

LONG ISLAND INVESTMENT OPPORTUNITY

Port Isabel, TX



Troy Giles Realty
& Management

5813 Padre Boulevard
South Padre Island, Texas
(956) 761-2040
www.tgrealty.com

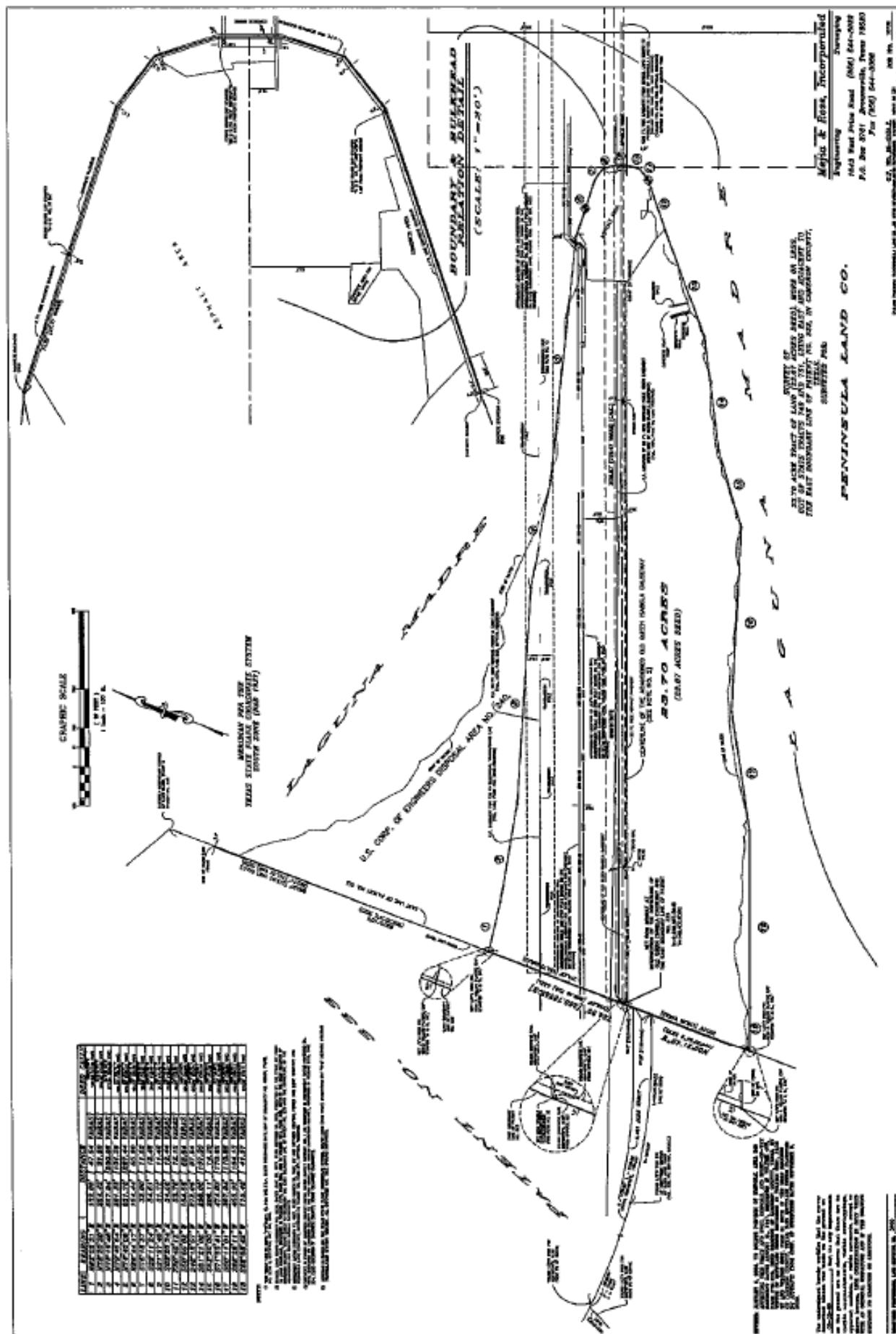
TROY GILES REALTY AND MANAGEMENT

Long Island Investment Opportunity

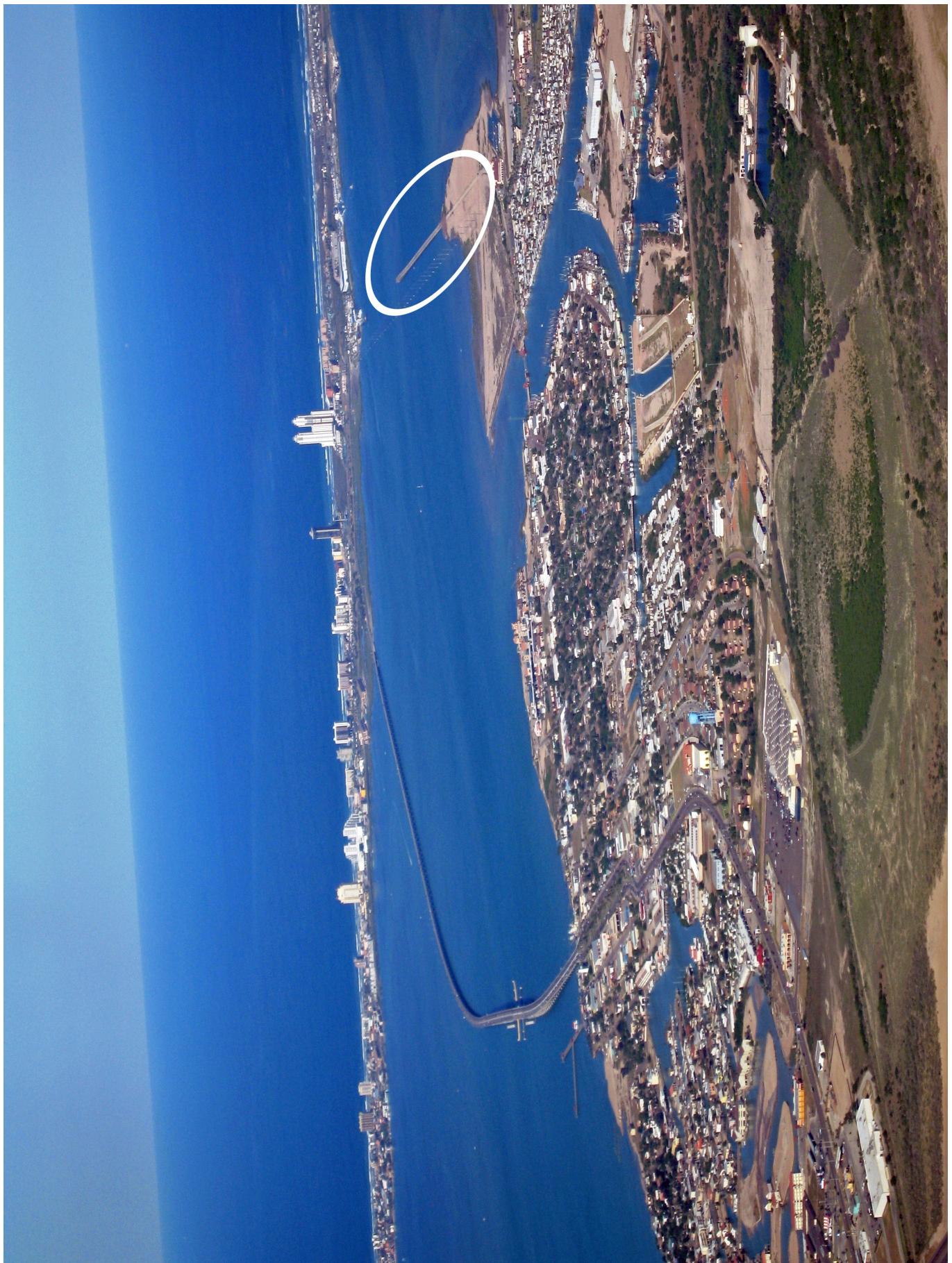
**23+ acre Fee Simple Tract
Lying at the “foot” of the past Causeway entrance to
South Padre Island within the
Historical City of Port Isabel, Texas
And
A 90 Acre Leasehold, Submerged Tract
(to include 3,187 +/- feet of the original Queen Isabella Causeway)**

Within the past 37 years, since closing of the Original Causeway in 1975, the Original Causeway and adjacent land has been under control by other parties, such as the developers of the Peninsula Yacht Club, Port Isabel, Texas and the Mariner's Point project (see attached information) which never came to fruition because they were “before their time”. The previously proposed projects for the subject site were well thought out much like to-day's Long Island Village and the SPI's properties: the Boardwalk Condominium Yacht Club, Las Marinas Condominiums, the early Fiesta Harbor, and the KOA RV Campgrounds (located on the opposite end of the original Queen Isabella Causeway). The market has been drastically affected by the economy the past few years, BUT now the area is seeing the “light at the end of the tunnel”. The Classic Original Causeway and adjacent land is not only a prime site for a Second Home Water Oriented Community and/or RV Campground but (thinking out of the box) a prime fishing pier and observation deck for SpaceX, public park for Port Isabel, Long Island Village (Outdoor Resorts) and Cameron County, etc.

With the proposed coming of SpaceX and the 2nd Causeway to South Padre Island, the Classic Original Causeway will become a valuable and prime location for development. The unique aspect of the site and its location offer great possibilities to accommodate a growing population and tourist destination. The subject site offers 23.67 acres of peninsula type land surrounded on 3 sides by water with the abutting 3,187' of Original Causeway extending into the Laguna Madre Bay. Approximately 90 acres of submerged land also conveys as leasehold. Located on Long Island, the highest and best use is most likely Multi-family and/or Recreational. The Original Causeway could be utilized for its deep water mooring possibilities, the best redfish and snook fishing in the area and no doubt this land and causeway would be a prime spot to watch rockets launch from the nearby proposed SpaceX launch site that would be located approx. 5 miles south on Boca Chica Beach.



Although this information is believed to be accurate it cannot be guaranteed.

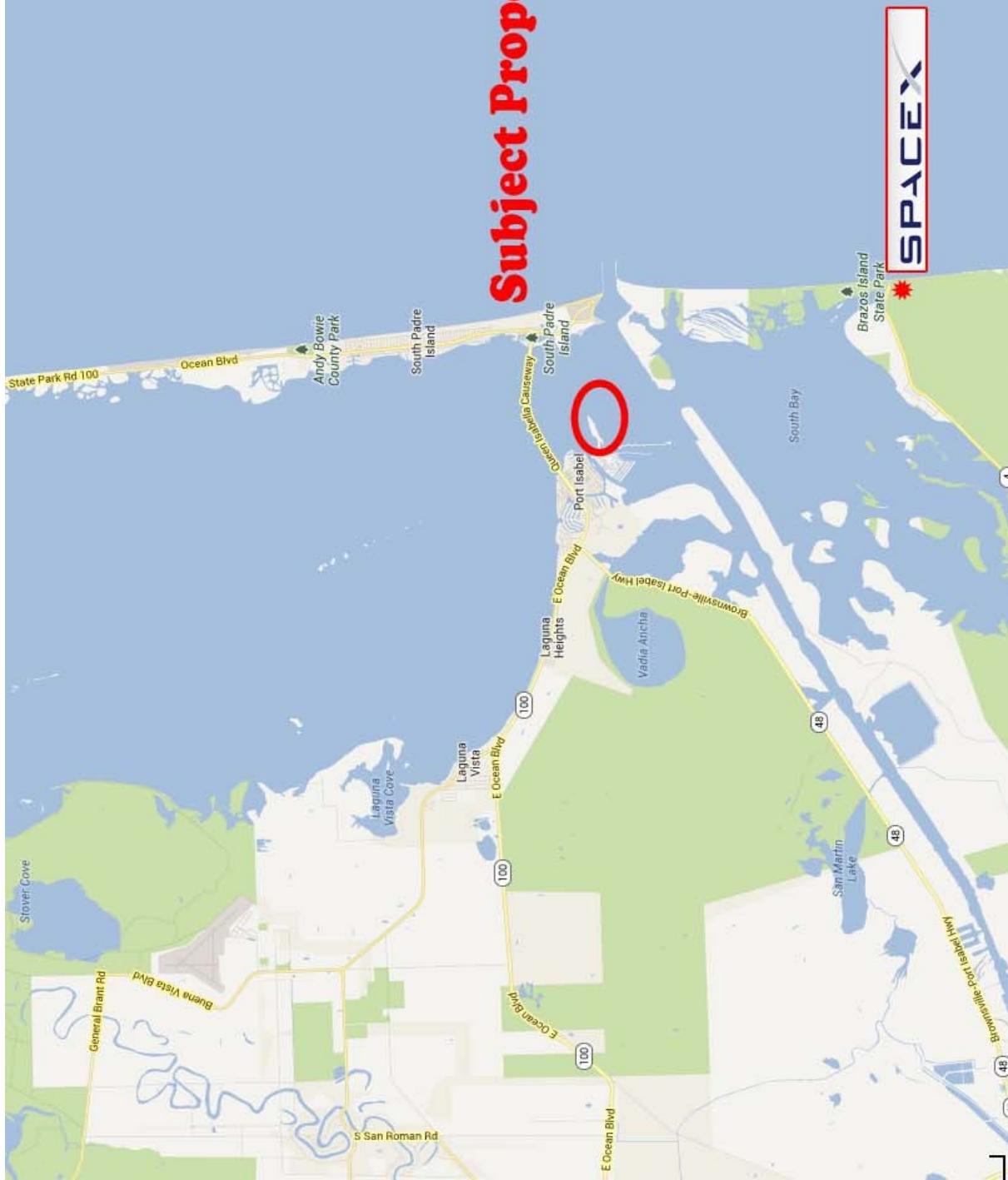


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Subject Property

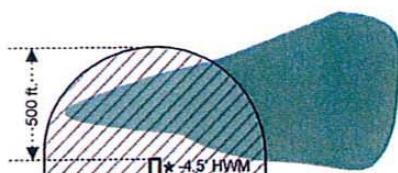


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Unvegetated
Submerged



Laguna Madre

Tide Level: Normal
Water Visibility: 3'

Description of Leased Area

Being 500 feet either side of the center line of the existing western portion of the Old Queen Isabella Causeway and the 3,187-foot State-owned causeway, adjacent to Long Island, Cameron County.

Upland Property Legal Description

A 23.67 acre tract of land out of State Tracts 749 and 751, Laguna Madre Cameron County, Texas, and being that certain tract further described as "Tract 2" in deed recorded at Volume 137 Pg. 391 Deed Records Cameron County, Texas

Bulkhead Elevation: 6' HWM

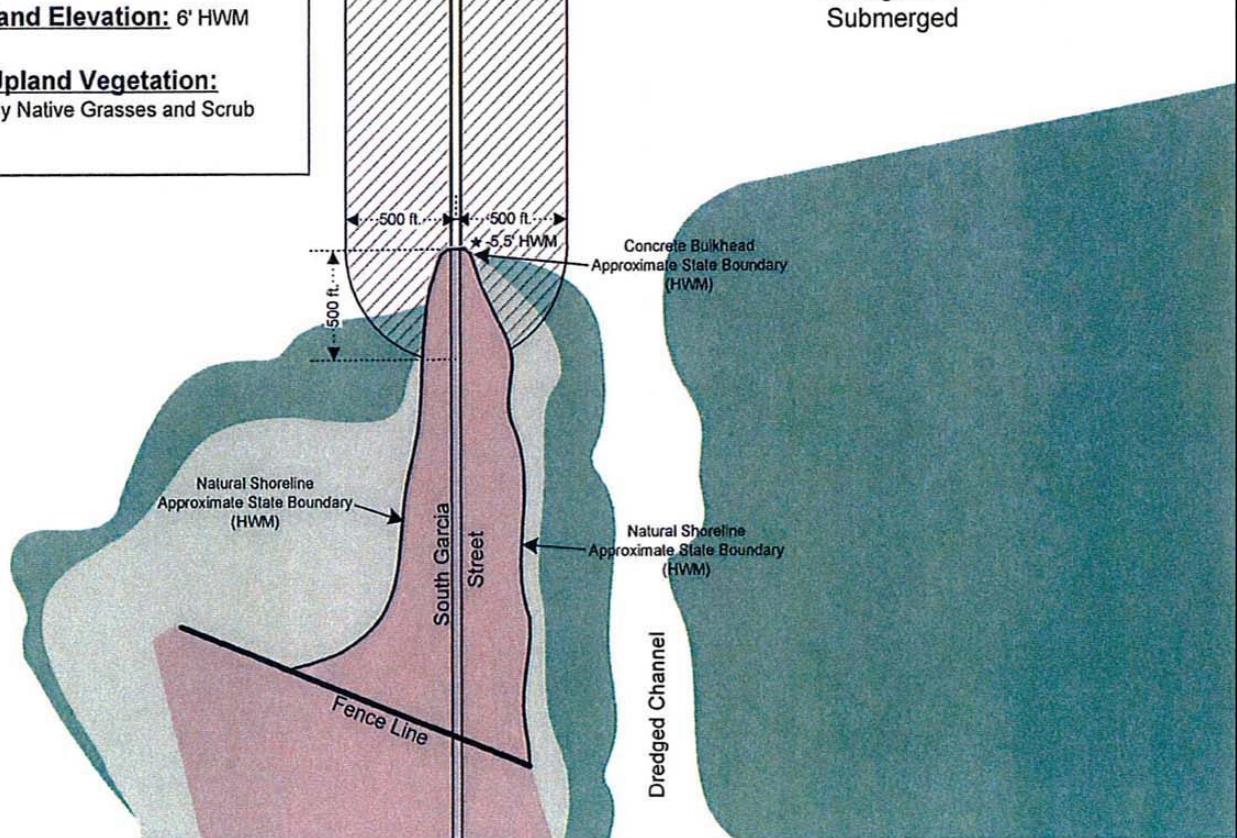
Upland Elevation: 6' HWM

Upland Vegetation:

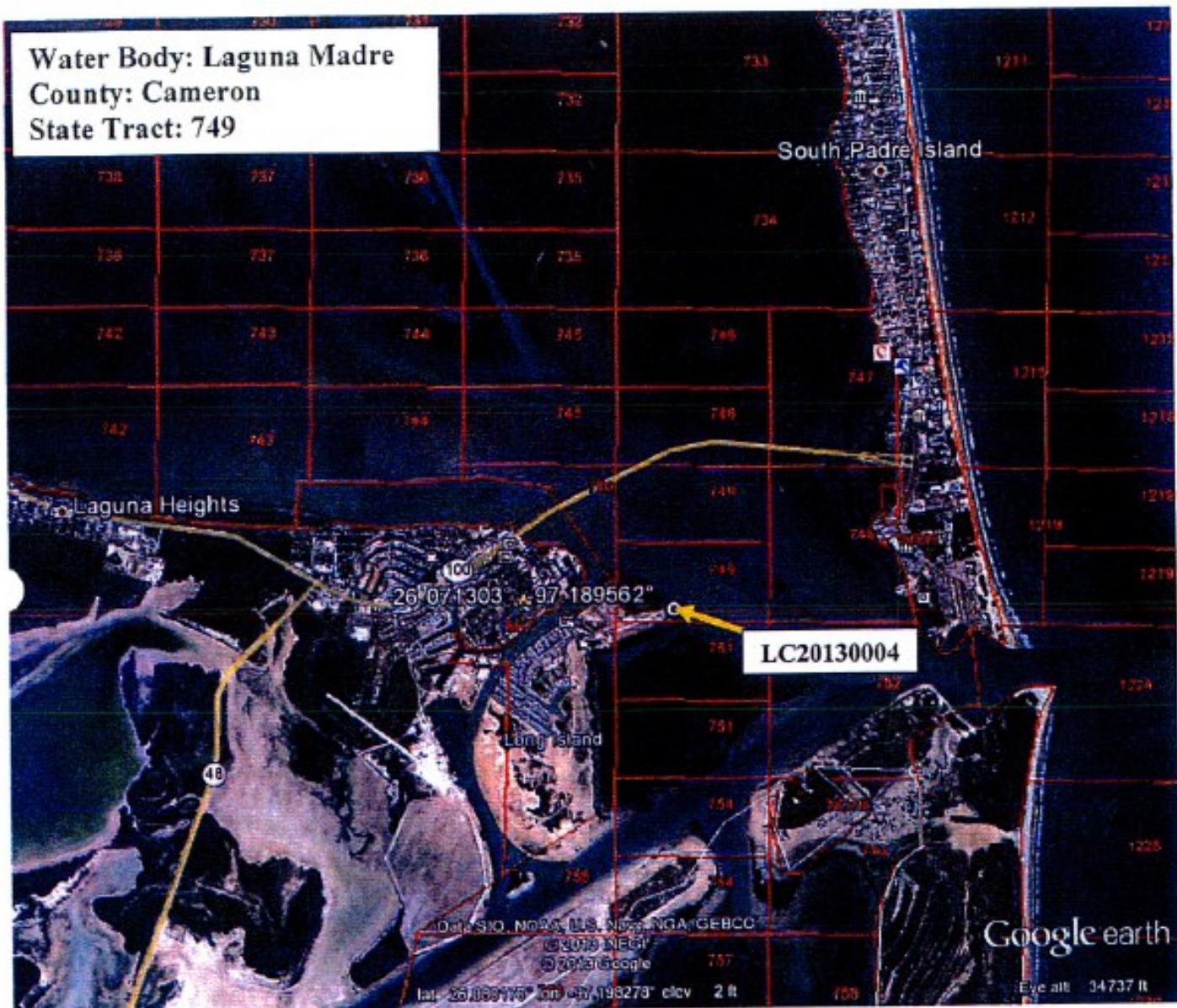
Patchy Native Grasses and Scrub

- = Seagrass (~9 acres within leased area)
- = Intertidal and Marsh Areas (~1 acre within leased area)
- = Uplands

Unvegetated
Submerged



Water Body: Laguna Madre
County: Cameron
State Tract: 749



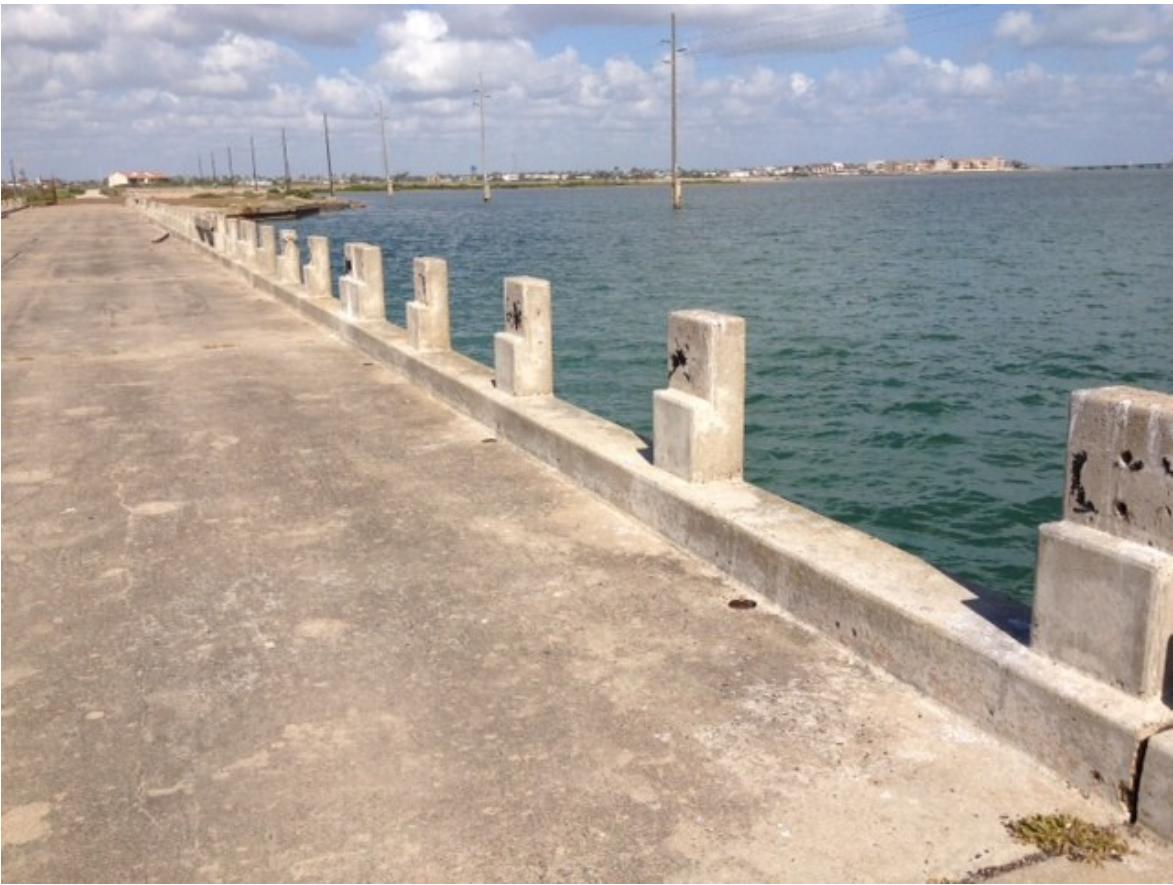
Title: Patriot Bank / LC20130004	Date of Inspection: December 18, 2012
Company: General Land Office	Creator: Jason Zeplin
Scale: Not to Scale	Exhibit A

