

Date of Sale:	05/07/04
Recording Data:	Document #: 2004089917; Date: 05/11/04; Warranty Deed with Vendors Lien
Grantor:	Heritage Inn Number XXIII, LP
Grantee:	Jai Vaibhavlaxmi, Inc.
Consideration:	$1,900,000
Terms:	N/A
Marketing Time:	3 months

Physical Data

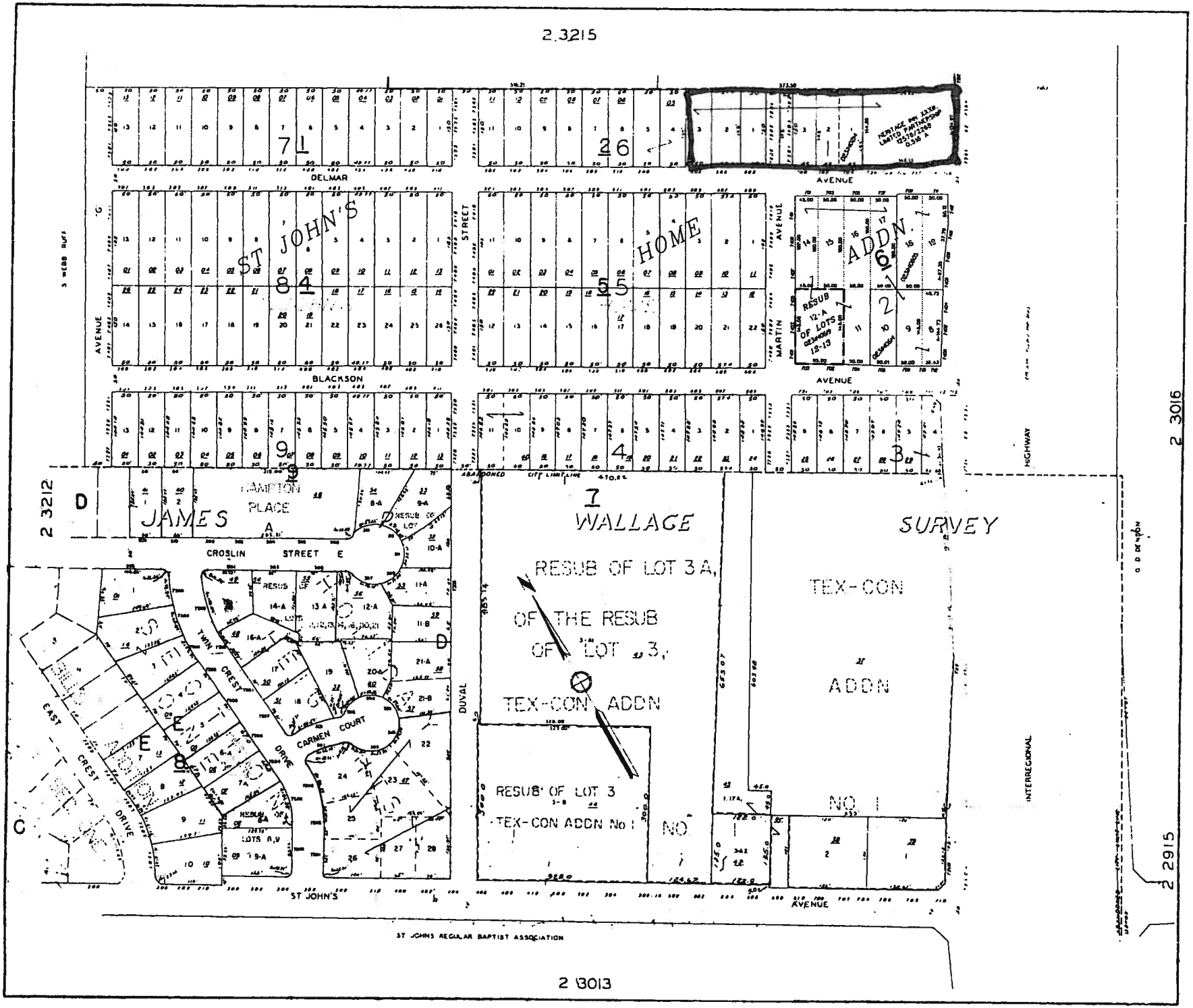
Year of Construction:	1997
Building Size:	35,609 SF
Number of Rooms:	73
Improvement Description:	Four-story steel frame, stucco veneer in average condition.
Parking:	88; open asphalt
Land Size:	1.667 acres
Highest and Best Use:	Motel, as improved

