

**APPRAISAL OF A 20 ROOM MOTEL, KNOWN AS COUNTRY COTTAGE
MOTEL; A SINGLE STORY RESIDENCE/OFFICE; A NIGHTCLUB; AND A
BILLBOARD GROUND LEASE (THC PROJECT NO. N4062M; PARCEL 104),
LOCATED AT 2601 SH 71 EAST, DEL VALLE, TRAVIS COUNTY, TEXAS
78617**

EFFECTIVE DATE - JANUARY 11, 2007

PREPARED FOR

**MR. MICHAEL SMITH, THC PROGRAM MANAGER
ABIA NOISE MITIGATION OFFICE
2716 SPIRIT OF TEXAS DRIVE, ROOM 113
2910 EAST FIFTH STREET
AUSTIN, TEXAS 78719**

PAUL HORNSBY & COMPANY

**PAUL HORNSBY, MAI, SRA, CRE
STUART MORROW
8303 N. MOPAC EXPRESSWAY, SUITE A-150
AUSTIN, TEXAS 78759**

Airport: Austin Bergstrom International Airport

Project Number: N4062M

Parcel No. 104

Project Location: 2601 SH 71 East, Del Valle, Travis County,
Texas 78617

I hereby certify:

That on January 11, 2007 (date)(s), 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 on 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 publically 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 10, 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	\$750,000
Value after acquisition	N/A
Value difference	N/A

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 of 97 pages plus Addenda.

Date of contract: August 23, 2006

PAUL HORMSBY

Signature

Date

Paul Hormsby
3/9/07

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.



PAUL HORNSBY & COMPANY

REAL PROPERTY APPRAISERS AND CONSULTANTS

March 9, 2007

Mr. Michael Smith, THC Program Manager
ABIA Noise Mitigation Office
2716 Spirit of Texas Drive, Room 113
Austin, Texas 78719

Re: Appraisal of a 20 room motel; a single story residence/office; a night club/bar; and a billboard ground lease located at 2601 SH 71 East, Del Valle, Travis County, Texas 78617.

Project Name: Country Cottage Motel
Parcel: 104
THC Project No.: N4062M
Property Owner: So Stamey

Dear Mr. Smith:

Pursuant to your request, we have undertaken an appraisal of the above-referenced property, the results of which are set forth in this self-contained report. The intended use of the report is for evaluating the potential purchase of the subject property by the City of Austin. The purpose of our assignment was to estimate the market value of the fee simple interest in the property as of January 11, 2007, the date of inspection.

This appraisal has been undertaken by use of the Jurisdictional Exception Rule of USPAP. In accordance with the Uniform Appraisal Standards for Federal Land Acquisitions, exposure time was not linked to a specific time period, as required by Standards Rule 1- 2(c) of USPAP, but, instead, was considered "a reasonable length of time." In accordance with state law, ABIA Noise Mitigation Program project influence was not considered, as required by Standards Rule 1- 4 (f) of USPAP. Additionally, restrictions associated with the ABIA Noise Overlay Zone were not considered in our appraisal.

Based upon the data and analyses summarized in this report, the market value of the fee simple interest in the subject property was estimated to be:

SEVEN HUNDRED FIFTY THOUSAND DOLLARS

\$750,000

We certify that, to the best of our knowledge and belief:

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

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

We 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.

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

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

Our 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.

Our analyses, opinions, and conclusion were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal Foundation, except to the extent 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. Additionally, our analyses, opinions, and conclusion were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; State Law appropriate for eminent domain appraisals; the Uniform Appraisal Standards for Federal Land Acquisitions; FAA regulations; and the Canons of Professional Ethics and Conduct of the Texas Real Estate Commission.

Jason Lee and Stuart Morrow have made a personal, interior inspection of the property that is the subject of this report on January 11, 2007; save and except the interior of the night club/bar. The property owner, So Stamey, was given the opportunity to accompany the appraisers on the property inspection. Stuart Morrow made personal, interior and exterior inspections of the night club/bar and residence/office on February 15, 2007. Subsequently, Paul Hornsby and Stuart Morrow made personal, exterior inspections of the subject property.

No one provided significant real property appraisal assistance to the undersigned.

As of the date of this report, I, Paul Hornsby, have completed the requirements of the continuing education program of the Appraisal Institute.

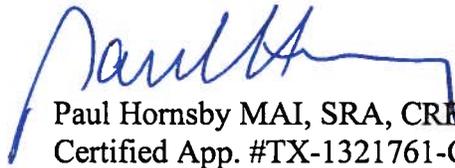
The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

The value estimate is predicated on a cash or cash equivalent sale, and is specifically contingent upon the Assumptions and Limiting Conditions listed in this report.

This transmittal letter and the following pages constitute our report which contains the data and analyses utilized in formulating the value opinion. If you should have any questions concerning this report, please do not hesitate to contact the undersigned.

Respectfully Submitted,

PAUL HORNSBY & COMPANY.


Paul Hornsby MAI, SRA, CRE
Certified App. #TX-1321761-G


Stuart Morrow
Appraiser Trainee #TX 1334453-T

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Subject Documents
ABIA Noise Mitigation Program Scope of Work Document

ORDINARY ASSUMPTIONS

This appraisal is subject to the following ordinary assumptions:

1. It is assumed that the subject improvements are within the boundaries of the property described, and that there are no encroachments unless noted within the report.
2. The value estimates stated herein are predicated on the assumption that taxes will be consistent with those detailed in the Ad Valorem Tax section of this appraisal.
3. It is assumed that there are no hidden or unapparent conditions of the property or sub-soils which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover such factors.
4. It is assumed that all necessary permits have been obtained and that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless non-compliance is stated, defined, and considered in the appraisal report.
5. It is assumed that all applicable zoning and use regulations and restrictions will be complied with, unless a nonconformity is stated, defined, and considered in the appraisal report.
7. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed. We have no knowledge of the existence of such materials on or in the property and are not qualified to detect such substances. The presence of substances such as asbestos, radon gas, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
8. It is assumed that the property is free of any endangered species, their habitat, or any geological formation (i.e., caves) which might preclude development or otherwise affect the value of the property. No responsibility is assumed regarding the presence or absence of such features and the client is urged to retain an expert in these fields, if desired, as we are not qualified to discover such conditions.

EXTRAORDINARY ASSUMPTION

It is assumed that the condition and quality of all areas and units not inspected are equivalent to those inspected.

LIMITING CONDITIONS

This appraisal is subject to the following limiting conditions:

In accordance with federal regulations relating to federal land acquisitions, the appraisal of the subject property was made without consideration given to a specific exposure time. This condition is an exception to Standard Rule 1-2c) of the Uniform Standards of Appraisal Practice (USPAP) permitted by the Jurisdictional Exception Rule provision within USPAP.

The legal description furnished our firm is assumed to be correct. We assume no responsibility for matters legal in character, nor render any opinion as to the title, which is assumed to be good. The property has been appraised as if under responsible ownership and competent management.

We have made no survey and assume no responsibility in connection with such matters. The firm believes that the information contained in this report is reliable, but assumes no responsibility for its accuracy. The construction and condition of the improvements mentioned in the body of this report are based on the plans and specifications furnished us, and no engineering study has been made which could discover any possible latent defects. No certification as to any of the physical aspects could be given unless a proper engineering study is made.

We are not required to give testimony or attendance in court by reason of this appraisal with reference to the property in question, unless arrangements have been made previously therefore.

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 consent and approval of the author, particularly as to valuation and conclusions, the identity of the appraiser or firm with which he is connected, or any reference to the Appraisal Institute, the SRA, MAI, or the CRE designation.

The appraisers' liability regarding the statements and conclusions reported herein is limited to the fee charged for the assignment.

DESCRIPTIONS AND ANALYSES

DESCRIPTIONS AND ANALYSES**Subject Identification:**

Parcel 104; THC Project No. N4062M: A 20 room lodging facility known as Country Cottage Motel; a one-story residence/office; a freestanding, one-story night club/bar; and a billboard ground lease, located at 2601 SH 71 East, Del Valle, Travis County, Texas 78617.

Legal Description:

A 0.965 acre (42,021 SF) 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 SF) 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.

Purpose of the Appraisal:

To estimate the market value of the fee simple estate, as of January 11, 1007.

Client:

THC, Inc.

Intended Use and Users of the Appraisal:

This appraisal is to be used to assist the client (THC, Inc.) and the City of Austin in establishing a market value estimate for a proposed acquisition for the Austin-Bergstrom Noise Mitigation Program. The intended users of this report are the City of Austin and THC, Inc..

Definition of Market Value:

“The price which the property would bring when its 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 probability will become available within the reasonable future.¹”

Required Acknowledgment:

The appraiser has been informed that the City of Austin generally requires the Grantor provide either a General or Special Warranty 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 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.

Effective Date of Value:

January 11, 2007

Date of Inspection:

January 11, 2007; February 15, 2007

Date of Report:

March 1, 2007

Scope of Work:

- Inspection of neighborhood;
- Inspection of site including interior and exterior inspection of all improvements. Interior and exterior photographs were taken. The inspection was by visual observation and not to the extent of a property inspector.

¹From the Court Case of City of Austin vs. Cannizzo, et al, 267 S.W.2d 808,815 (1954).

Scope of Work (cont.)

- Review of an evaluation of compliance with UASFLA and the ABIA Noise Mitigation Program Scope of Work document (see addendum); ABIA Parcel 104 Phase I Environmental Site Assessment, dated 12/29/06; review of land title survey; aerial photographs; title commitment effective 11/16/06; income and expense statements prepared by Texas Taxes; night club/bar lease; billboard ground lease; tax plat; zoning; and flood plain records;

- Highest and best use analysis, which indicated that the subject's most probable use, as if vacant, was for airport-related commercial use; and, as improved, continued use of the existing improvements;

- Application of the Cost Approach to value. This valuation technique involved estimating the replacement cost of the improvements, the value of the subject site, and accrued depreciation. We first valued the site via the Sales Comparison Approach utilizing sales of comparable vacant land tracts. This value estimate was then added to the depreciated cost of the improvements, including entrepreneurial profit.

- Application of the Income Approach to value. This traditional valuation technique involved collecting room rates, expense, and occupancy data from the competitive lodging market as well as comparable bar rentals and billboard ground lease information. Based on the available data, income and expense estimates were derived. The net operating income from each source was then capitalized into a final value estimate.

- The Sales Comparison Approach, Improved was not performed due to the lack of recent, comparable sales of similar multi-use properties.

- Reconciliation of Final Value Estimate.

Summary of Appraisal Problem:

The location and mixed use of the subject present the most significant appraisal problems. The property is improved with a 20 room motel, a bar, a single family residence/office, and a billboard ground lease; all are collectively located just north of SH 71 near the Austin-Bergstrom International Airport. Noise levels in this location are high; however, the demand for limited service, extended stay motels and bars is strong, and the subject's market acceptance appears to be equivalent with and without recognition of aircraft noise.

Discussion of ABIA Noise Mitigation Program:

FAA policy stipulates that for any acquired property, just compensation is no less than the appraised fair market value unaffected by the project or the government's demand for the property. A noise compatibility program does not cause the noise or result in a change of proximity of the airport operations to a property. Therefore, fair market value is to be estimated "as is" located. If the existing proximity to the airport has an effect on the property, then it is appraised subject to that effect, including the existing noise contour. Comparable sales and rents should be selected from equal locations or appropriate adjustments made.

Ownership History:

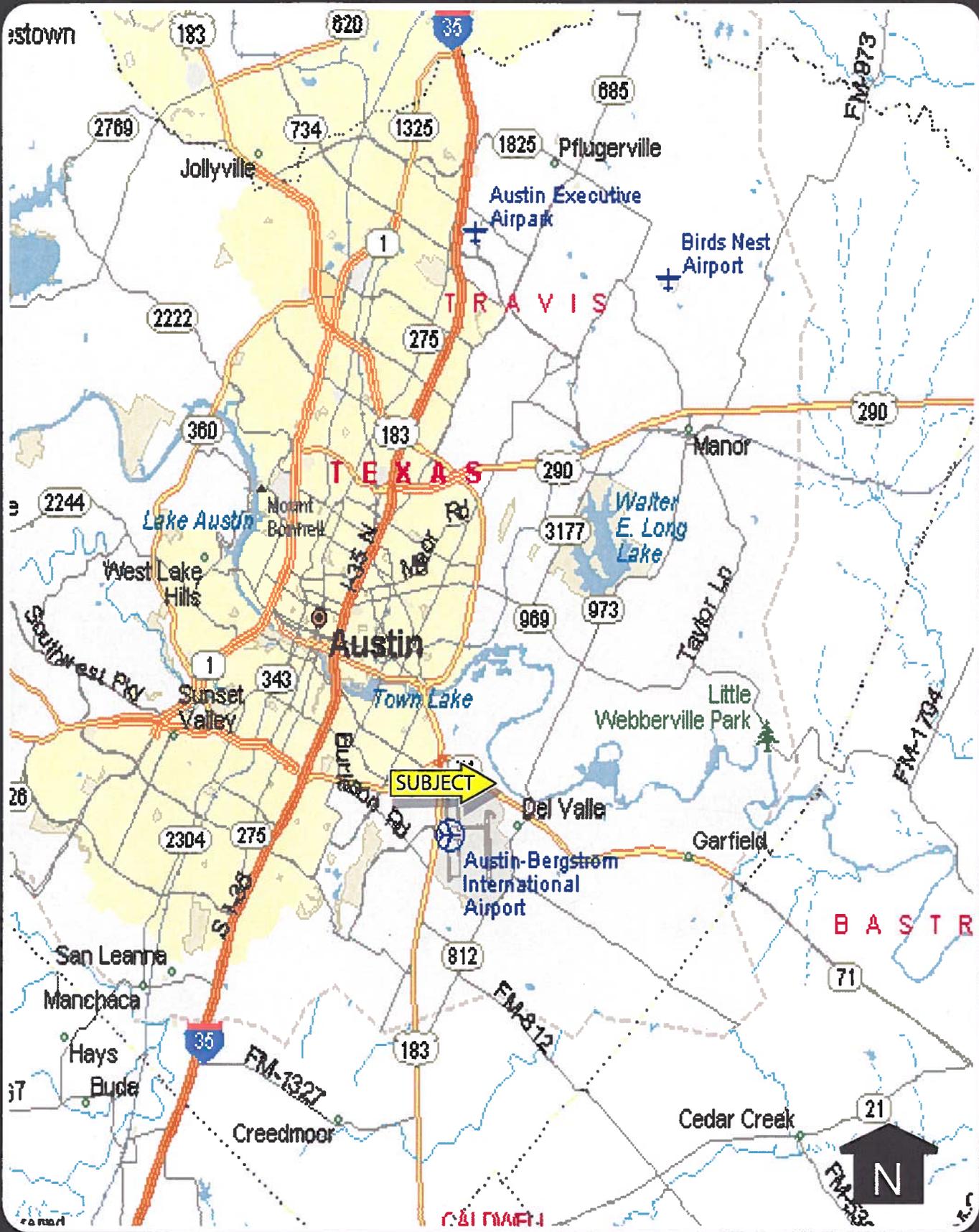
The owner of record is So Stamey, who has held title to the subject property since October 19, 1992, when it was conveyed from William E. Stamey, as recorded in Volume 11802, Page 267, Real Property Records, Travis County, Texas. Confirmation was attempted directly with both the Grantor and Grantee. Despite our attempts, we were unable to confirm the details of this transfer. To our knowledge, there have been no other conveyances of the fee title during the ten years preceding the effective date of this appraisal. It has been reported that there are no other purchase contracts or offers currently under consideration by the owner or recently tendered, and the property is not listed for sale. The historical use of the property for the last ten years has been as a motel, a residence/office, and a bar. Please note that this information is included only to satisfy the requirements of USPAP and UASFLA.

Ad Valorem Taxes:

The property is subject to the taxing authority of the City of Austin, Travis County, Del Valle Independent School District, Travis County Healthcare District, and Austin Community College. The 2006 tax rates for these jurisdictions total \$2.7601/\$100 assessed valuation, and the property is identified as parcel numbers 03-1430-04-01-0001 (95% interest in non-homestead portion of 0.941 acres) and 03-1430-04-01-0000 (5% interest in homestead portion of 0.941 acres). The land size is 0.024 acres smaller than the 0.965 acre (42,021 SF) size reported in the 1992 Warranty Deed.

The 2006 assessed value for the subject is \$435,000; comprised of \$163,960 (\$4.00/SF) for land, and \$271,040 for improvements (\$205,723 for the two motel buildings; \$37,430 for the bar; and \$27,887 for the single family dwelling). Following are the 2006 tax rates for these taxing authorities:

Ad Valorem Taxes	
Taxing Authority	2006 Tax Rate/ \$100 Valuation
Del Valle ISD	\$1.7277
City of Austin	\$0.4126
Travis County	\$0.4499
Travis County Healthcare District	\$0.0734
Austin Community College	\$0.0965
Total	\$2.7601



AREA MAP

AUSTIN MSA ANALYSIS

As of year end 2006, the Austin MSA continues to rebound from the tech bust of 2001-2003. The high technology service and manufacturing sectors, coupled with the economic stability afforded by the state, city and university base of employment, contributed to significant economic expansion from 1990 - 2000. However, after ten years of unprecedented employment growth and an expanding economy, conditions were tempered by softness in the tech market and an overhang of office, industrial, and multifamily space. All of these markets are now in a period of progressive improvement.

Population:

The MSA ranks as the 38th largest in the United States according to the U.S. Census Bureau. Population gains in the Austin metro area since the mid 1990s are primarily due to the large influx from other cities. Since the mid 1990's, 70% of the total population increase was due to in-migration.

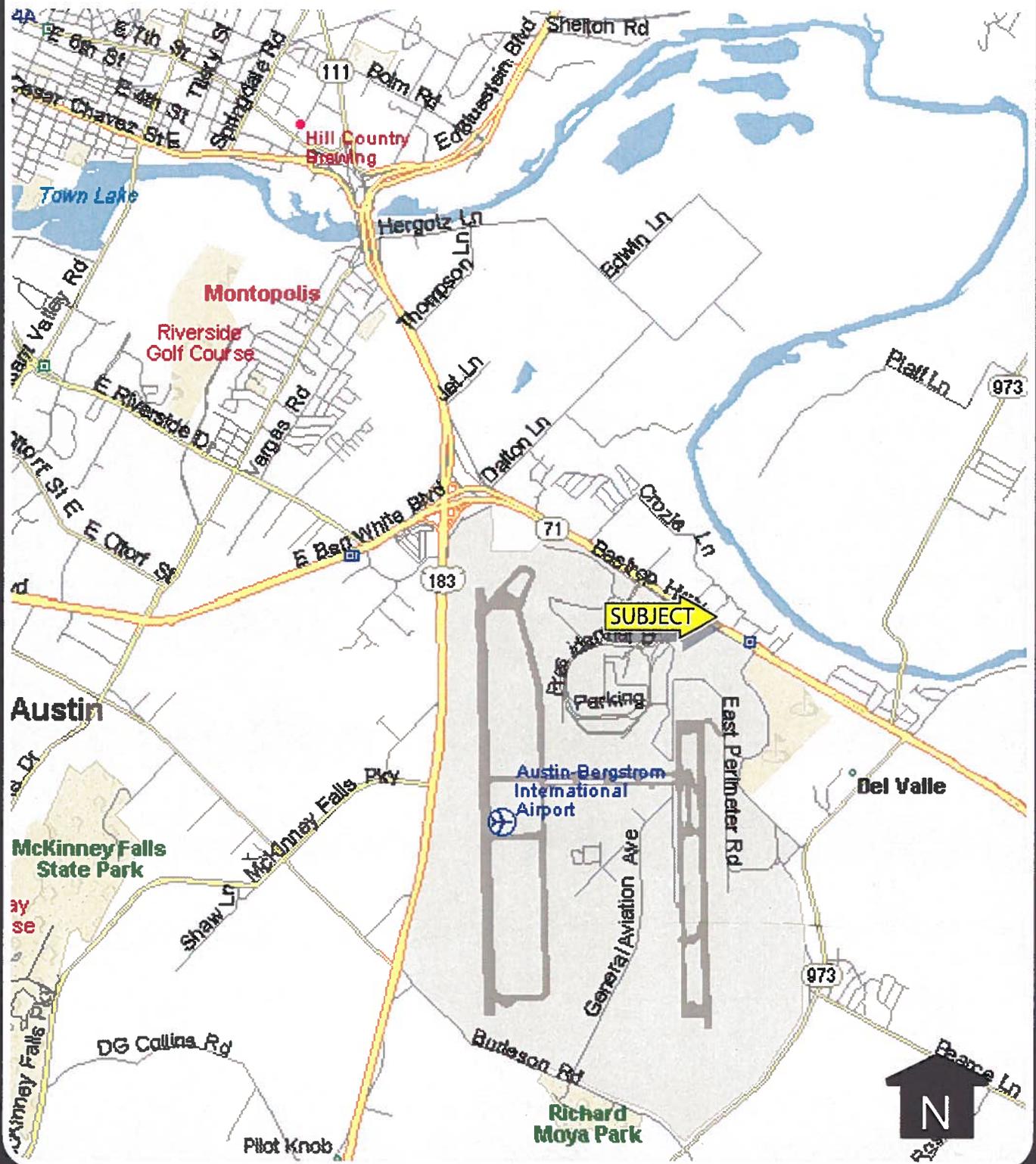
Employment:

Total civilian employment increased 4.0% in 2006, mirroring the 4.6% gain in 2005. Non-agricultural employment reflected a 3.1% gain over 2005 levels, bracketed by the 4.6% gain in 2005 and the 2.9% increase in 2004. While still below the 5.5% average annual growth rate from 1991 to 2000, the employment growth is evidence of the improving local economy.



Summary:

Austin ended 2006 with a rebounding economy and significant additions to employment levels. All real estate markets have bottomed and are trending upward in the new cycle. Progressive improvement is forecasted to continue through 2007.



NEIGHBORHOOD MAP

NEIGHBORHOOD ANALYSIS

The subject is located in the southeast quadrant of the City of Austin. The subject neighborhood can best be defined as those properties fronting along or near State Highway 71 East (East Ben White Boulevard), between Burleson Road to the west and County Road 973 to the east, and properties along or near U.S. Highway 183, south of the river to Burleson Rd. The predominant development in this neighborhood is industrial with a group of hotels near the SH 71/US-183 intersection and numerous manufactured housing sales lots along SH 71.

Major roadways that intersect with State Highway 71 East include Woodward Street, Burleson Road, Montopolis Drive and Riverside Drive. There are no major intersections with US-183 other than SH 71. A significant transportation upgrade in the area is the extension of East Oltorf Road from Interstate Highway 35 eastward to Montopolis Drive. Another roadway improvement is the extension of Stassney Lane eastward to Burleson Road, aligning with the termination of Montopolis Drive. This extension's purpose is to improve traffic flow from U.S. Highway 183 to Interstate Highway 35 South, thus alleviating traffic congestion along State Highway 71 East, as well as at the State Highway 71 East and Interstate Highway 35 South intersection. US-183 is planned for upgrade to full freeway status from IH-35 to SH-71. The completion time for this project is about 2007.

The most noteworthy employers in and near the neighborhood are Advanced Micro Devices (AMD), the Internal Revenue Service (IRS) Compliance Center, Sematech, Tokyo Electron's \$50 million semiconductor equipment plant (U.S. headquarters), White Swan Food Service, Omni Hotel, Sam's Wholesale Warehouse and Wal-Mart.

Bergstrom Air Force Base was previously a major employer located just east of the neighborhood and was at one time Austin's third largest employer. This facility was closed in mid-1993 due to federal budget cuts and was eventually converted for use as Austin's new municipal airport, Austin-Bergstrom International Airport (ABIA). The new airport began air cargo operations in 1997 and passenger flight service in May 1999. Subsequently, Austin officials unveiled a new master plan that will essentially double most aspects of the airport. Having surpassed its anticipated performance in the original master plan, completed in 1993, the airport's new mater plan is designed to cover Austin's needs for the next 20 years. Overall, the ABIA is having a marginally positive effect on development in and around the neighborhood.