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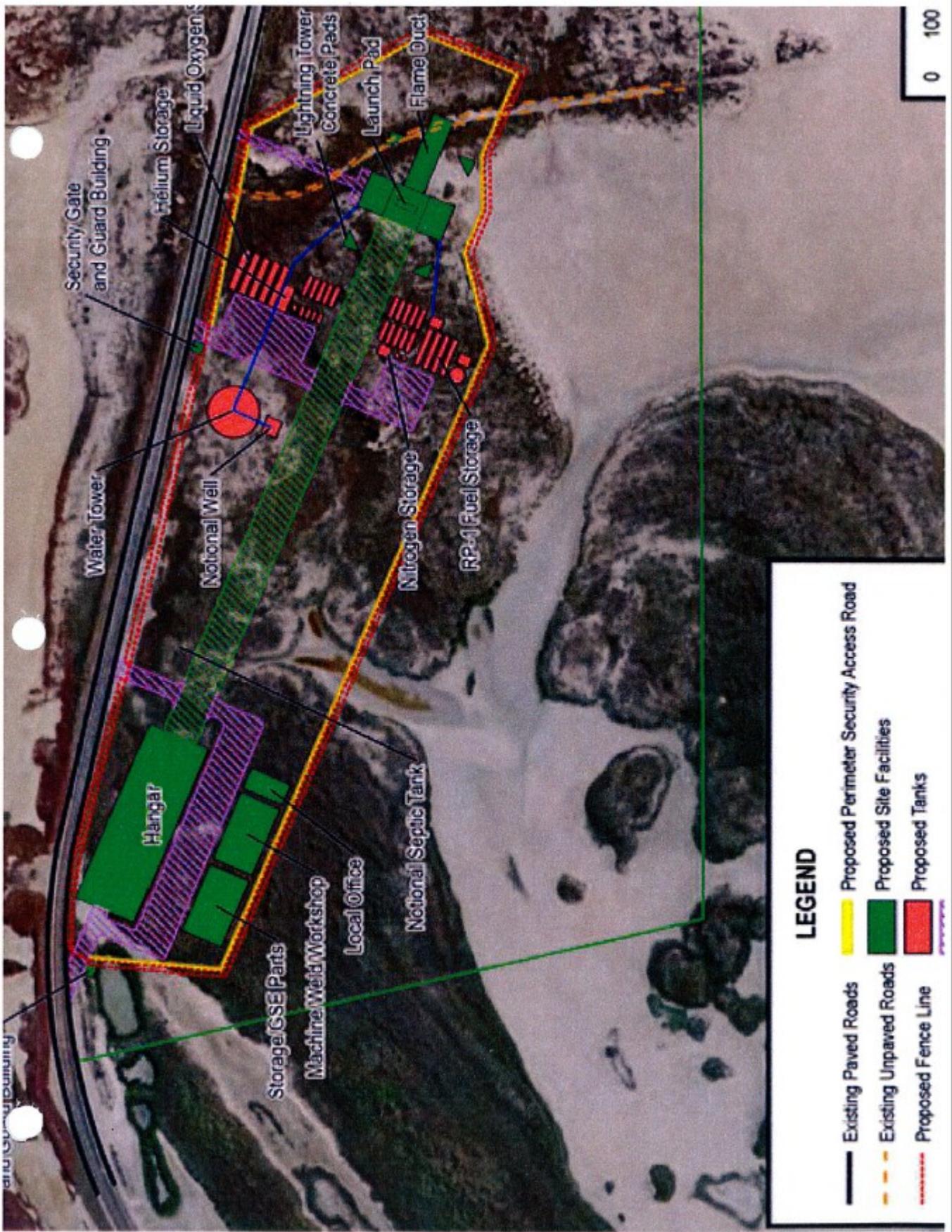
Property Photographs



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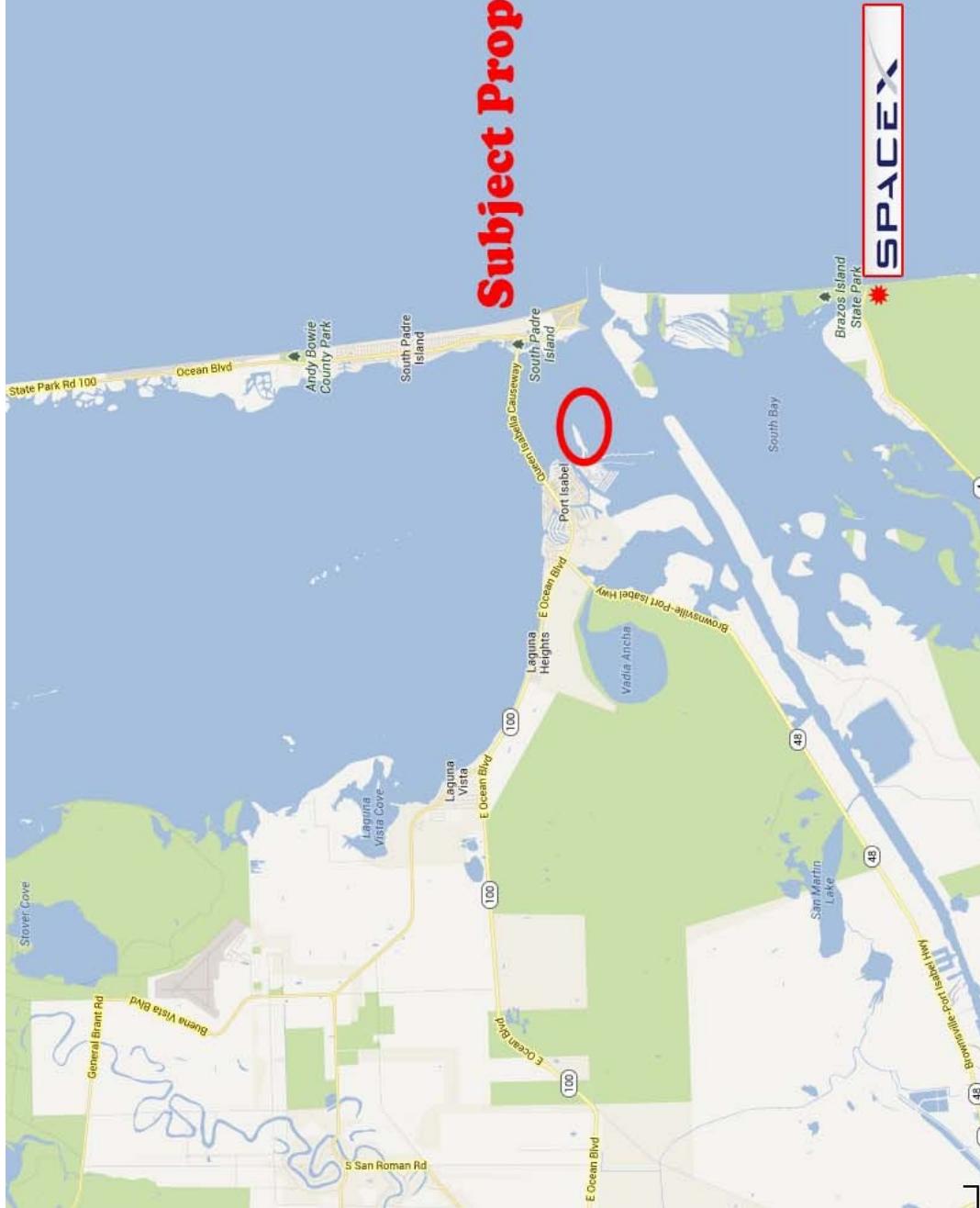
Although this information is believed to be accurate it cannot be guaranteed.

Space X Information



Although this information is believed to be accurate it cannot be guaranteed.

Subject Property



Although this information is believed to be accurate it cannot be guaranteed.

LONG ISLAND INVESTMENT OPPORTUNITY

Port Isabel, TX



TEXAS GLO LEASE



TEXAS GENERAL LAND OFFICE

COMMERCIAL COASTAL EASEMENT NO. LC 20130004

This Commercial Coastal Easement No. LC 20130004, (the "Easement"), is granted by virtue of the authority granted by Chapter 33, TEX. NAT. RES. CODE ANN. and 31 Texas Administrative Code Chapters 1 and 155, and all amendments thereto, and subject to all rules and regulations promulgated by the Commissioner of the General Land Office and/or the School Land Board pursuant thereto and all other applicable statutes.

ARTICLE I. PARTIES

1.01. In consideration of the mutual covenants and agreements set forth in this Easement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the State of Texas, acting by and through Jerry Patterson, Commissioner of the General Land Office and Chairman of the School Land Board, on behalf of the Permanent School Fund ("Grantor"), does hereby grant to PB Commercial LLC, a Texas limited liability company ("Grantee"), whose address is 7500 San Felipe, Suite 125, Houston, TX 77063-1707, the right to use the property described herein for the purposes described in this Easement.

ARTICLE II. PREMISES

2.01. The property Grantee may use is described as follows:

Submerged portions of State Tract 749, Laguna Madre, Cameron County, Texas, being 500' either side of the center line of the existing western portion of the Old Queen Isabella Causeway, and the approximately 3,187-foot State-owned causeway structure, for a total project encumbrance of approximately 90.0 acres (collectively, the "Premises"). The Premises are further described and depicted on **Exhibits A and B** attached hereto and incorporated herein by reference.

2.02. Grantee represents that the Premises are located adjacent to property which is owned by Grantee or in which Grantee has a possessory interest, which property is identified as:

A 23.67 acre tract of land out of State Tracts 749 and 751, Laguna Madre Cameron County, Texas, and being that certain tract further described as "Tract 2" in deed recorded at Volume 137, Pg. 391, Deed Records Cameron County, Texas.

2.03. Grantee acknowledges and agrees that when any authorized improvements are placed on the Premises, the location of such improvements shall thereby become fixed at such location and shall not be changed except by a written amendment to this Easement.

2.04. AS IS: GRANTEE HAS INSPECTED THE PHYSICAL AND TOPOGRAPHIC CONDITION OF THE PREMISES AND ACCEPTS THE SAME "AS IS," IN ITS EXISTING PHYSICAL AND TOPOGRAPHIC CONDITION. GRANTEE ACKNOWLEDGES THAT IT IS NOT RELYING ON ANY REPRESENTATION, STATEMENT, OR OTHER ASSERTION OF GRANTOR WITH RESPECT TO THE CONDITION OF THE PREMISES, BUT IS RELYING ON GRANTEE'S OWN INSPECTION OF THE PREMISES. GRANTOR DISCLAIMS ANY AND ALL WARRANTIES OF HABITABILITY, MERCHANTABILITY, SUITABILITY, FITNESS FOR ANY PURPOSE, AND ANY OTHER EXPRESS OR IMPLIED WARRANTY NOT EXPRESSLY SET FORTH IN THIS AGREEMENT. THE USE OF THE TERM "GRANT" IN NO WAY IMPLIES THAT THIS AGREEMENT IS FREE OF LIENS, ENCUMBRANCES, AND/OR PRIOR RIGHTS. GRANTEE IS PUT ON NOTICE THAT OTHER GRANT AND/OR ENCUMBRANCE MAY BE OF RECORD, AND GRANTEE IS ADVISED TO EXAMINE THE RECORDS IN THE ARCHIVES AND RECORDS DIVISION OF THE GENERAL LAND OFFICE AND RECORDS OF THE COUNTY IN WHICH THE PREMISES ARE LOCATED.

2.05. **RESERVATIONS:** Grantor reserves the full use of the Premises and all rights with respect to its surface and subsurface for any and all purposes except for those granted to Grantee. The aforementioned reserved full use of the

Premises by Grantor includes the right of ingress, egress, and use of the Premises by Grantor, its officers, agents, representatives, employees, and other authorized users for any authorized purpose.

ARTICLE III. TERM

3.01. **INITIAL TERM:** The initial term of this Easement is for a total period of forty (40) years, beginning effective March 5, 2013, and terminating on March 4, 2053, unless earlier terminated as provided in this Easement.

3.02. **RENEWAL OPTION:** Upon expiration of the initial term of the Easement, Grantee shall have the option, upon six months advance written notice to the State, to renew the Easement for a period of twenty (20) years from the date of expiration, provided that Grantee is in compliance with all terms and conditions of this Easement.

ARTICLE IV. CONSIDERATION

4.01. **CONSIDERATION:** As consideration for the granting of this Easement, Grantee agrees to pay Grantor as consideration (the "Rent") annual installments of **One Thousand And 00/100 Dollars (\$1,000.00)**, beginning March 5, 2013. Rent is payable on or before the first day of each "Easement Year." "Easement Year" means the period from March 5th of one year through March 4th of the following year, with the first Easement Year beginning March 5, 2013.

4.02. **PAST DUE CONSIDERATION:** All consideration and any other payments hereunder to be paid by Grantee shall be deemed to be "rent" and due and payable by Grantee without demand, deduction, abatement, or off-set. Past due Rent and other past due payments shall bear interest from maturity at the rate of ten percent (10%) per annum from the date when due until actually paid. Failure of Grantee to make a payment on or before the date the same becomes due shall, at the option of Grantor, make all payments due and payable immediately. Grantor and Grantee agree that the foregoing represents a fair and reasonable estimate of the expenses that Grantor may incur by reason of such late payment by Grantee. Acceptance of such late payments by Grantor shall not constitute a waiver of Grantee's default with respect to any such past due amounts, nor prevent Grantor from exercising any other rights and remedies available to Grantor hereunder, at law, or in equity.

4.03. **HOLDOVER:** If Grantee continues in possession of the Premises after expiration or earlier termination of this Easement, Grantee 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 Easement, except that, as liquidated damages by reason of such holding over, the amounts payable by Grantee under this Easement shall be increased such that the Consideration and any other sums payable hereunder shall be 200% of the amount payable to Grantor by Grantee for the applicable period immediately preceding the first day of the holdover period. Grantee acknowledges that in the event it holds over, Grantor's actual damages will be difficult, if not impossible, to ascertain, and the liquidated damages herein agreed to be paid are reasonable in amount and are payable in lieu of actual damages and are not a penalty. Grantee further acknowledges that acceptance of consideration under this provision does not imply Grantor consented to hold over. This month-to-month tenancy may be terminated by either party upon 30 days' written notice to the other.

ARTICLE V. TAXES

5.01. Grantee shall, as further consideration for this Easement, pay and discharge all "Taxes" properly assessed in any calendar year (or portion thereof) during the term of this Easement. For the purposes of this Easement, the term "Taxes" means all taxes, assessments, impositions, levies, charges, excises, fees, licenses, and other sums (whether now existing or hereafter arising, whether foreseen or unforeseen, and whether under the present system of taxation or some other system), that during the term of this Easement may be levied, assessed, charged, or imposed by any governmental authority or other taxing authority or accrue on the Premises and any Improvements or other property thereon, whether belonging to Grantor or Grantee, or to which either of them may become liable in relation thereto. The term "Taxes" shall also include all penalties, interest, and other charges payable by reason of any delay or failure or refusal of Grantee to make timely payments as required pursuant to this provision. **GRANTEE AGREES TO AND SHALL INDEMNIFY AND HOLD GRANTOR HARMLESS FROM LIABILITY FOR ANY AND ALL TAXES, TOGETHER**

WITH ANY INTEREST, PENALTIES, OR OTHER SUMS IMPOSED, AND FROM ANY SALE OR OTHER PROCEEDING TO ENFORCE PAYMENT THEREOF.

5.02. Grantee agrees to pay all Taxes directly to the applicable taxing authority not less than fifteen (15) days prior to the date of delinquency thereof and to provide Grantor with evidence of payment not less than 30 days after payment is made.

ARTICLE VI. USE OF PREMISES

6.01. Grantee shall have the right to use the Premises solely for the following uses (the "Approved Use"): construction, operation, and maintenance of a marina facility and/or fishing pier. Grantee shall not use the Premises for any other purpose without obtaining prior written consent of Grantor, which consent may be granted or withheld by Grantor in its sole discretion. Notwithstanding the preceding, Grantor shall not unreasonably withhold its consent to proposed changes to the Approved Use that advance the development of the adjacent property while maintaining or enhancing the safety and value of the Premises.

6.02. Any changes to the Approved Use will require Grantor's prior written consent and will require the adjustment of the Rent, terms, and conditions of the Easement.

6.03. Any construction on the Premises will require Grantor's prior written approval of Grantee's plans pursuant to Section 6.10 and may require adjustment of the Rent, terms, and conditions of the Easement.

6.04. Grantee's right to use the Premises is exclusive as to those alterations, additions, and/or improvements located, or to be located, on the Premises (collectively the "Improvements"), as more specifically described under this Article VI ("Use of Premises") and further depicted on **Exhibit B**, and non-exclusive as to the remainder. The location of the Improvements shall not be changed except by a written amendment to this Agreement. Any and all Improvements existing prior to the execution of this Agreement are and shall remain the property of Grantor.

6.05. Except as otherwise allowed in this Easement, no construction, land modifications or excavation, or permanent property improvements may be allowed or undertaken on the premises without Grantor's prior express written consent. Grantee may not maintain or allow any nuisances or public hazards on the Premises, and shall be under a duty to abate or remove any activity or property constituting or contributing to a hazard or nuisance. Grantee may file a criminal complaint or institute civil proceedings to protect his right of possession and Easement interest in the Premises against trespass of other infringement of Grantee's rights by third parties.

6.06. For the purposes of this Easement, the term "Improvements" means anything constructed and/or placed or operated by Grantee on the Premises, including but not limited to the existing causeway structure and anything constructed, placed, or operated on the causeway structure.

6.07. Grantee shall insure that all Improvements constructed by it and/or placed or operated on the Premises, including but not limited to the causeway structure, are visible to operators of marine craft at all times. Grantee is required to maintain the causeway structure in a safe condition, secure the structure and all improvements so as to prevent unauthorized persons from accessing it, and clearly install and maintain navigation lights, as required by the U.S. Coast Guard, on the structure. Grantee may not restrict or prevent other persons from access to navigating open, navigable waters. NAVIGATION AIDS, CONSISTENT WITH U.S. COAST GUARD GUIDANCE, SHALL BE INSTALLED AND MAINTAINED BY GRANTEE.

6.08. By execution of this Easement, Grantee authorizes Grantor, its officers, agents, representatives and employees to access the Premises over and across Grantee's adjacent property described in Section 2.02. In exercising such right, Grantor agrees not to unreasonably interfere with Grantee's use of such property, and Grantor agrees to exercise its right of ingress and egress only at reasonable times (except in an emergency) for purposes of inspection, repair and as necessary to protect Grantor's interests. Grantor agrees to use adjacent land owned by Grantee only to the extent and for the length of time necessary to provide access to and from the Premises. The foregoing authorization creates a license only, and does not create an easement over Grantee's adjacent property.

6.09. Grantee acknowledges and agrees that Grantor's right of ingress and egress described in Section 6.08 of this Easement shall remain in effect as long as the Improvements and any other structure placed on the Premises by Grantee remain on the Premises and/or as necessary for Grantor to confirm the removal (in whole or in part) of the Improvements. Such right of ingress and egress shall survive the termination of this Easement.

6.10. Grantee's use of the Premises is subject to compliance with the following covenants, obligations and conditions (the "Special Conditions"):

- A. Grantee must notify Grantor, in writing, at least sixty (60) days prior to modification, rebuilding, major repair, or removal of any structure authorized in this instrument.
- B. Prior to any construction on the Premises, Grantee must obtain Grantor's written approval of Grantee's plans, regardless of whether such plans are for the Approved Use or for a proposed use to which Grantor has previously consented to in writing.
- C. Grantee must submit plans not later than June 1, 2015. Construction may commence at any time upon Grantor's approval of Grantee's plans, but must commence not later than January 1, 2016. The construction completion timeline is subject to Grantor's approval.
- D. The timelines for performance under this Section are subject to amendment, if requested by Grantee and approved in writing by Grantor.

6.11. Prior to undertaking construction, installation, modification, or removal of Improvements on the Premises, Grantee shall provide written notice of the terms of this Easement, including the Special Conditions, to each person or entity authorized by Grantee to perform any such activity on its behalf. Grantee shall retain a copy of each such written notice provided to its agents, representatives, employees, and/or contractors under this provision and, if a dispute arises concerning construction or installation of the Improvements, Grantee shall provide Grantor with a copy of all applicable notices within ten (10) days of Grantor's written request. Grantee's failure to maintain and provide each required written notice shall constitute a default under this Easement.

6.12. If Grantee fails to maintain and/or repair Improvements in good condition and repair, such failure shall constitute a default under this Easement and Grantor may, at its option, terminate this Easement upon written notice to Grantee and/or pursue a remedy under Section 51.3021, TEX. NAT. RES. CODE ANN. If Grantee constructs improvements other than those authorized under this Article IV ("Use of Premises") pursuant to the written approval process herein, such improvements shall constitute illegal structures and Grantor may, at its option, terminate this Easement and/or pursue a remedy under Section 51.302, et seq., TEX. NAT. RES. CODE ANN.

6.13. Prior to termination of the Easement, unless otherwise directed by Grantor in writing, Grantee will demolish or remove all or any portion of the Improvements then existing on the Premises, remove all debris resulting from such demolition, and leave the ground theretofore occupied by such Improvements in a safe, clean condition, all such work to be done as promptly and expeditiously as is reasonably possible. As part of the removal of Improvements, Grantee is specifically obligated to remove the causeway structure in accordance with the provisions set forth in Section 6.14. If Grantee fails to comply with the foregoing, Grantor shall have the right to perform the aforesaid requested work, in which event Grantee shall be liable to Grantor for all cost, loss and damage incurred by Grantor in connection therewith.

6.14. Upon expiration of the Easement, Grantee must remove, at Grantee's sole cost and expense, the causeway structure that constitutes the currently existing structural component of the Premises. Removal of the causeway structure shall be in accordance with the following conditions:

- A. Grantee must commence removal of the causeway structure within 120 days of the Easement's expiration or termination and must complete the removal within one (1) year of commencement. Completion of removal must be satisfactory to Grantor as determined by Grantor's inspection and written approval.
- B. Grantee must have insurance coverage or a surety bond meeting the requirements of Article XI .
- C. Removal of the causeway structure shall include complete removal of all structural elements, debris, personal property and improvements from state lands, either submerged or upland.
- D. Removal shall extend to a depth below existing bottom grade of the Laguna Madre acceptable to Grantor and the U.S. Army Corps of Engineers.

- E. Materials and debris resulting from the removal shall not be deposited on any State lands without the prior written approval of Grantor.
- F. Grantee shall keep Grantor advised at all times of any contracts, bids or other agreements for the removal of the causeway structure.
- G. At least thirty (30) days prior to beginning any removal, Grantee shall submit to Grantor for written approval all plans, specifications, terms and conditions for the removal effort, whether by Grantee or its agents, contractors, or any other parties.

6.15. Notwithstanding the preceding, Grantor may waive removal/restoration requirements in this Article VI ("Use of Premises") if, in Grantor's sole opinion and discretion, such waiver is in the best interest of the State. Any such waiver shall be in writing and may be conditioned upon factors including the nature and sensitivity of the natural resources in the area, potential damage to or destruction of property, beneficial uses of the existing improvement(s), and other factors considered to be in the best interest of the State.