Financial Indicators

Average Occupancy:	74% reported by agent; 43.3% reported by Hotel Factbook 03/04.
Average Daily Rate:	$51.61
Gross Revenue:	$598,265 (12 months ending 03/31/04).
Notes:	Sale included all room fixtures.

Units of Comparison

Gross Income Per Room:	$8,195
REVPAR:	$22.35
Expense Ratio:	N/A
Gross Income Multiplier:	N/A
Gross Room Revenue Multiplier:	3.18
Overall Rate:	N/A
Sales Price Per Room:	$26,027
Sales Price Per SF:	$53.36
Comments:	Property has limited highway signage. Access from southbound IH-35 access road.
Confirmation:	Name: CoStar; confidential source Date: 06/16/05 Appraiser: WM Deed Reviewed: WM Photo Taken: John M. Coleman; 06/17/05



REVISIONS
11/15/2003 HRC

JURISDICTIONS
AUSTIN COMMUNITY COLLEGE
AUSTIN ISD
CITY OF AUSTIN
TRAVIS COUNTY

TRAVIS CENTRAL APPRAISAL DISTRICT
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Appraisal Information (512)834-9138
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0' 100'
SCALE

MAP NO.
2 3114

1" = 400' MAP REFERENCE
611

COMPARABLE HOTEL/MOTEL SALE NUMBER NINE

Name:	Super 8 Motel (formerly Ramada Limited Airport)
Address:	5526 North IH-35
Parcel Number:	02-2313-01-33
Legal Description:	Lot A, Interregional Plaza, Austin, Travis County, Texas.
Type Facility:	Limited service hotel

Transaction Information

Date of Sale:	06/07/02
Recording Data:	Document #: 2002107200; Date: 06/10/02; Special Warranty Deed
Grantor:	Capitol Hospitality, Inc.
Grantee:	Minal Enterprises (LLC)

Consideration:	$2,658,300
Terms:	Assumption of balance of note
Marketing Time:	N/A

Physical Data

Year of Construction:	1984
Building Size:	32,142 per CoStar; 48,213 SF per TCAD
Number of Rooms:	140
Improvement Description:	3-story concrete block construction in average condition with decorative tile roof and membrane roof.
Building Amenities:	Pool, blow drying and ironing boared in room.
Parking:	Open
Land Size:	2.590 acres
Highest and Best Use:	Motel, as improved