The long-term prospects for the neighborhood are favorable in light of the roadway improvements, the presence and performance of Austin-Bergstrom International Airport, and the location of other major employers in the area. It is expected that the neighborhood will prosper as the overall Austin area continues to grow and expand.

SITE ANALYSIS

The following information is based on our site inspection; review of the zoning ordinance; land title survey, dated January 4, 2007, performed by Macias & Associates, Inc.; Phase I Environmental Site Assessment report, effective December 29, 2006; aerial photograph; flood plain map; topographical contour map; Travis County soil survey; and deed records.

Location: 2601 Bastrop Highway, Del Valle, Travis County, Texas 78617.

Legal Description: A 0.965 acre (42,021 SF) 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 SF) 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.

Tax Parcel Identification: 03-1430-04-01-0000 & 03-1430-04-01-0001

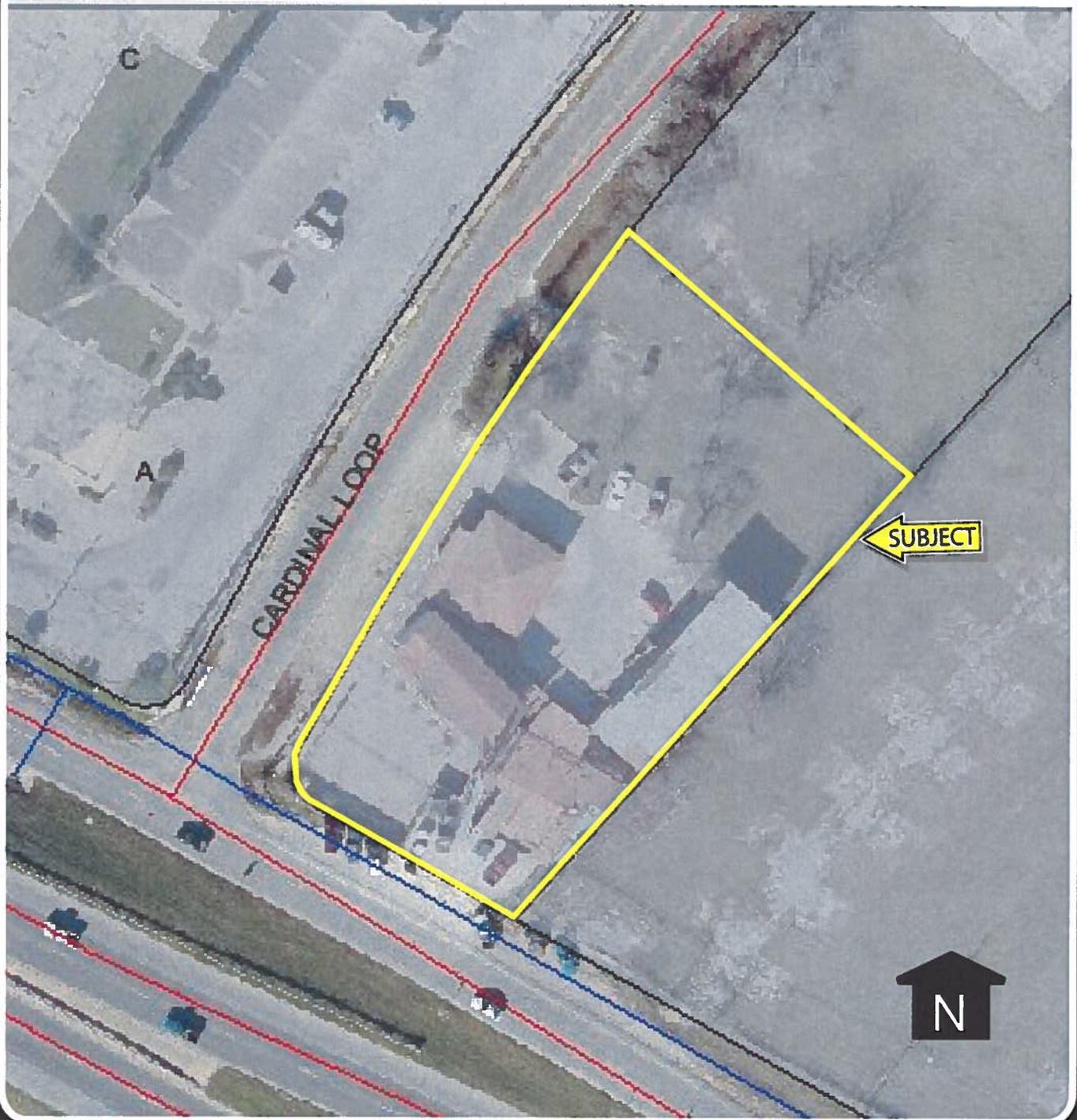
THC Project No.: N4062M

City of Austin Acquisition Parcel No.: 104

Land Size: Approximately 0.965 acres; 42,021 square feet

Shape: Basically rectangular

Frontage/Access: Approximately 121' along the north line of the west bound frontage road of State Highway 71 East (Bastrop Highway), and approximately 1,418' along the east line of Cardinal Loop. Access is via the aforementioned roadways.



Aerial Photograph

Topography/Drainage:

Generally level. According to the USGS topographic mapping, elevation on the property is approximately 486 feet above mean sea level (AMSL).

Soil/Subsoil Conditions:

The soil and subsoil conditions are assumed to be typical of those found in this part of the Travis County area. The Phase I Environmental Site Assessment, dated December 29, 2006 describes the subject's soils as primarily "Lewisville silty clay; Houston Black clay; and Ferris clay."

The Lewisville Silty Clay is of the "Class B" hydrologic group. It has a moderate infiltration rate. The soil ranges between deep and moderately deep, and is a moderately well and well drained soil with moderately coarse textures. It has an intermediate water holding capacity, and the depth to the water table is more than 6 feet. The soil does not meet the requirements for a hydric soil. It has high corrosion potential to uncoated steel.

The Houston Black Clay soil is of the "Class D" hydrologic group. It has very slow infiltration rates, a high water table, or is shallow to an impervious layer. It is a moderately well-drained soil, with a layer of low hydraulic conductivity. The wet state is high in the profile, and the depth to the water table is 3 to 6 feet. The soil does not meet the requirements for a hydric soil. It has a high corrosion potential to uncoated steel.

The Ferris Clay soil is of the "Class D" hydrologic group. It has very slow infiltration rates, a high water table, or is shallow to an impervious layer. It is a well-drained soil, with an intermediate water holding capacity. The depth to the water table is more than 6 feet. The soil has not been ranked with a hydric criteria. It has an unreported corrosion potential to uncoated steel.



Flood Plain Map

Soil/Subsoil Conditions (cont.):

We are not qualified to render an opinion as to the soils' quality or feasibility for development; however, based upon improvements observed on the subject and surrounding sites, the conditions appear adequate for development with proper site work. The opinions stated herein are contingent upon the soils providing a stable base for improvements. There are no known commercially valuable mineral or oil deposits located on/or beneath the site. No responsibility is assumed regarding the presence of mineral deposits which might affect the value of the site, and the client is urged to retain experts in this respective field, if desired, as we are not qualified to uncover such conditions.

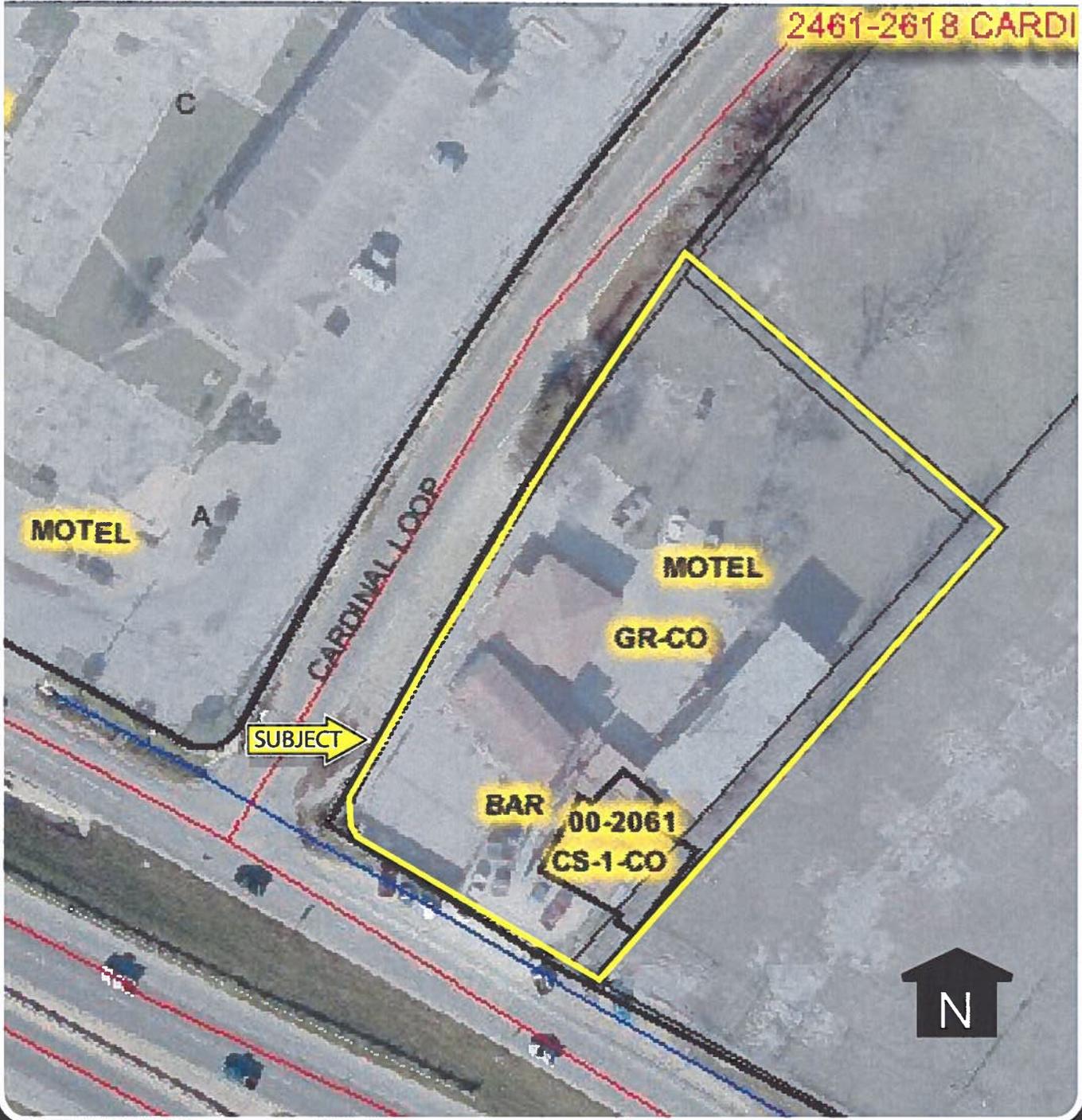
Environmental:

We were provided a Phase I environmental site assessment report for the subject, prepared by Hill Country Environmental, Inc., dated December 29, 2006. The Executive Summary states "based on information obtained during the Site reconnaissance conducted on December 28, 2006 and information obtained through the historical review, no Recognized Environmental Conditions were identified."

Additionally, we have no knowledge of the presence of any endangered species or protected habitat and have assumed that the site is free and clear of such. No responsibility is assumed regarding the presence of any adverse environmental features or conditions which might affect the value of the site, and the client is urged to retain experts in these respective fields, if desired, as we are not qualified to uncover such conditions.

Utility Status:

According to City of Austin Water and Wastewater officials, centralized water and wastewater are available to the site in sufficient quantities to support the existing improvements.



Zoning Map

- Utility Status (cont.): Reportedly, there is an 8-inch water line situated along the north line of SH 71 East and a 6-inch water line along the east line of Cardinal Loop. Regarding wastewater, there is an 8-inch line on the east line of Cardinal Loop and the north line of SH 71 East.
- Flood Plain: According to FEMA map panel # 48453C0130F, revised January 19, 2000, none of the subject property is located within the 100 year flood plain.
- Public Service: Police and fire protection, emergency services, and garbage collection are provided by the City of Austin and Travis County Sheriffs Department.
- Zoning: “GR-CO” - Community Commercial - Conditional Overlay; and “CS-1-CO” - Commercial - Liquor Sales - Conditional Overlay.
- The “GR” category is intended as an area for offices or commercial uses serving neighborhoods and community needs, including unified and individually developed shopping centers or commercial sites; such as service stations and restaurants. The minimum lot size is 5,750 SF and maximum building height is 200 feet.
- The “CS-1” category is intended as an area 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, construction services, or liquor sales. The minimum lot size is 5,750 SF and maximum building height is 60 feet.
- The Conditional Overlays in both zoning categories stipulate that any proposed use which generates more than 2,000 trips per day requires a traffic impact analysis.

Zoning (cont.):

Allowable commercial uses under both categories include hotel/motel, administrative and business offices, and general retail sales. Liquor sales are permitted in "CS-1-CO" and cocktail lounges are a conditional use; however, both are prohibited in "GR-CO".

Easements/Restrictions:

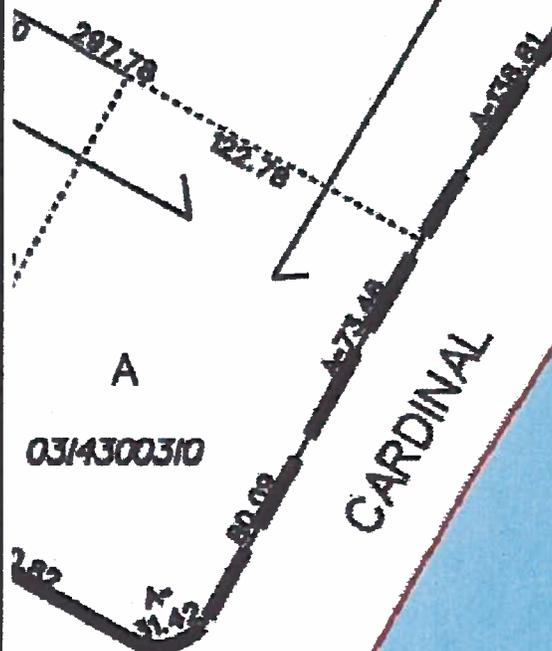
Based on our deed research; review of a deed chain prepared by Central Tejas Research and Title Services, effective December 21, 2006; and a review of the land title survey prepared by Macias & Associates, effective January 4, 2007, which is based in part on a title commitment issued by Commonwealth Land Title Insurance Company, GF No. 2519002373, effective November 16, 2006, there appear to be no adverse easements or restrictions which encumber the subject property. The following easements and restrictions of record are indicated:

- 1) A 20' water line easement situated along the north line of SH 71 East, granted to Travis County Water Control & Improvement District, recorded in Volume 1950, 174, Deed Records, Travis County, Texas.
- 2) A 5' sanitary sewer easement and a 5' electric and telephone easement, both situated along the north line of SH 71 East, both granted to the City of Austin, and respectively recorded in Volume 3835, Page 2381, and Volume 2146, Page 470, Deed Records, Travis County, Texas.
- 3) A 5' electric and telephone easement situated along the east boundary, granted to the City of Austin, recorded in Volume 2146, Page 474, Deed Records, Travis County, Texas.
- 4) Terms, conditions and stipulations contained in easement and memorandum of agreement between So Stamey and Austin Cable Vision recorded in Volume 12764, Page 102, Real Property Records of Travis County, Texas.

NO 4

03143004

C



0314300310

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CARDINAL

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11802/267
0.941 A

178.00

0314300401

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AUSTIN
105.18

ABD

031430

CITY
AUSTIN CITY LIMITS



Tax Plat

Easements/Restrictions (Cont.):

5) Restrictive covenant, dated January 8, 1963, recorded as item No. 1 in Volume 2570, Page 388, RPRTC, TX. Specifically "the restriction, which is a covenant running with the land, that no gasoline service station shall be operated on any of the land hereby conveyed which is within 300 feet of State Highway 71, also known as State Highway 290, and no liquid petroleum products shall in any manner be sold thereon unless the owners of the 1.37 acres out of the southeast corner of the 47.05 acres conveyed by Lois Yett Giesecke et al. to Merle Goodnight by deed dated May 26, 1956, recorded in book 1701, Page 187, Travis County Deed Records, which 1.37 acres was conveyed by Merle Goodnight to Harvey W. Smith, Trustee, by deed dated May 1, 1959, recorded in Volume 2042, Page 207, Travis County Deed records, have for a continuous period of 90 days or more ceased to use such 1.37 acres for the operation of a service station or for the sale of liquid petroleum products."

Political Boundaries:

City of Austin, Travis County, State of Texas.

School District:

Del Valle ISD

Current Use/Improvements:

A 20 room motel; a single story residence/office, a night club/bar, and an advertizing bill board ground lease (Parcel 104; THC Project No. N4062M), located at 2601 Bastrop Highway (SH 71 East), Del Valle, Travis County, Texas 78617.

Surrounding Land Uses:

The vacant Silverstone Inn Motel to the west; vacant land to the north and east; and Austin Bergstrom International Airport to the south.

BEARING BASIS NOTE:

THE BEARINGS SHOWN ARE BASED ON THE TEXAS COORDINATE SYSTEM, CENTRAL ZONE, NAD27. THE GRID BEARINGS. THE COORDINATES WERE ESTABLISHED ON POINT "AUSTIN RRP" HAVING COORDINATE VALUES E=2813207.12 AND REFERENCE POINT "BERGS 15" HAVING COORDINATE VALUES N=200323.10, E=2843121.42, COMBINATION OF 1599996. ALL DISTANCES SHOWN ARE SURFACE DISTANCES.

SCALE:

DEL VALLE INDEPENDENT SCHOOL DISTRICT
(2.00 AC. - "TRACT I")
VOL. 11750, PG. 1680, R.P.R.T.C.

SANTIAGO DEL VALLE TEN LEAGUE GRANT
ABSTRACT NO. 24

0.965 AC.
42,021 SQ. FT.

CITY OF AUSTIN
5' ELEC. & TELE. ESMT.
VOL. 2146, PG. 474, D.R.T.C.
(ITEM m)

CITY OF AUSTIN
5' ELEC. & TELE. ESMT.
VOL. 2146, PG. 474, D.R.T.C.
(ITEM n)

=08°20'18"
R=1322.01'
A=192.39'
=N33°09'23"E
D=192.22'
(1322.01')

CARDINAL LOOP
(55' R.O.W.)
ASPHALT PAVEMENT

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○	2.
⊙	3.
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EASEMENT

1.) THIS TRACT IS SUBJECT TO THE TERMS, CONDITIONS AND COVENANTS CONTAINED IN THE MEMORANDUM OF AGREEMENT RECORDED IN REAL PROPERTY BOOK 102, PAGE 15, COMMONWEALTH INSURANCE COMPANY.



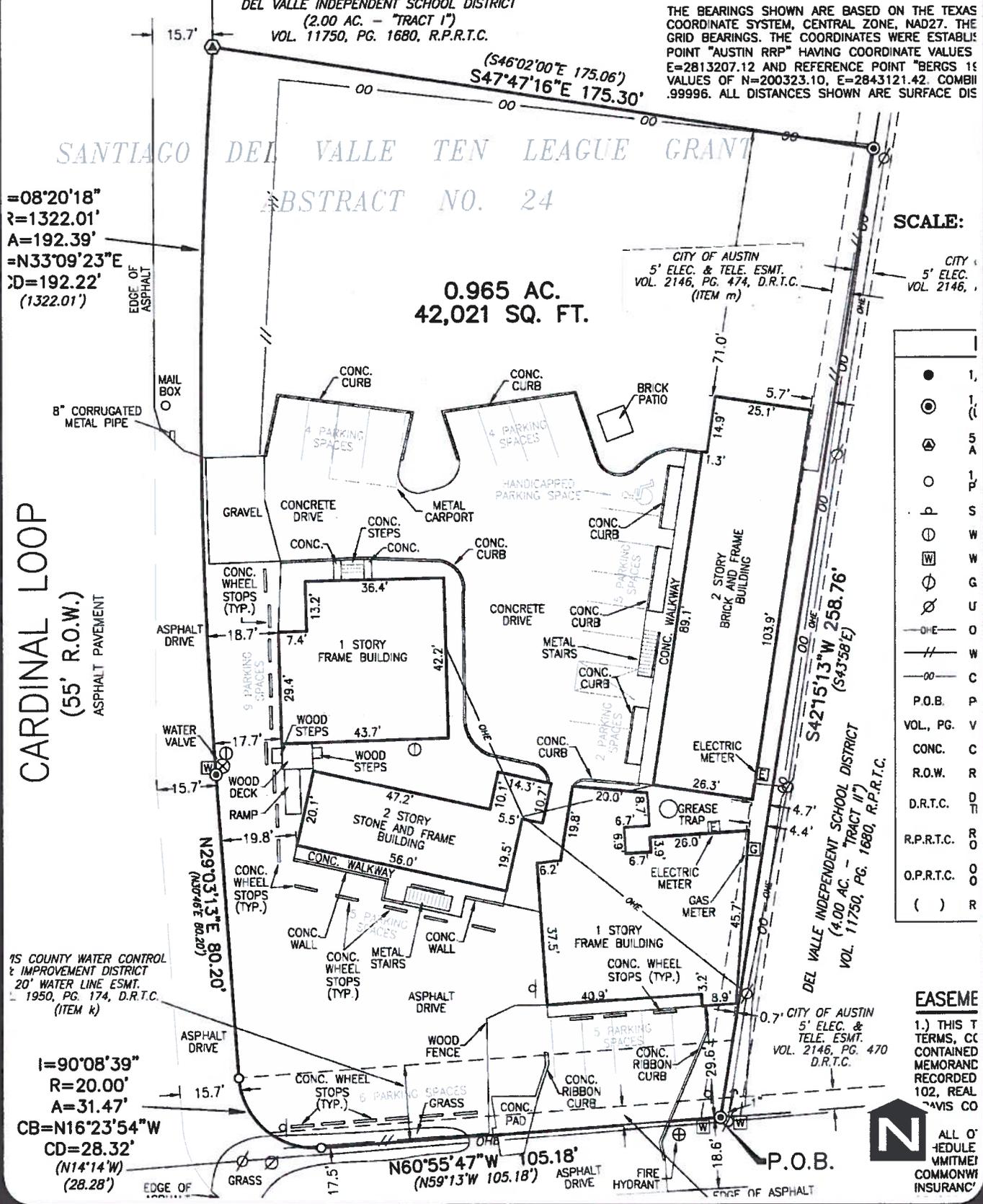
15 COUNTY WATER CONTROL & IMPROVEMENT DISTRICT
20' WATER LINE ESMT.
1950, PG. 174, D.R.T.C.
(ITEM k)

I=90°08'39"
R=20.00'
A=31.47'
CB=N16°23'54"W
CD=28.32'
(N14°14'W)
(28.28')

N60°55'47"W 105.18'
(N59°13'W 105.18')

S42°15'13"W 258.76'
(S43°58'E)

DEL VALLE INDEPENDENT SCHOOL DISTRICT
(4.00 AC. - "TRACT II")
VOL. 11750, PG. 1680, R.P.R.T.C.



IMPROVEMENT ANALYSIS

The project consists of an 8 unit, two-story motel; a 12 unit, two-story, extended stay motel; a one-story, single family residence/office, and a night club/bar. The following description of the project is based upon our physical inspection and a land title survey prepared by Macias & Associates, dated January 4, 2007.