6.16. GRANTEE AGREES TO, AND DOES HEREBY INDEMNIFY AND HOLD HARMLESS THE STATE OF TEXAS AND GRANTOR FROM ALL LOSSES, CLAIMS, SUITS, ACTIONS, JUDGMENTS, AND LIABILITY, AND ALL COSTS RELATED THERETO, INCLUDING REASONABLE ATTORNEY'S FEES, DIRECTLY OR INDIRECTLY ARISING OUT OF, CAUSED BY, OR RESULTING FROM GRANTEE'S REMOVAL OPERATIONS, WHETHER PERFORMED BY GRANTEE, ITS AGENTS, CONTRACTORS, OR ANY OTHER PARTIES.

6.17. Grantee, at its own expense, will comply with all federal, State, municipal and other laws, codes, ordinances, rules and regulations applicable to the Premises including, without limitation, those dealing with environmental and health issues; and will install, remove and alter such equipment and facilities in, and make such alterations to, the Premises as may be necessary to comply. Grantee will not make any unlawful use of the Premises or permit any unlawful use thereof; and will not commit, or permit anyone else to commit, any act which is a nuisance or annoyance to Grantor or adjacent property owners or tenants, or which might, in the exclusive judgment of Grantor, damage Grantor's goodwill or reputation, or tend to injure or depreciate the value of the Premises and/or any Improvements located thereon.

6.18. Grantee shall use the highest degree of care and all appropriate safeguards to prevent pollution of air, ground, or water in, on, or about the Premises through an unauthorized discharge, and to protect and preserve natural resources and wildlife habitat. In the event of such discharge or damage to natural resources in, on, or about the Premises that is the result of an act or omission of Grantee, its officers, employees, agents, representatives, contractors, and/or invitees, Grantee shall immediately notify appropriate agencies of the State of Texas and Grantor and undertake all required and appropriate action to remedy the same. Grantee shall be liable for all damages to the Premises, public lands, and waters as a result of such act or omission and for mitigation of any such damages.

6.19. GRANTEE IS EXPRESSLY PLACED ON NOTICE OF THE NATIONAL HISTORICAL PRESERVATION ACT OF 1966 AND THE ANTIQUITIES CODE OF TEXAS. IN THE EVENT THAT ANY SITE, OBJECT, LOCATION, ARTIFACT, OR OTHER FEATURE OF ARCHEOLOGICAL, SCIENTIFIC, EDUCATIONAL, CULTURAL, OR HISTORIC INTEREST IS ENCOUNTERED DURING THE ACTIVITIES AUTHORIZED BY THIS EASEMENT, GRANTEE SHALL IMMEDIATELY CEASE SUCH ACTIVITIES AND SHALL IMMEDIATELY NOTIFY GRANTOR AND THE TEXAS HISTORICAL COMMISSION, SO THAT ADEQUATE MEASURES MAY BE UNDERTAKEN TO PROTECT OR RECOVER SUCH DISCOVERIES OR FINDINGS, AS APPROPRIATE.

ARTICLE VII. REPAIR AND MAINTENANCE

7.01. Grantor shall have no duty to repair, maintain, replace the Premises or any Improvements placed at or constituting any portion of the Premises. Grantor will not be liable for any damage or injury, fatal or nonfatal, resulting from any damage, defect or disrepair of any Improvements.

7.02. All damage to Improvements will be repaired and all maintenance thereon will be performed and replacements and renewals thereof will be made at Grantee's cost and expense. Grantee shall be responsible for the removal and disposal of all trash at the Premises (whether or not such trash is generated by Grantee or its customers and invitees).

7.03. If Grantor considers necessary any repairs, maintenance, renewals or replacements pursuant to this Easement, Grantor may request that Grantee make such repairs, maintenance, renewal or replacements. Upon Grantee's failure or refusal to do so, (and in any event in case of an emergency), Grantor may make such repair, maintenance, renewal or replacement (Grantee hereby waiving any claim for damage caused thereby). **GRANTEE IS LIABLE TO AND WILL INDEMNIFY GRANTOR FOR THE COST THEREBY INCURRED BY GRANTOR.** Any failure of Grantee to make such payment to Grantor may be treated by Grantor as a default by Grantee in the payment of Rent.

7.04. Grantor will have a right to enter the Premises at any reasonable time as specified in Sections 6.08 and 6.09 of this Easement (including during Grantee's business hours) to inspect the condition thereof, to make necessary repairs and Improvements and for other lawful purposes.

ARTICLE VIII. ASSIGNMENTS

8.01. Notwithstanding the provisions of Article IX ("Encumbrance of Easement Interest") and Article XV ("Bankruptcy"), Grantee shall not assign, sublease, or otherwise transfer or convey an interest in this Easement or the Premises, or the rights granted herein, in whole or part, without the express prior written consent of Grantor. However, Grantor will not unreasonably withhold its consent to an assignment or sublease of rights in the Easement to a property management company or to a managed association of homeowners, property owners, condominium, or dockominium owners.

8.02 Any unauthorized assignment or disposition without consent, shall be void and of no effect and shall not relieve Grantee of any liability for any obligation, covenant, or condition of this Easement. In the event of any such attempted assignment or disposition, Grantor may terminate this Easement effective upon fifteen (15) days notice to Grantee. This prohibition against assigning or disposition shall be construed to include a prohibition against any assignment or disposition by operation of law.

8.03. If this Easement or an interest in this Easement or the Premises is assigned, subleased, or otherwise transferred or conveyed, Grantor may nevertheless collect rent from the assignee and apply the net amount collected to the Rent payable hereunder. No such transaction or collection of rent shall be deemed a waiver of these provisions or a release of Grantee from the further performance by Grantee of its covenants, duties and obligations hereunder.

ARTICLE IX. ENCUMBRANCE OF EASEMENT INTEREST

9.01. Grantee may mortgage, hypothecate, or encumber the interest created herein, or execute a deed of trust or mortgage ("Mortgage") covering the Easement or any interest in the Easement.

9.02. If after recordation of any Mortgage, the mortgagee, deed of trust beneficiary or security interest holder ("Mortgagee") notifies Grantor in writing of such recordation and requests that copies of any default notices sent by Grantor to Grantee be provided to Mortgagee, Grantor agrees to mail copies of such default notices to Mortgagee at the address provided in writing by Mortgagee. Any Mortgagee of Grantee's interest hereunder shall have the right to cure or remedy the default specified in such notice during the period granted hereunder to Grantee to cure or remedy such specified default. Grantor shall accept any such curative or remedial action taken by Mortgagee, with the same effect as if such curative or remedial action had been taken by Grantee. In the event of a foreclosure of the Mortgage, Grantor shall recognize the Mortgagee as Grantee and the Mortgagee shall have all of the rights, duties and obligations of Grantee hereunder.

9.03. Grantor's interest in the Premises shall not be deemed in any way pledged or mortgaged by this Easement nor by any other agreement executed in connection with this Easement, and the State of Texas, by execution of this Easement, shall not in any manner lend its credit to any private corporation, association, partnership or other person in connection with the execution of this Easement.

9.04. Grantor and Grantee shall execute and deliver to each other at such time or times as either Grantor or Grantee may request, a certificate stating:

- A. Whether or not the Easement is in full force and effect;

- B. Whether or not the Easement has been modified or amended in any respect, and submitting copies of such modifications or amendments, if any;
- C. Whether or not there are any existing defaults under this Easement to the knowledge of the party executing the certificate, and specifying the nature of such defaults, if any; and
- D. Such other information as may be reasonably requested.

The aforesaid certificate(s) shall be delivered to Grantor or Grantee, as the case may be, promptly upon written receipt of such request. Failure by Grantee to timely deliver such certificate(s) shall constitute an Event of Default hereunder and entitle Grantor to exercise any remedies permitted under the terms of this Easement without the necessity of further notice to Grantee (notwithstanding any provision to the contrary contained in Section 17.01).

9.05. Grantor, by approval of this Easement, does not bind itself or its successors or assigns to accept or assume any liability with respect to any indebtedness which may exist now or arise in the future with respect to any action of Grantee required by this Easement, or by a Mortgagee or contractor.

9.06. Grantee and its successors hereunder warrant and covenant that at the expiration of this Easement there will be no statutory, contractual or other lien existing as to the improvements constructed on the Premises by Grantee. Grantee will, prior to or upon tender of the Premises to Grantor upon termination of this Easement, provide Grantor with documentation sufficient to evidence Grantor's ownership of all such alterations, additions and improvements.

ARTICLE X. UTILITIES

10.01. Grantee shall at its own cost and expense pay all charges for delivery and use of water, sanitary sewer, electricity, gas and all other utilities used on the Premises throughout the term of this Easement, including any connection charges, **AND SHALL SAVE AND HOLD GRANTOR HARMLESS FROM AND INDEMNIFY GRANTOR FROM ANY CHARGE OR LIABILITY FOR SAME.** All such charges are to be paid by Grantee directly to the utility company or municipality furnishing the same before the same shall become delinquent.

10.02. No interruption or malfunction of any utility service shall constitute an eviction or disturbance of Grantee's use and possession of the Premises or a breach by Grantor of any of its obligations hereunder or render Grantor liable for any damages (including, without limitation, consequential or special damages) or entitle Grantee to be relieved from any obligations hereunder or grant Grantee any right of set-off or recoupment.

ARTICLE XI. INDEMNITY AND INSURANCE

11.01. INDEMNITY: EXCEPT FOR DAMAGES DIRECTLY OR PROXIMATELY CAUSED BY THE GROSS NEGLIGENCE OF GRANTOR, GRANTEE SHALL INDEMNIFY AND HOLD HARMLESS GRANTOR AND GRANTOR'S OFFICERS, REPRESENTATIVES, AGENTS, AND EMPLOYEES FROM ANY LOSSES, CLAIMS, SUITS, ACTIONS, DAMAGES, OR LIABILITY (INCLUDING ALL COSTS AND EXPENSES OF DEFENDING AGAINST ALL OF THE AFOREMENTIONED) ARISING IN CONNECTION WITH:

- **THIS AGREEMENT;**
- **THE USE OR OCCUPANCY OF THE PREMISES;**
- **ANY NEGLIGENCE, ACT, OMISSION, NEGLECT, OR MISCONDUCT OCCURRING IN, ON, OR ABOUT THE PREMISES; OR**
- **ANY CLAIMS OR AMOUNTS ARISING OR RECOVERABLE UNDER FEDERAL OR STATE WORKERS' COMPENSATION LAWS, THE TEXAS TORT CLAIMS ACT, OR ANY OTHER SUCH LAWS.**

GRANTEE ASSUMES RESPONSIBILITY FOR THE CONDITION OF THE PREMISES. GRANTEE EXPRESSLY AGREES TO USE AND OCCUPY THE PREMISES AND PLACE ANY IMPROVEMENTS ON THE PREMISES AT ITS OWN RISK. GRANTEE SHALL BE RESPONSIBLE FOR THE SAFETY AND WELL BEING OF ITS EMPLOYEES, CUSTOMERS, AND INVITEES. THESE REQUIREMENTS SHALL SURVIVE THE TERM OF THIS AGREEMENT UNTIL ALL CLAIMS HAVE BEEN SETTLED OR RESOLVED AND SUITABLE EVIDENCE TO THAT EFFECT HAS BEEN FURNISHED TO GRANTOR.

11.02. INSURANCE COVERAGE OR SURETY BOND FOR CAUSEWAY STRUCTURE REMOVAL: Ten (10) days prior to the commencement of any construction pursuant to Section 6.10, Grantee at its sole cost and expense shall deliver to Grantor insurance coverage or a surety bond in the amount of Two Million and 00/100 Dollars (\$2,000,000) for removal of the causeway structure, issued by a company licensed by the Texas Department of Insurance and in a form acceptable to Grantor, naming the Texas General Land Office as Obligee. Said surety bond shall be for the purpose of guaranteeing performance of the obligations Grantee has hereunder to remove the causeway structure at Grantee's expense, upon expiration or sooner termination of this Easement. Grantee shall renew the surety bond prior to each successive expiration thereof and a continuation certification shall be delivered to Grantor not less than ten (10) days prior to the expiration of the surety bond. The surety bond shall state that said bond will not be cancelled, materially changed or subject to non-renewal without thirty (30) days prior written notice to Grantor. The sum of the surety bond is subject to review and escalation as deemed necessary by Grantor, to reflect the estimated costs of Grantee's obligations to remove the Improvements hereunder, once every two (2) years from the commencement date of this Easement until its expiration or sooner termination. In the event the surety bond is cancelled and Grantee does not provide Grantor with another surety bond acceptable to Grantor, Grantor may require Grantee, and Grantee hereby agrees and understands, to provide security for Grantee's obligations hereunder to remove the Improvements in a form acceptable to Grantor. Grantee's failure to maintain a surety bond as set forth herein shall constitute an Event of Default.

11.03. GENERAL LIABILITY INSURANCE: Grantee will purchase and maintain a policy providing commercial general liability insurance coverage in a minimum amount of One Million and 00/100 Dollars (\$1,000,000.00) combined single limit, effective at the commencement of this Easement. Grantee further agrees to increase the policy to not less than Two Million and 00/100 Dollars (\$2,000,000), effective at commencement of any construction pursuant to Section 6.10. The policy must insure against bodily injury, death and property damage and shall include (i) coverage for premises and operations, (ii) coverage for products liability, and (iii) contractual liability coverage insuring the obligations of Grantee under the terms of this Easement. Such policy shall name Grantor (and any of its successors and assigns designated by Grantor) as an additional insured. Grantee's failure to maintain general liability insurance as set forth herein shall constitute an Event of Default.

11.04. LIQUOR LIABILITY INSURANCE: If Grantee is engaged in any way in the sale of alcoholic beverages, either for consumption of alcoholic beverages on the Premises or off the Premises, Grantee will also maintain liquor liability insurance with the limits of not less than One Million and 00/100 Dollars (\$1,000,000.00) each common cause and One Million and 00/100 Dollars (\$1,000,000.00) aggregate. If written on a separate policy from the comprehensive general liability policy, such policy shall name Grantor (and any of its successors and assigns designated by Grantor) as an additional insured. Grantee's failure to maintain liquor liability insurance as set forth herein shall constitute an Event of Default.

11.04. REQUIRED POLICY: Each insurance policy required under this Easement shall be written by a company satisfactory to Grantor, but in all events by a company with an A.M. Best Company financial rating of not less than A-VIII (or a similar rating by a comparable service selected by Grantor should A.M. Best Company cease providing such ratings) and be licensed to do business in Texas or, if the aforesaid is not available, by a company qualified to do business as a non-admitted insurer in Texas under current Texas surplus lines requirements. Such policy may contain a deductible of not more than Ten Thousand and 00/100 Dollars (\$10,000.00). All Required Policies shall be endorsed so as to require thirty (30) days prior written notice to Grantor, given in the same manner set forth in Section 17.01 hereof, in the event of cancellation, material change or intent not to renew. Grantee shall deliver to Grantor and/or Grantor's designee a certificate of insurance for any Required Policy within ten (10) days of execution of this Easement. At all times during the Easement term, Grantee shall cause the required evidence of coverage to be deposited with Grantor. If Grantee fails to do so, such failure may be treated by Grantor as a default by Grantee and Grantor, in addition to any other remedy under this Easement, shall have the right (but not the obligation) to purchase and maintain such Required Policy for the account of Grantee, and if Grantor does so and gives notice thereof to Grantee, then Grantee shall be obligated to pay Grantor the amount of the premium applicable to such Required Policy within five (5) days following any such notice from Grantor. Any failure of Grantee to make such payment to Grantor may be treated by Grantor as a default by Grantee in the payment of Rent required to be paid by Grantee hereunder.

ARTICLE XII. DAMAGE OR DESTRUCTION OF PREMISES

12.01. Subject to termination, as described in this Section, no damage to the Premises or damage to or destruction of any Improvements shall in any way alter, affect or modify Grantee's obligations hereunder, including specifically Grantee's obligations to pay Rent, Taxes and other financial obligations hereunder. In the event of any damage to the Premises which will exceed the cost of Five Thousand and 00/100 Dollars (\$5,000.00) per event to repair, Grantee shall give written notice to Grantor within seven (7) calendar days of the damage or destruction, including a description of the damage and, as far as known to Grantee, the cause of the damage. Grantee shall immediately remove all debris resulting from such damage or destruction and take such action as is necessary to place the Premises in a neat, safe condition. Within ninety (90) days after the event causing the damage or destruction, Grantee must either repair or replace the Improvements, if permitted by law, or return the Premises to their natural condition. Grantee's failure to satisfy its obligations in this regard is an Event of Default hereunder. Grantor may make repairs or replacements pursuant to this Section, whereupon Grantee shall be liable to pay Grantor, upon demand, the cost and expense incurred by Grantor in accomplishing such action. Any failure by Grantee to make such payment to Grantor may be treated by Grantor as a default in the payment of Rent due and owing by Grantee hereunder.

12.02. In the event any building or Improvement constructed on the Premises is damaged or destroyed by fire or other casualty, all insurance proceeds shall be paid to Grantee and shall be used for repairs or removal as required by Section 12.01.

ARTICLE XIII. CONDEMNATION

13.01. In the event of a condemnation proceeding that affects all or part of the Premises, Grantor will have the exclusive authority to negotiate with the condemning authority. In the event of (i) a total condemnation, this Easement shall terminate, and (ii) a partial condemnation, Grantor may decide whether or not to terminate this Easement, but if Grantor elects to continue the Easement, the Rent will be proportionately reduced. All condemnation proceeds, except for those allocated to improvements belonging to Grantee, shall be payable to Grantor.

ARTICLE XIV. DEFAULT

14.01. Each of the following acts or omissions of Grantee or occurrences shall constitute an "Event of Default":

- (a) Failure or refusal by Grantee to timely pay Rent or any other sum when due hereunder;
- (b) Failure or refusal by Grantee to comply with the obligations of Grantee set forth in Article VI ("Use of Premises") of this Easement;
- (c) Failure or refusal by Grantee to timely perform or observe any other covenant, duty or obligation of Grantee under this Easement;
- (d) Abandonment or vacating of the Premises or any significant portion thereof;
- (e) The initiation of voluntary or involuntary bankruptcy proceedings affecting Grantee, subject to the provisions in Article XV;
- (f) The entry of a court requiring the dissolution, winding up, or termination of Grantee's business affairs; and
- (g) Grantee fails to materially comply with rules and regulations in the Texas Administrative Code, the Texas Natural Resources Code, or any other rules or regulations promulgated by any state or federal governmental entity with proper jurisdiction over any of the uses permitted under this Easement, unless such a failure to comply is redressed through an enforcement action by an applicable state agency with proper jurisdiction.

14.02. There shall be no consequences for an Event of Default, unless the defaulting party receives written notice of the Event of Default and such Event of Default continues for a period of 30 days after the defaulting party receives the notice. A notice of Event of Default shall specify the event or events constituting the default. This 30 day period shall be extended if the act, event, or condition is one that by its nature or circumstances reasonably requires more than 30 days to cure; provided, however, the defaulting party shall promptly and in good faith initiate and diligently pursue measures that are expected to cure or eliminate the Event of Default in a reasonable period of time. If either

party fails to cure an Event of Default, the non-defaulting party shall be entitled to terminate the Easement by written notice. This notice and cure provision does not apply to an Event of Default under provision 14.01(a) or any emergency situations that affect public health or safety.

14.03. This Easement and the term and estate hereby granted and the demise hereby made are subject to the limitation that if and whenever any Event of Default shall occur, after such notice, if any, as is provided in Section 14.02, Grantor may, at its option, in addition to all other rights and remedies provided hereunder or in law or equity, do any one or more of the following:

- A. Forfeit this Easement by sending written notice of such forfeiture by U.S. Mail to the last known address of Grantee in the files of the Asset Inspection Division of the General Land Office, in which event, this Easement shall terminate and Grantee shall immediately surrender possession of the Premises to Grantor (and termination shall not prejudice the rights of Grantor for any claim of payments due);
- B. Enter upon and take possession of the Premises and expel or remove Grantee and any other occupant therefrom, with or without having terminated the Easement; or
- C. Alter locks and other security devices, if any, at the Premises; or

14.04. Exercise by Grantor of any one or more remedies hereunder granted or otherwise available shall not (i) be deemed a waiver by Grantor of any other remedy available to it, or (ii) be deemed to be an acceptance of surrender of the Premises by Grantee, whether by agreement or by operation of law.

14.05. In the event of termination of this Easement or of Grantee's right to possession of the Premises or repossession of the Premises for an Event of Default, Grantor shall not have any obligation to seek a new use for the Premises, or any portion thereof, or to collect rental for a new use (if any); but Grantor shall have the option to seek a new use for the Premises, and in the event of a new use, Grantor may grant an easement across or otherwise dispose of an interest in the whole or any portion of the Premises for any period, to any grantee, and for any use and purpose.

14.06. If Grantee fails to remove its personal property from the Premises within the time specified in Section 14.02 above, or if Grantee fails to remove improvements placed or constructed on the Premises by or on behalf of Grantee pursuant to a notice by the Grantor to do so, then Grantor may elect to own such property by filing a notice of such election pursuant to Section 51.302, et seq., TEX. NAT. RES. CODE ANN. **THE TERMS OF THIS SECTION SHALL SURVIVE EXPIRATION OR EARLIER TERMINATION OF THIS LEASE.**

ARTICLE XV. BANKRUPTCY

15.01. Grantor and Grantee agree that if Grantee ever becomes the subject of a voluntary or involuntary bankruptcy or other similar type proceeding under the Federal Bankruptcy Laws, then "adequate protection" of Grantor's interest in the Premises pursuant to the provisions of Sections 361 and 363 of the Bankruptcy Code prior to assumption and/or assignment of the Easement by Grantee shall include, but not be limited to the following: (a) The continued payment by Grantee of all Rent and all other sums due and owing under this Easement; and (b) the furnishing of a security deposit by Grantee in the amount of three (3) times the Rent payable during the immediately preceding Easement Year. Further, in that circumstance, Grantor and Grantee agree that "adequate assurance of future performance" by Grantee and/or any assignee of Grantee pursuant to Bankruptcy Code Section 365 (or its successor section) will include (but not be limited to) payment of a security deposit in the amount of three (3) times the Rent paid during the immediately preceding Easement Year.

15.02. If this Easement is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, any and all monies or other considerations payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Grantor, shall be and remain the exclusive property of Grantor and shall not constitute property of Grantee or the Estate of Grantee within the meaning of the Bankruptcy Code. Any and all monies or other considerations constituting Grantor's property under the preceding sentence not paid or delivered to Grantor shall be held in trust by Grantee for the benefit of Grantor and shall be promptly paid to or turned over to Grantor.

ARTICLE XVI. INTERPRETIVE AND MISCELLANEOUS PROVISIONS

16.01. With respect to terminology in this Easement, each number (singular or plural) shall include all numbers, and each gender (male, female or neuter) shall include all genders. If any provision of this Easement shall ever be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions of the Easement, but such other provisions shall continue in full force and effect.

16.02. The titles of the Articles in this Easement shall have no effect and shall neither limit nor amplify the provisions of the Easement itself. This Easement shall be binding upon and shall accrue to the benefit of Grantor, its successors and assigns, Grantee, its successors and assigns (or heirs, executors, administrators and assigns, as the case may be).

16.03. In all instances where Grantee is required hereunder to pay any sum or do any act at a particular time or within an indicated period, it is understood that time is of the essence.

16.04. The obligation of Grantee to pay all Rent and other sums hereunder provided to be paid by Grantee and the obligation of Grantee to perform Grantee's other covenants and duties hereunder constitute independent, unconditional obligations to be performed at all times provided for hereunder.

16.05. Under no circumstances whatsoever shall Grantor ever be liable hereunder for consequential damages or special damages.

16.06. All monetary obligations of Grantee are performable exclusively in Austin, Travis County, Texas.

ARTICLE XVII. GENERAL TERMS AND CONDITIONS

17.01. **NOTICE:** Any notice which may or shall be given under the terms of this Easement shall be in writing and shall be either delivered by hand or sent by United States Registered or Certified Mail, adequate postage prepaid, if for Grantor to the General Land Office, Deputy Commissioner, Asset Inspection Division, addressed to his attention, 1700 North Congress Avenue, Austin, Texas 78701-1495, and if for Grantee, to PB Commercial LLC, 7500 San Felipe, Suite 125, Houston, TX 77063-1707. Either party's address may be changed from time to time by such party by giving notice as provided above, except that the Premises may not be used by Grantee as the sole notice address.