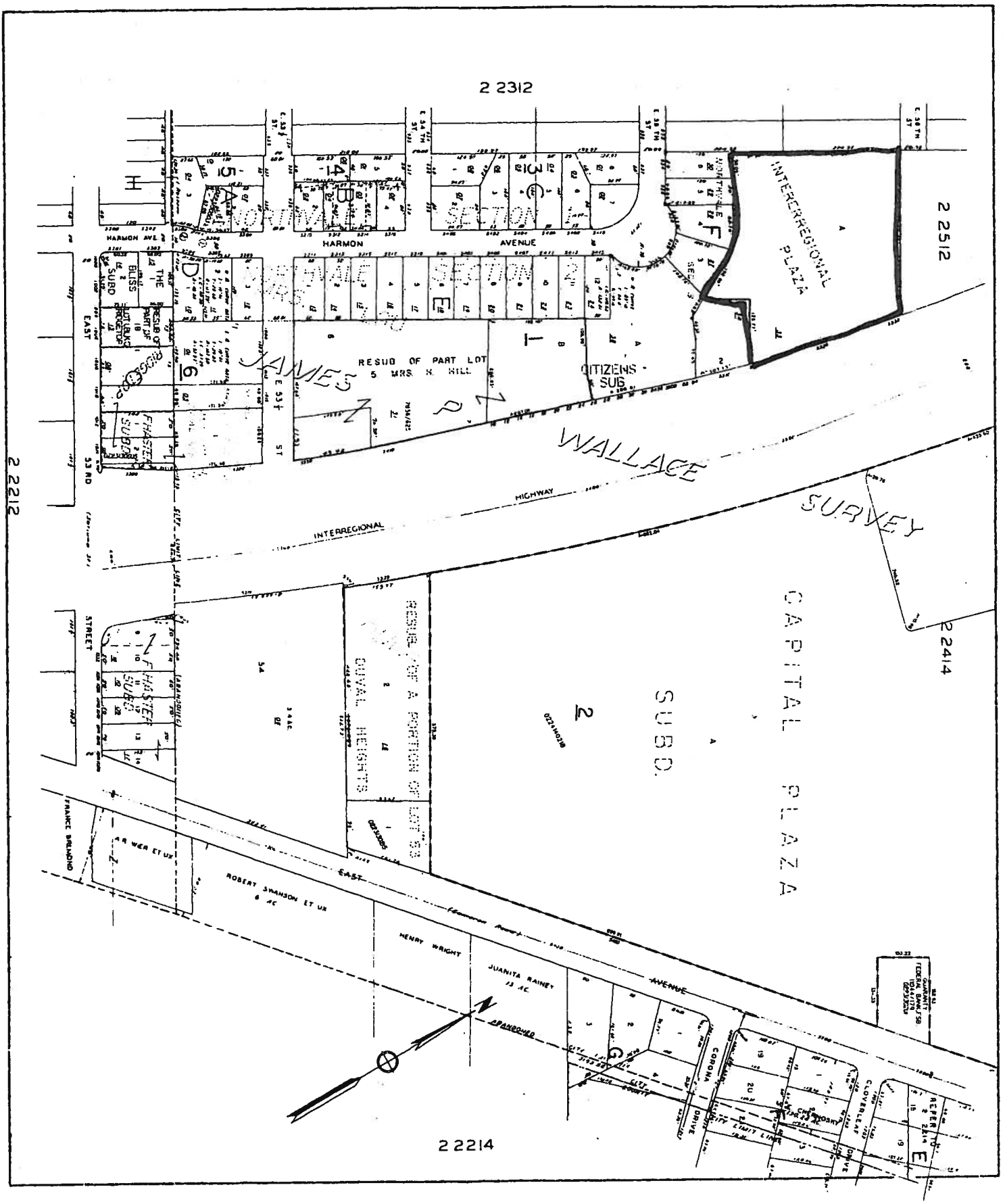
Financial Indicators

Average Occupancy:	N/A
Average Daily Rate:	N/A
Gross Revenue:	$879,419 (2002/2003)
Notes:	In 2002, gross receipts were $1,235,096. In 2002, the gross receipts dropped significantly. As of 03/31/03, the annual receipts were $879,419.

Units of Comparison

Gross Income Per Room:	$6,282
REVPAR:	$17.21 (based on 2002/2003)
Expense Ratio:	N/A

Gross Income Multiplier:	N/A
Gross Room Revenue Multiplier:	3.02 (based on March 2002-March 2003 receipts)
Overall Rate:	N/A
Sales Price Per Room:	$18,988
Sales Price Per SF:	$55.14
Comments:	This has been converted to a Super 8 Motel.
Confirmation:	Name: Travis Central Appraisal District Phone: N/A Date: 06/16/05 Appraiser: WM Deed Reviewed: WM Photo Taken: John M. Coleman; 06/17/05



MAP NO. 2 2313

1" = 400' MAP REFERENCE

SCALE 0' 100'

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8314 Cross Park Drive
Austin, Tx 78754
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JURISDICTIONS
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TRAVIS COUNTY

REVISIONS
02/11/2010 HRC

MOTEL RENTALS

COMPARABLE HOTEL/MOTEL RENTAL NUMBER ONE

Name:	Best Western Seville Plaza
Location:	4323 South IH-35, Austin, TX 78744
Parcel Number:	04-1301-04-03
Number of Guest Rooms:	97
Improvement Description:	Four-story limited service hotel with average room size of 300 SF and open balconies.
Year of Construction:	1993

	3Q 2005	3Q 2006
ADR:	$55.45	$59.53
Occupancy:	46.3%	60.8%
REVPAR:	$25.69	$36.22

Room Rates:	Day	Week
Double	$67.30-$69.79	$402.56 (one person) $402.56 (two persons
Queen/King	$72.30-$74.79	$402.56 (one person) $402.56 (two persons)

*Weekend rates are represented by the high-end of the range.