Improvement Tabulation					
Building Type	No. Of Rooms	2-Bed Kitchenette	1-Bed Efficiencies	GBA	Parking (Regular and Handicapped)
Two-story motel; stone veneer/ wood trim; concrete block construction; attached 144 SF laundry room	8		8	2,395 SF	9 R / 0 H
Two-story, extended stay motel; concrete block construction	12	12		5,426 SF	12 R / 1 H
Residence/office; wood frame; combination brick and wood exterior	3 bdr / 2 bth			1,746 SF	9 R / 0 H
Night Club/Bar; combination concrete block; oversize brick; vertical grooved, plywood siding exterior	1			2,570 SF	11 R / 0H
Totals	24	12	8	12,137	41 R / 1 H

SINGLE FAMILY DWELLING/OFFICE)

Year of Construction:	1972
Gross Building Area:	1,746 SF
Foundation:	Concrete slab on grade.
Structural Frame:	Wood frame.
Exterior:	Brick and wood combination.
Roof:	Composition shingle.
Insulation:	Typical
Ceiling:	Composite tile ceilings, 8-foot height; painted gypsum; painted wood.
Exterior Windows:	Typical aluminum single-hung with single-glazing; 4-foot height; 3-foot width
Exterior Doors:	8'0" colonial metal door on north elevation and 6'8" metal front door on south elevation.
Interior Doors:	Wood hollow core.
Interior Floors:	Hard ceramic tile in kitchen, pantry, dining room, living room, hallway, 2 bathrooms, and office; carpeting in master bedroom, second bedroom, and guest bedroom.
Interior Walls:	Painted gypsum board.
Exterior Lighting:	Typical incandescent residential and security lighting.
Interior Lighting:	Ceiling-mounted incandescent in living room, dining room, bedrooms, bathrooms and hallway; pendant and chain-mounted decorative incandescent in kitchen.

Kitchen detail:	12"x 12" tile flooring; double basin stainless steel sink; ± 5'x6' wood base, 6-door, serving island with ceramic tile top equipped with a Jenn-Air gas range; wall-mounted, 3-door white painted wood cabinetry in good condition; floor-mounted white painted wood kitchen cabinetry with 6"x6" ceramic tile counter top.
Breakfast/Living Room:	Tile flooring; gypsum painted ceilings; ceiling-mounted, fluorescent lighting throughout.
Front Entry:	Set up as an office; tile flooring; built-in desk; ceiling-mounted, fluorescent lighting.
Master Bedroom:	Cut pile carpeting; painted gypsum ceilings; painted paneled walls; faux fireplace; four windows. This room has been re-modeled with an enclosure of the original porch area.
Guest Bedroom 1:	Carpeting; painted gypsum walls and ceilings; painted slab door; sliding closet doors; two windows; adjacent guest bathroom equipped with cultured marble counter top; tub/shower combination with tile wainscoting; ceramic tile flooring; all in good condition.
Guest Bedroom 2:	Hard tile flooring; painted gypsum walls and ceilings; no windows.
Central hallway/bathroom:	Hard tile flooring; painted wood paneling; low ceiling; glass and metal frame shower stall with plastic pan; small open storage shelving; white porcelain sink and toilet.
Electrical:	All electrical is assumed to meet applicable code.
Plumbing:	All plumbing is assumed to be installed to code.
HVAC:	Central heating and air conditioning.

Site Improvements:

Wood deck, wood ramp, steps leading to south entrance; concrete steps leading to north entrance.

Landscaping:

Minimal.

TWO-STORY MOTEL BUILDING (EIGHT EFFICIENCIES)

Details of the interiors were obtained from our inspection of Room #4.

Year of Construction:	1972
Gross Building Area:	2,395 SF (includes 144 SF laundry room)
Foundation:	Concrete slab on grade
Exterior Walls:	Stone veneer, wood trim, concrete block.
Roofing:	Pitched, composition shingle.
Interior Partitions:	Painted drywall and concrete block.
Floor Coverings:	Carpet in the bedroom and ceramic tile in the bathroom.
Electrical/Plumbing:	It is assumed that all electrical/plumbing complies with code.
Air Conditioning/Heating:	Window-mounted A.C. units; wall-mounted electrical heating units.
Windows:	Aluminum, single hung.
Kitchenette/Bath:	N/A; ceramic tile shower, tub, sink, toilet, mirror.
Site Improvements:	Concrete walkways, metal stairs, concrete wall, typical concrete wheel stops.
Parking:	8 spaces (5 in the front and 3 along the west wall).
Furniture:	Each room is furnished with 1 queen bed, 1 built-in desk with wood chair, 2 sitting chairs, a small table, and television.
Condition:	The property appears to be structurally sound and in average condition for its age.

TWO-STORY MOTEL BUILDING (TWELVE KITCHENETTES)

Details of the interiors were obtained from our inspection of Room #20.

Year of Construction:	1972
Gross Building Area:	5,426 SF
Foundation:	Concrete slab on grade
Exterior Walls:	Concrete block.
Roofing:	Flat, built up tar and gravel.
Interior Partitions:	Painted drywall and concrete block.
Floor Coverings:	Carpet in the bedroom, vinyl tile in the kitchenette, and ceramic tile in the bathroom.
Electrical/Plumbing:	It is assumed that all electrical/plumbing complies with code.
Air Conditioning/Heating:	Flour-mounted, electrical A.C. / heating units.
Windows:	Aluminum, single hung.
Kitchenette/Bath:	Stove, refrigerator, single basin sink; ceramic tile shower, tub, sink, toilet, mirror.
Site Improvements:	Concrete curb, concrete walkways, metal stairs.
Parking:	12 spaces (7 regular and 1 handicapped in the front plus 4 additional spaces to the northeast).
Furniture:	Each room is furnished with 2 queen beds, night stand, dresser, television, small table, 3 chairs.
Condition:	The property appears to be structurally sound and in average condition for its age.

NIGHT CLUB/BAR

Year of Construction:	1972
Gross Building Area:	2,570 SF (1,550 SF original building; 350 SF northwest add-on shed; 140 SF northeast shed for storage; 530 SF east shed for lounge area)
Foundation:	Concrete slab on grade
Exterior Walls:	Concrete block, oversize brick in the original building and vertical, grooved plywood siding in the shed add-ons.
Roofing:	Gable roof with composition shingle finish on original building. The shed add-ons appear to have re-tarred, asphalt roll roofing.
Open Porch:	3.2' x 40.9' open porch along the south elevation, supported by wood and metal posts.
Doors:	Typical 3'0" x 6'8" metal entrance door on south elevation; metal emergency exit door at southeast corner; solid metal 3'0" x 6'8" door at northwest corner of original building. North shed add-on door is home-made, wood framed plank door.
Windows:	None along south elevation, all are boarded up with plywood. There are metal frame, single pane, single-hung, vertical sliding windows on the north elevation of the north shed add-on.
Interior Partitions:	Painted drywall and concrete block.
Floor Coverings:	Multi-colored vinyl tile; indoor/outdoor carpeting; vinyl flooring; plywood.
Electrical/Plumbing:	It is assumed that all electrical/plumbing complies with code.
Air Conditioning/Heating:	There are through-wall A.C. units in the original building and the east add-on shed. There is no A.C. in the north add-on shed.

- Dance Floor/Bar:** The dance floor/bar is located in the west half of the original building. It is finished with multi-colored vinyl tile flooring surrounded by indoor/outdoor carpeting.
- Men's Bathroom:** One men's bathroom is located along the north wall of the original building and is equipped with typical fixtures, including one toilet, one wall-mounted sink, and 2 urinals. The wall finish is cinder block on the east and north elevations; flooring is vinyl tile.
- Women's Bathroom:** One ladies' bathroom is located easterly adjacent to the men's, being separated from it by a water heater closet. The interior finish out in the women's bathroom is 12' x 12' hard tile flooring; a single sink top; two wood-frame stalls; cinder block walls on the north and west elevations; and a surface conduit throughout. Gas and water lines are exposed 2" above the floor.
- H.V.A.C.:** A 5-ton, gas-fired H.V.A.C. unit in apparently new condition is located northerly adjacent to the men's restroom. One large duct comes out of this closet and heats the entirety of the bar / dance floor area.
- Storage Room:** This room is easterly adjacent to the ladies' restroom. There is a 3'6" door with a half-light which swings into a twin room. There are cinder block walls on all sides and vinyl flooring. A wall-mounted A.C. unit is visible on the north wall. There is a surface mounted conduit throughout and foil-backed, rubber based insulation in the ceiling. A small, mezzanine storage area approximately 4' x 8' in size is situated over the door along the west side of the smaller room.

East shed add-on:	The air-conditioned east shed add-on is approximately 670 SF in size; the north portion of this shed is \pm 140 SF in size. It is used for storage. The remaining \pm 530 SF is used for a lounge. It has a mono-sloped, plywood ceiling; multi-colored vinyl flooring; painted, exposed cinder block at the original building's east wall; and rubber base commercial carpet on the walls. Lighting is via 2 fluorescent, ceiling mounted light fixtures.
North shed add-on:	This non-air conditioned space is largely unfinished with exposed insulation in the ceiling. It has plywood flooring. Walls are a combination of cinder block and vertical, grooved plywood siding. The shed is irregular in shape and approximately 350 SF in size.
Site Improvements:	Grease trap on north side of building; concrete wheel stops; concrete ribbon curb; concrete pad; chain-link and wood privacy fencing.
Trade Fixtures:	Tenant trade fixtures in the dance floor/bar area include chairs and tables along the west and south walls, a tenant-installed bar and a wood-stepped D.J. booth in the southeast corner of the original building. Additional tables and chairs are located in the lounge area.
Parking:	5 regular spaces.
Condition:	The property appears to be in average condition for its age.

SUBJECT PHOTOGRAPHS



Photograph Map



**(1)-WEST VIEW FROM NEAR THE SOUTHEAST CORNER OF THE SITE
(Photographed by Jason Lee on January 11, 2007)**



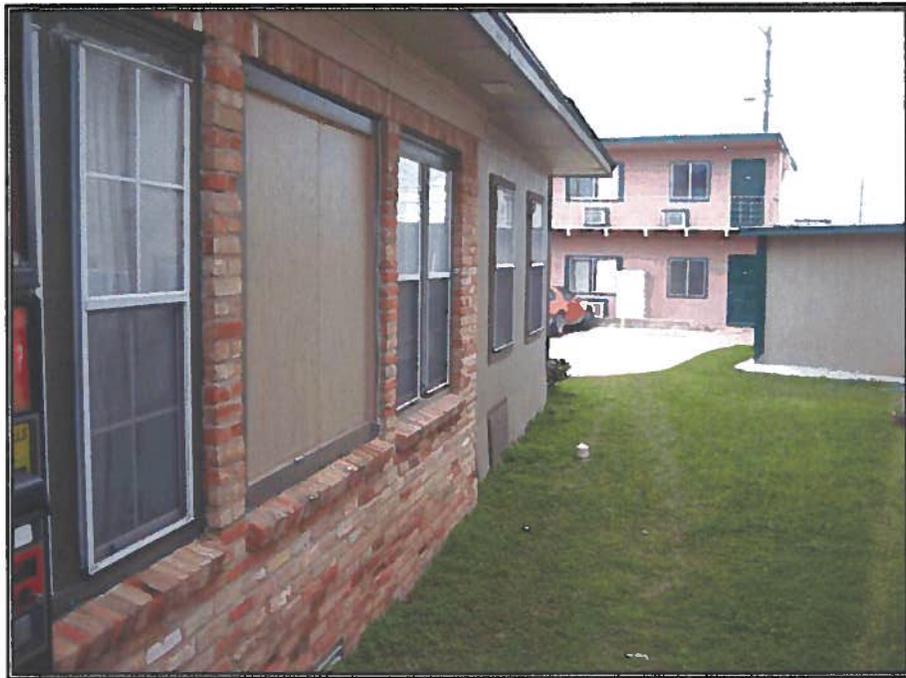
**(2)-SOUTHWEST VIEW OF THE SH 71 ENTRANCE TO THE SITE
(Photographed by Jason Lee on January 11, 2007)**



**(3)-NORTH VIEW OF 8 ROOM MOTEL
(Photographed by Jason Lee on January 11, 2007)**



**(4)-NORTH VIEW OF THE EL CALIFORNIA NIGHT CLUB
(Photographed by Jason Lee on January 11, 2007)**



**(5)-WEST VIEW FROM THE SOUTHWEST CORNER OF THE RESIDENCE
(Photographed by Jason Lee on January 11, 2007)**



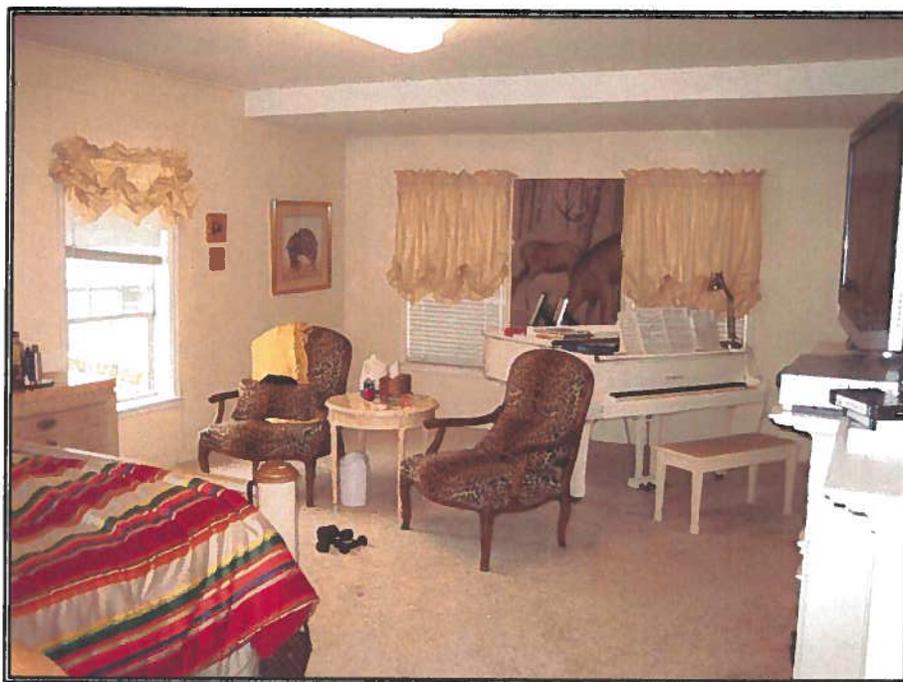
**(6)-BILLBOARD AT THE SOUTHWEST CORNER OF THE NIGHT CLUB
(Photographed by Jason Lee on January 11, 2007)**



**(7)-INTERIOR VIEW OF KITCHENETTE, MOTEL ROOM #20
(Photographed by Jason Lee on January 11, 2007)**



**(8)- INTERIOR VIEW OF EFFICIENCY, MOTEL ROOM #4
(Photographed by Jason Lee on January 11, 2007)**



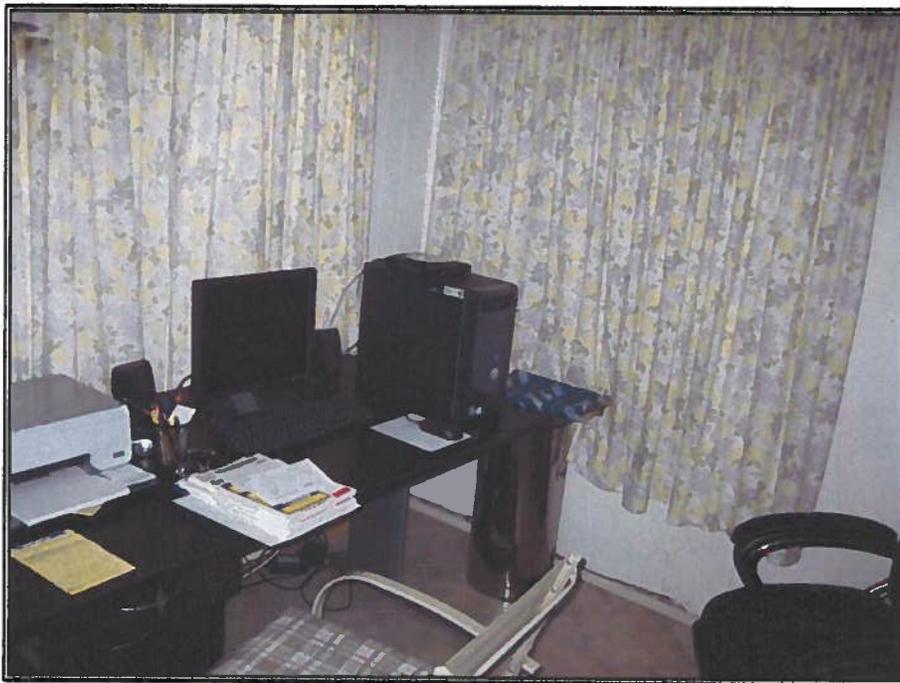
(9)- INTERIOR VIEW OF RESIDENCE, MASTER BEDROOM
(Photographed by Jason Lee on January 11, 2007)



(10)- INTERIOR VIEW OF RESIDENCE, KITCHEN/DINING AREA
(Photographed by Jason Lee on January 11, 2007)



**(11)-INTERIOR VIEW OF RESIDENCE HALLWAY/BATHROOM
(Photographed by Jason Lee on January 11, 2007)**



**(12)-INTERIOR VIEW OF RESIDENCE OFFICE
(Photographed by Jason Lee on January 11, 2007)**



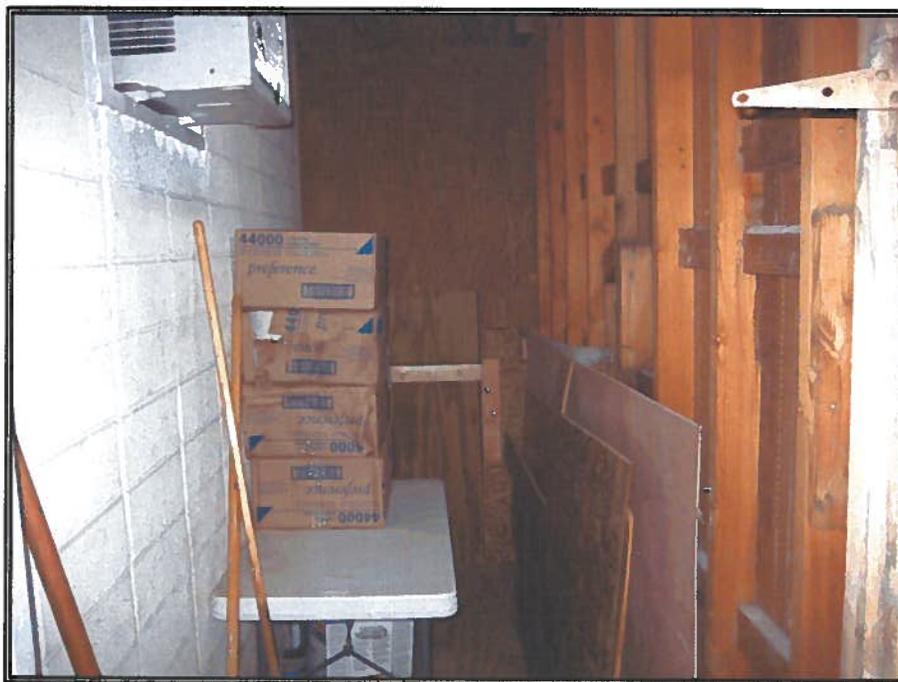
(13)- INTERIOR VIEW OF BAR DANCE FLOOR
(Photographed by Stuart Morrow on February 15, 2007)



(14)- INTERIOR VIEW OF BAR AREA
(Photographed by Stuart Morrow on February 15, 2007)



**(15)-INTERIOR VIEW OF BAR EAST LOUNGE AREA
(Photographed by Stuart Morrow on February 15, 2007)**



**(16)-INTERIOR VIEW OF BAR NORTH STORAGE AREA
(Photographed by Stuart Morrow on February 15, 2007)**

HIGHEST AND BEST USE ANALYSIS

Fundamental to the concept of value is the theory of highest and best use, which may be 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.²

In arriving at an opinion of highest and best use, several factors which affect the income and development potential of the property being appraised are considered. Included are legal restrictions, physical characteristics, financial feasibility, and maximal productivity. These factors are considered as to their effect on the highest and best use of the site, as if vacant, and on the property, as if improved. Based on the information presented in the Site and Improvement Analyses, as well as the subsequent approaches to value, the following considers each of these factors in relation to the subject property.

As If Vacant

Physically Possible - The site's physical characteristics impose few limitations on development. Its size, shape and topography are amenable to both residential and commercial development. In addition, utility service is available to the tract in sufficient capacity to support such development.

Legally Permissible - The subject is zoned "GR-CO" - Community Commercial - Conditional Overlay; and "CS-1-CO" - Commercial - Liquor Sales - Conditional Overlay by the City of Austin. Allowable commercial uses under both categories include hotel/motel, administrative and business offices, and general retail sales. Gasoline service station use within 300 feet of SH 71 is prohibited by restrictive covenant. Liquor sales are permitted in "CS-1-CO" and cocktail lounges are a conditional use; however, both are prohibited in "GR-CO".

Financially Feasible - Given the proximity to Austin-Bergstrom International Airport, and the demand for similar sites, commercial development is indicated to be financially feasible.

Maximally Productive - The maximally productive use of the site, as if vacant, is development with an airport-related commercial use.

² Appraisal Institute, *The Appraisal of Real Estate*, 12th ed. (Chicago: Appraisal Institute, 2001), 305.

Highest and Best Use - As Improved

As previously described, the site has been developed with a 20 room motel; a residence/office; and a night club/bar. The residential improvements are legally non-conforming uses. Financial feasibility is indicated if the improvements are contributing to a return that is greater than that which would be anticipated if the site were vacant. The value of the property as improved suggests significant contribution by the improvements; thus, the highest and best use of the property as improved is continued use as a motel, residence/office, and bar.

Discussion of Larger Parcel

UASFLA requires a discussion and delineation of the "larger parcel." Although such designation is legally applicable only to partial acquisitions, it is addressed here to meet the requirements of UASFLA. In this instance, the "larger parcel" is equivalent to and synonymous with the subject 0.965 acre property.

COST APPROACH

PRINCIPLES OF THE COST APPROACH

The Cost Approach is one of the three traditional valuation approaches applied to the subject. "The cost approach to value, like the sales comparison and income capitalization approaches, is based on comparison. In the cost approach the cost to develop a property is compared with the value of the existing property or a similarly developed property. When applicable, the cost approach reflects market thinking by recognizing that market participants relate value to cost. Buyers tend to judge the value of an existing structure by considering the prices and rents of similar buildings and the cost to create a new building with optimal physical condition and functional utility. Moreover, buyers adjust the prices they are willing to pay by estimating the cost to bring an existing structure up to the physical condition and functional utility they desire.

"Therefore, in applying the cost approach, an appraiser attempts to estimate the difference in worth to a buyer between the property being appraised and a newly constructed building with optimal utility. The appraiser estimates the cost to construct a reproduction of, or replacement for, the existing structure and site improvements (including direct costs, indirect costs, and an appropriate entrepreneurial profit), and then deducts all accrued depreciation in the property being appraised from the reproduction or replacement cost of the structure as of the effective appraisal date. When the value of the site is added to this figure, the result is an indication of the value of the fee simple interest in the property.

"The principle of substitution is basic to the cost approach. This principle affirms that no prudent buyer would pay more for a property than the cost to acquire a similar site and construct improvements of equal desirability and utility without undue delay. Older properties can also be substituted for the property being appraised, and their value is measured relative to the value of a new, optimal property. Consequently, the reproduction cost of a property on the effective date of the appraisal plus its site value provides a measure against which prices for improved properties may be judged.

"Entrepreneurial profit is a market-derived figure that reflects the amount an entrepreneur expects to receive for his or her contribution. It represents the degree of risk and expertise associated with the development of a project.

"If the cost of developing a property is used to provide an indication of value, the appraiser must recognize the contribution of the entrepreneur and consider the inclusion of entrepreneurial profit in addition to direct and indirect costs. However, this does not mean that the entrepreneur is guaranteed a reward for his or her efforts. Expenditures do not guarantee value. There is no certainty that any component of cost will create commensurate value and the residual nature of an entrepreneurial reward makes it less certain. Nevertheless, entrepreneurship represents a legitimate cost of development and should be included in the estimate of development costs. Entrepreneurial profit can take the form of profit on sale, additional return on an investment in an operating property, or use value to the entrepreneur.