17.02. **RIGHT OF ENTRY:** In any circumstances where Grantor is permitted to enter upon the Premises during the Easement term, whether for the purpose of curing any default of Grantee, repairing damage resulting from fire or other casualty or an eminent domain taking or is otherwise permitted hereunder or by law to go upon the Premises, no such entry shall constitute an eviction or disturbance of Grantee's use and possession of the Premises or a breach by Grantor of any of its obligations hereunder or render Grantor liable for damages for loss of business or otherwise or entitle Grantee to be relieved from any of its obligations hereunder or grant Grantee any right of off-set or recoupment or other remedy; and in connection with any such entry incident to performance of repairs, replacements, maintenance or construction, all of the aforesaid provisions shall be applicable notwithstanding that Grantor may elect to take building materials in, to or upon the Premises that may be required or utilized in connection with such entry by Grantor.

17.03. **SECURITY INTEREST:** Pursuant to Chapter 9 of the Texas Business and Commerce Code, and as further security for the payment of Rent and Grantee's other obligations under this Easement, Grantee hereby grants to the State a security interest in all of the following collateral: equipment, fixtures, furnishings, supplies, and inventory in or on the Premises, as well as all accounts receivable and intangibles owned by or on behalf of Grantee in connection with the Premises or generated by business conducted on the Premises. Such security interest shall automatically attach to any and all proceeds from the sale or other monetization of the foregoing collateral.

17.04. **SEVERABILITY:** If any provision contained in this Agreement is held to be unenforceable by a court of law or equity, this Agreement shall be construed as if such provision did not exist and the non-enforceability of such provision shall not be held to render any other provision or provisions of this Agreement unenforceable.

17.05. **ENTIRE AGREEMENT:** This Easement and its exhibits constitute the entire agreement between Grantor and Grantee; no prior written or prior or contemporaneous oral promises or representations shall be binding. The submission of this Easement for examination by Grantee and/or execution thereof by Grantee does not constitute a reservation of or option for the Premises and this Easement shall become effective only upon execution of all parties hereto and delivery of a fully executed counterpart hereof by Grantor to Grantee. This Easement shall not be amended, changed or extended except by written instrument signed by both parties hereto.

17.06. **FILING:** Grantee shall, prior to the expiration of thirty (30) days after the date of this Easement, execute, record in Cameron County, Texas at Grantee's sole cost and expense, and return either the original or a file-marked copy of the original Memorandum of Coastal Easement. In the event Grantee fails to do so prior to the expiration of such thirty (30) day period, Grantor may declare such failure an "Event of Default", without the necessity of notice to Grantee, or execute a Memorandum of Easement setting forth the terms and provisions of the Easement and record same at Grantee's cost and expense. In the event Grantor elects to record a Memorandum of Easement, the cost of recording same shall be deemed "Rent."

17.07. **PROPER AUTHORITY:** Each party hereto represents and warrants that the person executing this agreement on its behalf has full power and authority to enter into this agreement.

17.08. **RELATIONSHIP OF THE PARTIES:** Nothing contained in this agreement shall be deemed or construed to create a partnership or joint venture, to create relationships of an employer-employee or principal-agent, or to otherwise create for Grantor any liability whatsoever with respect to the indebtedness, liabilities, and obligations of Grantee or any other party.

17.09. **GRANTEE'S WAIVER OF CERTAIN RIGHTS AND ASSERTIONS:** Grantee waives and relinquishes all rights that Grantee might have to claim any nature of lien against Grantor and the Premises, or withhold or deduct from or offset against any Consideration or other sums provided hereunder to be paid to Grantor by Grantee. Grantee waives and relinquishes any right, either as a claim or as a defense, that Grantor is bound to perform or is liable for the nonperformance of any implied covenant or implied duty of Grantor not expressly set forth in this Agreement.

IN TESTIMONY WHEREOF, witness my hand and the Seal of Office.

GRANTOR:
THE STATE OF TEXAS

GRANTEE:
PB COMMERCIAL LLC,
a Texas limited liability company

By: _____
Jerry Patterson
Commissioner, General Land Office
Chairman, School Land Board

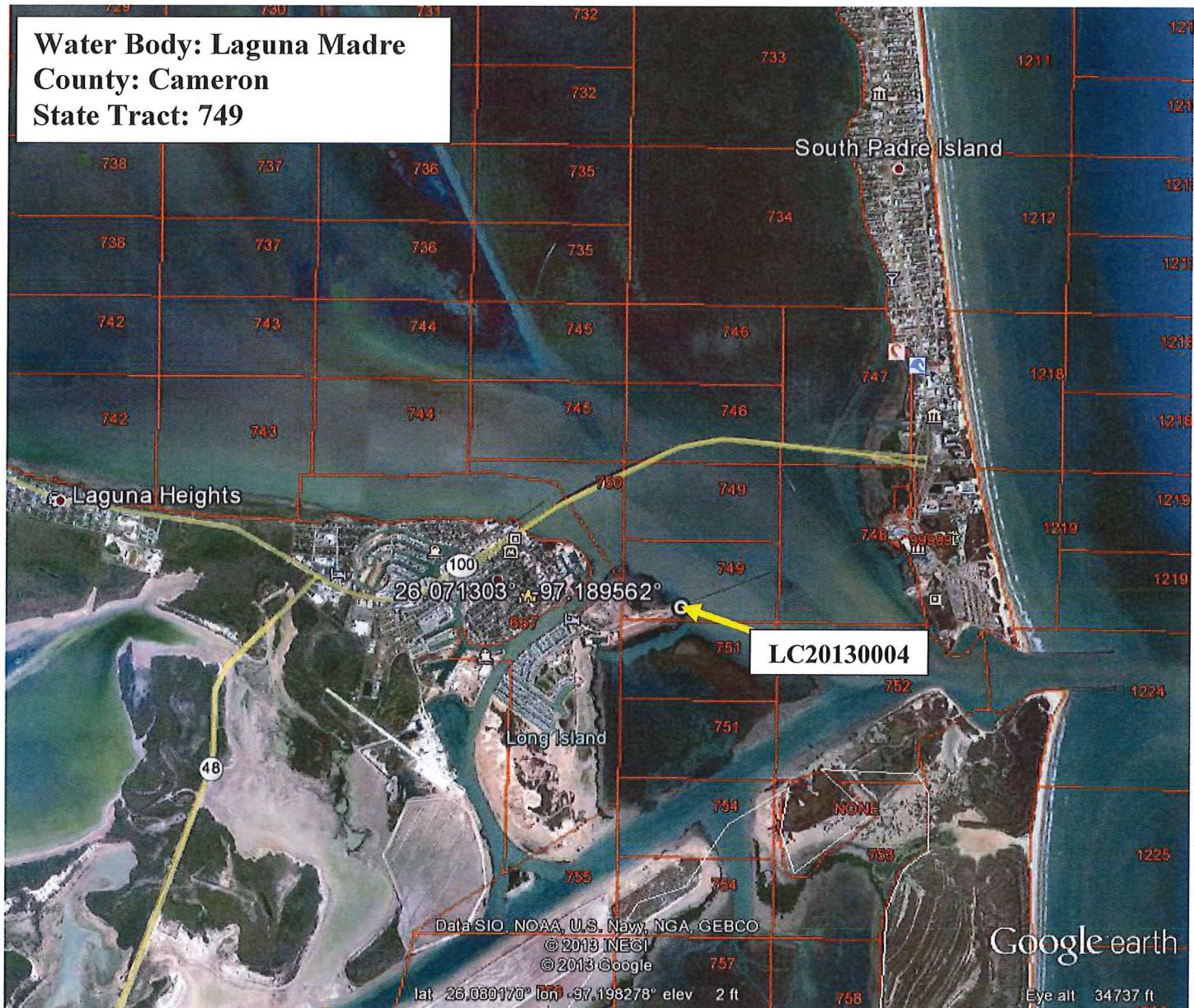
By: _____
(Signature)

(Printed Name)

(Title)

Date: _____

APPROVED:
Contents: _____
Legal: _____
Deputy: _____
Executive: _____



Title: Patriot Bank / LC20130004	Date of Inspection: December 18, 2012
Company: General Land Office	Creator: Jason Zeplin
Scale: Not to Scale	Exhibit A

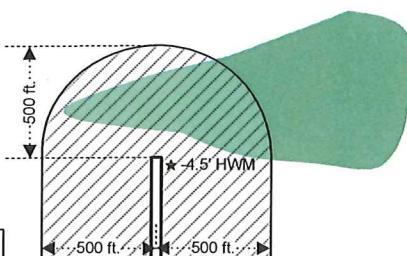


Laguna Madre

Tide Level: Normal

Water Visibility: 3'

Unvegetated
Submerged



Description of Leased Area

Being 500 feet either side of the center line of the existing western portion of the Old Queen Isabella Causeway and the 3,187-foot State-owned causeway, adjacent to Long Island, Cameron County.

Upland Property Legal Description

A 23.67 acre tract of land out of State Tracts 749 and 751, Laguna Madre Cameron County, Texas, and being that certain tract further described as "Tract 2" in deed recorded at Volume 137 Pg. 391 Deed Records Cameron County, Texas

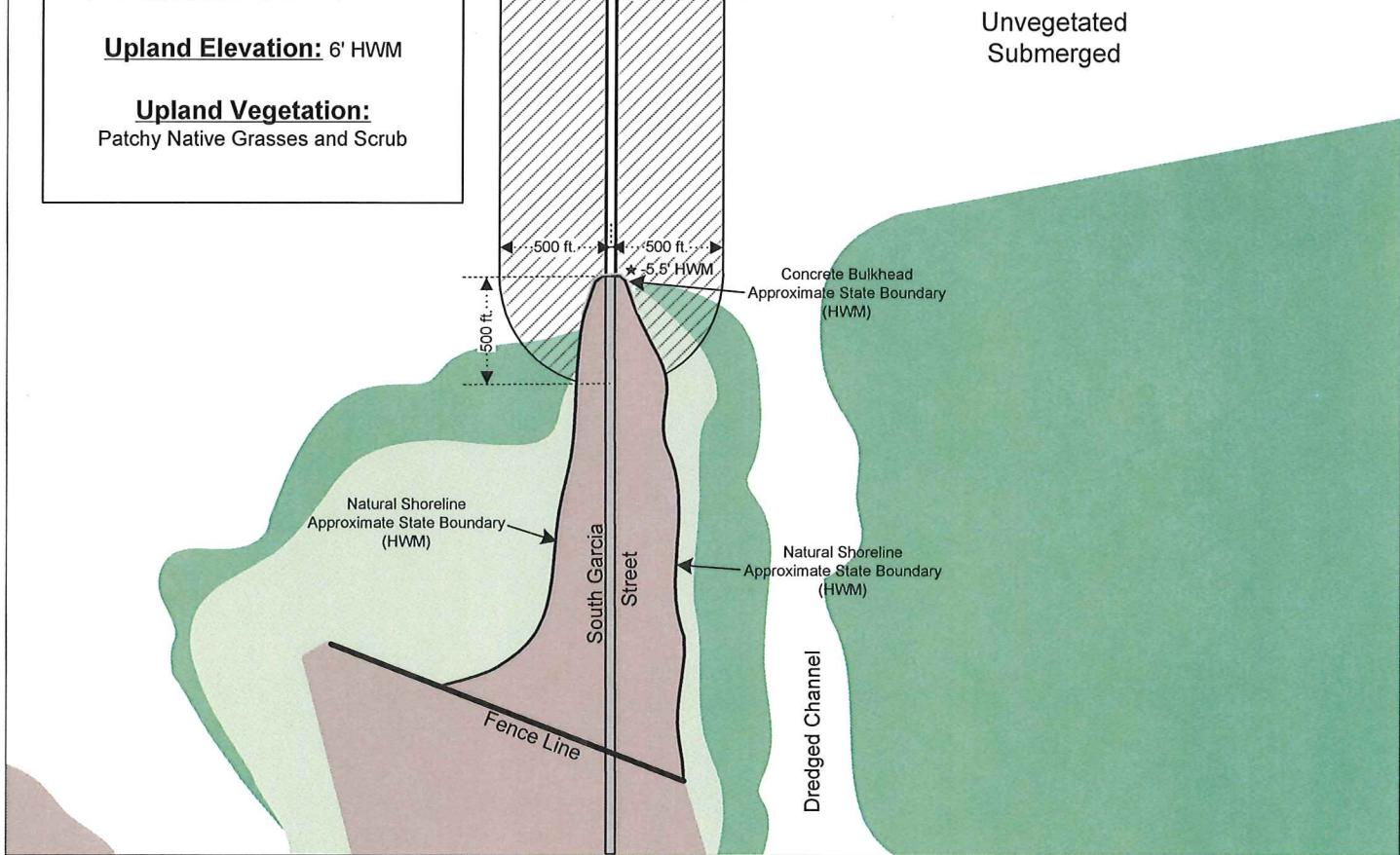
Bulkhead Elevation: 6' HWM

Upland Elevation: 6' HWM

Upland Vegetation:
Patchy Native Grasses and Scrub

- = Seagrass (~9 acres within leased area)
- = Intertidal and Marsh Areas (~1 acre within leased area)
- = Uplands

Unvegetated
Submerged



TITLE: Patriot Bank / LC20130004

DATE OF INSPECTION: 12/18/2012

COMPANY: Texas General Land Office

CREATOR: Jason Zeplin

DRAWING SCALE: 1in : 30ft

Exhibit B

Not to Scale

LONG ISLAND INVESTMENT OPPORTUNITY

Port Isabel, TX



APPRAISAL REPORT

***A SELF CONTAINED APPRAISAL REPORT OF
A 23.67 ACRE TRACT OF LAND (FEE
SIMPLE) AND A 73.74 ACRE SUBMERGED
TRACT
LOCATED AT THE EAST END OF
SOUTH GARCIA STREET,
APPROXIMATELY ONE MILE SOUTHEAST
OF STATE HIGHWAY 100,
PORT ISABEL, CAMERON COUNTY, TEXAS
78578***

Prepared For:

**Patriot Bank
Ms. Lisa Duncan
7500 San Felipe, Suite 125
Houston, Texas 77063**

**Viewing of Property Date: October 10, 2012
"As Is" Appraisal Date: October 10, 2012
Report Date: October 16, 2012**



HITNEY & ASSOCIATES
Real Estate Valuation and Consulting

Patriot Bank

Ms. Lisa Duncan
7500 San Felipe, Suite 125
Houston, Texas 77063

October 16, 2012

RE: A 23.67 acre tract and 73.74 acres of submerged land located at the east end of South Garcia Street, approximately one mile southeast of State Highway 100, Port Isabel, Cameron County, Texas 78578.

Ms. Duncan:

At your request, we have prepared a self contained appraisal of the above described property located in Port Isabel, Cameron County, Texas.

The purpose of the report is to determine the "as is" market values of the subject property in *fee simple and leasehold estates*. The valuation of this property was prepared in accordance with Market Value as defined by the Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C - Appraisals, 34.42 Definitions (g). The intended use of this report is to determine the aforementioned value in accordance with the guidelines contained herein, and is for loan underwriting and/or credit decisions by Patriot Bank - Client and/or participants.

A self contained appraisal report setting forth the findings and conclusions derived there from, together with maps, plats, and photographs are considered pertinent to explain the processes followed in making the appraisal and conclusions expressed therein is enclosed.

The existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agriculture chemicals, which may or may not be present on the property, or other environmental conditions, were not called to our attention, nor did we become aware of such during the inspection.

The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers are not qualified to identify such substances, and advise the client and/or user of this report to obtain the opinion of experts in the field.

Ms. Duncan
October 16, 2012
Page -2-

The subject property currently consists of a fee simple, 23.67 acre tract of land, formerly the abandoned causeway, and approximately 73.74 acres (leasehold) of submerged land leased from the State of Texas on a 99-year lease. The submerged land is located along either side of a 500 foot strip of the abandoned causeway. The subject is located at the east end of South Garcia Street, approximately one mile southeast of State Highway 100, Port Isabel, Texas 78578. The subject has water frontage along the Laguna Madre. Water and sewer are provided by the Laguna Madre Water District. The sewer is currently not available. The "as is" market value of the fee simple and leasehold estate market values are based on a two year exposure time.

MARKET VALUE - "AS IS" (October 10, 2012)	
Fee Simple Land (23.67 Acres)	\$6,440,000
Submerged Land (73.74 Acres)	\$8,030,000
TOTAL	\$14,470,000

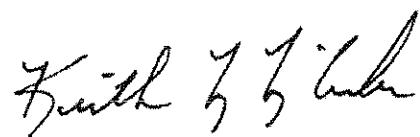
Acceptance of and/or use of this report constitutes acceptance of all the assumptions and limiting conditions contained in this report. This appraisal has been made in accordance with the Uniform Standards of Professional Appraisal Practice and is subject to the assumptions and conditions contained herein.

This is to certify that the undersigned appraisers, including employees and associates, have no present or prospective interest in the property appraised and compensation is not contingent upon the valuation.

Respectfully Submitted,
WHITNEY & ASSOCIATES



Matthew C. Whitney, MAI
Texas State Certified General
Real Estate Appraiser TX-1326491-G



Keith M. McCumber, MAI
Texas State Certified General
Real Estate Appraiser TX-1334227-G

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CERTIFICATION

CERTIFICATION

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 we have no personal interest or bias with respect to the parties involved.
- We have performed appraisal services on the subject property as of September 15, 2010 and December 21, 2011. No other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment have been performed.
- 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* and the Code of the Professional Ethics of the Appraisal Institute.
- The undersigned, Matthew C. Whitney, personally inspected the property on October 10, 2012. The appraiser viewed the exterior of the property; noted the topography and any adverse conditions of the site. Keith M. McCumber gathered, compiled data, and composed the appraisal report. Matthew C. Whitney reviewed the appraisal.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice 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.

CERTIFICATION

- As of the date of this report, Matthew C. Whitney and Keith M. McCumber have completed the continuing education program of the Appraisal Institute.

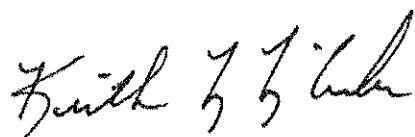
The real property, which is the subject of this appraisal report, is a 23.67 acre vacant tract of land and a 73.74 acres of submerged land located at the east end of South Garcia Street, approximately one mile southeast of State Highway 100, Port Isabel, Cameron County, Texas 78578. The market values are as follows:

MARKET VALUE - "AS IS" (October 10, 2012)	
Fee Simple Land (23.67 Acres)	\$6,440,000
Submerged Land (73.74 Acres)	\$8,030,000
TOTAL	\$14,470,000

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

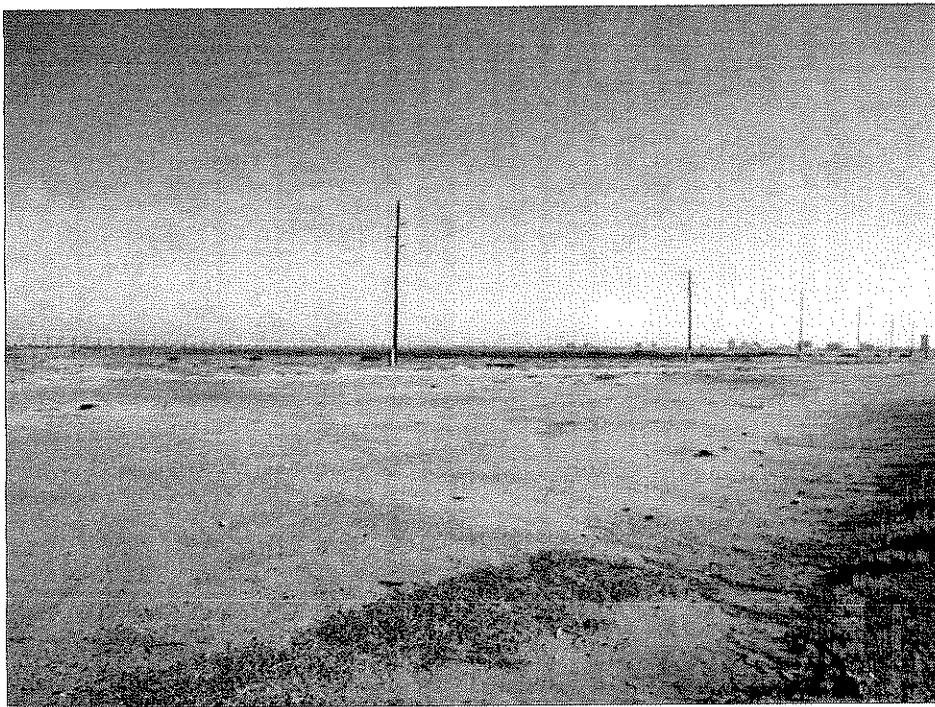


Matthew C. Whitney, MAI
Texas State Certified General
Real Estate Appraiser TX-1326491-G

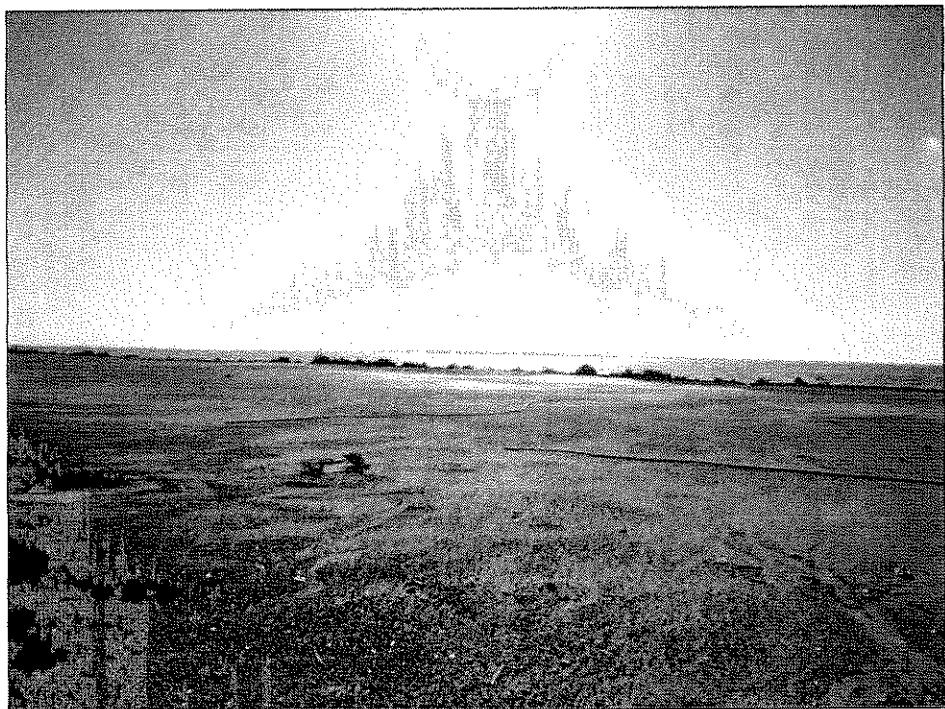


Keith M. McCumber, MAI
Texas State Certified General
Real Estate Appraiser TX-1334227-G