Food and Beverage Facilities: None

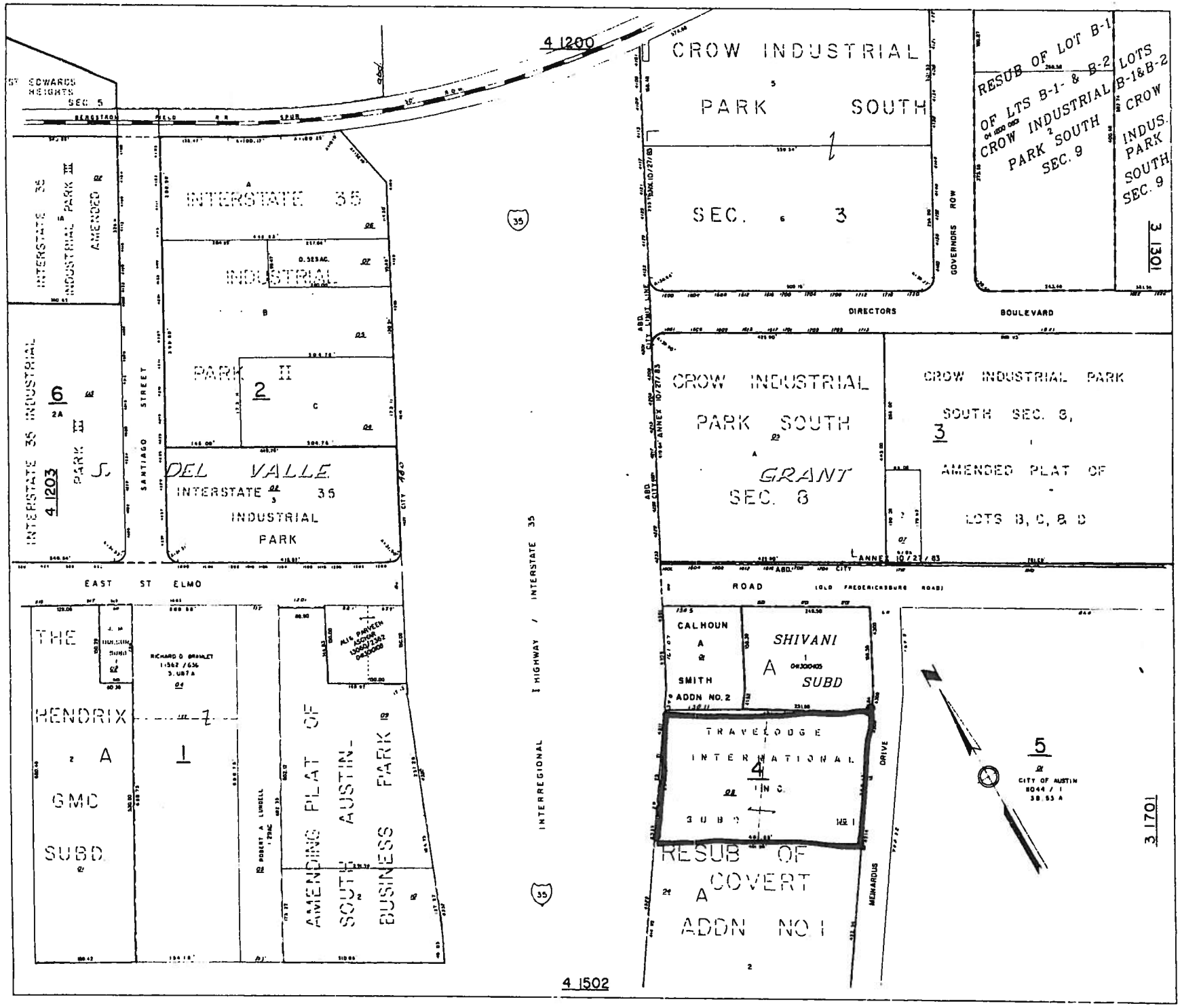
Amenities: Outdoor pool, two restaurants, and meeting facilities.