"After inspecting the neighborhood, the site, and the improvements and gathering all relevant data, an appraiser follows a series of steps to derive a value indication by the cost approach. The appraiser will:

1. Estimate the value of the land as though vacant and available to be developed to its highest and best use.
2. Estimate the direct (hard) and indirect (soft) costs of the improvements as of the effective appraisal date.
3. Estimate an appropriate entrepreneurial (incentive) profit from an analysis of the market.
4. Add estimated direct costs, indirect costs, and the entrepreneurial incentive (profit), to arrive at the total cost of the improvements.
5. Estimate the amount of accrued depreciation in the structure and, if necessary, allocate it among the three major categories: physical deterioration, functional obsolescence, and external obsolescence.
6. Deduct the estimated depreciation from the total cost of the improvements to derive an estimate of their depreciated cost.
7. Estimate the contributory value of any site improvements that have not already been considered (Site improvements are often appraised at their contributory value - i.e., directly on a depreciated cost basis).
8. Add the site value to the total depreciated cost of all the improvements to arrive at the indicated value of the property.
9. Adjust the indicated value to reflect the property for any personal property, (e.g., fixtures, furniture, and equipment) that may be included in the cost estimate and, if necessary, adjust this value, which reflects the value of the fee simple interest, for the property interest being appraised to arrive at the indicated value of the specified interest in the property."³

Each of the steps outlined above will be set forth on the following pages, beginning with an estimate of land value.

³ Appraisal Institute, *The Appraisal of Real Estate*, 11th ed. (Chicago: Appraisal Institute, 1996), 335, 336, and 340.

Site Valuation

The Sales Comparison Approach to value is utilized in this appraisal to estimate the value of the site, as if vacant. The methodology of this approach basically involves obtaining, comparing, and analyzing recent sales of properties similar to the subject. Adjustments are made for the various dissimilar features of each with the result being an adjusted value range for the subject.

To this end, we researched the Travis County Deed Records for information pertaining to transactions involving sites comparable to the subject. Additionally, real estate brokers and property owners in the area were contacted for information pertaining to sites which would be in direct competition with the subject, if it were offered for sale in the open market. Despite diligent research, we were not able to identify commercial land sales in the immediate area for this analysis. Therefore, we extended our research to other areas with emphasis on sales in the most similar settings to the subject's location.

Listed on the following pages are those sales that are felt to be the most comparable to the subject.

WILSON OXYGEN & SUPPLY CO.
02537-0257
12,413 A
02540207

WILSON OXYGEN & SUPPLY CO.
02537-0258
4,256 A

ORIG. PL. RECORDS
BOOK 704
5,284 A
02540208

MONTOPOLI.
BEN WHIT.
SUBD.

VA
SUBD

CIRCLE "H"
HOMES
SUBDIVISION

2

BEN WHITE BOULEVARD EAST (HIGHWAY 71)

LUTTON
SUBD

3

2
COMMERCIAL

THE CARSON CREEK
COMMERCIAL SUBD.

HEN

LAND SALE 1

LAND SALE NUMBER ONE

Location: 6610 E. Ben White (SH 71 East); north line of SH 71 East, approximately 1,140' east of Montopolis Drive

Date of Sale: July 14, 2006

Recording Data: Document No. 2006132039, Official Public Records, Travis County, Texas.

Legal Description: Lot 1, Block A, Circle "B" Homes Subdivision, according to the map or plat thereof, recorded in Volume 100, Page 289, Plat Records, Travis County, Texas.

TCAD Parcel ID #: 03-1413-02-06

Grantor: Sam P. Bath and Eloise Bath

Grantee: Thirdstep, L.P.

Size: 4.132 acres; 180,000 square feet

Consideration: \$800,000; \$4.44/SF

Terms: Cash to seller

Zoning: LI "Limited Industrial"

Topography: Level to moderate slope. The site is slightly above grade with SH 71 East.

Shape: Rectangular

Utilities: All available

Frontage: Approximately 422' on north line of SH 71 East.

Flood Plain: None

Proposed Use: Commercial development

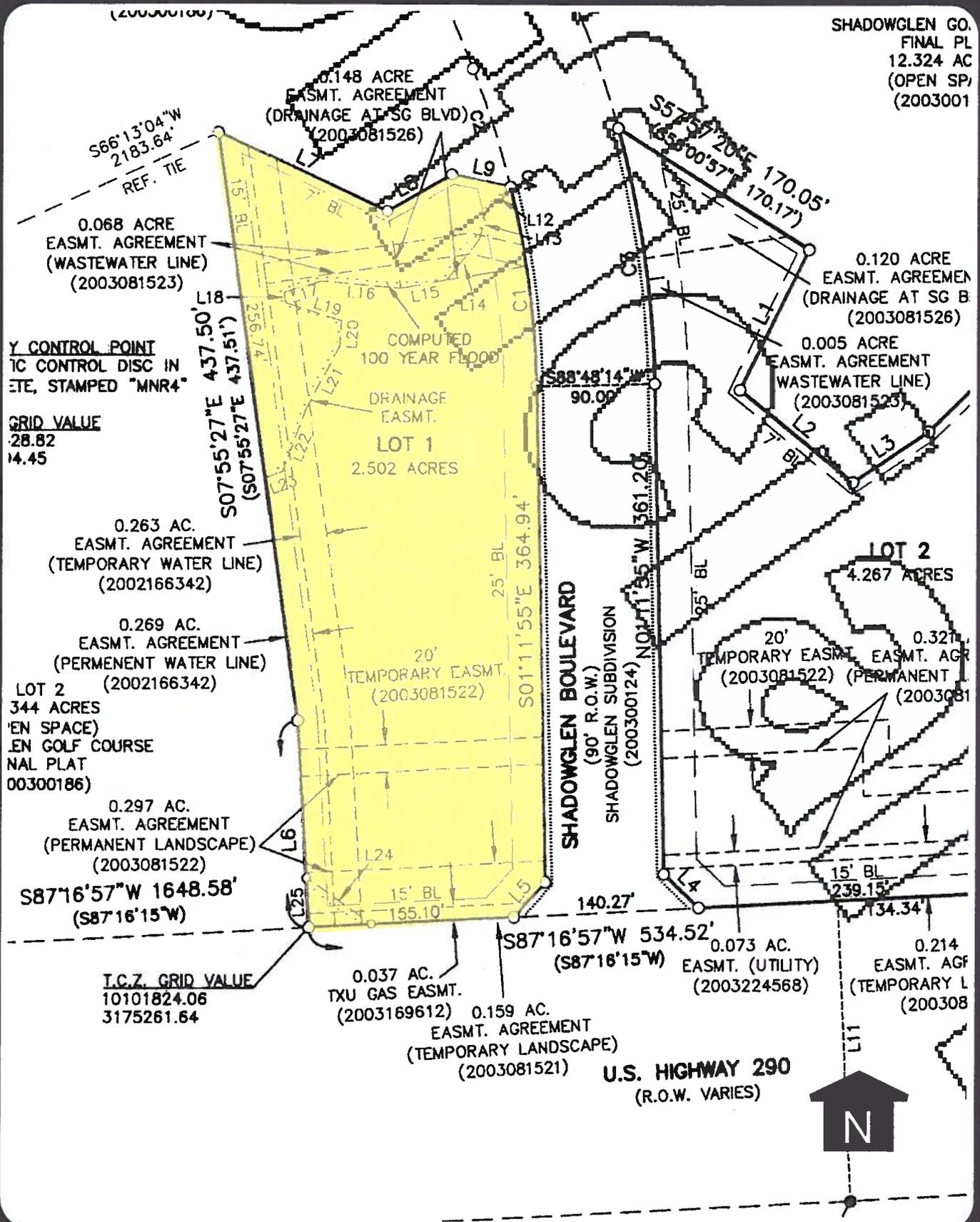
Comments: The tract was recently occupied by a mobile home sales lot. Site improvements include a small asphalt parking area and mono-pole sign.

Confirmation: Grantor; 9/06; CS

Deed Reviewed: 9/06 CS

Date Inspected: 10/1/06

SHADOWGLEN GO.
FINAL PL
12.324 AC
(OPEN SP)
(2003001)



Y CONTROL POINT
IC CONTROL DISC IN
ETE, STAMPED "MNR4"

GRID VALUE
28.82
14.45

0.263 AC.
EASMT. AGREEMENT
(TEMPORARY WATER LINE)
(2002166342)

0.269 AC.
EASMT. AGREEMENT
(PERMENT WATER LINE)
(2002166342)

LOT 2
344 ACRES
(OPEN SPACE)
ADJACENT TO GOLF COURSE
ORIGINAL PLAT
(200300186)

0.297 AC.
EASMT. AGREEMENT
(PERMANENT LANDSCAPE)
(2003081522)

S87°16'57"W 1648.58'
(S87°16'15"W)

I.C.Z. GRID VALUE
10101824.06
3175261.64

0.037 AC.
TXU GAS EASMT.
(2003169612)

0.159 AC.
EASMT. AGREEMENT
(TEMPORARY LANDSCAPE)
(2003081521)

U.S. HIGHWAY 290
(R.O.W. VARIES)

LAND SALE 2

LAND SALE NUMBER TWO

Location:	Northwest corner of U.S. Highway 290 East and Shadowglen Boulevard
Date of Sale:	April 7, 2005
Recording Data:	Document No. 2005063707, Real Property Records, Travis County, Texas.
Legal Description:	Lot 1, Shadowglen Boulevard Commercial, Section A, Final Plat, as recorded in Document No. 200500111, Travis County, Texas.
TCAD Parcel ID #:	02-3765-02-01
Grantor:	Cottonwood Holdings, Ltd.
Grantee:	SPASCO, Ltd.
Size:	2.502 acres; 108,987 square feet
Consideration:	\$653,923; \$6.00/SF
Terms:	Cash to seller
Zoning:	C-1 "Commercial" Manor
Topography:	Level
Shape:	Rectangular
Utilities:	All available
Frontage:	Approximately 170' on the north line of U.S. 290 and approximately 535' on the west line of Shadowglen Boulevard.
Flood Plain:	19%
Proposed Use:	Commercial development; retail strip center

Comments: Approximately 0.477 acres or 19% of the site is encumbered by the 100 year flood plain and a drainage easement is located along its north and northwestern boundary.

Confirmation: Pete Dwyer; 02/06; CS

Deed Reviewed: 02/06 CS

Date Inspected: 2/1/06

LAND SALE NUMBER THREE

Location: 7501 South IH-35; east line of IH-35, south of Boggy Creek Drive

Date of Sale: October 7, 2004

Recording Data: Document No. 2004196911, Real Property Records, Travis County, Texas.

Legal Description: Lot 1, Block A, Waters at Bluff Springs, as recorded in Document No. 200100047, Plat Records, Travis County, Texas.

TCAD Parcel ID #: was 04-3108-05-44 at sale; is now 04-2607-05-01

Grantor: Austin IH-35 South, LLC

Grantee: Van Cleave Investments, Inc.

Size: 2.752 acres; 119,877 square feet

Consideration: \$400,000; \$3.34/SF

Terms: Cash to seller

Zoning: "GR-CO" Community Commercial - Conditional Overlay

Topography: Level to moderate slope

Shape: Rectangular

Utilities: All available

Frontage: Approximately 396' on IH-35.

Flood Plain: None

Proposed Use: Commercial development; B&B Body and Paint facility

Comments: The site was purchased to construct a B&B Body and Paint facility. It is proximate to the Waters at Bluff Springs apartments and has good visibility from IH-35.

Confirmation: George Conn (grantor); 9/05; CPH

Deed Reviewed: 09/05 CPH

Date Inspected: 11/15/05

LAND SALE NUMBER FOUR

Location: Northwest corner of FM 973 and Lapoynor Street

Date of Sale: October 1, 2004

Recording Data: Document No. 2004189780, Real Property Records, Travis County, Texas.

Legal Description: Lot 3, Wildhorse Creekside Commercial Subdivision, as recorded in Document No. 200500205, Real Property Records, Travis County, Texas.

TCAD Parcel ID #: Part of 02-2660-02-01

Grantor: Ben Eppright, et al

Grantee: Manor DG, LLC

Size: 1.01 acre; 43,996 square feet

Consideration: \$275,000; \$6.25/SF

Terms: Cash to seller

Zoning: "C-1" Commercial, Manor

Topography: Level

Shape: Rectangular

Utilities: All available

Frontage: Approximately 130' on FM 973 and approximately 325' on Lapoynor.

Flood Plain: None

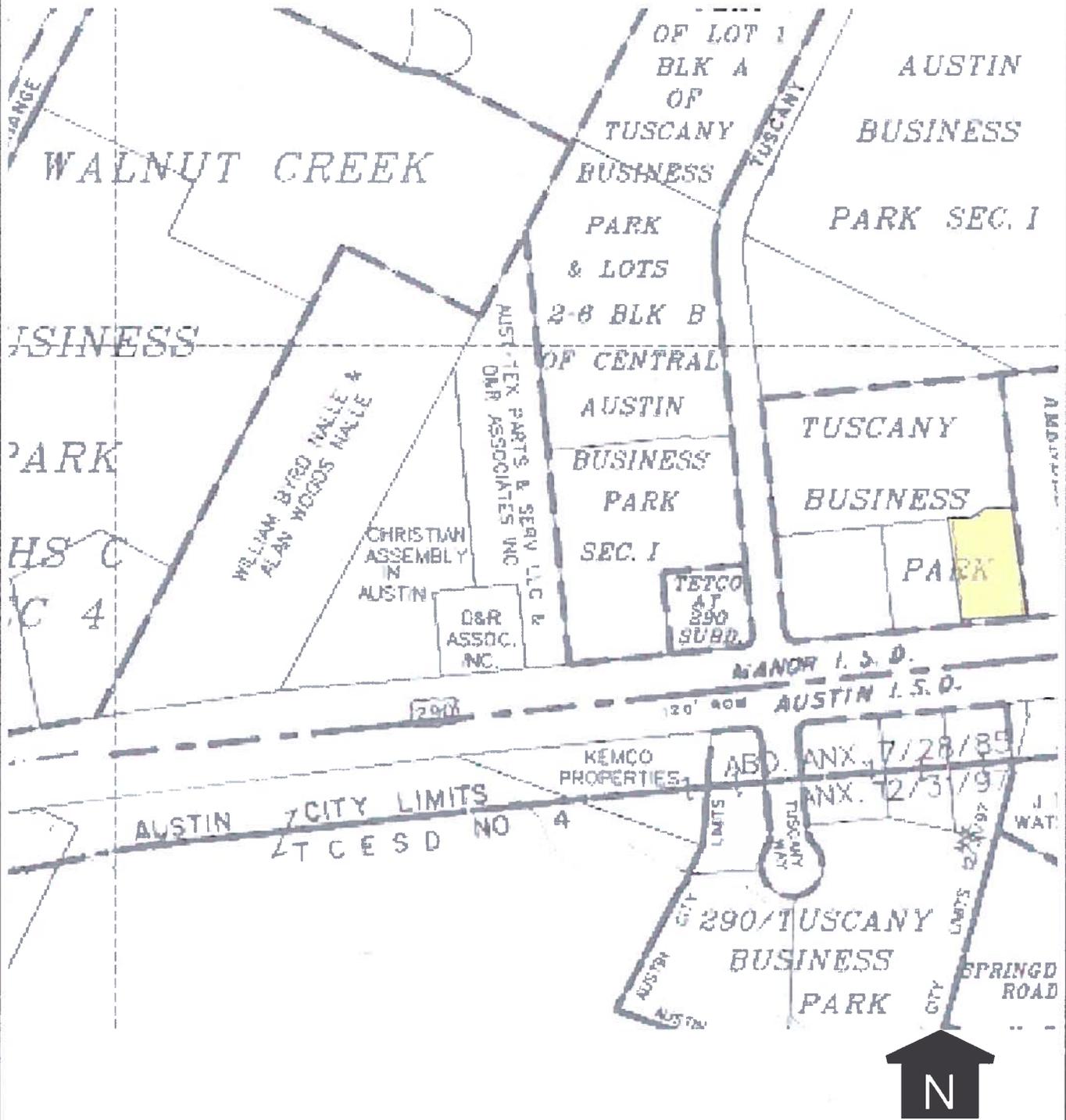
Proposed Use: Commercial retail building

Comments: The site is located to the east of the Wildhorse Creek subdivision, Section 3. It was purchased for development of a Dollar General store.

Confirmation: Charles Eppright (grantor); 02/06; CPH

Deed Reviewed: 02/06; CPH

Date Inspected: 2/1/06



LAND SALE 5

LAND SALE NUMBER FIVE

Location: North line of U.S. Highway 290 East, approximately 412' east of Tuscany Way.

Date of Sale: June 15, 2004

Recording Data: Document No. 2004114904, Real Property Records, Travis County, Texas.

Legal Description: Lot 3, Block B, Tuscany Business Park, an addition in Travis County, Texas, according to the map or plat thereof recorded in Document No. 199900261, of the Official Public Records, Travis County, Texas.

TCAD Parcel #: 02-2928-02-02

Grantor: Springdale Investments, Ltd.

Grantee: WH Capital, LLC

Size: 0.953 acres; 41,513 square feet

Consideration: \$300,000; \$7.23/SF

Terms: Cash to seller

Zoning: "GR-CO" Community Commercial - Conditional Overlay

Topography: Level

Shape: Rectangular

Utilities: All available

Frontage: Approximately 155' on the north line of U.S. Highway 290 East.

Flood Plain: None

Proposed Use:

Waffle House restaurant

Confirmation:

Rick Taylor (grantee); 9/05; CS

Date Inspected:

2/1/06

SITE VALUATION

In order to estimate the value of the subject site, the Sales Comparison Approach was utilized. The methodology of this approach involves abstracting comparable data from the subject market area and comparing the data to each other and to the subject. In this instance, the primary unit of comparison abstracted from the market data and applied to the subject site is the sale price per square foot of land area.

The market data listed on the preceding pages pertain to those transactions involving sites which were considered most comparable to the subject of those uncovered in our market research. The following is a brief summary of pertinent information regarding these transactions.

Land Sales Summary						
Sale No.	Location	Date of Sale	Zoning	Intended Use	Size (Acres)	Price/SF
1	North line of SH 71 East, ± 1,140' east of Montopolis Drive	7/14/06	"LI" Limited Industrial	Investment	4.1322	\$4.44
2	Northwest corner of U.S. Highway 290 East and Shadowglen Boulevard	4/7/05	"C-1" Commercial Manor	Retail strip center	2.502	\$6.00
3	East line of IH-35, south of Boggy Creek Drive	10/7/04	"GR-CO" Community Commercial - Conditional Overlay	Body and Paint Facility	2.752	\$3.34
4	Northwest corner of FM 973 and Lapoyner Street	10/1/04	"C-1" Commercial Manor	Dollar General	1.010	\$6.25
5	North line of U.S. Highway 290 East, approximately 412' east of Tuscany Way.	6/15/04	"GR-CO" Community Commercial - Conditional Overlay	Waffle House	0.953	\$7.23
Subject	Northeast corner of SH 71 East and Cardinal Loop	NA	"GR-CO" and "CS-1"	N/A	0.965	NA

Adjustments to sales prices were required for five units of comparison: market conditions, location, corner influence, size, and entitlements. All of the sales were indicated to be cash-to-seller transactions. Therefore, financing adjustments were not considered necessary. Additionally, all of the sales were reported to be arm's-length, and none appeared to occur under duress. Therefore, adjustments for special conditions were not considered necessary.

The comparables were also considered similar for zoning or commercial development potential. Furthermore, adjustments for physical differences, other than those described above, were not required since the comparables were considered equal in other respects.

Market Conditions

The transactions occurred between June 2004 and July 2006. Land sales in this southeast sub-market have experienced only moderate increasing prices since 2004. Conversations with brokers, examination of the comparable sales and other recent sales located in the area indicated only slight increases in commercial land prices. As such, an upward adjustment was applied to all sales at a rate of ½ % per month through the effective date of appraisal.

Location

The subject is located at the northeast corner of SH 71 East and Cardinal Loop, opposite the Austin Bergstrom International Airport. Surrounding land uses primarily include vacant land, 2nd tier commercial, multi-family development, gasoline service station, and night club/bars.

Sale #1 is situated along the north line of SH 71 East, approximately 1,140' east of its intersection with Montopolis. The predominant land use in the area is comprised of 2nd tier commercial, mobile home sales lots, and other similar uses. This location was considered generally similar to that of the subject, and no adjustment was warranted.

Sale #2 is located at the northwest corner of U.S. Highway 290 and Shadowglen Boulevard in the City of Manor. This area is undergoing greater retail growth as compared to the subject's due to the surrounding residential subdivision development. As such, it was considered superior and adjusted downward.

Sale #3 is situated along the east line of IH-35, south of Boggy Creek Drive. The sale was considered superior for location due to the greater visibility to traffic flows along this major arterial. As such, it was adjusted downward.

Sale #4 is located at the northwest corner of FM 973 and Lapoynor Street in the City of Manor. Surrounding land uses are primarily residential subdivision and vacant land. There is very little commercial development in the immediate area, and less competition for retail stores. Like Sale #2, this area is undergoing greater retail growth as compared to the subject's due to the surrounding residential subdivision development. As such, it was considered superior and adjusted downward.

Sale #5 is situated along the north line of U.S. Highway 290 East, approximately 422' east of Tuscany Way. Surrounding land uses are industrial park, McDonald's, Bill Miller Barbecue, and other retail uses. The surrounding development was considered significantly superior to that of the subject, and a large downward location adjustment was made.

Corner Influence

Comparison of commercial land sales with corner locations to sales without corner locations typically reflects significant price differences. Corner locations typically have higher unit prices provided other site characteristics between the sales are equal. The subject has a corner location that provides for greater accessibility. Sales #2 and #4 have similar corner location and are considered equal to the subject. Sales #1, #3, and #5 do not have corner locations and are considered inferior.

Size

The subject's size is 0.965 acres or 42,021 SF. The sales range in size from 0.953 acre to 4.1322 acres. The lower end of the range is represented by Sales #4 and #5, which are considered equal to the subject for size. The remaining sales range in size from 2.502 acres to 4.1322 acres, and were adjusted based on a factor of approximately 10% for doubling in size.

Entitlements

The subject is zoned "GR-CO" Community Commercial - Conditional Overlay and "CS-1" Commercial Services by the City of Austin. The "CS-1" designation allows for liquor sales.

Sale #1 is zoned "LI" Limited Industrial by the City of Austin, which is a superior zoning as compared with "GR-CO" and inferior as compared with "CS-1." The two attributes were considered offsetting and no adjustment was warranted.

Sales #2, #3, #4, and #5 are either zoned "C-1" Commercial by the City of Manor or "GR-CO" by the City of Austin. These zonings do not allow for liquor sales and are considered inferior to the subject's. As such, they were adjusted upward.

Conclusion

No other adjustments to the data were warranted. Your attention is now directed to the following adjustment grid, which summarizes the aforementioned adjustments to the sales.

Adjustment Grid					
	Sale #1	Sale #2	Sale #3	Sale #4	Sale #5
Sale Price/SF:	\$4.44	\$6.00	\$3.34	\$6.25	\$7.23
Conditions of Sale:	0%	0%	0%	0%	0%
Adjusted Price/SF:	\$4.44	\$6.00	\$3.34	\$6.25	\$7.23
Market Conditions:	3.00%	10.50%	13.50%	13.50%	15.50%
Adjusted Price/SF:	\$4.57	\$6.63	\$3.79	\$7.09	\$8.35
Physical Characteristics:					
Location:	0%	-25%	-10%	-25%	-40%
Corner:	5%	0%	5%	0%	5%
Size:	20%	10%	15%	0%	0%
Entitlements:	0%	5%	5%	5%	5%
Net Adjustment:	25%	-10%	15%	-20%	-30%
Value Indication:	\$5.71	\$5.97	\$4.36	\$5.67	\$5.85

The five sales utilized indicate an adjusted range from \$4.36 to \$5.97 per square foot of land area. The central tendency of the data is indicated by the mean and median at \$5.51 and \$5.71/SF, respectively. Recognizing the central tendency of the data, the value of the subject was calculated as follows:

Market Value Estimate	
Subject Size (SF):	42,021
Market Value Per SF:	\$5.50
Market Value Estimate:	\$231,116
Rounded To:	\$230,000

REPLACEMENT COST NEW

Replacement cost is defined as:

"The estimated cost to construct, at current prices as of the effective appraisal date, a building with utility equivalent to the building being appraised, using modern materials and current standards, design, and layout."