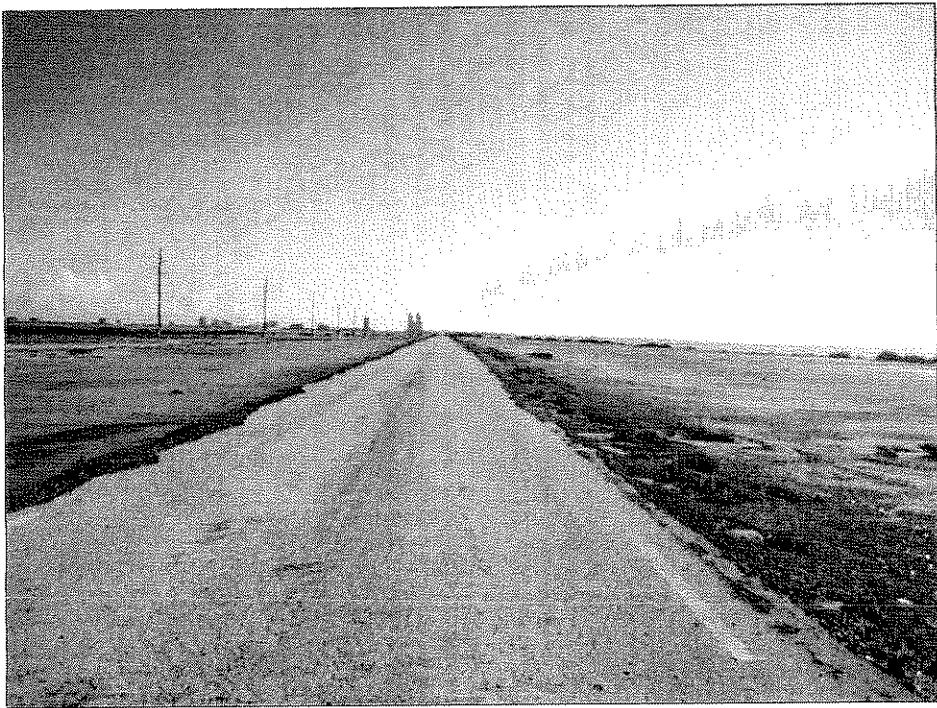
PHOTOGRAPHS OF SUBJECT PROPERTY



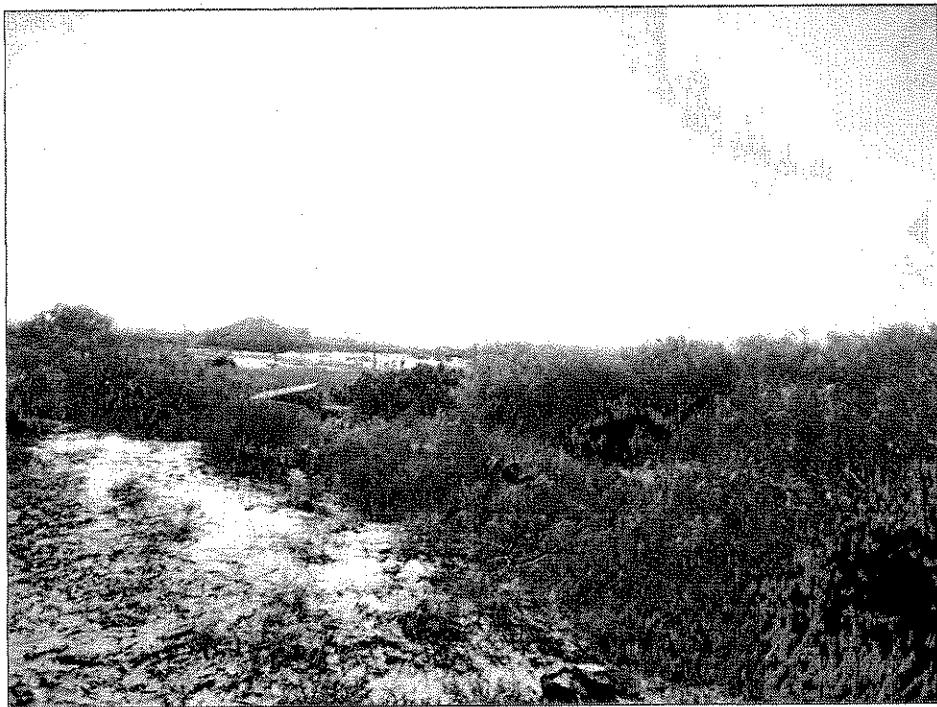
VIEWING EAST INTO THE SUBJECT PROPERTY AND LAGUNA MADRE



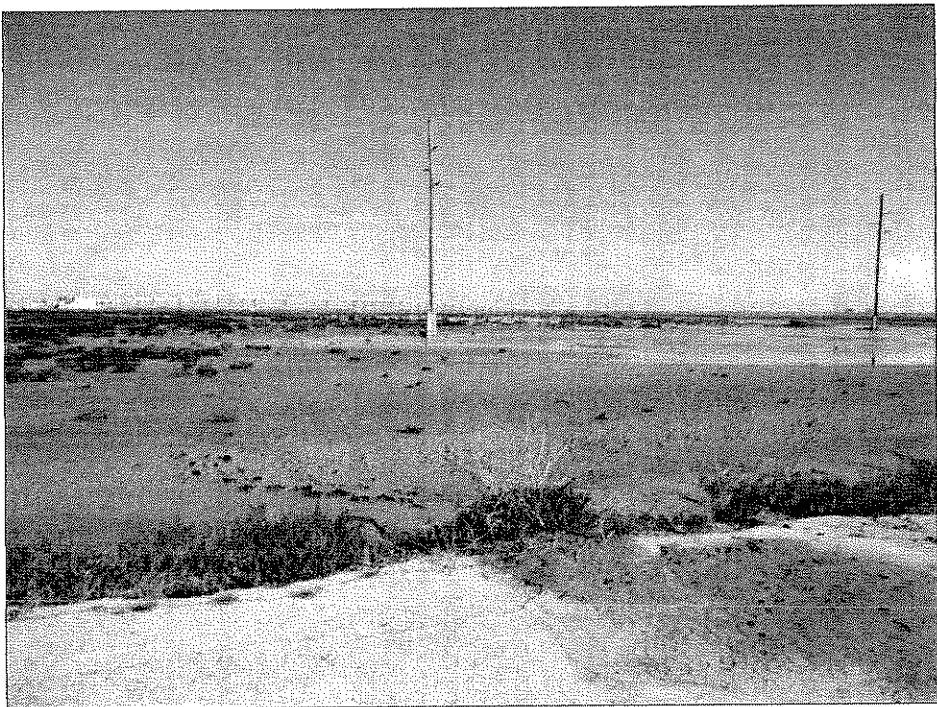
INTERIOR VIEW OF THE SUBJECT PROPERTY



INTERIOR VIEW OF THE SUBJECT PROPERTY



INTERIOR VIEW OF THE SUBJECT PROPERTY



VIEWING NORTH FROM THE SUBJECT PROPERTY TOWARD NEW CAUSEWAY

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Property Description: 23.67 Acres of Vacant Land and 73.74 acres of Submerged Land for a Total of 97.41 Acres

Site Size: 23.67 Acres and 73.74 Acres of Submerged Land

Legal: Abstract 265, Survey 667 Patents 6/33 3/468, Cameron County, Texas

Location: East end of South Garcia Street, approximately one mile southeast of State Highway 100, Cameron County, Texas

TexMaps: 554, E4

Date of Property Viewed: October 10, 2012

"As Is" Date: October 10, 2012

Report Date: October 16, 2012

Zoning: R-1, Single-Family

Tax Identification: 199685

Type of Value: Market value; willing buyer, willing seller concept

Intended Use/User of Appraisal: Market value of the described property for loan underwriting and/or credit decisions by Patriot Bank – Client and/or participants.

Property Rights Appraised: Fee Simple Estate and Leasehold Estate

Highest and Best Use:
As Vacant: Future Multi-Family/Recreational Use

VALUE CONCLUSIONS:

MARKET VALUE			
SALES COMPARISON APPROACH - LAND ANALYSIS			
Fee Simple Land (23.67 Acres)	\$6.25 per Square Foot	\$6,440,000	
Submerged Land (73.74 Acres)	\$2.50 per Square Foot	\$8,030,000	
COST APPROACH			
SALES COMPARISON APPROACH			
INCOME APPROACH			

Note: The submerged land's price per unit is shown as after the discount factor.

INTRODUCTION

SCOPE OF WORK

SCOPE OF WORK

Scope of Work is defined in the Uniform Standards of Professional Appraisal Practice as “the type and extent of research and analysis in an assignment.” The Scope of Work Rule states that for each appraisal, an appraiser must:

- Identify the problem to be solved;
- Determine and perform the scope of work necessary to develop credible assignment results; and
- Disclose the scope of work in the report.

Scope of Work includes, but is not limited to:

- The extent to which the property is identified;
- The extent to which tangible property is inspected;
- The type and extent of data researched; and
- The type and extent of analyses applied to arrive at opinions or conclusions.

• This is a self contained appraisal report and has been prepared under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice.

• The subject property can legally be described as Abstract 265, Survey 667 Patents 6/33 3/468, Cameron County, Texas.

• The subject property currently consists of a fee simple, 23.67 acre tract of land, formerly the abandoned causeway, and approximately 73.74 acres of submerged land leased from the State of Texas on a 99-year lease. The submerged land is located along either side of a 500 foot strip of the abandoned causeway. The subject is located at the east end of South Garcia Street, approximately one mile southeast of State Highway 100, Port Isabel, Texas 78578. The subject has approximately 25 feet of frontage along South Garcia Street and approximately 4,463 feet along the Laguna Madre. Water and sewer are provided by the Laguna Madre Water District. Currently, sewer is not available.

• The legal description was provided by the client.

SCOPE OF WORK

- The City of Port Isabel indicated at a town hall meeting, held within the past 24 months, the subject property was annexed into the city limits. The voluntary annexation was approved at the meeting, and the subject is zoned R1, Single-Family.
- Matthew C. Whitney visited the site October 10, 2012. The appraiser viewed the exterior of the property and noted the topography and any adverse conditions of the site. A survey was provided by client to the appraisers. The "as is" date of the appraisal is October 10, 2012 and the report date is October 16, 2012. The fee simple and lease hold estates are the property rights appraised.
- According to the survey provided, portions of the subject site are submerged. A lease for the submerged land was provided by the client. The lease is for 99-years with approximately 94 years remaining. It is our understanding the lease will revert back to a 99-year lease once the improvements are completed. The lease is for \$5,000 per year.
- Conversations with the owner and the Texas General Land Office have indicated that the Gulf Intracoastal Water Way is still pending, but there is no time line for anything to be done. Anything that may be done will be in the far distant future. The owner stated the realignment will not negatively affect the subject because it will only affect a small portion of the property, which will not be utilized.
- Consider the highest and best use of the subject property. The highest and best use of the subject properties are concluded to be a future multi-family/recreational use, based on the parameters set forth in the *Highest and Best Use* section.
- Data was obtained from several sources including Cameron County Appraisal District, the Texas General Land Office, Commercial Gateway, Loop Net, MLS, and Whitney & Associates internal data base. Additionally, appraisers and brokers active in the immediate area were contacted.

SCOPE OF WORK

- ◆ Research the market area for primary and secondary data. Analyze any historic and anticipated trends that relate to the subject property and the market area.
- ◆ We researched land sales along the Gulf of Mexico and immediate bays along the Texas shoreline for land sales greater than 2 acres and purchased for a recreational/multi-family/single-family development uses. Limited sales were noted because of the recent economic downturn and limited land available for development. Furthermore, there are limited deep water sites available. We expanded our search to include sales from 2006 to present. We have utilized a blend of beach front and deep water sales. We have adjusted these sales to the subject to derive the "as is" market value for the subject. We have also provided a summary box of additional Gulf of Mexico land sales located within other states within the past few years.
- ◆ We contacted the State of Texas' General Land Office regarding the value of the submerged land. Mr. Buster Renfrow indicated submerged land does not sell through the open market, but is owned by the local coastal state, in this case, the State of Texas. There are a few exceptions. Various navigational districts throughout the state do have ownership of submerged land; however, these navigational districts may not profit from the submerged land, per law. Mr. Renfrow stated the General Land Office researched similar governing bodies to derive a discount rate from market value of water front, fee simple, tracts. The General Land Office indicated a policy of 60 percent discount is made to submerged land of adjacent littoral land. It was noted that the 60 percent discount was not a market value for the site. In the case of submerged sites and adjacent littoral properties, a lease for the submerged site is considered a bilateral monopoly. In a bilateral monopoly there is no true market value for a site as there is only one buyer and one seller of a specific good. Therefore, we have considered a 60 percent discount to the adjacent littoral site's price per unit reasonable in determining the market value of the submerged site. Mr. Renfrow stated there have not been any comparable properties sold in the past few years.

SCOPE OF WORK

- ◆ Reconcile the market values. All three approaches were considered in the determination of value of the subject property; however, only the sales comparison approach was considered applicable as the subject site is a vacant tract of land for its "as is" market value.

- ◆ Clearly and accurately set forth the analysis in a manner that is not misleading. To the appraisers' knowledge, and to the best of our ability, we have written a report in a manner that is not considered misleading or unclear.

DEFINITIONS AND TERMS

DEFINITIONS AND TERMS

Market Value Defined

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming that the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date, and the passing of title from seller to buyer under conditions whereby:

- (a) Buyer and seller are typically motivated;
- (b) Both parties are well informed or well advised, and each acting in what they consider their best interests;
- (c) A reasonable time is allowed for exposure in the open market;
- (d) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (e) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Source: Code of Federal Regulations; Title 12—Banks and Banking; Chapter I—Comptroller of the Currency, Department of the Treasury; Part 34—Real Estate Lending and Appraisal—Subpart C—Appraisals Sec. 34.42 Definitions; revised as of January 1, 2000.

Type of Value

The purpose of this report is to derive the Market Value of the subject property, as of the effective date.

Intended Use and User of the Appraisal

The intended use of this appraisal is for loan underwriting and/or credit decisions by Patriot Bank – the client and/or participants.

DEFINITIONS AND TERMS

Legal Description

Abstract 265, Survey 667 Patents 6/33 3/468, Cameron County, Texas.

Date

The appraisal date of property viewed is October 10, 2012, the "as is" appraisal date is October 10, 2012 and the report date is October 16, 2012.

Fee Simple Estate Defined

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.¹

Leasehold Interest Defined

The tenant's possessory interest created by the lessee.²

Littoral Rights Defined

The right of an owner of land abutting navigable water to use and enjoy, but not alter, the shoreline.³

Riparian Rights Defined

The right to the owner of land bordering a nonnavigable lake or stream to the use and enjoyment of the water that flows across their land or is contiguous to it. Under the riparian rights doctrine, all owners of land underlying or abutting the water have equal rights to it. In comparison, the prior appropriation doctrine would not confer equal rights to all owners of land underlying or abutting the water.⁴

¹ The Appraisal of Real Estate, 13th Edition, 2008, Page 114.

² The Dictionary of Real Estate Appraisal, 5th Edition, 2010, Page 111.

³ The Dictionary of Real Estate Appraisal, 5th Edition, 2010, Page 116.

⁴ The Dictionary of Real Estate Appraisal, 5th Edition, 2010, Page 172.

DEFINITIONS AND TERMS

Bilateral Monopoly Defined

A market in which a single seller (a monopoly) is confronted with a single buyer (a monopsony). Under these circumstances, the theoretical determination of output and price will be uncertain and will be affected by the interdependence of the two parties.⁵

Strength, Weakness, Opportunity, and Threat (S.W.O.T. Analysis)

Strength: - Good location

Weakness: - Site work needed
- The total site is not fee simple

Opportunity: - Vacationer's destination

Threat: - Soft market
- Availability of financing
- Potential legal and environmental issues
- Competition

Exposure Time

Exposure time may be defined as follows: "The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market."⁶ Inherent in the definition of exposure time is that exposure time is generally always presumed to precede the effective date of the appraisal. Exposure time may differ between real estate types under various market conditions.

Based upon the information presented in this report, it is our opinion that a reasonable exposure time for the subject property, at a value approaching that stated herein, is less than 12 months.

⁵ The Dictionary of Real Estate Appraisal, 5th Edition, 2010, Page 19.

⁶ The Standards of Professional Appraisal Practice of the Appraisal Institute, The Uniform Standards of Professional Appraisal Practice, The Appraisal Foundation, USPAP 2012-2013 Edition, Page F-75.

DEFINITIONS AND TERMS

Marketing Time

The reasonable marketing time is “an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal.”⁷

Based upon the information presented in this report, it is our opinion that an appropriate marketing time for the subject property is within 12 months, at a similar Highest and Best Use and approaching the Market Value as presented herein.

Competency Provision Compliance

Matthew C. Whitney is president of Whitney & Associates, a real estate appraisal and consulting firm located in Conroe, Montgomery County, Texas. Whitney & Associates is a full service appraisal firm specializing in client consultation and appraising of various types of properties including commercial, industrial, multi-family, single-family, and vacant land. Since receiving his post graduate degree in 1992, Mr. Whitney has been exposed to a diversification of properties throughout the southwestern Texas region. Additionally, Mr. Whitney has performed consulting services for properties outside of Texas, which include assignments in the States of California, Florida, Kansas, Massachusetts, Mississippi, New Hampshire, New Mexico, New York, North Carolina, Rhode Island, South Carolina, South Dakota, and Virginia. Mr. Whitney has also been involved in special assignments, such as the annual ratio study performed by the State Comptrollers’ Property Tax Division. The annual ratio study is essentially an audit of appraisal districts throughout the State of Texas. Each school district’s government funding is affected by the results of the annual ratio study. Mr. Whitney was involved in the ratio study for six years, and has performed an analysis of over 16,000 parcels in fifteen counties.

Matthew C. Whitney has experience with a broad range of property types ranging from vacant parcels to complex income-producing properties. Mr. Whitney is a State Certified General Real

⁷ The Standards of Professional Appraisal Practice of the Appraisal Institute, The Uniform Standards of Professional Appraisal Practice, The Appraisal Foundation, USPAP 2012-2013 Edition, Page A-13.

DEFINITIONS AND TERMS

Estate Appraiser in the State of Texas, certificate number TX-1326491-G and holds the MAI designation of the Appraisal Institute. He has been involved in appraising since 1992. These reasons, the appraiser has the professional competency required to appraise the subject property.

Keith M. McCumber is an associate of Whitney & Associates. Since receiving his undergraduate degree in 2000 and during his graduate degree (2002), Mr. McCumber has been exposed to a diversification of properties throughout the Texas region. Additionally, Mr. McCumber has performed consulting services for properties outside of Texas, which include assignments in the States of Pennsylvania and New York.

Keith M. McCumber has experience with a broad range of property types ranging from vacant parcels to complex income-producing properties. Mr. McCumber is a State Certified General Real Estate Appraiser in the State of Texas; certificate number TX-1334227-G and holds the MAI designation of the Appraisal Institute. These reasons, the appraiser has the professional competency required to appraise the subject property.

ASSUMPTIONS AND LIMITING CONDITIONS

ASSUMPTIONS AND LIMITING CONDITIONS

- ◆ It is assumed that title to the property or properties herein appraised is good and merchantable, and in Fee Simple, unless otherwise specified. Where property rights other than fee title are the subject of the appraisal, the property rights appraised will be specifically outlined in the letter of transmittal.
- ◆ The legal description furnished to us is assumed to be correct. We assume no responsibility for matters legal in character, nor do we render any opinion as to the title, which is assumed to be good and marketable unless otherwise stated. Any existing liens and encumbrances have been disregarded and the property appraised as though free and clear under responsible ownership and competent management, unless otherwise indicated.
- ◆ We have made no survey and assume no responsibility in connection with such matters. We believe the information in this report furnished by others to be reliable, but no warranty is given for its accuracy. This includes, but is not limited to, information obtained in regard to operating statements, rent rolls, flood plains, wetlands, geological fault lines, sufficiency of public utilities, and land or surface subsidence. The construction and condition of the improvements mentioned in the body of this report is based on observation and no engineering study has been made, unless previously noted, which would discover latent defects. No certification as to construction or any of the physical aspects could be given unless a proper engineering study was made.
- ◆ No fault line, flood plain, or subsidence study has been made by the appraisal firm and could be undertaken only by a qualified engineering firm.
- ◆ It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.

ASSUMPTIONS AND LIMITING CONDITIONS

- ◆ It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.
- ◆ The valuation is reported in dollars of currency prevailing as of the date of appraisal. The allocation of value between land and building is applicable only under the current program of utilization, and is invalid if used in making a summation appraisal in conjunction with the figures prepared by other persons.
- ◆ All information, comments and conclusions appertaining to the subject and other properties represent the personal opinion of the appraisers formed after examination of the property or properties. While it is believed that the information, estimates, analyses, and conclusions drawn there from are correct, the appraisers do not guarantee them and assumes no liability for errors in facts, analysis, or judgment.
- ◆ All information contained in this report, if confidential, is submitted solely for the use of the addressee of the letter of transmittal. The appraisers will not be required to give testimony or attendance in court or before any other legal authority by reason of this appraisal without prior agreement and arrangement between the employer and the appraisers.
- ◆ It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value contained in this report is based.
- ◆ Any values provided in the report apply to the entire property, and any proration or division of the total into fractional interest will invalidate the value, unless such prorations or division of interests has been set forth in the report.

ASSUMPTIONS AND LIMITING CONDITIONS

- ◆ This report is written in conformity with the professional standards of practice and code of ethics of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice, and the rules of the Texas Real Estate Commission unless otherwise stated.
- ◆ It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them. In this appraisal assignment, the existence of potentially hazardous material used in the construction or maintenance of the building, such as the presence of urea-formaldehyde foam insulation, asbestos, and/or existence of toxic waste, which may or may not be present on the property, was not observed by me, nor do we have any knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The existence of urea-formaldehyde insulation or other potentially hazardous waste material may have an effect on the value of the property. We urge the client to retain an expert in this field if desired.
- ◆ The appraisers represent that he/she are not experts to appraise insulation or other products banned by the Consumer Products Safety Commission which might render the property more or less valuable. In connection with this appraisal, the appraisers have not inspected or tested for, nor taken into consideration in any respect the presence or absence of insulation or other said products increase or decrease in the value of the property from the value placed thereon by the opinion of the appraisers.
- ◆ The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon

ASSUMPTIONS AND LIMITING CONDITIONS

the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in deriving the value of the property.

- The liability of Whitney & Associates, its owner and staff, is limited to the Client only and to the amount of the fee actually paid for the services rendered, as liquidated damages, if any related dispute arises. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than Client, the Client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The Appraisers are in no way to be responsible for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, and/or legally. Client also agrees that in case of lawsuit (brought by lender, partner or part owner in any form of ownership, tenant or any party), Client will hold Appraisers completely harmless from and against any liability, loss, cost, or expense incurred or suffered by Appraisers in any such action, regardless of its outcome.
- 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 consent and approval of the authors, particularly as to the valuation conclusions, and identity of the appraisers or firm with which he/she are connected, or any reference to the Appraisal Institute, or the MAI designation.
- Special assumptions have been made in some of the sections of the report for the purpose of determining a value. These assumptions are necessary in regard to such items as hidden construction details, the amount or amounts of insurance coverage, maintenance expenditures, etc. These assumptions are based upon the best knowledge and judgment of the appraisers, and are believed to be typical of the actions of buyers, sellers, and investors in the market.

ASSUMPTIONS AND LIMITING CONDITIONS

- It is assumed that any other easements or encroachments that could not be specifically located do not have a detrimental effect on the value of the subject property.
- It is assumed that the division of the mineral rights will not affect the surface value of the subject property.
- It is assumed that there are no known or unknown environmental conditions other than those noted within this report.
- It is assumed that there are no hidden or unapparent subsoil or structural conditions other than those noted within this report.
- The appraisal is based upon information provided by the client.
- A survey was provided to the appraisers. The description and boundary of the subject were also supplied by the client and from information obtained from CCAD. Our value is contingent on the accuracy of this information. If a survey indicates something different from the information supplied our concluded value could be affected. Additionally, if a survey reveals any adverse easements or encroachments our value could be affected.
- According to the survey provided, portions of the subject site are submerged.

SUBJECT PROPERTY FACTUAL INFORMATION

SUBJECT PROPERTY DESCRIPTION AND THREE-YEAR SALES HISTORY

SUBJECT PROPERTY DESCRIPTION AND THREE-YEAR SALES HISTORY

The subject property can legally be described as Abstract 265, Survey 667 Patents 6/33 3/468, Cameron County, Texas 78578. The subject property currently consists of a fee simple, 23.67 acre tract of land, formerly the abandoned causeway, and approximately 73.74 acres of submerged land leased from the State of Texas on a 99-year lease.

The subject is proposed with 106 RV sites, 26 water side casitas, 4 Laguna casitas, 20 boat slips located along the fee simple site, and various site improvements. *These improvements are not part of this appraisal. In addition, according to the City of Port Isabel, there have been no plans submitted for any proposed development.*

The subject site has deep water access to the Laguna Madre and access to the Gulf of Mexico via the Queen Isabella Memorial Bridge.