Meeting Facilities: None

Comments: Located south of Ben White Boulevard.

Confirmation:

Name: Front desk
Phone: 447-5511
Date: 01/15/07
Appraiser: WM
Photo Taken: JMC 12/14/06



REVISIONS
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(512) 834-9317

0' 100'
SCALE

MAP NO.
4 1301

1" = 400' MAP
REFERENCE
3 1501
1 1508

COMPARABLE HOTEL/MOTEL RENTAL NUMBER TWO

Name:	Best Western Airport Hotel and Suites	
Location:	2751 Highway 71 East, Austin, TX 78741	
Parcel Number:	03-1433-01-03	
Number of Guest Rooms:	112	
Improvement Description:	Three-story interior corridor, limited service hotel with stucco veneer	
Year of Construction:	1998	
	3Q 2005	3Q 2006
ADR:	$59.21	$64.15
Occupancy:	51.6%	54.7%
REVPAR:	$30.56	$35.07

Room Rates:	Day	Week
Double	$43.99	$354.13 (one person)
	$54.99	$394.38 (two persons)
King	$59.99	

Food and Beverage Facilities: None

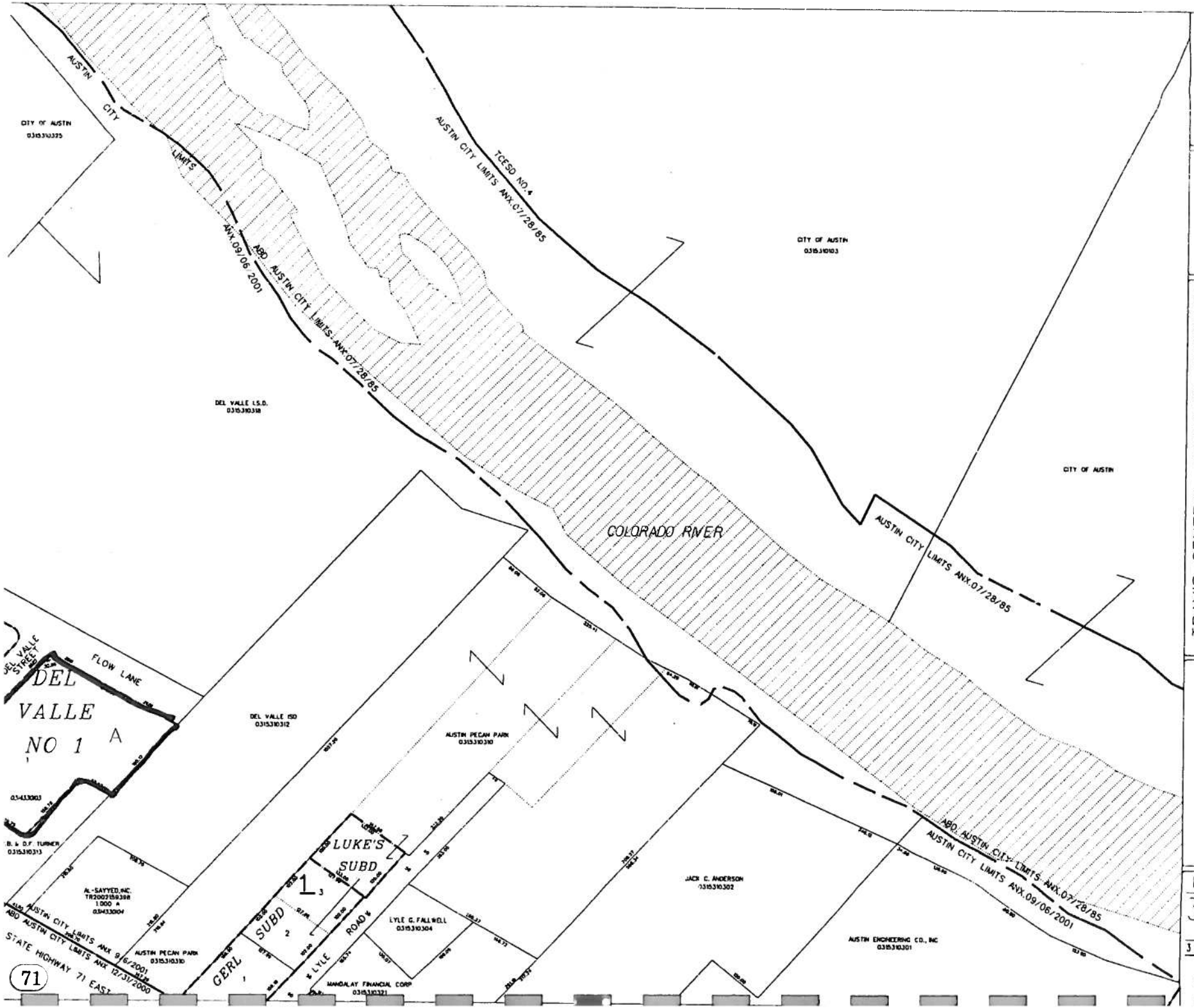
Amenities: 24-hour front desk, outdoor pool, pets, voice mail, CTV, in-room movies.