"Capital expenditures that are directly related to the construction of the physical improvements (e.g., contract costs) are called direct or hard costs. Capital costs that are indirectly related to the construction of the improvements (e.g., financing) are called indirect or soft costs. Because the entrepreneur provides the inspiration, drive, and coordination involved in the overall project, the difference between the cost of development and the value of a property after completion is the entrepreneurial profit realized."

"Direct costs are expenditures for the labor and materials used in the construction of improvements."

"Indirect costs are expenditures or allowances that are necessary for construction, but are not typically part of the construction contract."⁴

Replacement Cost New (RCN) was estimated for the subject improvements by utilizing the Calculator Cost Method. This method is explained and demonstrated on the following pages.

Calculator Cost Method

There are numerous methods for estimating replacement cost new. In this instance, we utilized the Marshall Valuation Service Manual as our data source. Per Marshall guidelines, the subject is considered to have selected features that fall into four categories. The first is the low cost, Class C, extended stay motel, (Section 12, page 10) with a base unit cost of \$54.51/SF. The second is represented by the Class C, motel property type, without kitchenettes, (Section 12, Page 9), where the subject also appears to fall within the low cost class. Base unit cost for this classification is \$52.49/SF. The third is a low cost, Class C, bar (Section 13, Page 13), with three attached sheds (Section 17, Page 16) at an average base unit cost of \$40.07/SF. The fourth is an average, Class D, single family residence, (Section 12, Page 20) with a base unit cost of \$67.69/SF.

⁴ Appraisal Institute, *The Appraisal of Real Estate*, 11th ed. (Chicago: Appraisal Institute, 1996), 345- 346.

RCN by Calculator Cost Method: Primary Structures				
	12-unit motel	8-unit motel	Night Club/Bar	Residence/ office
Primary Structure Cost (\$/SF):	\$54.51	\$52.49	\$40.07	\$67.69
x Current Cost Multiplier:	1.03	1.03	1.03	1.03
x Local Cost Multiplier:	0.87	0.87	.87	.87
x Perimeter Multiplier:	0.971	1.023	1.00	0.939
RCN, Primary Structure (\$/SF):	\$47.43	\$48.12	\$35.91	\$56.96
x SF-GBA	5,426	2,395	2,570	1,746
Total (\$/Building Category):	\$257,355	\$115,247	\$92,289	\$99,452
Total RCN:	\$564,343			

Other Indirect Costs

The Marshall Valuation Service manual provides calculator unit costs that include both hard (direct) costs and soft (indirect) costs of construction, e.g., architects' fees and contractors' overhead and profit, sales taxes, permit fees, insurance during construction, and interest on interim construction financing. It does not include such costs as financing origination fees, or real estate taxes. Therefore, the following table provides for the addition of other indirect costs:

Other Indirect Costs	
Financing Costs:	\$150,769
Real Estate Taxes:	\$4,253
Total Other Indirect Costs:	\$155,021

Our estimates of indirect cost are based upon the following assumptions: 1) financing costs are based upon the application of 2% of the sum of the replacement cost new for the buildings and other site improvements, and 60% of the land value; and, 2) real estate taxes are based upon the assumption that the county assessor's office would value the subject site at \$5.50/SF and apply the appropriate mill rate of \$2.7601/\$100 assessed value. Total taxes would then be prorated for an assumed development period of eight months.

Depreciated Value of Site Improvements

The replacement cost of site improvements was estimated from Section 66 of the Marshall Valuation Service and local contractors. The following charts indicate the replacement cost new of other site improvements, as well as their depreciated value.

Asphalt Parking Lot	Cost / LF, SF, or EA	LF, SF, or EA	RCN	Eco Life (years)	Rem. Eco Life (%)	Depreciated Value
Grading and surplus disposal, per SF	\$0.24	8,090	\$1,942	10	33%	\$641
4" rock base, per SF	\$0.53	8,090	\$4,288	10	33%	\$1,415
Paving, 4" asphaltic concrete, per SF	\$1.55	8,090	\$12,539	10	25%	\$3,135
Striping, per space	\$4.93	25	\$123	3	25%	\$31
Parking bumpers, precast concrete, per space	\$20.85	25	\$521	5	25%	\$130
Concrete curb, 6", 1' gutter, per LF	\$21.97	40	\$879	20	33%	\$290
Sidewalk, concrete, 4" unreinforced, per SF	\$3.44	355	\$1,221	20	33%	\$403
Wood deck, ramp, steps to office entrance, EA	\$889	1	\$889	10	50%	\$444
Total			\$22,402		28.9662%	\$6,489

Source: Marshall Valuation Service, Section 66

Concrete Drive & Parking Lot	Cost / LF, SF, or EA	LF, SF, or EA	RCN	Eco Life (years)	Rem. Eco Life (%)	Depreciated Value
Grading and surplus disposal, per SF	\$0.24	8,272	\$1,985	10	33%	\$655
4" rock base, per SF	\$0.53	8,272	\$4,384	10	33%	\$1,447
Paving, 6" concrete, per SF	\$2.90	8,272	\$23,989	15	50%	\$11,994
Striping, per space	\$4.93	16	\$79	3	25%	\$20
Parking bumpers, precast concrete, per space	\$20.85	16	\$334	5	25%	\$83
Concrete curb, 6", 1' gutter, per LF	\$21.97	360	\$7,909	20	33%	\$2,610
Sidewalk, concrete, 4" unreinforced, per SF	\$3.44	356	\$1,225	20	33%	\$404
Landscaping	\$2,500	1	\$2,500	10	60%	\$1,500
Total	\$2,554.86		\$42,408		44.1256%	\$18,713

Source: Marshall Valuation Service, Section 66

Fencing	Cost / LF, SF, or EA	LF, SF, or EA	RCN	Location on Site	Eco Life (years)	Rem. Eco Life (%)	Dep'd Value
Wood Fence: Privacy; 6' height	\$14 LF	96'	\$1,344	Bar	15	50%	\$672
Wood Fence: Privacy; 6' height	\$14 LF	100'	\$1,400	East line of Cardinal Loop	15	50%	\$700
Gate for above fence	\$225 EA	1	\$225		15	50%	\$112
Wood Fence: Privacy; 6' height	\$14 LF	94'	\$1,316	East boundary of site behind motel	15	33%	\$434
Gate for above fence	\$85 EA	1	\$85		15	33%	\$28
Chain Link Fence: 4' height; commercial grade; 9 gage wire; schedule 20 posts	\$11 LF	76'	\$836	East boundary east of bar	20	50%	\$418
Chain Link Fence: 6' height, commercial grade; 9 gage wire; 3-strand security wire	\$13 LF	183'	\$2,379	East boundary north of bar to corner	20	50%	\$1,189
Chain Link Fence: 4' height; commercial grade; 9 gage wire; schedule 20 posts	\$11 LF	157'	\$1,727	North boundary of site	20	50%	\$863
Total			\$9,312			47.4227%	\$4,416

Source: Dee's Decks and Fencing; 1710 Dungan Lane; Austin, Texas; 837-5852

The replacement cost new and depreciated value of all site improvements set forth above are summarized in the following table:

Summary: Site Improvements	RCN	Rem. Eco Life (%)	Depreciated Value
Asphalt Parking Lot	\$22,402	28.9662%	\$6,489
Concrete Drive & Parking Lot	\$42,408	44.1256%	\$18,713
Fencing	\$9,312	47.4227%	\$4,416
Total	\$74,122	39.9584%	\$29,618

Entrepreneurial Profit

Anticipated entrepreneurial profit is calculated in different forms by different developers. Our past research and surveys indicate that developers typically require a profit of 10% to 30% of land plus improvement costs for properties like the subject. Given the subject's attributes, entrepreneurial profit for the subject is estimated to be 15% of land value and RCN. Entrepreneurial profit was calculated as follows:

Entrepreneurial Profit	
RCN, Building:	\$564,343
Other Indirect Costs:	\$155,021
RCN, Site Improvements:	\$74,122
Land Value:	\$230,000
Subtotal:	\$1,023,486
Profit Percentage:	15%
Entrepreneurial Profit:	\$153,523

Furniture, Fixtures and Equipment

The furniture, fixtures and equipment (FF&E) for a lodging property include all the necessary personal property items required to operate the motel. They typically include such elements as room, lobby and meeting room furnishings, linens, draperies, towels, office and front desk equipment, housekeeping equipment, miscellaneous equipment (such as ice machines) and pool furniture.

Our estimate was based upon a Property Analysis, dated December 18, 2006, provided by the owner, the Marshall Valuation Services manual and published data.

Motels are typically sold to investors, and rented to tenants with appliances and miscellaneous furniture, fixtures, and equipment. Some of the appliances are built-in, such as a dishwasher or oven. However, other components such as refrigerators are easily removable and considered as personal property. In the case of the subject motel, some rooms have refrigerators and removable stoves. In addition, we observed miscellaneous furniture, fixtures and equipment (FF&E), as well as mechanical equipment. Personal property within similar motels typically ranges between \$500 and \$1,000 per room. The subject lacks a swimming pool and other project amenities where personal property would be associated, and is toward the lower end of the range. Based on consultation with the subject property owner, the current property manager, local contractors, and the Marshall Valuation Service, we have allocated \$10,000 (\$500/room) for personalty in the motel.

Personalty in the bar area is reportedly scheduled to be relocated by the purchaser, and, therefore, is not addressed herein.

ACCRUED DEPRECIATION

Accrued depreciation is defined as,

"...the difference between the reproduction or replacement cost of the improvements on the effective date of the appraisal and the market value of the improvements on the same date. Depreciation is caused by deterioration or obsolescence in the property. Deterioration is evidenced by the wear and tear on the structure. Functional obsolescence is caused by internal property characteristics such as a poor floor plan, inadequate mechanical equipment, or functional inadequacy or superadequacy due to size or other characteristics. External obsolescence is caused by conditions outside the property such as a lack of demand, changing property uses in the area, or national economic conditions. Some types of depreciation interact with one another, and the analysis of depreciation from all causes is cumulative." ⁵

The three basic categories of depreciation are detailed as follows:

Curable Physical

"Curable physical deterioration refers to items of deferred maintenance; the estimate of curable physical deterioration applies only to items in need of repair on the date of the appraisal. Thus, this element of accrued depreciation is measured as the cost of restoring an item to new or reasonably new condition -i.e., the cost to cure." ⁶

We did not observe during our inspection of the building any curable physical obsolescence. All physical deterioration is recognized as incurable.

Curable Functional

"Functional obsolescence is a loss in value resulting from defects in design. It can also be caused by changes that, over time, have made some aspect of a structure, such as its materials or design, obsolete by current standards. The defect may be curable or incurable. To be curable, the cost of replacing the outmoded or unacceptable aspect must be the same as or less than the anticipated increase in value. Curable functional obsolescence is measured as the cost to cure the condition." ⁷

We did not observe during our inspection of the building any curable functional obsolescence.

⁵ Appraisal Institute, *The Appraisal of Real Estate*, 11th ed. (Chicago: Appraisal Institute, 1996), 341.

⁶ Appraisal Institute, *The Appraisal of Real Estate*, 11th ed. (Chicago: Appraisal Institute, 1996) 381.

⁷ Appraisal Institute, *The Appraisal of Real Estate*, 11th ed. (Chicago: Appraisal Institute, 1996) 387.

Incurable Physical

As indicated in the Improvement Analysis section of this report, the subject is comprised of a variety of construction types, each with its own effective age and economic life. Therefore, incurable physical deterioration is calculated by multiplying RCN, less any curable items, by this factor. In this manner, incurable physical depreciation equates to the following:

Physical Incurable Depreciation		
RCN of the Building Including Allocated Profit:	\$648,994	
Less, Curable Physical Deterioration:	\$0	
Less, Curable Functional Obsolescence:	\$0	
Net Depreciable Basis:	\$648,994	
Times, Depreciation Factor (see table below):	61.2239%	
Equals, Total Physical Depreciation:		\$397,339

Primary Structures	RCN	Ent. Profit	RCN plus profit	Eco Life (years)	Rem. Eco. Life (%)	Depreciated Value
12 room, extended stay motel	\$257,355	38,603	\$295,958	35	33%	\$97,666
8 room motel	\$115,247	17,287	\$132,534	35	33%	\$43,736
Bar/Night Club	\$92,289	13,843	\$106,132	25	50%	\$53,066
Single family residence/office	\$99,452	14,918	\$114,370	50	50%	\$57,185
Total	\$564,343	84,651	\$648,994		38.7761%	\$251,655

Incurable Functional

"Like curable functional obsolescence, incurable functional obsolescence may be caused by a deficiency or a superadequacy. A deficiency is a lack of something other properties in the market have. It is incurable when it is not economically feasible to cure it."

"An item of incurable functional obsolescence caused by a superadequacy is a property component that exceeds market requirements. It represents a cost without a corresponding increment in value, or a cost that the increment in value does not meet. This form of functional obsolescence is considered incurable because it is economically feasible to cure it. In most applications of the cost approach, the need to estimate the functional obsolescence attributable to an incurable superadequacy is eliminated by using replacement cost instead of reproduction cost; superadequacies are not replicated in a replacement cost estimate."⁸

We did not observe during our inspection of the building any incurable functional obsolescence.

External/Economic

"External obsolescence is a loss in value caused by factors outside a property. External obsolescence can be temporary, e.g., an oversupplied market, or permanent, e.g., proximity to an environmental disaster."

"The two primary methods of measuring external obsolescence are paired data analysis and the capitalization of rent loss. Paired data analysis is a useful technique when market evidence is available."⁹

Assuming continuation of the subject's use under the present operating scenario, the potential for external/economic obsolescence is minimal. As such, a deduction for external obsolescence has not been made in the cost schedule.

⁸ Appraisal Institute, *The Appraisal of Real Estate*, 11th ed. (Chicago: Appraisal Institute, 1996), 391.

⁹ Appraisal Institute, *The Appraisal of Real Estate*, 11th ed. (Chicago: Appraisal Institute, 1996), 392-393.

Billboard Ground Lease Analysis

According to the provided lease agreement, a portion (noted as Lease No. 50299) of the subject property is leased by Reagan National Advertising for outdoor advertising purposes. The lease, dated February 18, 1998, was for a term of five years which commenced December 1, 1997. The rental rate is stated as \$2,400/year, increasing to \$2,900/year after 5 years. We were not provided a copy of the current lease; however, according to Dave Depmore of Regan National Advertising, it was renewed for \$2,900/year for 5 years and has an anniversary renewal coming up in December of 2007.

In order to determine the market rent for the subject ground lease, we researched other ground leases for outdoor advertising signs in the Del Valle, Austin area. The following was observed:

1. Location and panel or face size of the site sites are primary lease rate determinates.
2. Typical ground lease rent rates for sites similar to the subject range between \$2,400 to \$2,900 (two panel, billboard 12' x 25').
3. In general, ground leases with signs along primary roadways command higher rates than those along secondary roadways.

Per conversations with Mr. Dave Depmore of Reagan Advertising and Keith Kimbro of Lamar Advertising Company, the subject ground lease is at market when compared to other recent ground leases with similar locations. Mr. Kimbro stated that, while he could not divulge any specific details on recent ground leases, typical ground lease rates for sign locations similar to the subject would range between \$2,400 and \$2,900 per year. Mr. Depmore did provide me with two actual ground leases which had rental rates ranging from \$1,200 to \$2,400 per year, but all commenced some time ago (10 to 20 year old leases) and were not considered reliable for this analysis. Based on the information provided by Reagan and Lamar, the market rent for the subject's ground lease is estimated at the contract rate of \$2,900 per year.

In order to value the ground lease for the billboard site, it is typical to capitalize the annual income. Capitalization rates for vacant land range from approximately 8% to 12% depending on the reliability of the income stream. Secure income is typically capitalized at the lower end of the range. In addition, the annual overall rate reported by Realty Rates Investor Survey, 3rd Quarter 2006 states capitalization rates ranging from 5.26% to 19.11% for all land markets with an average of 9.89%. The capitalized value of the ground lease at 9.5% was estimated as follows:

Capitalized Value of Ground Lease	
Ground Lease Annual Income:	\$2,900
Capitalized at 9.5%:	9.5%
Indicated Value:	\$30,526

To avoid double counting, the fee simple value of the land encumbered by the ground lease is subtracted from the capitalized value of the ground lease. The land area for the billboard site was reportedly only 16 SF (4' x 4'; large enough to encompass only the monopole) based on the existing lease. The unit value of the subject property was estimated at \$5.50 per square foot of land area. Applying that unit value to the land encumbered by the ground lease indicates a fee simple market value estimate of \$88 (16 SF x \$5.50 per square foot). On this basis, the contributory value of the ground lease was estimated as follows:

Contributory Value of Ground Lease	
Capitalized Value of Ground Lease:	\$30,526
Less, Fee Value of Land Area Encumbered by Lease	(\$88)
Equals, Contributory Value of Ground Lease:	\$30,438

Your attention is now directed to the following schedule which sets forth the final computations utilized in formulating our value opinion via the Cost Approach.

Cost Approach Summary		
RCN, Building:	\$564,343	
Total Other Indirect Costs:	\$155,021	
Plus, Entrepreneurial Profit:	\$153,523	
Subtotal:		\$872,887
Less, Accrued Depreciation:		(\$397,339)
Subtotal:		\$475,548
Plus, Land Value:		\$230,000
Plus, Depreciated Site Improvements:		\$29,618
Furniture, Fixtures and Equipment:		\$10,000
Capitalized Value of Ground Lease:		\$30,438
Indicated Value:		\$775,604
Rounded to:		\$775,000

SALES COMPARISON APPROACH, IMPROVED PROPERTY

Discussion of Exclusion

“In the Sales Comparison Approach, an opinion of market value is developed by comparing properties similar to the subject property that have recently sold... A major premise of the sales comparison approach is that the market value of a property is directly related to the prices of comparable, competitive properties. “The principle of substitution holds that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time. This principle implies that the reliability of the sales comparison approach is diminished if substitute properties are not available in the market.”¹⁰

The Travis County Deed Records were searched for transactions involving projects similar to the subject. The subject is improved with three distinct building types including a 20 room motel, a bar, and a residence/office. Additionally, it is encumbered by a billboard ground lease. Despite our attempts, no truly comparable sales of similar multi-use properties were found. Therefore the Sales Comparison Approach, Improved was not performed.

¹⁰ Appraisal Institute, *The Appraisal of Real Estate*, 12th ed. (Chicago: Appraisal Institute, 2001), 417 - 418

INCOME CAPITALIZATION APPROACH

INCOME CAPITALIZATION APPROACH

Introduction

The methodology of this approach involves capitalizing the net income attributable to a property to provide an indication of market value. The net income estimate is typically derived by subtracting an allowance for vacancy/collection loss and all operating expenses from the potential gross income (total revenue for the subject). For motels, vacancy is reflected by estimates of RevPAR (revenue per available room) and deductions for operating expenses applied to both realty and non-realty components. The net operating income is then divided by an appropriate capitalization rate to indicate the market value of the property.

Potential Gross Income Analysis

In order to estimate total revenue for the motel, average daily rate and occupancy data were gathered in the subject market area pertaining to other properties that were considered to be reasonable alternatives to the subject. The subject's primary guests are weekend travelers in the 8 non-kitchenette rooms and weekly renters in the 11 kitchenette rooms. Room #21 is utilized for storage. We selected comparables for this analysis based primarily upon historical ADR (average daily rate) and RevPAR as compared to the subject's historical performance, and location.

A summary of the comparables is outlined below with ADR, occupancy, and RevPAR.

Room-Rate Comparables					
No.	Name	Size (Rooms)	ADR	Occupancy	RevPAR
1	Motel 71	17	\$33.82	74%	\$25.03
2	Bel-Air Motel	43	\$33.14	71%	\$23.53
3	Ace Motel	27	\$31.89	60%	\$19.13
Subject	Country Cottage Motel	19	\$32.13	66%	\$21.22

The subject's ADR (average daily rate) and occupancy are based on its historical performance prior to the noise mitigation project. The owner confirmed that occupancy has increased since the Silverstone Inn and the Sunscape were vacated. The subject's ADR is a weighted average of \$38.00 per room per day for the 8 non-kitchenette units and \$27.86 per room per day for the 11 kitchenette units. Historical occupancy has averaged 57% for the non-kitchenette efficiencies and 75% for the kitchenettes.

We attempted to identify noise-impacted daily-rate and extended stay motels within the subject's market area. Our search uncovered two other such noise-impacted properties. The first is Silverstone Inn, located directly across Cardinal Loop from the subject. The 73 unit project, which forms part of the ABIA Noise Mitigation Project, was renting rooms comparable to the subject's non-kitchenette efficiencies for approximately \$39 per room per day. Rooms comparable to the subject's kitchenette units were renting for \$191 per week (\$27.28 per day). These rates are similar to the subject's, and do not reflect project influence as they were set prior to the purchase of the property by the City of Austin in September 2006. However, as the Silverstone Inn forms part of the noise mitigation project, we excluded it from further analysis. Nevertheless, the observed room rates are similar to those of the subject and provide supplemental support to our opinion of estimated market rent.

The second property is the Best Western Airport Hotel and Suites, located at 2751 SH 71 East, just east of the subject. This 112 room, three-story, limited service hotel is significantly newer and larger than the subject. In terms of amenities, it has an outdoor pool. Fourth quarter 2006 ADR was \$64.15 and occupancy was 54.17%, resulting in a RevPAR of \$35.07; which are 99.65% and 65.35% higher than the subjects', respectively. Although the Best Western is outside of the ABIA Noise Mitigation Project limits and proximate to the subject, its more recent construction, superior quality, larger size, superior amenities, higher ADR, and higher RevPAR make it incomparable to the subject. Therefore, we have excluded it from analysis.

Given the lack of comparable noise-impacted extended stay motels within the subject's market area, we expanded our research to the southeast market sector and beyond to provide sufficient data for the analysis. Information pertaining to competitive properties is set forth on the following pages.



Comparable Motel Rentals Map

EXTENDED STAY MOTEL COMPARABLE NUMBER ONE

(Photographed by Stuart Morrow on February 6, 2007)

Name:	Motel 71
Location:	2500 E. Ben White Blvd.
Tax Parcel ID #:	03-1104-11-21
Year Built:	1983
Number of Guest Rooms:	17
Exterior Construction:	One, two-story motel building of brick and wood construction. Open asphalt-paved parking surface.
Project Amenities:	None
Unit Features:	Air-conditioning, refrigerator, kitchen/kitchenette in some units.