According to the survey provided, portions of the subject site are submerged. A lease for the submerged land was provided by the client. The lease is for 99-years with approximately 94 years remaining. It is our understanding the lease will revert back to a 99-year lease once the improvements are completed. The lease is for \$5,000 per year.

Permit #17521 (issued September 19, 1986) by the "COE" was permitted an extension on December 23, 2009. This permit expires December 31, 2015. The original permit requested the

authorized construction of marina to include 260 boat slips, piers, floating breakwaters, a marina service facility, a bulkhead, dredging, and cabanas. Amendment 17521 (01) for an extension of time was issued 28 February 1989, Amendment 17521 (02) for an extension of time was issued 28 February 1992, Amendment 17521 (03) for an extension of time was issued 2 August 1994, Amendment 17521 (04) for an extension of time was issued 13 January 1998, and Amendment 17521 (05) for an extension of time was issued 18 March 2003. The extension of the time approval has resulted in a reduction of the scope of the project.

The above permit extension has additional special conditions:

SUBJECT PROPERTY DESCRIPTION AND THREE-YEAR SALES HISTORY

1. The permittee understands and agrees that, if future operations by the United States required the removal, relocation, or other alterations, of the structure or work herein authorized, or if, in the opinion of the Secretary of the Army or his authorized representative, said structure or work shall cause unreasonable obstruction of the free navigation of the navigable waters, the permittee will be required, upon due notice from the Corps of Engineers, to remove, relocate, or alter the structural work or obstructions caused thereby, without expense to the United States. No claim shall be made against the United States on account of any such removal or alteration.
2. Prior to the performance of hydraulic dredging, the permittee will obtain a Section 401-water quality certification from the TCEQ for the effluent or return water. The permittee will submit a copy of the Section 401-certification to the Corps of Engineers Corpus Christi Regulatory Field Office (CCRFO), prior to performing hydraulic dredging.
3. A post-construction seagrass survey shall be conducted by the applicant within fourteen (14) days of cessation of any jurisdictional construction activities within 500 feet of the seagrass areas depicted in the attached permit drawings. The survey reports shall be provided in report form to the CCRFO within 30 days of cessation of any construction activity.
4. The footprint of the proposed dredged material placement area will be stacked on the ground and the CCRFO notified prior to construction of the DMPA so that the CCRFO can verify that the DMPOA is being sited in a non jurisdictional upland area.
5. A demolition plan for the east unused section of the Queen Isabella Causeway (QIC) will be submitted to the CCRFO for its review and written approval prior to any demolition. No placement of demolished QIC bridge material into Laguna Madre, or any other waters of the United States, is authorized by this permit.

The submerged/easement land has various restrictions regarding ownership and use not common with a fee simple site. The submerged/easement lease was originally signed with Peninsula Land Company (Assignor) from the Permanent School Fund (the "State" General Land Office - Assigned), Commercial Easement #LC840180 (effective November 21, 1985). The initial rent (as vacant) is \$1,000 annually.

SUBJECT PROPERTY DESCRIPTION AND THREE-YEAR SALES HISTORY

In the Seventh Amendment to Commercial Easement LC840180 (effective January 6, 2006), the document reads:

1. The annual payments shall continue to be One Thousand and NO/100 Dollars (\$1,000.00), until the earlier occurrence of :
 - a) January 1 of the first easement year (as such term is defined in Amendment No. 3 of the Easement, hereinafter "Easement Year") following the commencement of construction of the boat slips required under the easement; or
 - b) January 1 of the first Easement Year following the issuance of a final decision by the COE ["US Army Corps of Engineers"] regarding the re-routing of the GIWW ["Gulf Intracoastal Water Way"].
2. Commencing January 1 of the first Easement Year described in section 1(a) or 1(b) above, whichever occurs first, the annual payments shall be the greater of:
 - a) Five Thousand and no/100 Dollars (\$5,000.00); or
 - b) One Dollar and 90/100 (\$1.90) per linear foot of slips actually constructed as the date said annual payment is due.
3. Construction of the boat slips may commence at any time during the term of the Easement, but in no event shall begin later than January 1, 2016, or one (1) year after the COE (United States Corps of Engineers) issues a final decision on the re-routing of the GIWW (Gulf Intracoastal Water Way), whichever occurs first. Upon such date, Grantee shall have commenced construction of the subject improvements and shall diligently pursue construction of such improvements until completion; provided, however, notwithstanding any other provision of the Easement, Grantee shall have completed construction of the minimum two hundred thirty-two (232) slips no later than December 31, 2018.
4. All other provisions of the Easement shall remain in full force.

The Commercial Easement Lease was transferred to RVL Texas Properties, LLC (Assignor). RVL Texas Properties assumes all obligations of Peninsula Land Company.

Conversations with the owner and the Texas General Land Office have indicated that the Gulf Intracoastal Water Way is still pending, but there is no time line for anything to be done. Anything that may be done will be in the far distant future. The owner stated the realignment will not negatively affect the subject because it will only affect a small portion of the property, which will not be utilized.

SUBJECT PROPERTY DESCRIPTION AND THREE-YEAR SALES HISTORY

According to public records, the current owner is RVL Texas Properties, LLC. The current owner acquired the subject site in 2006. The following is the recent transaction.

Grantor: Patrick S. Martin
Grantee: RVL Texas Properties, LLC
Date: June 30, 2006
Recording: 38946
Sales Price: \$4,000,000
Note: Subsequent to the sale, the buyers have spent in excess of \$1,000,000 on design for a proposed development.

According to a conversation with Mr. Greg Williams, a principle in RVL Texas Properties, the subject property is in foreclosure. However, a conversation with Mr. Eddie Parise with Patriot Bank indicated the subject property is currently not in foreclosure; however, RVL Texas Properties are behind on payments.

No other current listings, offers, or contracts were noted on the subject property. The history includes all the transactions over the past three years. No transactions have occurred over the past three years.

CAMERON COUNTY MARKET ANALYSIS

CAMERON COUNTY MARKET ANALYSIS

A Market Area is defined in The Appraisal of Real Estate, 13th Edition, Copyright 2008, Page 55, as:

The geographic or locational delineation of the market for a specific category of real estate, i.e. the area in which alternative, similar properties effectively compete with the subject property in the minds of probable, potential purchases and users.

Many neighborhoods, districts, or combinations of the two can reside within a Market Area. The Market Area is an area where a subject property is analyzed by buyers and sellers relative to similar properties.

The Brownsville-Harlingen Metropolitan Statistical Area is located at the southernmost tip of Texas along the United States-Mexican border. Cameron County is bounded by the Rio Grande River and the Gulf of Mexico to the south and east, respectively. Hidalgo County is to the west, Willacy County to the north, the Gulf of Mexico to the east and the Mexican State of Tamaulipas lies to the south of the county. According to the U.S. Census Bureau, the MSA was the 28th fastest growing area in the country and the ninth fastest growing area in the state between 2000 and 2010.

The largest metropolitan area within Cameron County is the city of Brownsville. Matamoros, Tamaulipas, Mexico is Brownsville's sister city and both cities depend upon the other economically and culturally. Brownsville is located approximately 25 miles southeast of Harlingen and approximately 30 miles southwest of South Padre Island.

Harlingen is Cameron County's second largest city with a population of 64,849 as of the 2010 census and the sixth largest city in the Rio Grande Valley. The city has a total area of 34.3 square miles and an elevation of 39 feet above sea level. Its location at the intersection of U.S. Highway 77 and U.S. Highway 8 makes the city an ideal natural trade area, which contributes to its growth potential.

CAMERON COUNTY MARKET ANALYSIS

Harlingen's strategic location fostered its development as a distribution, shipping and industrial center. In 1904, Lon C. Hill envisioned the Arroyo Colorado as a commercial waterway. He named the town he founded on the north bank after the city of Harlingen in The Netherlands. The first school opened with 15 pupils in 1905 near the Hill home, the first residence built in Harlingen. Harlingen was incorporated in April 1910, when the population totaled 1,126. The local economy at first was almost entirely agricultural. Major crops were vegetables and cotton.

World War II military installations in Harlingen caused a jump in population from 23,000 in 1950 to 41,000 by 1960. Harlingen Army Air Field preceded Harlingen Air Force Base, which closed in 1962. The city's population fell to 33,603 by 1972, and then climbed to 40,824 by 1980. Local enterprise, focused on the purchase and utilization of the abandoned base and related housing, laid the groundwork for continuing progress through a diversified economy. In the late 1980s, income from tourism ranked second only to citrus fruit production, with grain and cotton next. The addition of wholesale and retail trade, light and medium manufacturing, and an array of service industries have broadened the economic base. Large scale construction for multifaceted retirement communities is a new phase of industrial development.

As in other cities in the Lower Rio Grande Valley, a significant part of Harlingen's transient population and a significant contributor to its economy consists of "Winter Texans". Winter Texans are generally retirees from the northern Midwestern states and Canada who come to escape the northern winter weather between roughly November and March. Many live in trailer or recreational vehicle parks.

During the 2000s, the U.S. Census Bureau reported that Brownsville-Harlingen MSA's population increased by 21.2 percent. The area's population growth rate over the past decade has surpassed that of the State – 16.6 percent. With the continued expansion of U.S. and Mexico trade and economic integration likely, the MSA can expect to remain one of the most favorable metropolitan areas in the nation.

CAMERON COUNTY MARKET ANALYSIS

The Brownsville-Harlingen MSA's non-agricultural employment grew by 300 jobs in August 2012. Mining, Logging, & Construction; Trade, Transpiration, and Utilities; Processional and Business Services; and Education and Health Services grew over the past month. Leisure and Hospitality Services and Government industries lost jobs. All other industries remained steady for the month.

Mining, Logging, and Construction accounted for the largest annual growth with the addition of 300 jobs for a 10.3 percent annual growth rate. The Brownsville-Harlingen MSA has lost 2,800 jobs over the year, representing an annual decline rate of 2.2 percent.

As one of the primary trade routes connecting the United States and Mexico, the Brownsville-Harlingen MSA is a gateway to Mexico's burgeoning industrial complexes. This ascent began in 1987, and it continues on a remarkable scale. The increase of Mexico's maquiladora (twin-plant) program, entry into GATT, economic reforms, and NAFTA has combined to spur the growth of the area's transportation industry and overall economy.

Economics

Texas employment growth surpassed that of national employment growth, and every industry experienced job increases. Although the area has seen an 11.6 percent unemployment rate (July 2012) recently, it is higher than the national unemployment rate (8.6 percent). The Texas unemployment rate has remained below the national unemployment rate at 7.1 percent.

Although agriculture is still very important to the Harlingen economy, Harlingen has veered further away from the agriculture-driven economy and has diversified its employment market; adding the health care and telecommunications industries. Three of the top 10 employers in Harlingen are in the medical field. Telecommunications is also a growing industry with the area's bi-lingual workforce.

CAMERON COUNTY MARKET ANALYSIS

Major employers are Brownsville ISD, Harlingen CISD, University of Texas at Brownsville/Texas Southmost College, Cameron County, Valley Baptist Medical Center, Keppel Amfels, City of Brownsville, Walmart, H-E-B, Advanced Call Center Technologies, and Dish Network.

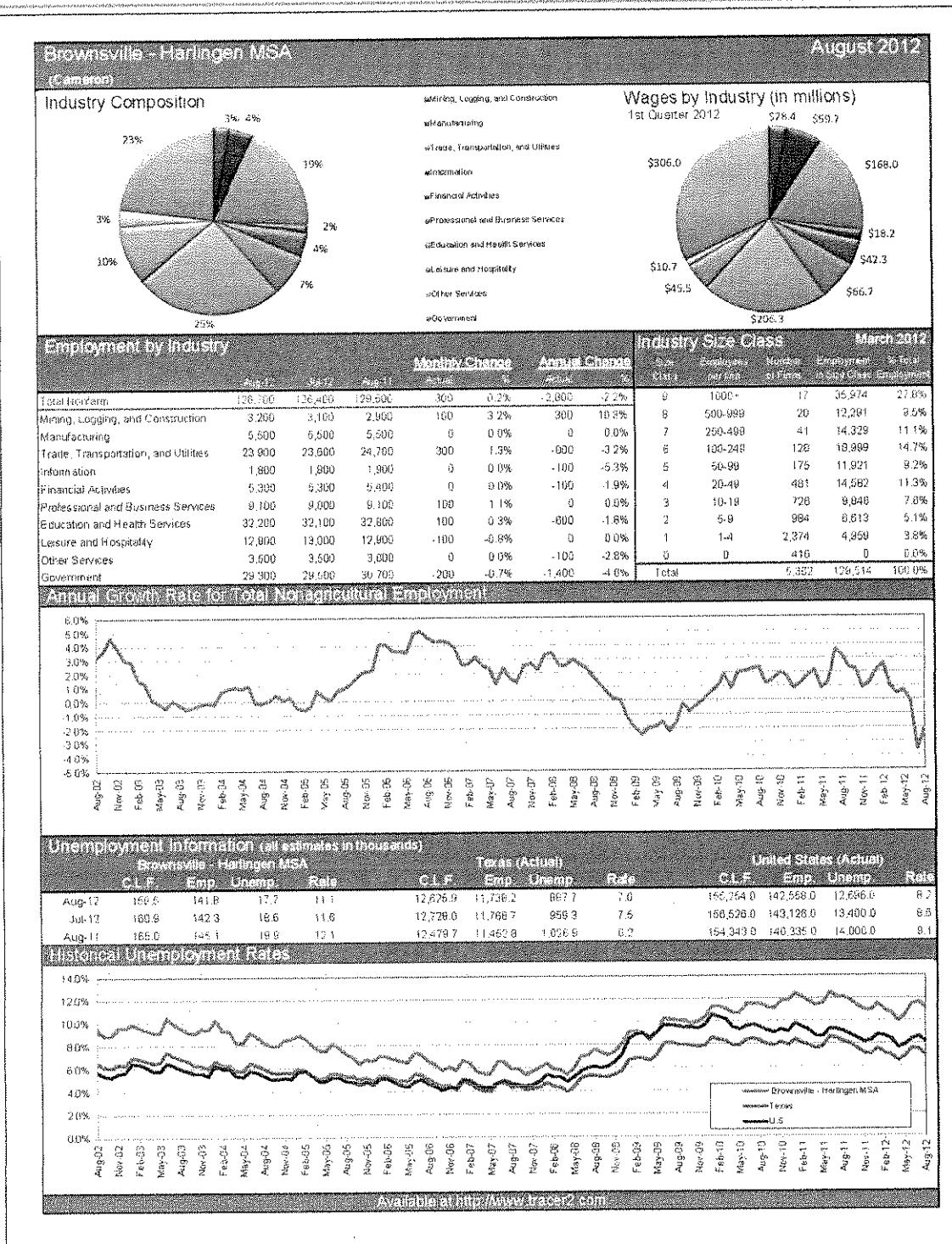
Population

The population of the McAllen-Edinburg-Mission MSA increased at of 21.2% from 2000 to 2010. For the same time period, the State of Texas grew at a rate of 16.6%. Over the last ten years, Hidalgo County's average annual change was 2.12%, compared to 1.66% for the State of Texas.

BROWNSVILLE-HARLINGEN MSA 2010	
Population	406,220
Households	120,900
Population Characteristics	
Percent Change (2000 - 2010)	21.20%
Source: Real Estate Center at Texas A&M University	

For the period of 2010 to 2020, the population in the McAllen-Edinburg-Mission MSA is expected to increase to 510,697. Over the past 10 years, the local MSA has outpaced the state average.

CAMERON COUNTY MARKET ANALYSIS



CAMERON COUNTY MARKET ANALYSIS

International Trade

Foreign Trade Zone #62 is located in Cameron County with sites at the Harlingen Industrial Park and the Airpark at Valley International Airport in Harlingen. FTZ #62 is the largest trade zone in Texas. The Brownsville-Harlingen MSA's economy relies heavily upon trade and retail due to its proximity to the United States – Mexico border. An increased payroll at Matamoros' 121 plants sparked a sharp increase in the maquiladora which relies heavily on customers from Mexico, especially those from Matamoros. The value of imports carried by truck is over \$22 billion annually.

Local and cross-border retail constitute a major component of Harlingen's economy. Retail sales account for over 60 percent of total industry sales, and provide income and employment opportunities to over 25 percent of the area's residents. Today, the retail sector is more insulated from the wild swings of previous years when the economy was more dependent on cross-border Mexican shoppers.

Transportation

Highways

Two 6-lane divided highways intersect in Harlingen: U.S. Highway 77 and U.S. Highway 83. U.S. Highway 77 connects to Interstate 37 at Corpus Christi. U.S. Highway 83 connects with Interstate 35 at Laredo.

International Trade Bridges

Total annual crossings are 573,605 at Los Indios' Free Trade International Bridge (September 2010) is a major indicator of the market that feeds the city's retail industry. With the completion of Mexico's State of Tamaulipas new 'autopista', the Free Trade Bridge will provide a seamless highway for more efficient distribution of industrial products to Mexico's interior.

CAMERON COUNTY MARKET ANALYSIS

Mexico's trade routes to the northern United States and Canadian Provinces have helped make the area of entry one of the busiest. Currently, the U.S. Customs inspection facility accommodates up to 75 trucks simultaneously, making the Free Trade Bridge the most time-efficient crossing area on the United States-Mexico border.

Airports

Valley International Airport (HRL) has a service area that encompasses the lower Rio Grande Valley and northern Mexico, serving more than two million people on both sides of the U.S.-Mexico border. It is the largest international airport in the region and handles approximately 45 percent of all passenger traffic in the Rio Grande Valley. The airport lies in the northeastern portion of Harlingen and offers a border-crossing option via the Free Trade Bridge. The airport has aligned itself as the Air Cargo Hub of the Rio Grande Valley and works closely with UPS, DHL, FedEx, BAX Global, Continental Express Cargo and Southwest Airlines Cargo. **Valley AirCare** provides emergency medical and critical patient transport helicopter service within 150 miles of its base at Valley International Airport.

In 1975, Southwest Airlines began to fly to the Rio Grande Valley via Valley International Airport with four round trips each business day. Additional airlines that serve the airport include Continental Express to Houston – Intercontinental and Sun Country Airlines to Minneapolis – St. Paul during the winter season and charter flights to Dallas – Fort Worth during the summer.

Mass Transit

With the only mass transportation system south of San Antonio, Brownsville offers an easy and inexpensive means to move around the city. The system operates six days a week, fourteen hours a day to provide transportation for the growing demands of the population. The city operates 14 state-of-the-art buses that serve 11 routes. A variety of private bus companies operate routes to areas throughout Texas and the United States.

CAMERON COUNTY MARKET ANALYSIS

Ports

The *Port of Harlingen* is located four miles east of Harlingen on Highway 106. It is 25 miles west of Mile Marker 646 on the Gulf Intracoastal Waterway, which stretches from the Mexican border at Brownsville, along the entire coast of the Gulf of Mexico to St. Marks, Florida. The Gulf Coast Intracoastal Waterway provides over 1,300 miles of protected waterway, 12 feet deep and 125 feet wide. The Harlingen Channel is supplied by the Arroyo Colorado.

The *Port of Brownsville* provides the most efficient services to facilitate the international movement of goods between Mexico and the United States. At the Port of Brownsville, the land transportation of Mexico is linked with the Inland Waterway System of the United States.

Open since 1936, the Port of Brownsville is located at the southernmost tip of Texas at the end of a 17 mile (27 kilometers) channel that meets the Gulf of Mexico at the Brazos Santiago Pass. The City of Brownsville is 2 miles (3 kilometers) to the southwest, and lies adjacent to the Rio Grande River providing a convenient gateway to Mexico.

The Port of Brownsville is unique in that it offers five modes of transportation to and from the Port: ocean going vessels, U.S. and Mexican truck transport with access to major highways, rail service, barge service via the U.S. Intracoastal and Inland Waterway System, pipeline access service and air service at the Brownsville/South Padre Island International Airport. The Brownsville ship channel is 42 feet deep with a turning basin of 36 feet at the westernmost terminus; 1,200 feet in width.

Around the clock supervision of vessels and vehicle traffic at the Port is provided by the BND. The Harbor Master's office schedules vessel arrivals and departures, assigns docking berths, maintains radio contact with pilot boats of the Brazos-Santiago Pilots Association and provides up-to-the minute information on schedules and public information. Around the clock guard service is provided in all general cargo facilities.

CAMERON COUNTY MARKET ANALYSIS

The Port of Brownsville is a major center of industrial development with over 230 companies doing business here.

Activities include:

- construction of offshore drilling rigs
- ship repairing and dismantling
- steel fabrication, boat construction
- rail car rehabilitation
- LPG storage/distribution
- waste oil recovery
- bulk terminaling for miscellaneous liquids
- grain handling and storage

Adequate space is available for expansion of existing or addition of new industries.

The Port of Brownsville is governed by the Brownsville Navigation District, a political subdivision of the State of Texas. The District is guided by an elected Board of Commissioners which establishes the policies, rules, rates and regulations of the Port and approves all contractual obligations.

Railroads

As a subsidiary of the Brownsville Navigation District, the Brownsville & Rio Grande International Railroad (BRG) has provided efficient and reliable railroad service at the Port of Brownsville since 1984. Railroad operations are 24/6 in order to maximize movement of a monthly average load of 4,000 plus cars. BRG has a direct interchange with Union Pacific Railroad and Burlington Northern Santa Fe. KCSM serves as UP's intermediate switch.

CAMERON COUNTY MARKET ANALYSIS

Homeland Security

The U.S. Department of Homeland Security through the Transportation Security Administration (TSA) and the U.S. Coast Guard are in charge of regulating and enforcing the new rules and regulation for entry issued by Homeland Security as of April 28, 2006. The Port of Brownsville has been designated a credentialing center for the purpose of enrolling individuals needing unescorted access to secure areas. Entry to the Port is via one gate only – to ensure proper security clearance and identification.

Healthcare Facilities

Harlingen Medical Center provides Cameron County with advanced general acute care. HMC specializes in advanced cardiovascular care, orthopedics, obstetrics and gynecology. The state of the art facility opened in 2003 and contains over 100 beds, all private rooms.

Valley Baptist Medical Center (VBMC) was founded in 1925 on F Street in Harlingen. It is currently located at Ed Carey Drive and Pease Street. VBMC is a 600 bed not-for-profit hospital that also serves as the regional trauma center, including a stroke unit.

Solara Hospital is a long term acute care facility providing treatment for up to a month. The 41 bed hospital is owned by Solara Healthcare of Dallas, Valley Baptist Health System and local physicians.

Regional Academic Health Center is a teaching hospital that serves as an extension campus of the University of Texas Health Science Center at San Antonio.

Su Clinica Familiar offers services tailored to the border region, concentrating in the areas of dentistry, internal medicine, women's health and pediatrics. It has a teaching partnership with Regional Academic Health Center.

CAMERON COUNTY MARKET ANALYSIS

Ronald McDonald House opened in 1998 and is funded by private donations, grants and fundraising events. It is “a home away from home” for families of children being treated for serious illnesses or injuries. It is one of 232 Houses in the United States and 22 countries providing 6,000 rooms nightly.

Education

The Harlingen community is made up of two school districts: **Harlingen Consolidated Independent School District** and **South Texas School District**. **The Marine Military Academy** is a private college preparatory military school for young men in the 8th – 12th grades. Several private and religion-affiliated schools are also in the area.

Texas State Technical College serves the south Texas region with two year technical field degrees and certifications.

The University of Texas Health Sciences Center – San Antonio opened the Regional Academic Health Center in 2002 as a teaching hospital. Third and fourth year medical students from the San Antonio campus can complete their clinical rotations in the Rio Grande Valley. RAHC also supports an internal medicine residency program. The institution also offers a free public medical library.

The University of Texas – Pan American offers bachelors, masters and doctorate degrees through an education center in Edinburg.

Located 20 miles from South Padre Island and one block from the US-Mexico border, The University of Texas at Brownsville and Texas Southmost College is one of the fastest-growing institutions in the UT System, with an enrollment of more than 12,000 students. UTB/TSC offers one-year certificates, associate, bachelor’s and master’s degrees, as well as cooperative programs with universities where students can earn doctoral degrees.