Meeting Facilities: None

Comments: Located just east of the subject. This is a newer motel; however, because of the proximity to the subject, it has been included.

Confirmation:

Name:	Ledisia
Phone:	442-6626
Date:	01/15/07
Appraiser:	WM
Photo Taken:	JMC 12/14/06



REVISIONS
02/12/2004 ASV

JURISDICTIONS
DEL VALLE ISD
TCESD NO.4
CITY OF AUSTIN
TRAVIS COUNTY

TRAVIS CENTRAL APPRAISAL DISTRICT
8314 Cross Park Drive
Austin, Tx 78754
P.O. Box 149012
Austin, Tx 78714
Internet Address WWW.TRAVISCAD.ORG
Main Telephone Number (512)834-9317
Fax Number (512)835-5371
Appraisal Information (512)834-9138
TDD (512)836-3328

N

0' 100'
SCALE

MAP NO.
3 1433

3 1430 | 3 1433 | 3 1436

1" = 400' MAP REFERENCE

COMPARABLE MOTEL RENTAL NUMBER THREE

Name:	Suburban Extended Stay Motel
Location:	2501 South IH-35, Austin, TX 78741
Parcel Number:	03-0702-03-17
Number of Guest Rooms:	136
Improvement Description:	Three-story interior corridor, extended stay motel with brick and wood exterior and composition shingle roof.
Year of Construction:	2001

	3Q 2005	3Q 2006
ADR:	$35.17	$41.65
Occupancy:	67.3%	75.3%
REVPAR:	$23.66	$31.36

Room Rates:	Day	Week
Queen	$69.99	$260.05
Queen	$79.99	$279.93

Food and Beverage Facilities: None

Amenities: Cable TV and phone with voice mail, coin-operated guest laundry, high speed internet connections.

Comments: Full kitchen (two burner stove, refrigerator, microwave, coffee maker). This property is substantially newer than the subject. It also has interior hallways.

Confirmation:

Name:	On-staff representative - Melissa; Factbook 3Q 2005 & 3Q 2006
Phone:	951-9920; 712-9921
Date:	07/25/05; 01/15/07
Appraiser:	CN; WM
Photo Taken:	John M. Coleman; 07/22/05

MAP NO. 3 0702

1" = 400' MAP REFERENCE 701

SCALE 0 100'

TRAVIS CENTRAL APPRAISAL DISTRICT
8314 Cross Park Drive
Austin, Tx 78754
P.O. Box 149012
Austin, Tx 78714
Internet Address WWW.TRAVISCAD.ORG
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JURISDICTIONS
CITY OF AUSTIN
A.C.C.
AUSTIN I.S.D.