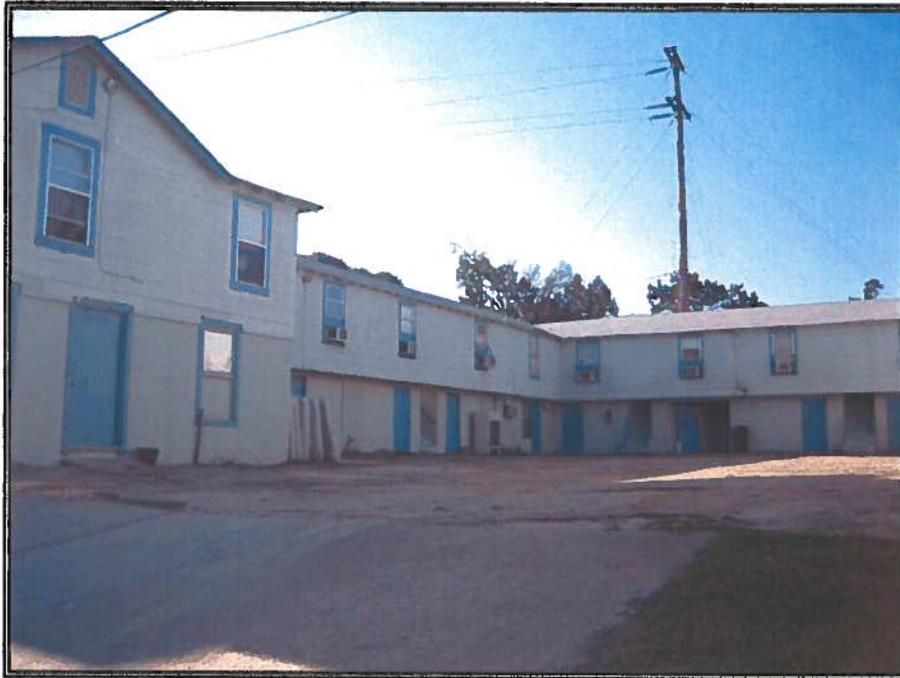
Lease Terms: \$35 Daily, \$210 weekly

ADR & RevPAR Breakdown	
ADR (Average Daily Rate):	\$33.82
Times, Occupancy:	74%
Equals, RevPAR (Revenue Per Available Room):	\$25.03

Concessions/Deposit: None; \$35 deposit for weekly tenants

Comments: The motel is westerly adjacent to the Taqueria La Tapatia restaurant. Approximately 4 rooms or 24% of the motel is comprised of long term tenants. There are approximately 2,345 SF of rentable area on each floor, for a total living area of 4,690 SF.

Confirmation: Property manager; 2/07; SGM

EXTENDED STAY MOTEL COMPARABLE NUMBER TWO

(Photographed by Stuart Morrow on February 6, 2007)

Name:	Bel-Air Motel
Location:	3400 S. Congress Avenue
Tax Parcel ID #:	04-0703-13-06
Year Built:	1936-1950
Number of Guest Rooms:	43
Exterior Construction:	One, single-story motel building and two, two-story motel buildings of wood/masonry construction. Open asphalt-paved parking surface.
Project Amenities:	None

Unit Features: Air-conditioning, refrigerator, kitchen/kitchenette in some units.

Lease Terms: \$30 to \$40 daily, \$150 to \$200 weekly

ADR & RevPAR Breakdown	
ADR (Average Daily Rate):	\$33.14
Times, Occupancy:	71%
Equals, RevPAR (Revenue Per Available Room):	\$23.53

Concessions/Deposit: None; \$20 deposit for weekly tenants

Comments: Our physical inspection indicated significant deferred maintenance. According to the property manager, there are 5 upstairs dorm rooms with shared kitchen and bathroom which rent for \$150 week. There are 20 rooms with individual bath that rent for \$170 week; the 18 remaining rooms have kitchenettes for \$200. The quoted daily rate for all rooms is \$40 with a \$5 deposit. However, conversations with tenants indicated that some rooms are renting for approximately \$30 per day.

Confirmation: Property manager, 2/07; SGM

EXTENDED STAY MOTEL COMPARABLE NUMBER THREE

(Photographed by Stuart Morrow on February 6, 2007)

Name:	Ace Motel
Location:	2627 Manor Road
Tax Parcel ID #:	02-1210-04-04
Year Built:	1930; 1958; 1978
Number of Guest Rooms:	27
Exterior Construction:	Three, one-story motel buildings of masonry construction. Open asphalt-paved parking surface.
Project Amenities:	None

Unit Features: Air-conditioning, refrigerator, kitchen/kitchenette only in 3 units.

Lease Terms: \$31-\$35 Daily, \$195-\$215 weekly

ADR & RevPAR Breakdown	
ADR (Average Daily Rate):	\$31.89
Times, Occupancy:	60%
Equals, RevPAR (Revenue Per Available Room):	\$19.13

Concessions/Deposit: Kitchenette units sometimes rent for same as non-kitchenette units. \$31 deposit.

Comments: According to the owner/property manager, the occupancy rate of 60% is due to the fact that the property lacks exposure to a major arterial, as it is somewhat removed from IH-35. Laundry facilities are located next door, but are not part of the complex.

Confirmation: Owner, 2/07; SGM

Potential Gross Income Estimate

Comparable No. 1, the Motel 71, is proximate to the subject, being situated along the north line of SH 71 East, west of the subject. It is similar in size and location, but superior in age, quality of construction, and amenities. It was built in 1983 of good quality brick and wood, and is adjacent to a Mexican restaurant. The average daily rate is \$33.82, the occupancy is 74%, and the revenue per available room is \$25.03. Based primarily on Comparable No. 1's superior age, quality of construction, and proximate amenities, the subject would likely be less occupied and have lower room rates than Comparable No. 1.

Comparable No. 2, the Bel-Air Motel, is situated along S. Congress Avenue. The motel is of an older vintage, having been constructed between 1936 and 1950. It is leased primarily on a weekly basis and the weekly rates range from a low of \$150 (\$21.43 per day) to a high of \$200 (\$28.57 per day). The quoted daily rate is \$40; however, rooms are reported to lease for as low as \$30 per day. The average daily rate is \$33.14, the occupancy is 71%, and the RevPAR is \$23.53; which are higher than those of the subject. The south central Austin location is considered slightly superior to that of the subject, and this superiority is reflected in the slightly higher rents and occupancy. Therefore, the subject would lease for slightly less and have slightly higher vacancy than the indication of Comparable No. 2.

Comparable No. 3, the Ace Motel, is located at 2627 Manor Road. The average daily rate is \$31.89, the occupancy is 55% to 60%, and the RevPAR is \$19.13. The size, age, and quality of construction are comparable to the subject. However, the location is removed from a major arterial and is considered inferior. Therefore, the subject's room rates and occupancy would likely exceed that indicated by Rent #3.

The comparables range from approximately \$31.89 to \$33.82 per room per day. The occupancies range from 60% to 74%, resulting in RevPAR's of \$19.13 to \$25.03.

Room Rates

After comparing each comparable to the subject, we estimated the subject's ADR at its historical average of \$32.13.

Occupancy

The subject's occupancy indicates a range of 57% for non-kitchenette units to 75% for kitchenette units, with an average of 66%. These rates fall in line with those expressed by the comparables, after accounting for project differences. Relying on the indications of the comparables, and supported by the subject's historical performance, the subject's occupancy was estimated at 66%.

Total Revenue

Total annual revenue is based upon the concluded average daily room rates and the projected occupancies. Therefore, total revenue is calculated as follows:

Total Revenue: 19-unit Motel	
Rooms	19
Days/Year	365
Occupancy (%)	66%
Average Daily Rate (\$/night)	\$32.13
Annual Revenue	\$147,062
Revenue Per Available Room (RevPar)	\$21.21

The two room types are broken down by individual performance as set forth below:

Contributory Revenue: 8 non-kitchenette rooms	
Rooms	8
Days/Year	365
Occupancy (%)*	57.14286%
Average Daily Rate (\$/night)	\$38.00
Annual Revenue	\$63,406
Revenue Per Available Room (RevPar)	\$21.71

* 4 days / 7 days = 57.14286%

Contributory Revenue: 11 kitchenette rooms	
Rooms	11
Days/Year	365
Occupancy (%)	75%
Average Daily Rate (\$/night)*	\$27.78
Annual Revenue	\$83,657
Revenue Per Available Room (RevPar)	\$20.84

*\$194.47 per week / 7 days = \$27.78143 per night

Operating Expenses

A motel is an on-going business with high operating costs. These cost are deducted from total revenues to estimate gross profit. In order to estimate these costs, we relied primarily on the subject's actual expense information.

Property Taxes

We projected tax liability for the subject based on its pro-rata share of the 2006 tax liability.

Insurance

Insurance expense for the subject is based on its pro-rata share of the 2006 cost.

Management

Professional management fees typically range from 3% to 6% of effective gross income, but are dependent on several factors including property size and level of income. The subject has historically been owner-managed. In keeping with the market, we estimated this expense category at 5% of effective gross income.

General/Administrative Fees

We have included within this category payroll, office-related expenses, and contract services. The net operating income statement details these as office expense, rental expense, telephone, bank charge, and dues. The actual 2006 expenses are \$1,495 as compared with the six-year average of \$3,973. A reasonable estimate of these expenses is considered to be \$2,500.

Maintenance/Repairs

This area of the expense allows for the upkeep of the project throughout the year. However, it does not allow for any extensive remodeling or renovation of the main structures, nor any long-lived items.

Repairs

This expense category has remained relatively stable over time. The 2006 figure is only 5% lower than the historical average, and has been utilized as the primary basis for our estimate of \$6,250 per year.

Supplies

A wide variance is noted in this category. Therefore, our estimate for supplies was predicated on the motel's pro-rata share of the historical average; which equates to approximately \$5,760 per year.

Janitorial

Three years of janitorial expenses are not reported. However, the actual expenses in 2002, 2005, and 2006 range from \$1,659 to \$2,700. As the \$2,700 expense occurred in 2006, it is considered most reflective of current operations, and has been utilized in our estimate of janitorial expense.

Utilities

Utilities for the subject motel rooms are on an all-bills-paid basis. Therefore, electricity, water, and wastewater to each room are the responsibility of the owner. In addition, charges for gas and electricity to the common areas, as well as gas required for a central boiler system as a source of hot water for each room, are the responsibility of the owner. Utility expense has been increasing over time, and the subject's actual 2006 expense of \$27,169 is considered most reflective of current cost. As such, it has been utilized.

Miscellaneous

This category typically includes unscheduled expenses not included in the above categories, such as advertising, promotion, etc. The subject had no miscellaneous expenses in 2006, but reported an average of \$419 over the last six years. Based on the historical performance, miscellaneous expenses were estimated at \$400.

Replacements

The subject has no reserves for replacements reported in 2006, or for any prior year. Conversations with motel managers, together with our market research, has revealed that replacement reserves, if included, typically range from \$300 to \$500 per room for properties of similar age to the subject. The actual reserve selected depends significantly upon the age and condition of the project. Based on the subject's age and condition, a reserves expense toward the upper end of the range, or \$10,000 for the 20 motel rooms, has been applied for this category.

The resulting Net Operating Income Statement is summarized on the following page:

Net Operating Income Statement		
Country Cottage Motel		
	Average	Per SF GBA
Gross Building Area: 7,821 SF		
Rooms Available:	19	
Average Daily Rate (ADR):	\$32.13	
Occupancy:	66%	
Gross Revenue:	\$147,062	\$18.80
Less, Expenses:		
Taxes:	\$13,226	\$1.69
Insurance:	\$9,241	\$1.18
Management: 5% of EGI	\$7,353	\$0.94
Gen/Amin (fees):	\$2,500	\$0.32
Maintenance/ Repairs (repairs):	\$6,250	\$0.80
(supplies):	\$5,760	\$0.74
(janitorial):	\$2,700	\$0.35
Utilities:	\$27,169	\$3.47
Miscellaneous:	\$400	\$0.05
Replacement Reserves:	\$10,000	\$1.28
Total Expenses:	\$84,599	\$10.82
NOI:	\$62,463	\$7.99

Potential Gross Income Estimate: Night Club/Bar

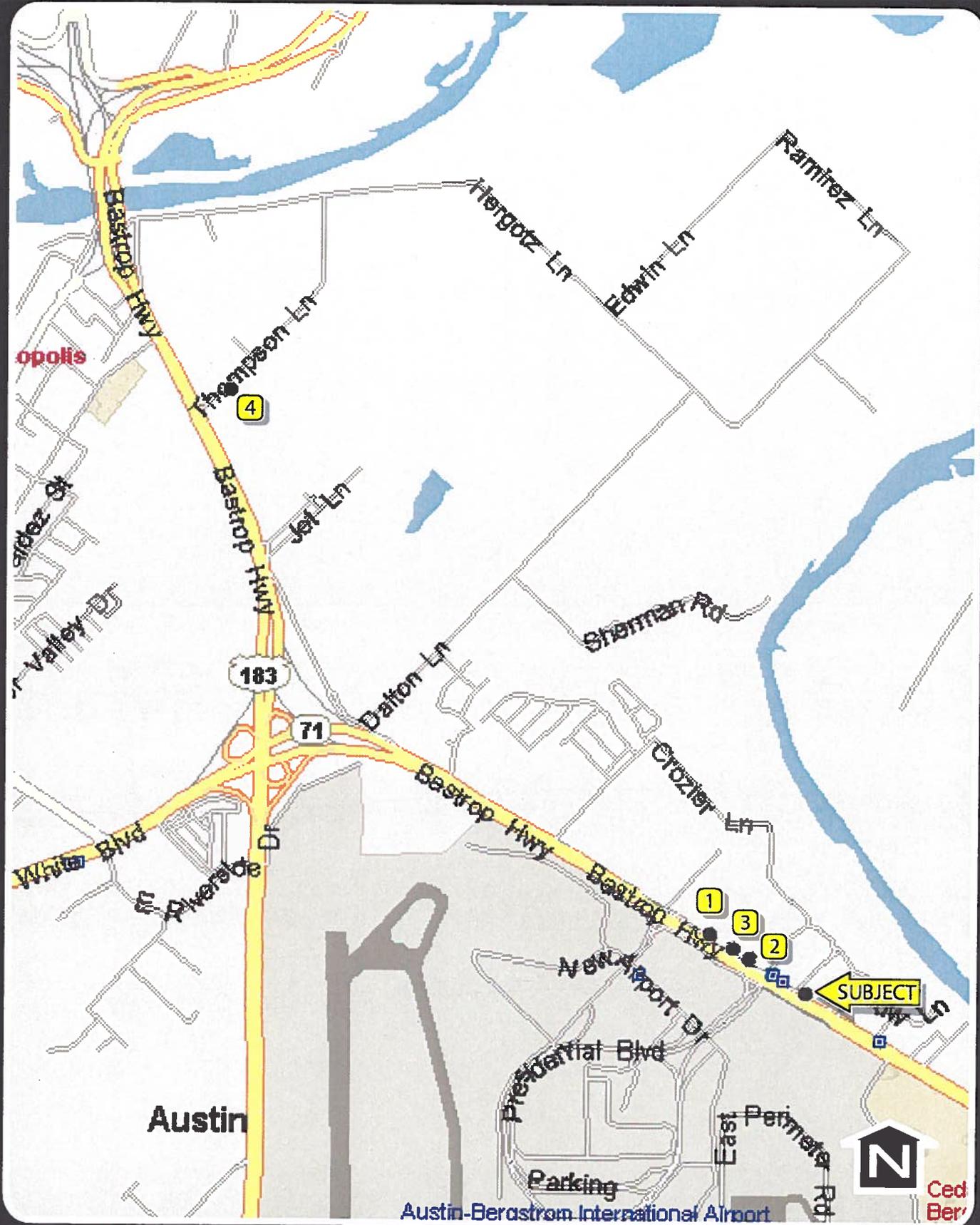
In addition to the motel, the subject operates a free-standing, retail building comprising approximately 2,570 SF of gross building area with a small, 5 space, parking area in front. This structure could be utilized as a restaurant as there is a grease trap located at the northeast corner. However, it has historically been rented as a small bar known as the "Bull Pen." Since November 2006, it has been leased to a new tenant for one year at a reduced rate with a five-year option. The tenant is in the process of securing a liquor license and renovating the structure at his own expense. The bar will be known as "El California."

The subject lease stipulates a \$1,000 deposit with \$900 per month rent payments in the first year until such time as the tenant secures the liquor license and completes the renovations. Thereafter, the lease rate increases to \$1,950 per month or approximately \$0.75/SF of gross building area for the remainder of the first year. All expenses except taxes and insurance are passed through to the tenant. The five-year option includes a \$100/month increase per year to the monthly rental rate. The tenant also has the option of leasing additional on-site parking at an agreed rate of \$350 per month, thereby increasing the effective rent to \$2,300 per month or approximately \$0.89/SF of GBA. As of the effective date of appraisal, a liquor license had not been secured. The \$1,000 deposit has been paid and \$1,800 in rent has been surrendered to the owner.

Comparable Bar Rentals

We identified three properties extremely proximate to the subject along SH 71 East which are rented as bars. Additionally, we confirmed rental information on a bar located on Thompson Drive, proximate to Callahan's General Store. Information pertaining to the properties is summarized below, with detailed write ups set forth on the following pages.

Comparable Bar Rental	Size (GBA)	Monthly Rental Rate/SF of GBA	Lease Terms	Expenses paid by owner
Azteca de Oro	5,000 SF	\$1.16	1 yr; 5 yr option	taxes, insurance
Alleya's	5,500 SF	\$1.05	1 yr; 5 yr option	taxes, insurance
La Roca	2,740 SF	\$1.28	1 yr; 5 yr option	taxes, insurance
Club Texas	4,000 SF	\$0.70	1 yr; 3 yr option	taxes, insurance
Subject	2,570 SF	\$0.89	1 yr; 5 yr option	taxes, insurance



Comparable Bar Rentals Map

BAR RENTAL COMPARABLE NUMBER ONE

(Photographed by Stuart Morrow on February 19, 2007)

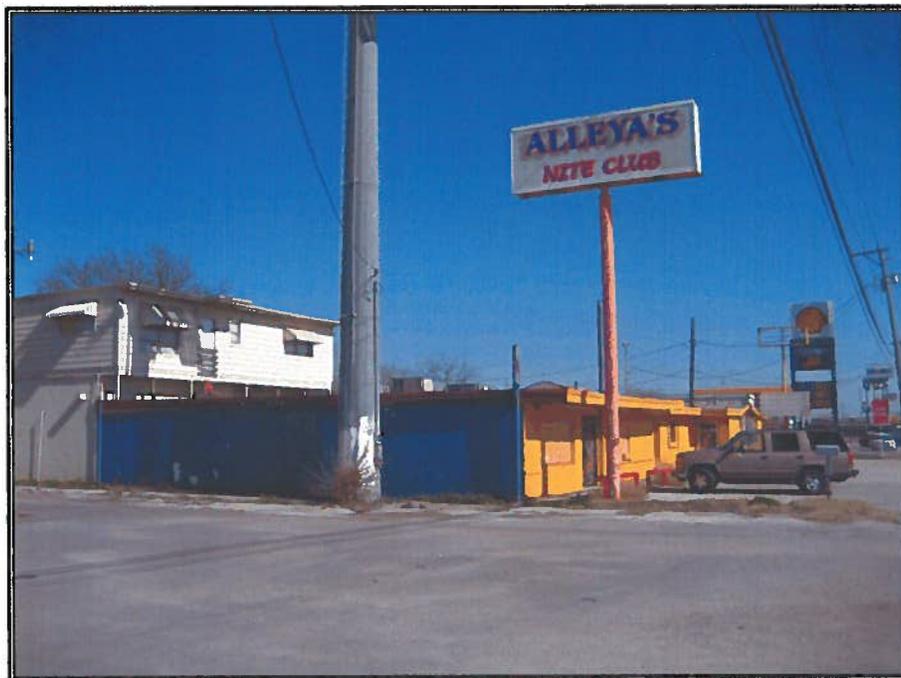
Name:	Azteca de Oro
Location:	2355 SH 71 East
Tax Parcel ID #:	03-1428-01-03
Year Built:	1978
Gross Building Area:	5,000 SF
Rent/Month:	\$5,800
Rent/Month/GBA/SF:	\$1.16
Lease Terms:	1 year lease, with 5 year option
Utilities Paid By:	Tenant pays all utilities. Owner pays taxes and insurance.

Exterior Construction: One-story, ± 5,000 SF GBA metal clad, converted office/warehouse building. Open asphalt-paved parking surface.

Parking Spaces: 5 in front and 12 on east side of building

Comments: This building is located proximate to the subject along the north line of SH 71 East. It is in average condition, and parking is adequate. There is an on-site billboard that leases for an undisclosed amount per month.

Confirmation: Leasing Agent, 2/07; SGM

BAR RENTAL COMPARABLE NUMBER TWO

(Photographed by Stuart Morrow on February 19, 2007)

Name:	Alleya's
Location:	2443 SH 71 East
Tax Parcel ID #:	Part of 03-1430-01-04
Year Built:	1965
Gross Building Area:	5,500 SF
Rent/Month:	\$5,800
Rent/Month/GBA/SF:	\$1.05
Lease Terms:	1 year lease, with 5 year option
Utilities Paid By:	Tenant pays all utilities. Owner pays taxes and insurance.

Exterior Construction: One-story, concrete block building, flat roof.
Open asphalt-paved parking surface.

Parking Spaces: 13 in front of building

Comments: This building is located proximate to the subject
along the north line of SH 71 East. It is in
average condition, and parking is adequate. There
is an on-site billboard that leases for an
undisclosed amount per month.

Confirmation: Leasing Agent, 2/07; SGM

BAR RENTAL COMPARABLE NUMBER THREE

(Photographed by Stuart Morrow on February 19, 2007)

Name:	La Roca
Location:	2429 SH 71 East
Tax Parcel ID #:	03-1430-01-10
Year Built:	1970
Gross Building Area:	2,740 SF
Rent/Month:	\$3,500
Rent/Month/GBA/SF:	\$1.28
Lease Terms:	1 year lease, with 5 year option
Utilities Paid By:	Tenant pays all utilities. Owner pays taxes and insurance.

Exterior Construction: One-story, combination metal warehouse and wood building, slightly pitched, corrugated metal roof. Open asphalt-paved parking surface.

Parking Spaces: 5 in front of building; 5 in rear.

Comments: This building is located proximate to the subject along the north line of SH 71 East. It is in average condition, and parking is adequate.

Confirmation: Leasing Agent and owner, 2/07; SGM

BAR RENTAL COMPARABLE NUMBER FOUR

(Photographed by Stuart Morrow on February 19, 2007)

Name:	Texas Club
Location:	513 Thompson Lane
Tax Parcel ID #:	03-0620-01-19
Year Built:	1981
Gross Building Area:	4,000 SF
Rent/Month:	\$2,800
Rent/Month/GBA/SF:	\$0.70
Lease Terms:	1 year lease, with 3 year option
Utilities Paid By:	Tenant pays all utilities. Owner pays taxes and insurance.

Exterior Construction: One-story, concrete warehouse building, flat roof. Open asphalt-paved parking surface.

Parking Spaces: 4 in front of building; 5 on side.

Comments: The building is currently vacant, but was rented as a bar for \$2,800 per month, NNN. It is currently listed for sale at \$329,000. Owner financing is offered on a lease-to-own basis. If the property does not sell by first of March, the owner plans to re-lease it for \$2,800 per month, NNN. It has been on the market for 1.5 years. It has limited visibility on Thompson Lane, being across from Callahan's General Store. The property is in average condition, and parking is adequate.

Confirmation: Owner, Yanai Adaky; 2/07; SGM

Potential Gross Income Estimate: Bar

The first three comparables, Azteca de Oro, Alleya's, and La Roca, are all extremely proximate to the subject, being situated along the north line of SH 71 East, west of the subject, at 2355 SH 71 East, 2443 SH 71 East, and 2429 SH 71 East, respectively. The free-standing buildings range in size from 2,740 SF to 5,500 SF and lease from \$1.05 to \$1.28 per square foot of gross building area. The expense basis and lease terms are generally similar to those of the subject. All are similar in terms of general location; however, these three bars all have superior parking. Comparable Nos. 1 and 2 have larger gross building areas which accommodate several pool tables and other income-generating trade fixtures, larger dance floors, and larger lounge areas. All have superior signage and visibility to vehicular traffic along SH 71 East via an overpass. Collectively, these factors are reflected in the higher rent rates of \$1.05 to \$1.28 per square foot. Therefore, we believe the subject would likely lease for less than the range expressed by Comparable Nos. 1-3.

Comparable No. 4 is located at 513 Thompson Lane, which is a less traveled roadway than SH 71 East. It is 4,000 SF in size, and rents for \$0.70/SF. It is inferior regarding visibility and exposure to vehicular traffic as compared to the subject, and this condition is reflected in the lower rent rate. As such, the subject would be expected to rent for more than Comparable No. 4.