CAMERON COUNTY MARKET ANALYSIS

The NASA Center for Gravitational Wave and Astronomy, in the department of physics and astronomy, provides students a chance to be a part of international research. UTB/TSC is also known for producing excellent teachers, where the student passing rate on the Texas teacher certification exam is 94%. The campus is also home to the largest Criminal Justice program in south Texas.

The recently opened student housing complex offers spacious rooms and many other amenities such as computer labs, a fitness center and a swimming pool. And while the campus is expanding, it is keeping its unique historical charm. UTB/TSC is located on the grounds of Fort Brown, which served as an outpost for the US Army for almost 100 years prior to its closing after WWII. The institution's administration is housed in the former hospital, morgue, and officers' quarters. Care is being taken with new construction to capture historic elements.

Conclusions

In conclusion, Harlingen and Cameron County offer great accessibility to thoroughfares which link the United States with the Texas-Mexico border. With the continued expansion of United States – Mexico trade likely, this area can expect to remain one of the most desired areas in the nation. Unemployment is above the state average while per capita income is well below the state average. However, both unemployment rates and per capita income are improving as the market expands. Continued success in agriculture and retail as well as improvements in manufacturing and trade helps facilitate its growth. The growth pattern is predicted to continue for both residential and commercial properties. Building permits to continue to steadily increase both in number and amount. Increasing occupancy rates are expected with well-maintained and well-managed properties. To attract businesses incentives have been made to help cut down new settlement costs. Finally, a significant public-private infrastructure initiative that enhances all areas of the regional transportation corridors and support services will place Harlingen and the Brownsville-Harlingen MSA as one of the more desired business areas in the State.

CAMERON COUNTY MARKET ANALYSIS

Barriers to Entry

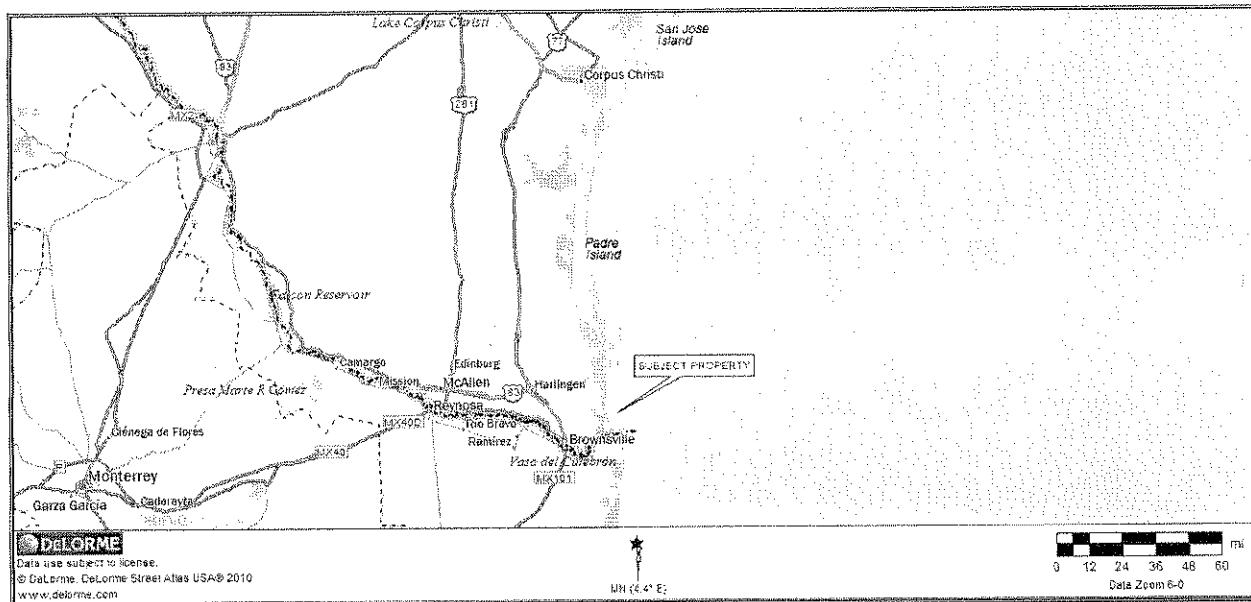
The subject's market is located within a zone restricted area. It is relatively easy to change zoning requirements for a property. The subject's site is also restricted to requirements by the General Land Office and the US Corp of Engineers. Any new constructions must adhere to local building codes.

Demand Generators

The main demand generator for the local market is the close proximity to South Padre Island. The area is highly sought area for vacationers and retired individuals because of its close proximity to local beaches, the Gulf of Mexico, water sports, and fishing.

CAMERON COUNTY MARKET ANALYSIS

Location Map



NEIGHBORHOOD ANALYSIS

NEIGHBORHOOD ANALYSIS

A neighborhood is defined in The Dictionary of Real Estate Appraisal, 5th Edition, Copyright 2010, Page 133, by the Appraisal Institute as:

A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.

A neighborhood can be a portion of a larger community, or an entire community in which there is a homogeneous group of inhabitants, buildings, and business enterprises in which inhabitants have a more than casual community interest and a similarity of economic levels or cultural backgrounds. Neighborhood boundaries may consist of well-defined natural or manmade barriers or they may be more or less well defined such as by distinct change in land uses.

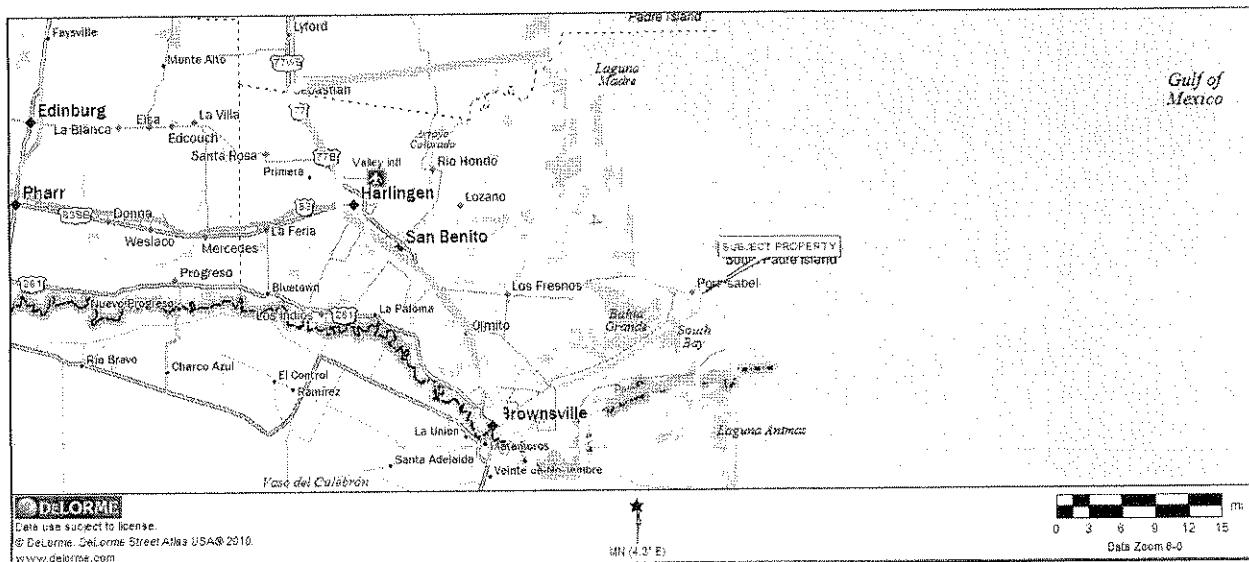
Neighborhoods may be devoted to such uses as residential, commercial, industrial, agricultural, cultural and civic activities, or a mixture of uses. Analysis of the neighborhood in which a particular property is located is important due to the fact that the various economic, social, political, and physical forces which affect that neighborhood also directly include the individual properties within it. An analysis of the various factors as they affect the value of the subject property is presented in the following discussion.

Market Area Boundaries

For the purpose of this appraisal, the subject market area is located in the southeastern portion of Cameron County. The area is defined as being bounded by:

North:	Laguna Madre
South:	Rio Grande River
East:	South Padre Island
West:	US Highway 77

NEIGHBORHOOD ANALYSIS



The described market area boundaries were chosen because properties described within them exhibit similar characteristics insofar as land use, physical characteristics, price, and desirability. This area is considered primarily commercial in character with residential influence found along the secondary thoroughfares.

Neighborhood Demographics

The following chart summarizes a 1-mile, 10-mile, and 15-mile radius from the subject property.

NEIGHBORHOOD ANALYSIS

		NEIGHBORHOOD DEMOGRAPHICS		
		1-Mile	10-Mile	15-Mile
Population	2000 Population	525	12,813	14,141
	2010 Population	1,226	15,501	17,041
	2015 Population	1,359	17,012	18,748
	Annual Growth 2000 - 2010	133.52%	20.98%	20.51%
	Annual Growth 2010 - 2015	10.85%	9.75%	10.02%
Households	2000 Households	236	4,795	5,017
	2010 Households	620	6,036	6,316
	2015 Households	698	6,706	7,038
	Annual Growth 2000 - 2010	162.71%	25.88%	25.89%
	Annual Growth 2010 - 2015	12.58%	11.10%	11.43%
Income	2000 Median Household Income	\$28,497	\$28,715	\$28,879
	2000 Average Household Income	\$43,776	\$43,840	\$43,914
	2000 Per Capita Income	\$19,254	\$16,722	\$16,269
	2010 Median Household Income	\$46,284	\$38,004	\$38,435
	2010 Average Household Income	\$60,084	\$52,169	\$52,084
	2010 Per Capita Income	\$29,518	\$20,306	\$19,819
	2015 Median Household Income	\$55,642	\$49,390	\$50,018
	2015 Average Household Income	\$67,299	\$58,306	\$58,153
	2015 Per Capita Income	\$33,468	\$22,971	\$22,363
Education (+25)	High School	24.8%	27.7%	27.4%
	Some College	23.0%	20.3%	19.4%
	Associates Degree	8.4%	7.2%	7.0%
	Undergraduate Degree	19.5%	14.9%	14.6%
	Graduate Degree	12.4%	9.6%	9.7%
Source: STDBOnline				

Government Structure

Cameron County has a county judge and four commissioner precincts, which comprise the commissioner's court. These individuals oversee the operations of the county government.

NEIGHBORHOOD ANALYSIS

Transportation

The traffic arteries in the market area are adequate, with access to the area offered primarily by US Highway 281, US Highway 77/83, State Highway 48, International Boulevard, and Business Highway 77. US Highway 281 is an east/west thoroughfare providing access from Business Highway 77 to the east and Hidalgo to the west. US Highway 77/83 is a north/south thoroughfare providing access from Mexico to the south and Harlingen to the north. State Highway 48 is an east/west thoroughfare providing access from Business 77 to the west and Port Isabel to the east. International Boulevard is an east/west thoroughfare providing access from US Highway 77/83 to the west and State Highway 48 to the east. Business Highway 77 is a north/south thoroughfare providing access from US Highway 77/83 to the north and the Mexico border to the south.

Port of Brownsville provides access to the Gulf of Mexico and is a major center for over 230 companies business within the Port. The Port of Brownsville allows for activities such as construction of offshore drilling rigs; ship repairing and dismantling; steel fabrication, boat construction; rail car rehabilitation; LPG storage/distribution; waste oil recover; bulk terminal for miscellaneous liquids; and grain handling and storage.

The Port is governed by the Brownsville Navigation District, which is run by the State of Texas.

Local and international air transportation is provided by Port Isabel/Cameron County Airport which is located approximately 12 miles northwest of the subject. Brownsville/South Padre Intercontinental Airport which is approximately 25 miles northwest of the subject property. Rail transportation in the immediate subject market area is provided by the Union Pacific Rail Road, west of the subject property.

Public Services

Electricity is provided by Duke Energy and telephone service by AT&T. Water and sewer is provided by the Laguna Madre Water District.

NEIGHBORHOOD ANALYSIS

The market area is served by the Port Isabel Independent School District with schools of all levels located throughout the area. Hospital facilities are located within the market area. The area also has good access to several churches, parks, recreational facilities, and shopping centers.

Topography

The topography of the market area is characterized as generally flat to rolling hills, which is representative of most of the Cameron area. The large majority of the immediate area is located outside the flood hazard area. No environmental hazards were apparent within the subject market area, and it is assumed that the area soil and sub-soil conditions are suitable for future development, based on the extent of existing development.

Land Use Patterns

Land uses in the market area encompass a variety of uses including commercial, residential, multifamily, service, and light industrial.

The area is influenced primarily by the county seat of Brownsville.

The area has a very diverse range of businesses and markets that stimulate and drive the local economy. Areas such as manufacturing, agriculture, mining, and various types of trading are the main areas of business and employment in Brownsville and the entire Rio Grande Valley. Major employers in Brownsville include Brownsville ISD, University of Texas- Brownsville, Cameron County, and The City of Brownsville.

Brownsville's economy relies heavily upon trade and retail due to its proximity to the United States - Mexico border. An increased payroll at Matamoros' 121 plants sparked a sharp increase in Brownsville's maquiladora industry which relies heavily upon customers from Mexico, especially those from Matamoros.

NEIGHBORHOOD ANALYSIS

In addition, South Padre Island is also a primary influence for the area. The area provides fishing and various water sports for the area. The area is driven by draw from vacationers to the area.

Conclusion:

Based on a physical inspection of the subject neighborhood and the entire community, it appears that most commercial development is developing west of US Highway 77. The impetus for growth is the increasing residential and commercial development near Brownsville and South Padre Island.

The subject neighborhood is in the **stable** stage of the economic life cycle, with high home sales, and high occupancies and rents in both the office and retail markets. The economy and increasing population of the county will benefit the subject neighborhood into the foreseeable future.

The **social influences** of the subject neighborhood include the fact that the geographic of the neighborhood offer a positive locale for the type of improvements found within the neighborhood boundaries. The homogeneity of the neighborhood centers its commercial and residential mix character at the present time.

The **economic influences** of the subject neighborhood include the fact that the neighborhood is approximately 60% built out, with anticipated future growth. The vacant land available for development will continue to place this neighborhood into the stable stage of the life cycle into the foreseeable future. The current improvements serve as the economic base for the neighborhood, with the current improvements enhancing economic presence within the neighborhood.

NEIGHBORHOOD ANALYSIS

The **governmental influences** affecting the neighborhood are mixed. The subject is in the process of being annexed into the City of Port Isabel, which does have zoning. The subject is zoned R-1, Single-Family.

As stated earlier in this report, there are no major **environmental forces** that would adversely affect the subject property. The flood plain map found subsequent to the *Site Analysis* indicates that some of the areas of the neighborhood are within the 100-year flood plain.

SITE ANALYSIS

SITE ANALYSIS

Property Location:	East end of South Garcia Street, approximately one mile southeast of State Highway 100, Cameron County, Texas
Size:	23.67 Acres and 73.74 Acres of Submerged Land
Configuration:	Irregular
TexMaps:	554, E4
Road Frontage:	South Garcia Street – Approximately 25 Feet Laguna Madre – Approximately 4,463 Feet The old causeway traverses the subject site.
Accessibility:	From the intersection of US Highway 77 and State Highway 100 (Cameron County), travel east along State Highway 100 for approximately 24.5 miles to South Garcia Street. Turn right (south) on South Garcia Street and travel approximately one mile to the subject property. The subject property has access from South Garcia Street. Overall, access is considered to be adequate.
Topography/Subsoil:	Basically level and at grade. The bearing qualities of the soil are assumed typical given adjacent development and there are no known hazards due to soil conditions.
Utilities:	<u>Gas</u> : Center Point <u>Electricity</u> : Duke <u>Water/Sewer</u> : Laguna Madre Water District (Sewer available after completion of improvements – not part of this appraisal) <u>Telephone</u> : AT&T
Adjacent Properties:	<u>North</u> – Laguna Madre <u>South</u> – Laguna Madre <u>East</u> – Laguna Madre <u>West</u> – City of Port Isabel/Laguna Madre
Easements:	According to the information provided and our physical inspection, there are typical utility easements located throughout the site. There does not appear to be any other adverse easements which would negatively affect the development of the site.

SITE ANALYSIS

Zoning/Restrictions: The subject site is being annexed into the City of Port Isabel. The subject is zoned. The subject will be zoned R-1, Single-Family.

Flood Plain/Drainage: According to flood maps issued by the Federal Emergency Management Agency (Community Panels #4801010300E), dated March 9, 1999. The majority of the subject is located in Zone V10, which are located within the 100-year flood zone.

Zone V10 is described as "SFHA's subject to inundation by the 100-year flood with the additional hazards associated with storm waves. Base flood elevations derived from detailed hydraulic analyses are shown within these zones. Mandatory flood insurance purchase requirements apply." (Zone VE is used on new and revised maps in place of Zones V1-30).

Comments:

The site is located at the east end of South Garcia Street, approximately one mile southeast of State Highway 100 and is considered to have average access and visibility. The subject is irregularly shaped. The property has road frontage along South Garcia Street.

South Garcia Street is a two-lane, asphalt-paved, roadway with concrete curb and gutter.

The subject property consists of 23.67 acres of land and 73.74 acres of submerged land located along either side of the former causeway extending approximately 500 feet. The subject property may have littoral or riparian rights associated with the subject. It was mentioned a lease for the submerged land is in place with the Texas General Land Office. A copy of the lease is in the addenda of this report.

The subject site has deep water access to the Laguna Madre and access to the Gulf of Mexico via the Queen Isabella Memorial Bridge.

According to the survey provided, portions of the subject site are submerged. A lease for the submerged land was provided by the client. The lease is for 99-years with approximately 94 years remaining. It is our understanding the lease will revert back to a 99-year lease once the

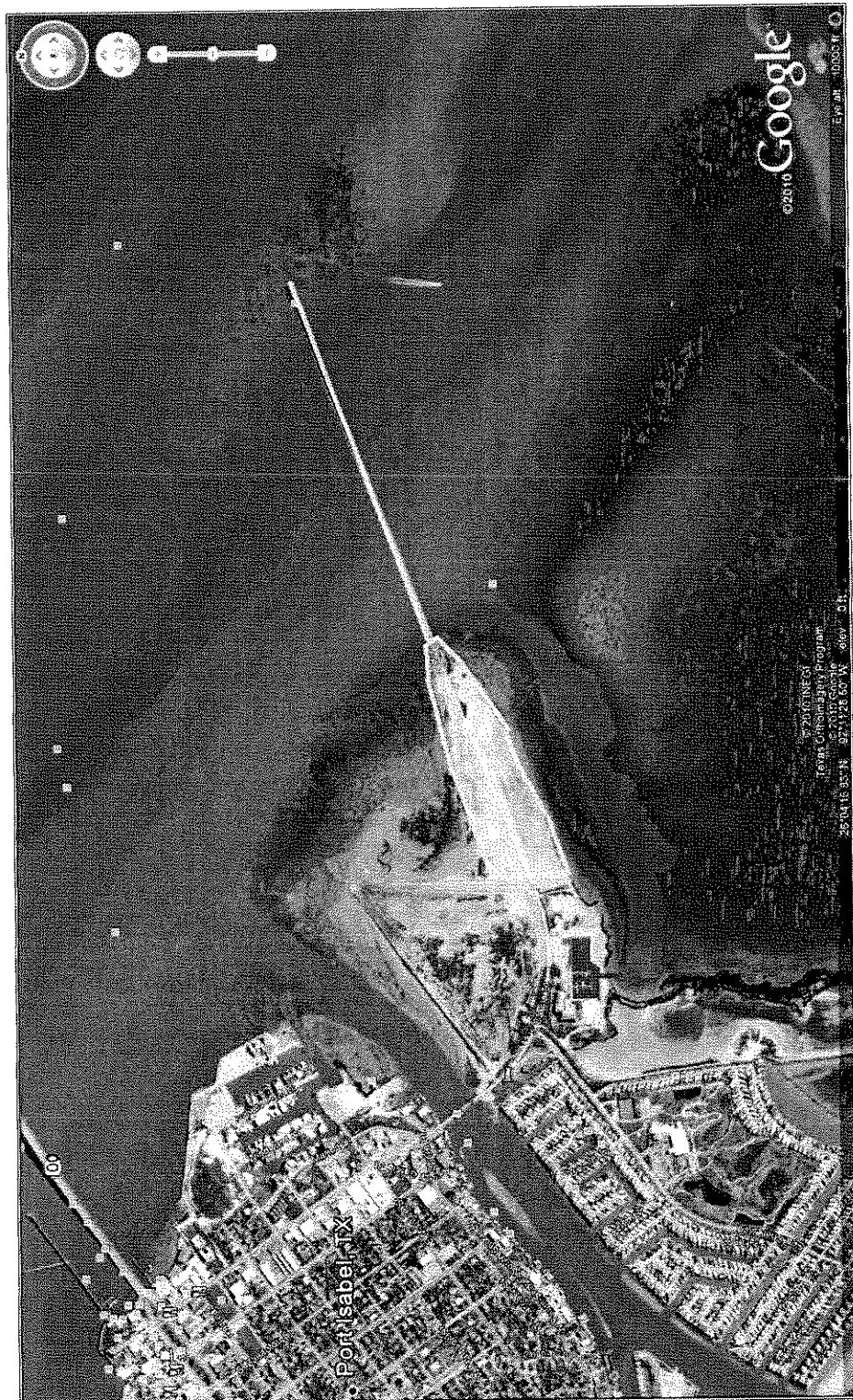
SITE ANALYSIS

improvements are completed. The lease is for \$5,000 per year. ***NOTE: Submerged land is located on both sides of the old causeway.***

It has what is considered to be a usable and regular configuration and is considered to be functionally adequate for a multi-family use commensurate with surrounding uses. Reference is made to the following pages for a Google Earth map, aerial photos, survey map, and flood plain map of the subject property.