REVISIONS
10/06/2001 ASV

COMPARABLE MOTEL RENTAL NUMBER FOUR

Name:	Best Value Inn (former Super 8 Motel)
Location:	2525 South IH-35. East side of IH-35, south of Oltorf, Austin, TX 78741
Parcel Number:	03-0702-03-14
Number of Guest Rooms:	72
Improvement Description:	Three-story interior corridor, extended stay motel with brick and stucco veneer and composition shingle roof.
Year of Construction:	1985

	3Q 2005	3Q 2006
ADR:	$44.26	$48.96
Occupancy:	51.1%	60.2%
REVPAR:	$22.62	$29.48

Room Rates:	Day	Week
Single	$49.99-$54.00	$250.00-$275.00
Double	$56.99-$59.00	$300.00

Food and Beverage Facilities: Free hot breakfast buffet.

Amenities: Cable TV and phone, free hot breakfast buffet. The kitchens do not include a stove, but each room has a microwave, refrigerator and coffee maker.

Meeting Facilities: None

Comments: This is an extended stay hotel. This property is slightly newer and in better repair than the subject. It also has interior hallways.

Confirmation:

Name:	On-staff representative; Factbook 3Q 2005
Phone:	441-0143
Date:	07/25/05; 01/15/07
Appraiser:	CN; WM
Photo Taken:	John M. Coleman; 07/22/05

MAP NO. 3 0702

1" = 400' MAP REFERENCE 0701

SCALE

TRAVIS CENTRAL APPRAISAL DISTRICT
8314 Cross Park Drive
Austin, Tx 78754
P.O. Box 149012
Austin, Tx 78714
Internet Address WWW.TRAVISCAD.ORG
Main Telephone Number (512)834-9317
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JURISDICTIONS
CITY OF AUSTIN
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REVISIONS
11/06/2001 ASV

COMPARABLE MOTEL RENTAL NUMBER FIVE

Name:	Country Garden Inn and Suites (former Ramada Limited South)
Location:	2915 South IH-35, Austin, TX 78741
Parcel Number:	03-0902-03-13
Number of Guest Rooms:	56
Improvement Description:	Two-story exterior corridor, limited service motel with brick veneer and composition shingle roof.
Year of Construction:	1982