The comparable rentals range from approximately \$0.70/SF to \$1.28/SF per month. Based on the preceding discussion, average market rent for the subject's 2,570 SF bar is estimated at \$2,000 to \$2,500 per month, with the owner paying taxes and insurance. This range is supportive of the subject contract rate (\$2,300) assuming tenant finish and the lease of additional parking.

Therefore, our estimate of market rent for the bar is consistent with its all-in contract rate.

Market Rent Estimate: Bar	
Rent/month:	\$2,300
/ SF GBA:	2,570
Indicated Rent:	\$0.89

Net Operating Income Estimate

In order to project net operating income for the bar, the annual expenses incurred in producing this income must be deducted, as well as any loss due to vacancy and collection difficulties. As exhibited by the comparable rentals, the subject's competitive market operates predominantly on a basis where the landlord pays only taxes, insurance, and management. Utilities are passed through to the tenant, and a deposit is collected to cover any abnormal wear and tear on the building.

The subject is currently operating on the expense basis described above while maintaining a competitive occupancy level. Given these factors, we anticipate that the subject will operate in this manner in the future, and the following analysis is on the same basis.

Vacancy and Collection Loss

The subject's physical occupancy is approximately 100%. Reported occupancy levels for the rent comparables described above are from 70% and 100%, with an average of 85%. Based upon those indications, we estimated vacancy and collection loss at 15%.

Operating Expenses

A bar rented on a mostly pass-through expense basis has relatively low operating costs to the landlord; comprised essentially of taxes, insurance, and management. In order to estimate these costs, we relied primarily on the subject's actual expenses.

Property Taxes

We projected tax liability for the subject based on its pro-rata share of the 2006 tax liability.

Insurance

We projected insurance expense for the subject based on its pro-rata share of the 2006 cost.

Management

Professional management fees typically range from 3% to 6% of effective gross income, but are dependent on several factors including property size and level of income. We estimated this expense category at a level of approximately 5% of effective gross income.

The resulting Net Operating Income Statement is summarized as follows:

Net Operating Income Statement		
Bar "El California"		
Gross Building Area: 2,570 SF	Average	Per SF GBA
Annual Potential Gross Rental Income:	\$27,600	\$10.74
Less, Vacancy and Collection Loss:	85%	
Effective Gross Income:	\$23,460	\$9.13
Less, Expenses:		
Taxes:	\$1,470	\$0.57
Insurance:	\$1,027	\$0.40
Management: 5% of EGI	\$1,173	\$0.46
Total Expenses:	\$3,670	\$1.43
NOI:	\$19,790	\$7.70

DIRECT CAPITALIZATION

Market Extraction Technique:

This method of capitalization is accomplished by developing a relationship between the net operating income and sale prices of properties which are improved with structures similar to the subject. As comparable sales of similar properties were not available, the market extraction technique was not employed.

Investor Survey

We utilized Realty Rates Investor Survey, (Third Quarter 2006) as our source for selecting an appropriate capitalization rate. Overall capitalization rates for the National Limited-Service Lodging Facilities Market ranged from a low of 8.78% to 17.59%, with an average rate of 12.65%. Given the Country Cottage motel's successful historical experience, a lower-than-average risk rate is warranted for this component. The bar "El California" is a short-term lease, which indicates a higher-than-average risk. Considering the two property components collectively, an overall rate near the middle of the range, or 12.5% was indicated by the market survey method.

Income Capitalization

One of the two generally accepted techniques for developing a capitalization rate was used, which indicated an overall rate of approximately 12.5%. Therefore, based on the investor survey method, market value via direct capitalization is estimated as follows:

Direct Capitalization Technique	
NOI: Motel	\$62,463
NOI: Bar	\$19,790
TOTAL NOI:	\$82,253
Overall Rate	12.50%
Indicated Value:	\$658,024

Billboard Ground Lease Contributory Value

As detailed in the Cost Approach, the contributory value of the billboard ground lease was estimated as follows:

Contributory Value of Ground Lease	
Capitalized Value of Ground Lease:	\$30,526
Less, Fee Value of Land Area Encumbered by Lease	(\$88)
Equals, Contributory Value of Ground Lease:	\$30,438

Residence/Office Contributory Value

As discussed, the subject is improved with a residence/office, which contributes some value to the motel as an administrative office. However, the structure's primary function is as a single family residence.

A purchaser of the subject would assign some additional value to this component, recognizing that a portion of that value has already been recognized in the valuation of the motel, which needs an office to operate. The most reliable method of quantifying the additional value, not yet accounted for, is by cost analysis.

The depreciated value of the single family residence via the Cost Approach was estimated at approximately \$59,671. Adding the contributory value of the underlying land of \$11,000 (approximately 2,000 SF x \$5.50/SF) to the depreciated value of the building structure results in a maximum contributory value of \$70,671. However, as noted, some portion of this structure is already recognized in the motel valuation.

Approximately 25% of this structure is necessary for the operations of the motel as an office. Therefore a deduction for this contribution is set forth below:

Residence Office Contributory Value	
Estimated Value of Single Family Residence via the Cost Approach:	\$70,671
Less, Estimated Contribution to Motel Operations as an office:	\$17,668
Equals, Estimated Contributory Value of Single Family Residence:	\$53,003

Income Approach Summary

Based on the preceding discussion, the final value estimate of the subject via the Income Approach is as set forth in the following table:

Income Approach Summary	
Capitalized Value of Motel, Bar:	\$658,024
Capitalized Value of Ground Lease:	\$30,438
Plus, contributory value of residence/office:	\$53,003
Indicated Value:	\$741,465
Rounded To:	\$740,000

RECONCILIATION OF VALUE ESTIMATES

Two of the three of the traditional approaches available in valuing an improved property were utilized in this appraisal and the following are the value indications provided by each:

Market Value Indications	
Cost Approach:	\$775,000
Income Capitalization Approach:	\$740,000
Sales Comparison Approach:	Not Used

Consideration of the relative merits of each value indication involves reviewing each approach with respect to: (1) reliability of the data used; (2) the applicability of the approach to the type of property being appraised; and, (3) the applicability of the approach in light of the definition of value sought. The Sales Comparison Approach, Improved, was not used due to a lack of recent, comparable sales.

The first method of improved property valuation utilized in this appraisal was the Cost Approach. In an effort to estimate the current replacement cost of the subject improvements, the Marshall Valuation Service and local contractors were utilized. Site value, which was estimated via the sales comparison approach, was then added to estimate the value of the property. It is our opinion that this valuation approach provided a less than reliable value estimate. This conclusion is based on the fact that, although reliable cost estimates and recent land sales were available for analysis, the subject has a significant amount of accrued depreciation. Moreover, purchasers of this property type in the local market do not typically use cost principles in pricing properties of similar effective age.

The second method of property valuation utilized in this appraisal was the Income Capitalization Approach. Rental and vacancy information from competitive projects was obtained, which was considered to be reliable and accurate. The net operating income was capitalized at an overall rate, which was also formed on a reliable basis.

The subject is an income producing entity and it is our opinion that the value indication via the Income Capitalization Approach should be given primary emphasis. Investors desirous of purchasing this type of property would most probably analyze the subject utilizing the principles of this approach, projecting the anticipated future performance of the property in a manner consistent with that utilized herein. In reconciling a final value, we have placed primary consideration on the indication provided by the Income Capitalization Approach, with little weight on the Cost Approach. Therefore, the following sets forth our opinion of the market value of the fee simple interest in the subject, as of January 10, 2007:

SEVEN HUNDRED FIFTY THOUSAND DOLLARS

\$750,000

Contribution of Personal Property

Motels are typically sold to investors, and rented to tenants with appliances and miscellaneous furniture, fixtures, and equipment. Some of the appliances are built-in, such as a dishwasher or oven. However, other components such as refrigerators are easily removable and considered as personal property. In the case of the subject motel, some rooms were reported to have refrigerators and removable stoves. In addition, we observed miscellaneous furniture, fixtures and equipment (FF&E), as well as mechanical equipment. Personal property within similar projects typically ranges between \$500 and \$1,000 per unit. The subject lacks a swimming pool and other project amenities where personal property would be associated, and is toward the lower end of the range. Based on consultation with the subject property owner, the current property manager, local contractors, and the Marshall Valuation Service, we have allocated \$10,000 (\$500/room) for personalty in the motel. By allocation, the value set forth herein may be broken down as follows:

Component	Contributory Value Estimate
Real Property	\$740,000
Personalty	\$10,000
Total Market Value	\$750,000

Contributory Value of Tenant Improvements to the Bar:

As set forth in the Cost Approach, the bar has a replacement cost new (RCN) of \$92,289 ($\$35.91/\text{SF} \times 2,570 \text{ SF}$). As stated in the lease, "all alterations, additions, or improvements made by Lessee shall become the property of Lessor at the termination of the lease." The contributory value of tenant improvements to the bar's RCN is estimated at \$55,548 (see addendum).

QUALIFICATIONS

QUALIFICATIONS OF PAUL HORNSBY MAI, SRA, CRE

Educational Background

University of Texas at Austin, B.B.A. Degree in Finance, August 1977

Association Memberships & Activities

MAI Designation - Appraisal Institute, Certificate No. 7305

SRA Designation - Appraisal Institute

CRE Designation - The Counselors of Real Estate

Chair, Central & South Texas Chapter, Counselors of Real Estate

Past President, Director and Regional Committee Member-Austin Chapter of the Appraisal Institute

Instructor, Appraisal Institute- Standards of Professional Appraisal Practice (Courses 400, 410, & 420)

Appraisal Qualifications Board (AQB) Certified USPAP Instructor

Texas Broker License #283369-05

State Certified General Real Estate Appraiser #TX-1321761-G

REALTOR - National Association of Realtors

Experience

Since 1980, Mr. Hornsby has been a practicing real estate appraiser in Austin, Texas. From 1986 to 1998, he owned and operated Southwest Property Consultants. In May of 1998, he joined with Jim Frederick in the formation of Frederick & Hornsby, Inc. which specialized in the valuation of complex commercial properties, and in support of litigation proceedings. The firm now operates under the name Paul Hornsby and Company.

Mr. Hornsby often serves in the capacity of expert 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 commissioners courts and appraisal district review boards.

Lecture/Publications

In addition to expert testimony, Mr. Hornsby is often involved in public speaking. Lecture topics and associated papers have included:

- Valuation Theory
Real Estate Symposium, University of Texas, 1984
- The Endangered Species Act and Its Impact on Property Value
Texas Savings and Loan League, 1989
- Asbestos Abatement and Lead Paint: Effects on Real Estate Value
Texas Association of Appraisal Districts, 1992
- The Schmidt Opinion From the Appraiser's Perspective
Office of the Attorney General, State of Texas, 1993
- Regulatory Takings
International Right of Way Association, 2000
- Fee Simple Versus Leased Fee Valuation: A Study of Appraisal Models
Downtown Austin Alliance, Institute of Real Estate Management, 2001
- Material and Substantial Impairment of Access
CLE International, 2003
- Capitalization Theory & Techniques
Chartered Financial Analysts, 2007

QUALIFICATIONS OF STUART MORROW

Experience

August, 2004 to Present	Staff Appraiser, Paul Hornsby & Company, Austin, Texas
January-June, 1998	Staff Appraiser, Southwest Property Consultants, Austin, Texas
March 1989-June 1991	Staff Appraiser, Southwest Property Consultants, Austin, Texas
June 1986-April 1988	Staff Appraiser/Analyst, JDH/Austin Valuation Consultants, Austin, Texas

Educational Background

B.B.A. Finance, May 1986, The University of Texas at Austin

Appraisal Institute:

- Course 110 - Appraisal Principles
- Course 120 - Appraisal Procedures
- Course 310 - Income Capitalization
- Course 320 - General Applications
- Course 420 - Business Practices and Ethics (8 hour course)
- Course 530 - Advanced Sales Comparison and Cost Approach

Other Course Work:

- Uniform Standards of Professional Appraisal Practice (15-hour course)
- Financial Institutions - Emphasis on the Federal Reserve
- Analysis of Money Market Instruments
- Commercial Real Estate Brokerage

Association Memberships

Appraiser Trainee Authorization # TX 1334453-T
Appraisal Institute Associate Member #339295

ADDENDA

SUBJECT DOCUMENTS

LEGAL DESCRIPTION AND LAND TITLE SURVEY



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;

0.965 Acre (42,021 Square Feet)

Page 1 of 3

329104.doc

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

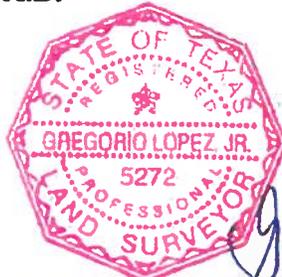
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KNOW ALL MEN BY THESE PRESENTS:

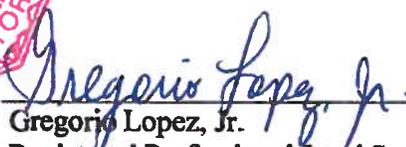
COUNTY OF TRAVIS

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.



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



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

REFERENCES

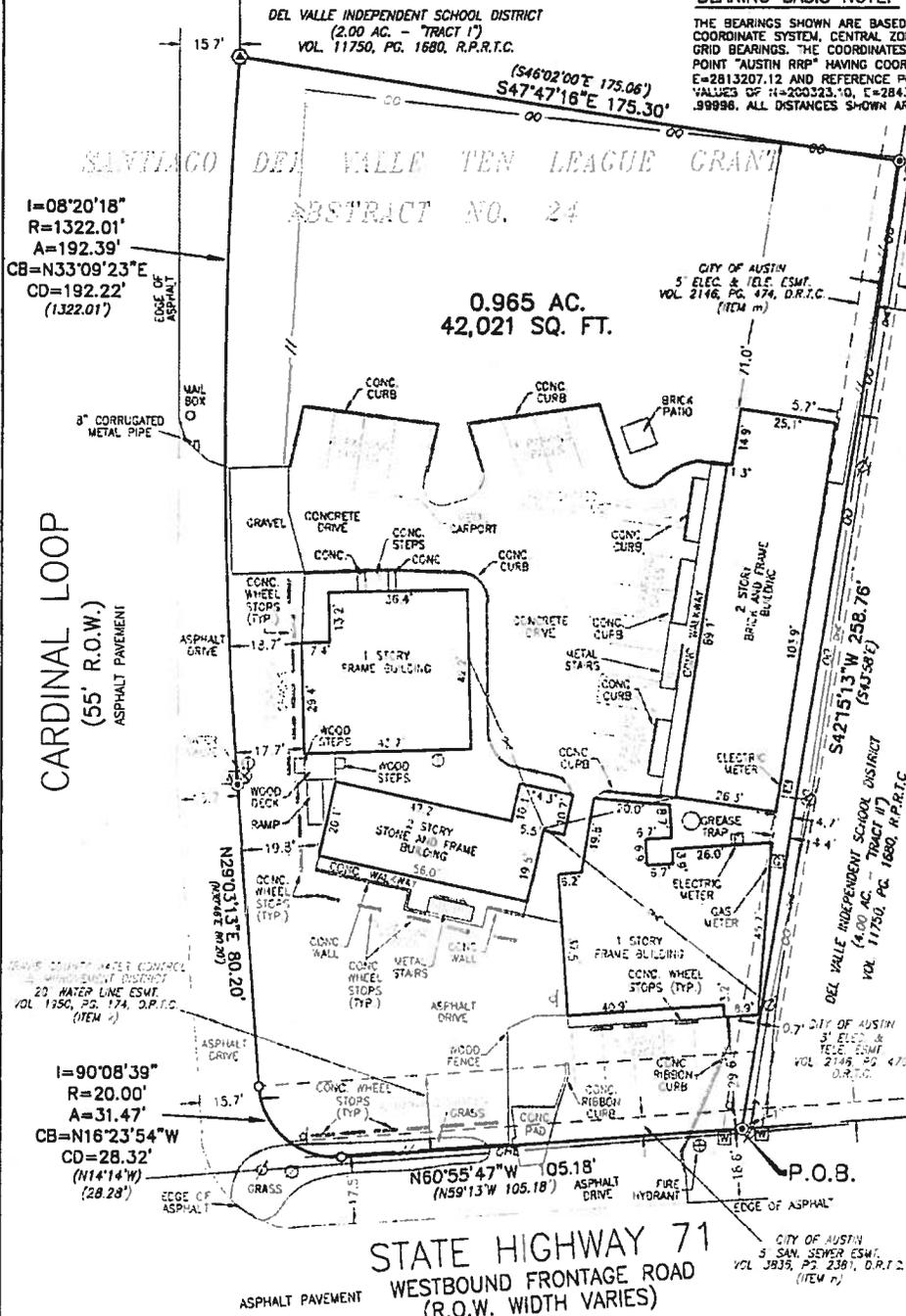
MAPSCO 2003 647J
Austin Grid No. MN-17
TCAD PARCEL ID NO. 03-1430-0401
MACIAS & ASSOCIATES PROJ. NO. 329-104-06

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 1880, 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.



SCALE: 1"=30'

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
①	WASTEWATER CLEANOUT
②	WATER METER
⊙	GAS VALVE
⊙	UTILITY POLE
—	OVERHEAD ELECTRIC LINE
—	WOOD FENCE
—	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:

- 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)
- ALL OTHER EASEMENTS LISTED IN SCHEDULE B OF THE TITLE COMMITMENT ISSUED BY COMMONWEALTH LAND TITLE INSURANCE COMPANY, OF NO. 2519002373, DATED NOVEMBER 16, 2008, 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 - Parcel Number 48453C-302, 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, OF No. 2519002373, effective date: November 16, 2008.

Restrictive covenants of record affect this survey; see Commonwealth Land Title Insurance Company, Schedule B, OF No. 2519002373, dated November 16, 2008.

STATE OF TEXAS | COUNTY OF TRAVIS |

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

HEREBY CERTIFY THAT THIS SURVEY WAS MADE ON THE GROUND UNDER MY SUPERVISION, THAT THIS PLAN 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 I SURVEY.

MACIAS & ASSOCIATES, INC.
Gregorio Lopez, Jr. Jan 4, 2007
 GREGORIO LOPEZ, JR.
 REGISTERED PROFESSIONAL LAND SURVEYOR, NO. 5272 DATE



DRAWING FILE: 329104.DWG
 JOB NO.: 329-104-06
 FIELD BOOK: F.B.430, PG.40

MACIAS & ASSOCIATES, INC.
 LAND SURVEYORS
 ★ ★ ★ ★ ★
 5410 SOUTH 1ST STREET
 AUSTIN, TEXAS 78745
 PH. (512)442-7875, FAX (512)442-7975
 EMAIL: MACIASURVY@CARTH.NET

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).

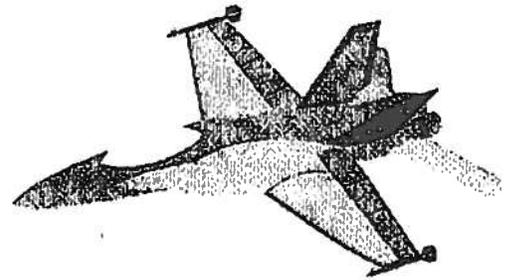
10. The following matters and all terms of the documents creating or offering evidence of the matters (We must insert matters or delete this exception.):
- a. **Rights of parties in possession. (Owner's Title Policy only)**
 - b. **Rights of tenants in possession under unrecorded leases or rental agreements.**
 - 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.**

BAR LEASE



Austin-Bergstrom
International Airport



FAX TRANSMISSION

DATE: February 20, 2007

TO: Jason Lee

FAX NO. (512) 477-1793

COMPANY: _____

FROM: Brenda Fabian
 ABIA Noise Mitigation Program
 2716 Spirit of Texas Drive #113
 Austin, Texas 78719
 (512) 530-6673 office
 (512) 530-6708 fax

No. of pages, including cover: 9

COMMENTS: Attached is the bar lease held between So Stamey and Apolinar Munoz. If you have any questions please feel free to call me.
 Thanks,
 Brenda Fabian

LEASE

This Lease is made and entered into by and between So Stamey, referred to in this lease as Lessor, and Apolinar Munoz, referred to in this lease as Lessee.

In consideration of the mutual covenants and agreements set forth in this lease, and other good and valuable consideration, Lessor does hereby demise and lease to Lessee, and Lessee does hereby lease from Lessor, the premises situated at 2607 Bastrop Highway, Del Valle, Texas previously known as the "Bull Pen".

ARTICLE 1. TERM
Term of Lease

§1.01 the term of this lease shall commence on the first day of November, 2006, and shall expire on the 31st of December, 2007. However, Lessee shall have the right to renew this lease for additional one year terms, as illuminated in paragraph 2.01, by delivering a written notice of intention to renew lease to Lessor no later than 90 days from the end of the term.

§1.03 If Lessee holds over and continues in possession of the leased premises after expiration of the term of the lease or any extension of that term, other than as provided in §1.02, Lessee will be deemed to be occupying the premises on the basis of a month-to-month tenancy, subject to all of the terms and conditions of this lease.

ARTICLE 2. Rent
Minimum Rent

§2.01 Lessee agrees to pay to Lessor on or before the 5th of each month, the sum of \$950.00 per month while the license is pending. First such payment is due on November 1st, 2006. Any rent payment not received by the fifth day of each month will be assessed a ten percent (10%) late fee. The first month the wine and beer license is issued, is the first month full rent is due at the rate of \$1950.00.

~~§2.02 If Lessee elects to renew the lease in five Lessee agrees to pay to Lessor an additional five (5) percent each year over and above the previous year's lease rate. The schedule is as follows:~~

year 2	\$1995.00	Jan 1, 2008
year 3	\$2095.00	Jan 1, 2009
year 4	\$2200.00	Jan 1, 2010
year 5	\$2310.00	Jan 1, 2011
year 6	\$2425.00	Jan 1, 2012

~~in the case of a renewal after year 6, the current market rate will prevail and the lease renegotiated assuming the lessee has maintained this lease in a responsible fashion.~~

AM
[Handwritten signature]

Consideration

§2.03 In addition to the rent, Lessee agrees to make a deposit of \$1,000.00.

Place of Payment

§2.04 Lessee agrees to pay rent as provided in this lease to Lessor at the Country Cottage Inn, 2605 Hwy 71 east, Dal Valle, Texas.

ARTICLE 3. USE OF PREMISES

§3.01 Lessee shall operate, as a commercial business entity continuously during the term of this agreement and shall use the premises for no other purpose without the prior written consent of Lessor. Lessee shall be responsible for requiring tenant to comply with all State and City rules regarding operation of the designated business and obtain all necessary licenses and permits to operate said business. Lessee is required to operate the business in a reasonable manner and be open for business on normal business days and during normal hours for the type of business being operated.

Waste, Nuisance, or Illegal Uses

§3.02 Lessee shall not use, or permit the use of, the premises in any manner that results in the use of the premises for any illegal purpose. Lessee, at its expense, will comply, and will cause its officers, employees, agents, and invitees to comply with all applicable laws and ordinances, and with all applicable rules and regulations of governmental agencies, concerning the use of the premises.

ARTICLE 4. MAINTENANCE AND SURRENDER

Maintenance by Lessor

§4.01 Lessee shall at his own expense, maintain the structure and make all necessary and reasonable repairs.

Maintenance and Surrender by Lessee

§4.02 At the termination of the lease, Lessee shall surrender and deliver the leased premises to Lessor in as good a state of repair and condition as they were in at the time Lessor delivered possession to Lessee, reasonable wear and tear and damage by fire, tornado, or other casualty excepted.

AM.


ARTICLE 5. TAXES AND ASSESSMENTS
Personal Property Taxes

§5.01 Lessee shall pay and fully discharge all personal taxes, special assessments, and governmental charges of every character imposed during the term of this lease on the furniture, trade fixtures, appliances, and other personal property placed by Lessee in, on, or about the leased premises.