	3Q 2005	3Q 2006
ADR:	$28.18	$28.54
Occupancy:	45.6%	55.4%
REVPAR:	$12.85	$15.81

Room Rates:	Day	Week
Single	$45.00	$225.00 + tax
Double	$55.00	$255.00 + tax

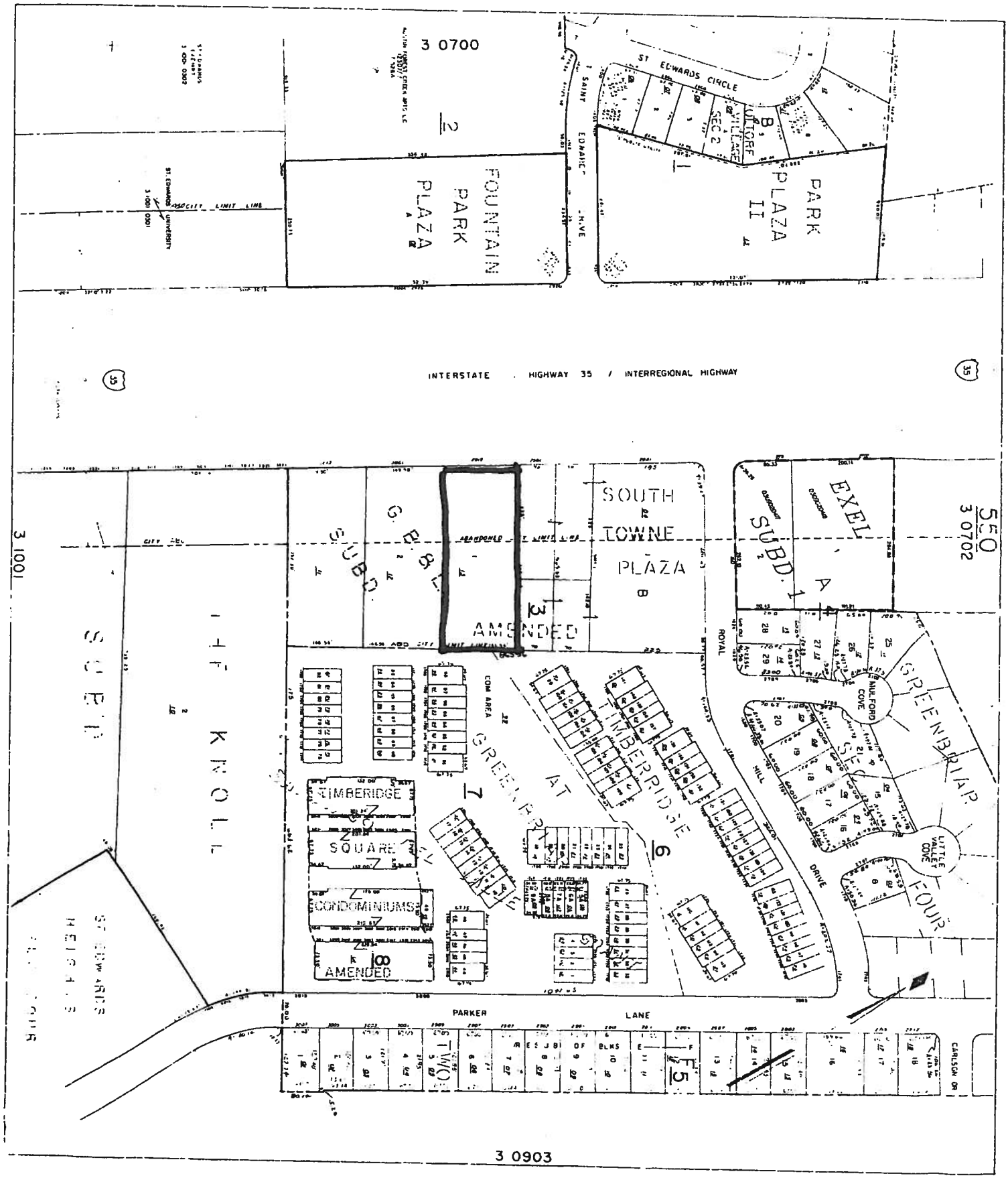
Food and Beverage Facilities: None

Amenities: Free cable TV, local phone, in-room coffee maker, iron and ironing board, small pool.

Comments: This is not an extended stay hotel. No kitchenettes.

Confirmation:

Name:	On-staff representative; Factbook 3Q 2005; 3Q 2006
Phone:	444-3222
Date:	07/25/05; 01/15/07
Appraiser:	CN; WM
Photo Taken:	John M. Coleman; 07/22/05



MAP NO. 3 0902

SCALE 0' 100'

1" = 400' MAP REFERENCE

TRAVIS CENTRAL APPRAISAL DISTRICT
8314 CROSS PARK DRIVE 78754
P.O. BOX 149012 78714
AUSTIN, TEXAS
(512) 834-9317

JURISDICTIONS
CITY OF AUSTIN
AUSTIN I.S.D.
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COMPARABLE HOTEL/MOTEL RENTAL NUMBER SIX

Name:	Park West Inn
Location:	2607 South IH-35, Austin, TX 78741
Parcel Number:	03-0702-03-13
Number of Guest Rooms:	40
Improvement Description:	Two-story exterior corridor, limited service motel with brick veneer and composition shingle roof.
Year of Construction:	1980

	3Q 2005	3Q 2006
ADR:	$42.21	$43.59
Occupancy:	48.2%	55.9%
REVPAR:	$20.35	$24.37

Room Rates:	Day	Week
Double	$45.00	$250.00
King	$55.00	$270.00

Food and Beverage Facilities: None

Amenities: In room phone and TV, small pool

Comments: This is not an extended stay hotel. No kitchenettes.

Confirmation:

Name:	On-staff representative; Factbook 3Q 2005 & 3Q 2006
Phone:	441-9472; 443-4242
Date:	07/25/05; WM
Appraiser:	CN
Photo Taken:	John M. Coleman; 07/22/05

MAP NO. 3 0702

1" = 400' MAP REFERENCE 3701

SCALE 0' 100'

TRAVIS CENTRAL APPRAISAL DISTRICT
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P.O. Box 149012
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JURISDICTIONS
CITY OF AUSTIN
A.C.C.
AUSTIN I.S.D.

REVISIONS
11/08/2001 ASV