§5.02 Lessor shall pay the taxes up to the amount charged in 2006. Lessee shall pay and fully discharge all real property taxes over and above the base year of 2006, special assessments, and governmental charges of every character imposed on the leased premises during the term of this lease, including any special assessments imposed on or against the premises for the construction or improvement of public works.

ARTICLE 6. UTILITIES AND GARBAGE REMOVAL
Utility Charges

§6.01 Lessor shall hold tenant responsible to pay all utility charges for water, electricity, heat, gas, and telephone service used in and about the leased premises during the term of the lease, all such charges to be paid directly to the utility company or municipality furnishing the same before the same shall become delinquent. Since the water and the gas are shared by the hotel and the lounge, Lessee will need to reimburse the Country Cottage Motel \$200.00 per month for usage.

Garbage Removal

§6.02 Lessee shall pay for the removal of all garbage and rubbish from the leased premises during the term of the lease.

ARTICLE 7. ALTERATIONS, ADDITIONS AND IMPROVEMENTS
Property of Lessor

§7.01 All alterations, additions, or improvements made by Lessee shall become the property of Lessor at the termination of this lease.

ARTICLE 8. MECHANIC'S LIEN

§8.01 Lessee will not permit any mechanic's lien or liens to be placed on the leased premises or upon improvements on the premises. If a mechanic's lien is filed on the leased premises or on improvements on the leased premises, Lessee will promptly pay the lien. Lessor may, at its option, pay the lien or any portion of it without inquiry as to its validity. Any amounts paid by Lessor to remove a mechanic's lien caused to be filed against the premises or against improvements on the premises by Lessee, including expenses and interest, shall be due from Lessee to Lessor and shall be repaid to Lessor immediately on presentation of written notice.



ARTICLE 9. INSURANCE AND INDEMNITY
Property Insurance

§9.01 Lessee, at its own expense, shall provide and maintain in force, during the term of this lease, liability insurance in the amount of a least \$1,000,000.00, covering Lessor as well as Lessee, with one or more insurance companies authorized to transact business in Texas and approved by Lessor.

Hold-Harmless Clause

§9.02 Lessee agrees to indemnify and hold Lessor harmless against any and all claims, demands, damages, costs, and expenses, including reasonable attorney's fees for the defense of such claims and demands, arising from the conduct or management of Lessee's business on the leased premises or from its use of the leased premises, or from any breach on the part of Lessee of any conditions of this lease, or from any act or negligence of Lessee, its agents, contractors, employees, subtenants, concessionaires, or licensees in or about the leased premises. In case of any action or proceeding brought against Lessor by reason of any such claim, Lessee, upon notice from Lessor, agrees to defend the action or proceeding by counsel acceptable to Lessor.

ARTICLE 10. DEFAULT
Default by Lessee

§10.01 If Lessee shall allow the rent to be in arrears more than thirty (30) days after written notice of such delinquency, or shall remain in default under any other condition of this lease for a period of thirty (30) days after written notice from Lessor, Lessor may, without notice to Lessee, terminate this lease, or in the alternative, Lessor may reenter and take possession of the premises and remove all persons and property without being deemed guilty of any manner of trespass and relet the premises, or any part of the premises, for all or any part of the remainder of the lease term to a party satisfactory to Lessor, and at such monthly rental as Lessor may with reasonable diligence be able to secure. Should Lessor be unable to relet after reasonable efforts to do so or, should such monthly rental be less than the rental Lessee was obligated to pay under this lease, Lessee shall pay the expense of reletting plus the amount of any deficiency in the rent to Lessor.

Lessor's Lien

§10.02 It is expressly agreed that, in the event of default by Lessee under this lease, Lessor shall have a lien upon all goods, chattels, or personal property of any description belonging to Lessee that are placed in, or become a part of, the leased premises, as security for rent due and to become due for the remainder of the current lease term. This lien shall not be in lieu of, or in any way affect, the statutory Lessor's lien given by law but shall be in addition to that lien, and Lessee grants to Lessor a security interest in all personal property placed in or on the leased premises for the purposes of the contractual lien.

AM.


Waiver of Breach

§10.03 A waiver by either Lessor or Lessee of a breach of this lease by the other party does not constitute a continuing waiver or a waiver of any subsequent breach of the lease.

ARTICLE 11. INSPECTION BY LESSOR

§11.01 Lessee shall permit Lessor and Lessor's agents, representatives, and employees to enter into and on the leased premises at all reasonable times for the purpose of inspection, maintenance, making repairs or alterations to the premises, or any other purpose necessary to protect Lessor's interest in the leased premises or to perform Lessor's duties under this lease.

ARTICLE 12. ASSIGNMENT AND SUBLEASE
Assignment and Subletting by Lessee

§12.01 Lessee may not sublet the premises without the express written consent of the Landlord where the conditions and covenants of this lease convey.

ARTICLE 13. MISCELLANEOUS
Notices and Addresses

§13.01 All notices required under this lease must be given by certified mail or registered mail, addressed to the proper party, at the following addresses:

Lessor: _____
So Stamey
2605 Hwy 71 east
Del Valle, Texas

Lessee: _____

Apolinar Munoz
710 Northwestern Avenue
Austin, TX 78702

Either party may change the address to which notices are to be sent it by giving the other party notice of the new address in the manner provided in this section.

AM.

Parties Bound

§13.02 This agreement shall be binding upon, and inure to the benefit of, the parties to this lease and their respective heirs, executors, administrators, legal representatives, successors, and assigns when permitted by this agreement.

Texas Law to Apply

§13.03 This agreement shall be construed under, and in accordance with, the laws of the State of Texas, and all obligations of the parties created by this lease are performable in Travis County, Texas.

Legal Construction

§13.04 In the case where any one or more of the provisions contained in this agreement shall for any reason be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, such as invalidity, illegality, or unenforceability shall not affect any other provision of the agreement, and this agreement shall be construed as if the invalid, illegal, or unenforceable provision had never been included in the agreement.

Prior Agreements Superseded

§13.05 This agreement constitutes the sole and only agreement of the parties to the agreement and supersedes any prior understandings or written or oral agreements between the parties respecting the subject matter of the agreement.

Amendment

§13.06 No amendment, modification, or alteration of the terms of this agreement shall be binding unless it is in writing, dated subsequent to the date of the agreement, and duly executed by the parties to this agreement.

Rights and Remedies Cumulative

§13.07 The rights and remedies provided by this lease agreement are cumulative, and the use of any one right or remedy by either party shall not preclude or waive its rights to use any or all other remedies. These rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance, or otherwise.

Attorney's Fees and Costs

§13.08 If, as a result of a breach of this agreement by either party, the other party employs an attorney or attorneys to enforce its rights under this lease, then the breaching party agrees to pay the other party the reasonable attorney's fees and costs incurred to enforce the lease.



Time is of the Essence

§13.09 Time is of the essence of this agreement.

The undersigned Lessor and Lessee execute this agreement on June 2, 2006,
Austin, Travis County, Texas.

LESSOR

So Stamey

LESSEE



Apolonia Munoz

AM.

ADDENDUM

1. Please note that on page 1 of the Lease, Article 2. Rent, Section 2.01, the following language is added and incorporated into the Lease with the same force and effect of any other provision therein:

"In addition to the minimum rent, Lessee shall pay to Lessor a fee of \$350.00 for parking space and storage space as determined and agreed to by the parties. In the event that any of Lessors property is annexed or purchased by the City of Austin or any other person or entity, then Lessors obligation to provide parking and storage to Lessee shall cease and Lessee shall not be required to pay the fee described herein."

2. Please note that on page 1 of the Lease, Article 2. Rent, Section 2.02, the section has been crossed out and will be replaced with the following language and schedule:

"If Lessee elects to renew the lease pursuant to Section 1.01, Lessee agrees to pay Lessor an additional five (5) percent each year (rounded to the nearest five dollar increment) over and above the previous year's lease rate. The schedule is as follows:

year 2	\$2,050.00	January 1, 2008
year 3	\$2,150.00	January 1, 2009
year 4	\$2,260.00	January 1, 2010
year 5	\$2,375.00	January 1, 2011
year 6	\$2,495.00	January 1, 2012

The above schedule does not include the additional \$350.00 fee for parking and storage, which will be required pursuant to number 1 above.

If Lessor and Lessee agree to a renewal after year 6, the current market rate will prevail and the lease will be renegotiated assuming the Lessee has maintained this lease in a responsible fashion."

AGREED AND ACCEPTED:

X. _____
So Stamey, Lessor

X. _____
Apolinar Munoz, Lessee

Date: _____

Date: _____

BILLBOARD GROUND LEASE

9-25-00

MEMORANDUM OF LEASE

This Memorandum of Lease is made and entered into by and between Reagan National Advertising of Austin, Inc , a Texas corporation ("Lessee") and So Stamey ("Lessor"), an individual

In consideration of Ten Dollars and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, pursuant to the terms, covenants, and conditions of the Lease Agreement dated February 18, 1998, executed by Lessor and Lessee (the "Lease"), Lessor has conveyed, demised and leased to Lessee and Lessee has taken from Lessor the premises located on the land described in Exhibit "A" attached hereto (the "Premises") for the purpose of erecting and maintaining thereon outdoor advertising structures. In addition, the Lease may transfer and convey to Lessee other rights in the Premises, including the right to purchase the Premises and/or restrictive covenants

This Memorandum of Lease constitutes notice of the existence of the Lease, the terms, covenants, and conditions of which are completely incorporated by reference herein to the same extent as if they had been set forth verbatim in this Memorandum of Lease

Executed this 25th day of September, 2000

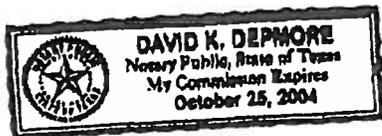
LESSEE:

REAGAN NATIONAL ADVERTISING OF AUSTIN, INC

By [Signature]
Printed Name Charles W (Bill) Horn
Title General Manager

STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

This instrument was acknowledged before me this 25th day of September, 2000, by Charles W (Bill) Horn, General Manager of Reagan National Advertising of Austin, Inc , a Texas corporation, on behalf of said corporation



[Signature]
Notary Public - State of Texas
Name David K Depmore
My Commission Expires 10/25/2004





LEASE NO. 510299

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 Five years commencing on or before 1st day of December 1997 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 Brythrop 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 map and boundary 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 advertising payments by lessee the rental shall be Two Dollars

This lease shall continue on the same terms and conditions for a like successive period hereafter, this lease shall continue in full force on the same terms and conditions for a like successive period of 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 sign is prevented or restricted by law, or if for any reason 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 pro rata 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 as 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, re-lease 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, lessor 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 16th day of February 1998

LESSEE: REAGAN NATIONAL ADVERTISING
Real Estate Rep: _____ Date: 2-18-98
ACCEPTED AND APPROVED BY: _____
General Manager: Charles J. (Bill) Kern Date: 2-18-98
Address: P.O. Box 12573, Austin, Texas 78761
LESSOR: (Please Print) BO Stamey (Country Cottage Motel)
Signature: BO Stamey Date: 2-18-98
Address: 2601 Brythrop Hwy (Hwy 71 E)
City: Del Valle State: TEXAS Zip: 78617
Soc. Security or Fed. ID #: _____ Phone: 512-385-8128

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

ABIA NOISE MITIGATION SCOPE OF WORK DOCUMENT

AUSTIN-BERGSTROM INTERNATIONAL AIRPORT NOISE MITIGATION PROGRAM

SCOPE OF WORK: VALUATION SERVICES

1. Appraisal

- 1.1. The development and reporting of assignment results must conform to the *Uniform Standards of Professional Appraisal Practice*; State Law appropriate for eminent domain appraisals; to the extent appropriate, the *Uniform Appraisal Standards for Federal Land Acquisitions*; and FAA regulations.
- 1.2. The intended use will be to assist THC, Inc. and the City of Austin in acquisition of the subject property for the Austin-Bergstrom Noise Mitigation Program.
- 1.3. The Client is THC, Inc.; an intended user is the City of Austin.
- 1.4. The definition of market value will be the following:

The price which the property would bring when its 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. From the Court Case of City of Austin vs. Cannizzo, et al, 267 S.W.2d 808,815 (1954).

- 1.5. The owner, or owner's designated representative, shall be given an opportunity to accompany the appraiser during the appraiser's inspection of the property. The THC Agent will coordinate an on-site meeting with the owner or owner's representative, the Appraiser and the Agent. This meeting will afford the owner the opportunity to accompany the Appraiser during his/her inspection of the property. At this meeting, the actual classification of items that may be considered as realty or personalty will be determined for appraisal and relocation assistance purposes.
- 1.6. The appraiser in forming an opinion of compensation for the property shall disregard any decrease or increase in the market value of the real property prior to the date of valuation caused by the public project for which such property is acquired or by the likelihood that the property would be acquired for such project, other than that due to physical deterioration within the reasonable control of the property owner. And the appraiser's opinion of market value shall not be linked to a specific exposure time. If the actual or imminent zoning reflects the circumstances involved with the noise mitigation project or land compatibility with ABIA, the prior zoning must be used. (This will require the Jurisdictional Exception Rule of USPAP with respect to S.R. 1-2(c) S.R. 1-3(a) and S.R. 1-4(f).)
- 1.7. Area and neighborhood analyses or descriptions are not required and should be kept to an absolute minimum. Any relevant social or economic data may be included in the highest and best use analysis.
- 1.8. A statement must be made concerning the existence or non-existence of commercially valuable mineral or oil deposits.
- 1.9. The subject property shall be appraised as if free and clear of all encumbrances except as stated in the body of the report; encumbrances must be identified in the Statement of Assumptions and Limiting Conditions.

- 1.10. A five-year sales history including any offers to buy or sell the property must be included. If no sale of the property has occurred in the last ten years, the appraiser should report the last sale of the property. The historical rental or lease history for the last three years must be included. The requirement for sales and rental history is limited to data available in the normal course of business.
- 1.11. A quantitative description of all improvements must be provided including site improvements, such as fences, paving, landscaping, and private water or wastewater systems.
- 1.12. The highest and best use must be an economic use. A non-economic use, such as conservation, natural lands, preservation, or other use withholding the property from economic production, is not a value use for forming an opinion of market value.
- 1.13. Photographs of the subject property must include an identification of the property, date taken, and name of the person taking the photograph. A plat or map showing the direction of the photographs is required.
- 1.14. Assessed value, jurisdictions, and tax rates for the property must be included.
- 1.15. The subject property is to be appraised in its current environmental condition as affected by noise.
- 1.16. For noise impacted properties comparables should be as similar as possible to the subject with respect to noise, location, and other factors. If comparables cannot be found in a similarly noise-impacted area, then the appraiser may move farther from the impacted area for comparables.
- 1.17. All comparables must be inspected by the appraiser; interior inspection of improved comparables is not required.
- 1.18. As noted, the "as-is" value of the subject property is required. For impaired properties, i.e. properties with environmental contamination, this may mean appraising the property as unimpaired and deducting remediation costs, monitoring costs, risk, liabilities, stigma, and use effects. The highest and best use of the impaired property may be different from the highest and best use of the unimpaired property. (See USPAP Advisory Opinion 9)
- 1.19. For all appraisals comparable sales data sheets are required and must include:

Seller	Mineral, oil, and gas interests included in sale
Buyer	Easement encumbrances
Date of Sale	Present Use
Legal Description	Highest & Best Use
Type of Instrument	Plat
Document Recording Information	Photograph
Price	Confirmation Date
Terms	Inspection Date
Location	Date Deed Read
Description of Property	Confirmation Source (all comparables must be verified in-house; Multiple Listing Services or Comparable Data Services are insufficient as the sole source of verification)
Zoning	

For appraisals of residential properties, the Fannie Mae Form 1004, if suitable, may be used; however, comparable data sheets are required.

1.20. Exhibits/ Addenda must include:

Location Map Comparable Data Maps Details of Comparables Plot Plan or Site Plan Floor Plan	Title Commitment (Schedule B) Notice to Proceed Letter to Owner Other Pertinent reports or studies, leases, contracts
--	--

1.21. The appraisal report will conform to Section 2-21 (*Appraisal Content - Detailed Appraisals*) of FAA Regulations and Section A (*Data Documentation and Appraisal Reporting Standards*) of the *Uniform Appraisal Standards for Federal Land Acquisitions* and include (but not be limited to):

Client Intended User(s) Intended Use Purpose of Appraisal Property Rights Appraised Effective Date of the Appraisal Date of Report Assignment Conditions (Assumptions) Legal Description of Property	Property Characteristics Easements & Encumbrances Photographs of Subject, including Interior Photographs Scope of Work Highest and Best Use Analysis Application of Relevant Approaches Comparable Sales with Photographs Reconciliation Signed Certification and FAA Form 5100-111
--	---

1.22. The appraisal report must include the following statement: The appraiser has been informed that the City of Austin generally requires the Grantor provided either a General or Special Warranty 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 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.

1.23. In addition to the appraiser's standard certification, FAA Form 5100-111, Certificate of Appraiser, is required. (This and other forms may be found at the following web address: <http://www2.faa.gov/arp/app600/49CFR24/Forms/mstrform.htm>)

1.24. On an as-needed basis and at the request of the THC Program Manager, the Consultant will provide an estimate of value for carved-out elements from the fair market value. The carved-out elements can include pools, outbuildings, excess land, etc. The Consultant will report their opinion in a letter to THC, which includes their methodology in deriving the estimate of value. This information will be used to support the calculation of relocation benefits.

2. Appraisal Review

2.1. The appraisal reviews will conform to Section 4 (*Review of Appraisals*) of FAA Regulations; to the extent appropriate, Section C (*Standards for Review of Appraisals*) of the *Uniform Appraisal Standards for Federal Land Acquisitions*; and the *Uniform Standards of Professional Appraisal Practice*. For conformance to FAA Regulations, the review appraiser will review the appraisal:

- for technical compliance with FAA standards;
- for use of proper appraisal techniques;
- for use of correct legal assumptions;
- to ensure the data presented is correct;
- to scrutinize each approach for reasonable support and documentation; and
- to assure, on a project basis, the values reported are consistent and uniform.

2.2. The reviewer will do an exterior inspection of the subject property and comparables. The comparable market data in the report need not be re-verified, but, if available, compared to information of the sales in the reviewer's files or data base. If inconsistencies or discrepancies are found amongst various appraisers concerning information of the comparables, the reviewer will attempt to reconcile and verify the source of the differences. If time permits, the reviewer will check courthouse records to verify the accuracy of the sales data in the appraisal and to review such records and other data sources for pertinent sales that were not considered by the appraiser in preparing the opinion of value. The reviewer will request and obtain corrections or revisions of the appraisals which do not substantially meet the FAA requirements. These will be documented and retained in the parcel workfile.

2.3. The purpose of this review will be to develop and present an opinion as to:

- the completeness of the material under review, given the scope of work applicable in the assignment;
- the apparent adequacy and relevance of the data and the propriety of any adjustments to the data, given the scope of work applicable in the assignment
- the appropriateness of the appraisal methods and techniques used, given the scope of work applicable in the assignment, and develop the reasons for any disagreement; and
- whether the analyses, opinions, and conclusions in the work under review are appropriate and reasonable, given the scope of work applicable in the assignment, and develop the reasons for any disagreement.

2.4. The reviewer will not form or present an opinion of value unless: (1) the reviewer is unable to recommend approval of an appraisal as an adequate basis for the establishment of the offer of just compensation; (2) the client determines that it is not practical to obtain an additional appraisal; and (3) the client requests the reviewer to form and present an opinion of value.

2.5. The client is THC, Inc.; an intended user is the City of Austin. The intended use will be to assist THC, Inc. and the City of Austin in acquisition of the appraised properties for the Austin-Bergstrom Noise Mitigation Program.

2.6. If the owner or owner's representative makes a counter offer, the documentation by the owner substantiating the basis of the counter offer will be provided to the Reviewer. The Reviewer will determine if the documentation is sufficient to support any change to the previously established value.

Estimated Contributory Value of Tenant Improvements to Bar	
Replacement Cost New (\$35.91 x 2,570 SF)	\$92,289
Less,	
Tile and carpet, removed and replaced	\$8,600
AC (bought and installed)	\$4,300
Carpentry	\$3,000
Marble bar top	\$4,000
Electrical work	\$1,700
Equipment (Economy Supply)	\$96
Metal door (Hull Supply)	\$880
Metal back door, used (3 rd Street Used Doors)	\$400
Labor, Install back metal door	\$450
Labor, Install front metal door	\$450
Labor, general; \$10/hr x 30hr/wk x 4 mths	\$7,740
Labor, Fabian Galleton, paint ½ roof	\$600
Labor, Julio Galleton, interior painting	\$7,300
Labor, Apolinar Munoz, \$18/hr x 30/wk x 6m	\$13,932
Labor, Plumber	\$1,100
Video Surveillance Security Equipment	\$7,805
Labor, Misc.	\$1,000
Total Tenant Contribution	\$63,353
Less, Security System (3/07):	\$7,805
Final Tenant Contribution	\$55,548

Furniture, Fixtures, and Equipment: Bar "El California"

Item	Qty	Cost New EA	RCN	Depr	Depr'd Value
100 Bar stools and 24 bar tables (invoice 9/26/06): 84 red stools @\$39.98; 16 green stools @ \$59.98; 24 tables @\$72.91; 10% discount; 8.25% sales tax	125	\$47	\$5,911	0%	\$5,911
Used Refrigerator purchased from So Stamey (12/06)	1	\$1,000	\$1,000	0%	\$1,000
Marble top bar (west wall)	1	\$4,000	\$4,000	0%	\$4,000
Bar sink - \$610; 3 Keg Refrigerator - \$1,790; Glass Chiller - \$1,600 (invoice 10/26/06) = \$4,330 with tax.	1	\$4,330	\$4,330	0%	\$4,330
Bottle box refrigerator - \$1,740; Ice Machine - \$2,625; 3.29% tax = \$4,508. (invoice 9/26/06)	1	\$4,508	\$4,508	0%	\$4,508
Sound system: (pretax pricing: CD Player 1 - \$400; Odyssey Mixer - \$180; CD Player 2 - \$300; Pwr Amp - \$700; Pro Power Cond - \$40; Mixer Case - \$200; Stereo Power Amp - \$1,270; fog fluid - \$76; cable 1 - \$160; cable 2 - \$160; active Xover - \$200) (invoice 2/15/07) = \$3,685 x 0% tax = \$3,685.	1	\$3,685	\$3,685	0%	\$3,685
Sound system: (Stereo Pwr Amp 1 - \$590; Stereo Pwr Amp 2 - \$590); pic #0337; purchase from Guitar Center (1/13/07). No sales tax.	1	\$1,180	\$1,180	0%	\$1,180
Other - Security System (purchased 3/07; after effective date of appraisal of 1/10/07. Must deduct.)	1	\$7,805	\$7,805	0%	\$7,805
Other - Water Filter System 10" (9/26/06)	1	\$160	\$160	0%	\$160
Other -	1	\$0	\$0		\$0
Other	1	\$0	\$0		\$0
Other	1	\$0	\$0		\$0
TOTAL			\$32,580		\$32,580
Less: Bar marble top (permanent; not removable FF&E)					\$4,000
Less: Security System (3/07)					\$7,805
Less: 2 large speakers (1/13/07)					\$1,180
TOTAL FF&E					\$19,595
Rounded To:					\$19,500
Source: Inspection; receipts					

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	<u>132,190</u>	<u>50,715</u>
Total	610,961	193,969
6 yr. avg.	101,827	32,328

Detail

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Gross	121,595	123,729	69,035	59,599	104,813	132,190
Expenses						
Auto	3,153	6,475			2,590	
Depreciation	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 Chrg	139	97	298	53	147	87
Dues	30	1,877				
Janitorial		1,659				
Miscellaneous		2,242	53	220	1,801	2,700
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

Country Cottage Motel - Rent Roll

(Current long term residents as of 1/31/07)

Teddy Hall	Room 16	March 3, 1999 to Present
Mitsuyo Martin and Thomas Zellers	Room 12	March 10, 2005 to Present
Charlie Ray	Room 18	July 14, 2006 to Present
William Stamey	Room 15	March 3, 2006 to Present