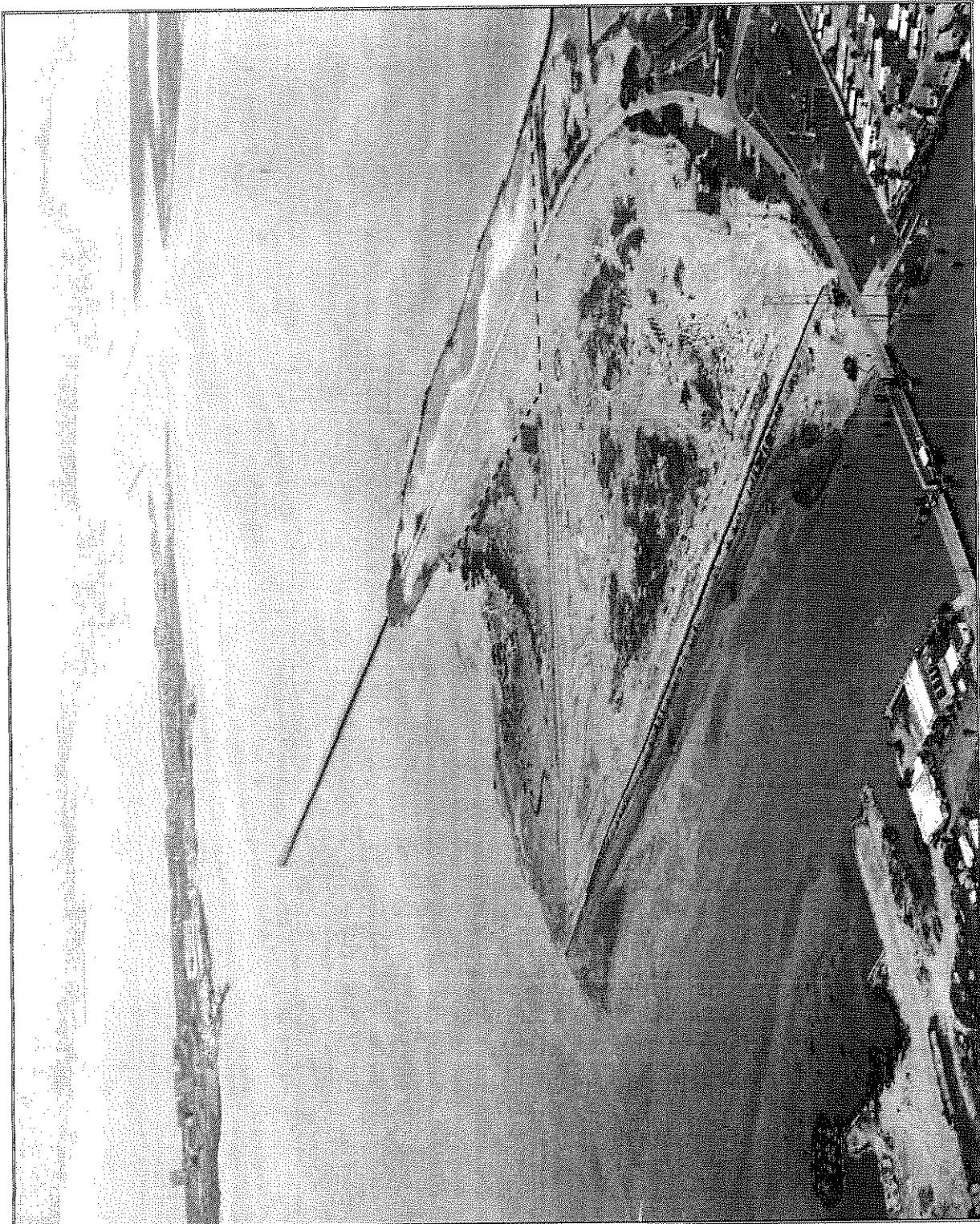
SITE ANALYSIS

Google Earth Map

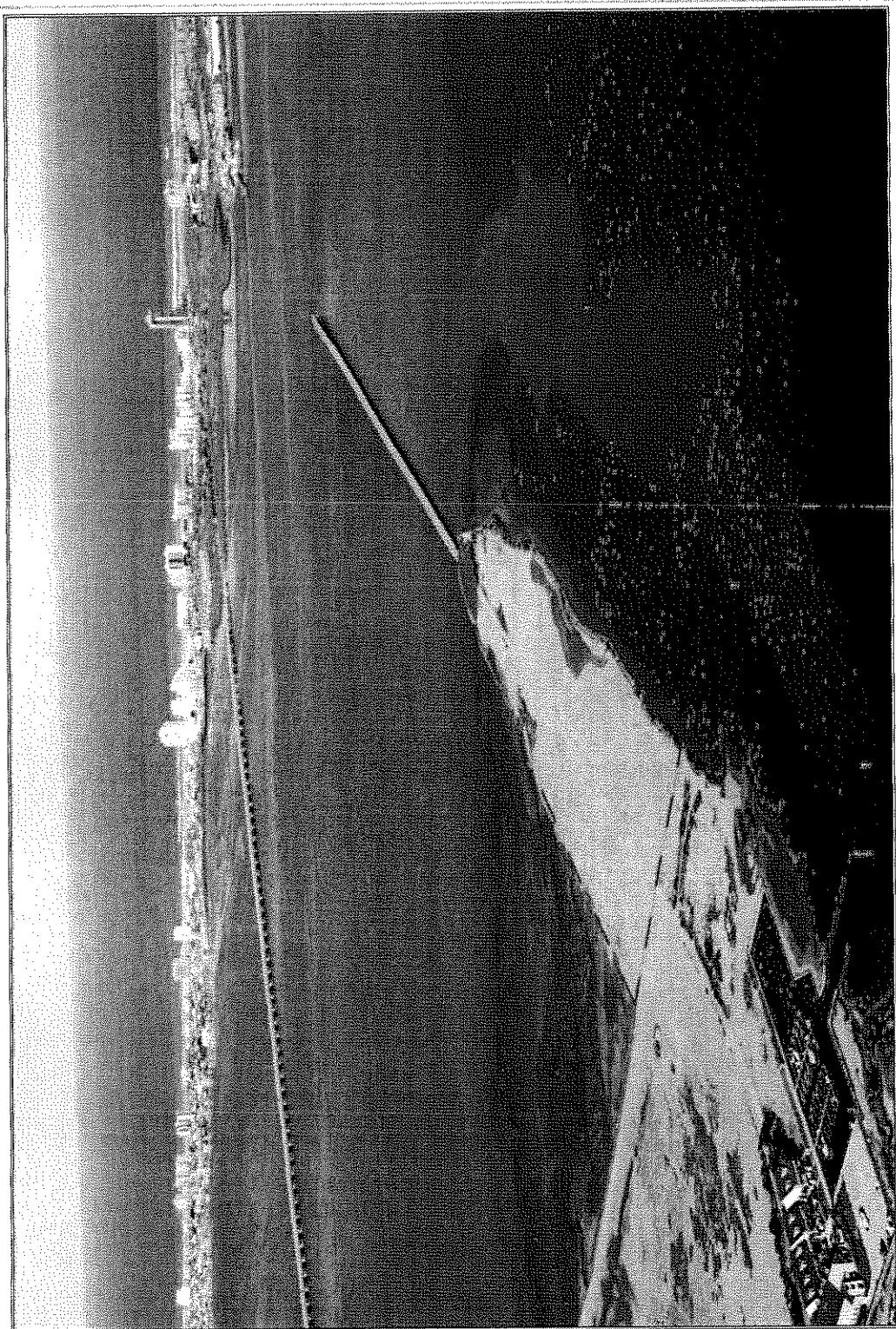


SITE ANALYSIS

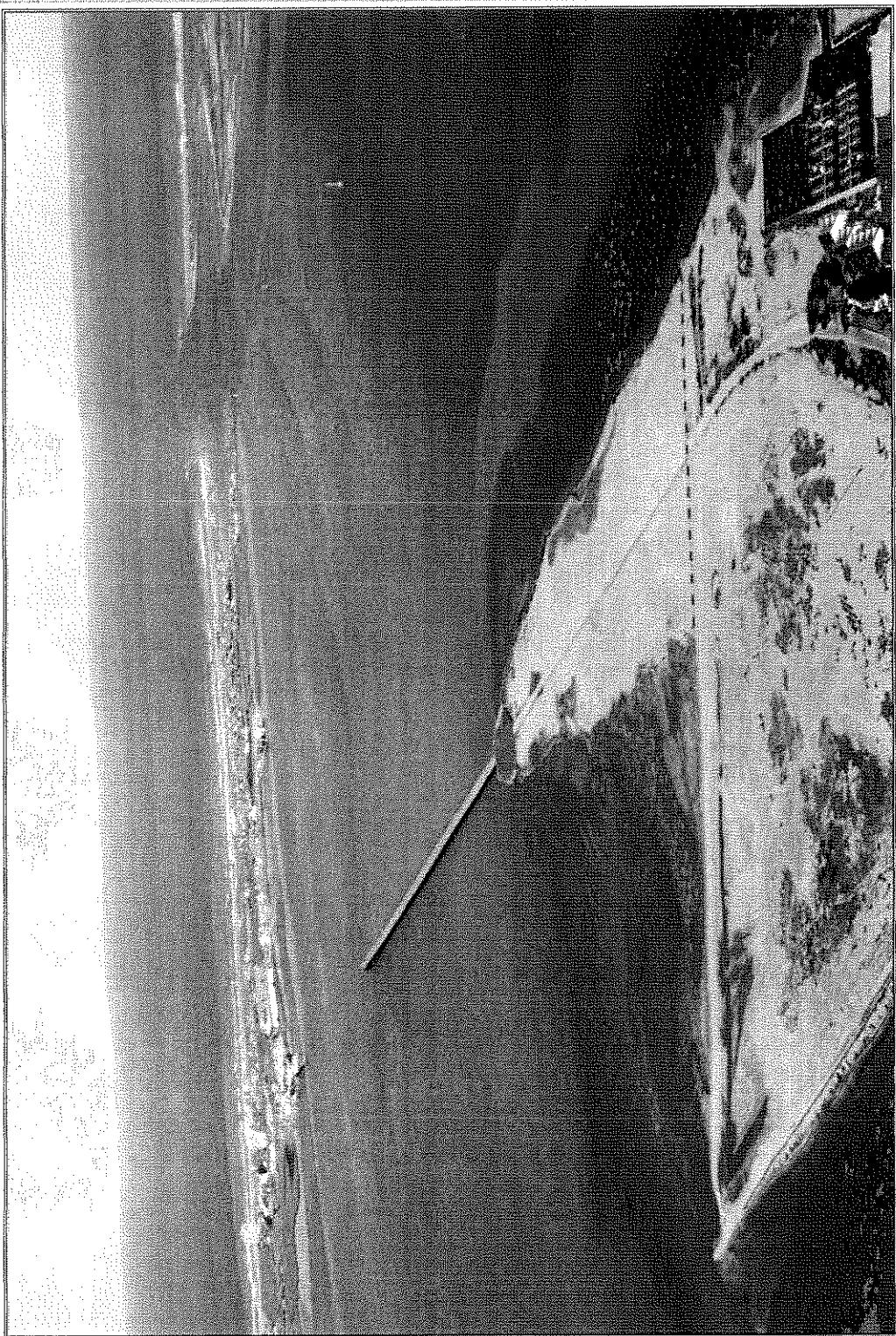
Aerial Photos



SITE ANALYSIS

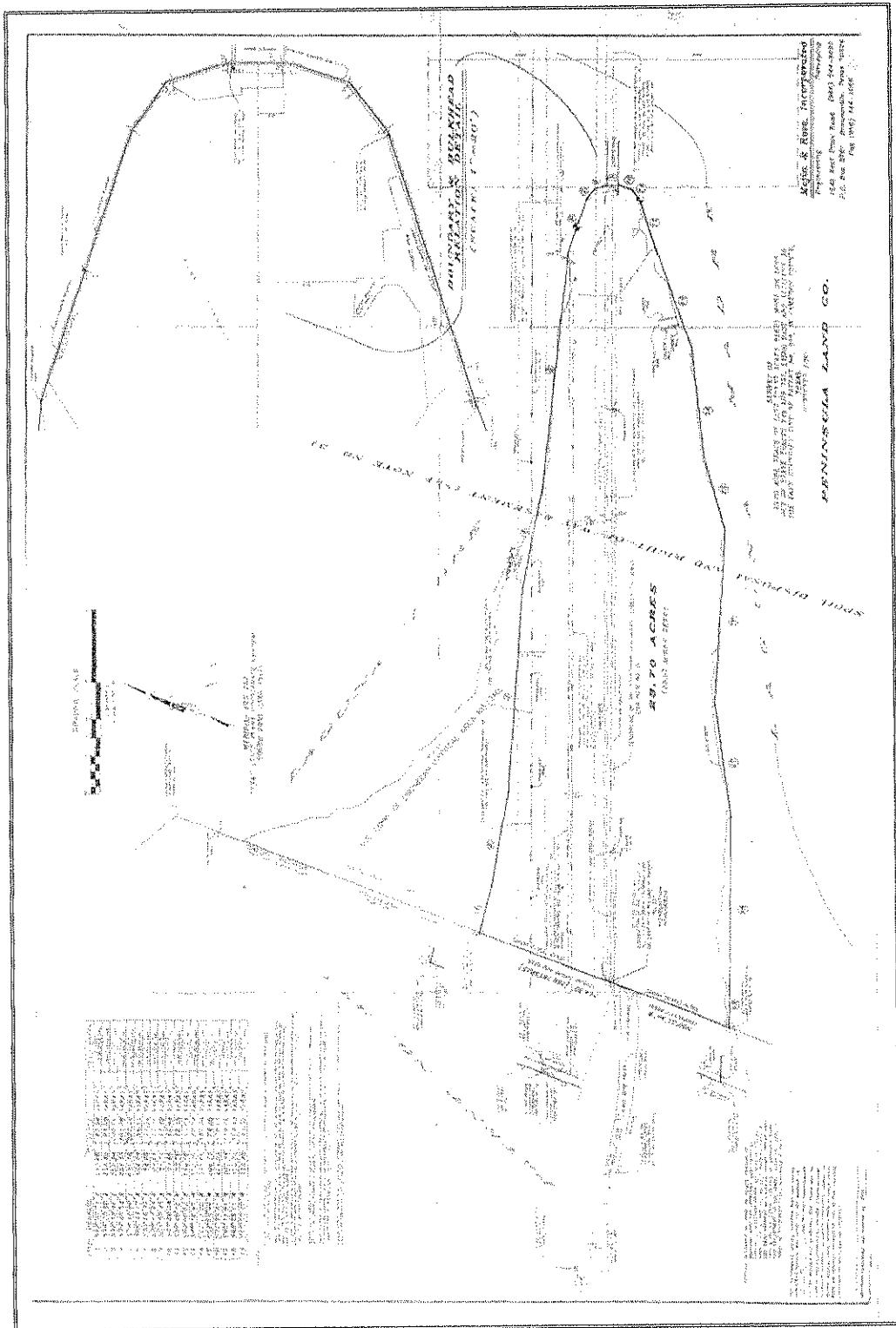


SITE ANALYSIS



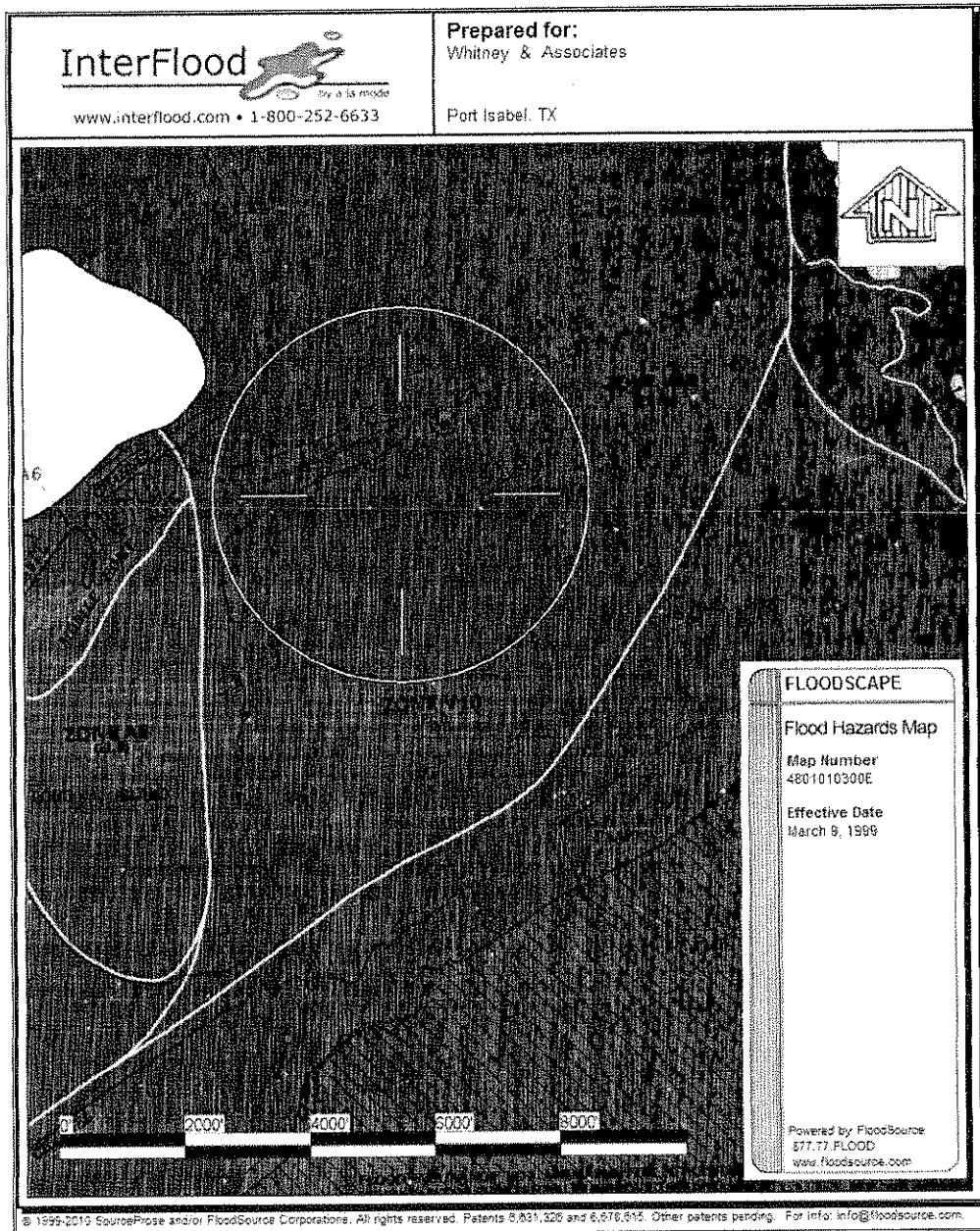
SITE ANALYSIS

Survey Map



SITE ANALYSIS

Flood Plain Map



TAX ANALYSIS

TAX ANALYSIS

The following is a schedule of the 2012 annual real property taxes for the subject property. The assessment ratio is 100% and the tax rates are in dollars per \$100 of the total assessed valuation.

The 2012 tax rates have not been released. The 2011 have been utilized for this analysis. A summary of the 2012 assessed values and taxes is presented below.

TAX ACCOUNT NUMBER	LAND ASSESSMENT	IMPROVEMENT ASSESSMENT	TOTAL ASSESSMENT
199685	\$1,017,810	\$0	\$1,017,810
TOTAL	\$1,017,810	\$0	\$1,017,810

The current 2012 total assessed value for the subject is \$1,017,810. Our land assessed value is based on the subject's vacant value only.

The subject tract is situated within the taxing jurisdictions of Cameron County, Port Isabel ISD, Laguna Madre Water District, Cameron County Emergency Service District #1, South Texas ISD, and Texas Southmost College District. The taxes are assessed as a percentage of the tax rate per \$100 of the assessed value.

ENTITY	2011 TAX RATE	ASSESSMENT PER \$100	2012 TAXES
Cameron County	\$0.384291	\$10,178.10	\$3,911.35
Port Isabel ISD	\$1.081634	\$10,178.10	\$11,008.98
Laguna Madre Water District	\$0.080820	\$10,178.10	\$822.59
Cameron County Emergency Service District #1	\$0.100000	\$10,178.10	\$1,017.81
South Texas ISD	\$0.049200	\$10,178.10	\$500.76
Texas Southmost College District	\$0.164026	\$10,178.10	\$1,669.47
TOTAL	\$1.859971		\$18,930.97

Note: The submerged land is owned by the State and is not taxed. Therefore, there is no tax levied on the tenant.

The subject property's 2012 taxes are \$18,931 (Rounded). According to the various taxing authorities, there are no outstanding taxes as of the date of this appraisal. Therefore, we have utilized a tax expense of **\$18,931** for our analysis.

TAX ANALYSIS

Cameron CAD - Property Details				Page 1 of 2																																																																																
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Property Search Results > 199685 RVL TEXAS PROPERTIES LLC for Year 2012																																																																																				
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Account Property ID: 199685 Geographic ID: 95-8000-0000-0309-00 Type: Real Property Use Code: Property Use Description:																																																																																				
Location Address: OLD CAUSEWAY RD Neighborhood: conv neighborhood Neighborhood CD: 958000 Owner Name: RVL TEXAS PROPERTIES LLC Owner ID: 328909 Mailing Address: 409 Breakaway Rd. % Ownership: 100.0000000000% Cedar Park, TX 78613-3305 Exemptions:																																																																																				
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(+) Improvement Homesite Value: + \$0 (+) Improvement Non-Homesite Value: + \$0 (+) Land Homesite Value: + \$0 (+) Land Non-Homesite Value: + \$1,017,810 Ag / Timber Use Value (+) Agricultural Market Valuation: + \$0 \$0 (+) Timber Market Valuation: + \$0 \$0 (=) Market Value: = \$1,017,810 (-) Ag or Timber Use Value Reduction: ~ \$0 (=) Appraised Value: = \$1,017,810 (-) HS Cap.: ~ \$0 (=) Assessed Value: = \$1,017,810																																																																																				
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TAX ANALYSIS

Cameron CAD - Property Details

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Land

#	Type	Description	Acres	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
1	UNKNOWN	UNKNOWN	1.0000	43560.00	0.00	0.00	\$1,017,810	\$0

Roll Value History

Year	Improvements	Land Market	Ag Valuation	Appraised	HS Cap	Assessed
2013	N/A	N/A	N/A	N/A	N/A	N/A
2012	\$0	\$1,017,810	0	1,017,810	\$0	\$1,017,810
2011	\$0	\$1,017,810	0	1,017,810	\$0	\$1,017,810
2010	\$0	\$1,017,810	0	1,017,810	\$0	\$1,017,810
2009	\$0	\$1,017,810	0	1,017,810	\$0	\$1,017,810
2008	\$0	\$1,017,810	0	1,017,810	\$0	\$1,017,810
2007	\$0	\$1,017,810	0	1,017,810	\$0	\$1,017,810
2006	\$0	\$1,017,810	0	1,017,810	\$0	\$1,017,810
2005	\$0	\$1,017,810	0	1,017,810	\$0	\$1,017,810
2004	\$0	\$1,017,810	0	1,017,810	\$0	\$1,017,810
2003	\$0	\$1,017,810	0	1,017,810	\$0	\$1,017,810
2002	\$0	\$1,017,810	0	1,017,810	\$0	\$1,017,810
2001	\$0	\$1,017,810	0	1,017,810	\$0	\$1,017,810

Deed History - (Last 3 Deed Transactions)

#	Deed Date	Type	Description	Grantor	Grantee	Volume	Page	Deed Number
1	8/30/2006 12:00:00 AM	GWL	GENERAL WARRANTY DEED W/W/L MARTIN PATRICK I RVL TEXAS PROP	12758	217	38946		
2	1/1/2000 12:00:00 AM	UNK	UNKNOWN		MARTIN, PATRICK			

2013 data current as of Sep 27 2012 4:36AM.
2012 and prior year data current as of Sep 20 2012 11:32AM

Website Version: 1.2.2.2

Database last updated on: 9/27/2012 4:36 AM

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This site only supports Internet Explorer 6+, Netscape 7+ and Firefox 1.5+.

http://propaccess.cameroncad.org/clientdb/Property.aspx?prop_id=199685

9/27/2012

DATA ANALYSIS AND VALUATIONS

HIGHEST AND BEST USE

HIGHEST AND BEST USE

Fundamentals of Highest and Best Use

According to The Dictionary of Real Estate Appraisal, 5th Edition, Copyright 2010, Page 93, by the Appraisal Institute, Highest and Best Use is defined as:

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legally permissibility, physical possibility, financial feasibility, and maximum profitability. Alternatively, the probable use of land or improved property-specific with respect to the user and timing of the use-that is adequately supported and results in the highest present value.

The definition specifically applies to the highest and best use of land or a site as if vacant and to the highest and best use as improved. When a site contains improvements, the highest and best use may be determined to be different from the existing use. The existing use will continue until land value in its highest and best use exceeds the sum of the value of the entire property in its existing use and the cost to remove the improvements. Each type requires a separate analysis. Moreover, in each case, the existing use may or may not be different from the site's highest and best use.

There are four major criteria to be considered when analyzing the highest and best use of a property, vacant or improved. The criteria are that the highest and best use must be (1) physically possible, (2) legally permissible, (3) financially feasible, and (4) maximally productive. These criteria should usually be considered sequentially. Since the subject consists of a vacant tract of land with site improvements, we will examine the site's highest and best use as vacant.

HIGHEST AND BEST USE

Highest and Best Use – “As Vacant”

Physically Possible Use

The first constraint imposed on the possible use of the property is dictated by the physical aspects of the site itself. This includes such factors as size, shape, terrain, etc. In general, the larger the site, the greater its potential to achieve economies of scale and flexibility in development. As discussed in the site analysis, the subject is a vacant tract of land with access via a public road along South Garcia Street. The subject has water frontage along the Laguna Madre and is an irregular shape. The size, shape and frontage are considered adequate enough to accommodate a variety of uses; however, the site is best configured for a multi-family/recreational use development.

A tract's topography and subsoil conditions are also important considerations in determining its possible uses. If a site's topography or subsoil conditions make utilization restrictive and costly, the site's potential future use is adversely affected. As mentioned previously in the Site Analysis section of this report, at the date of inspection, the subject appeared to be level and well drained. In addition, there is no apparent soil or subsoil conditions which would adversely affect construction, as evidenced by nearby improvements.

The possible uses of a tract are also dependent upon the site's utility availability and capacity. If a site has no access to utility service and cannot acquire access, it is virtually impossible to develop. Of equal importance is a site's utility capacity. A tract which does not have, and cannot acquire, high density utility capacity is restricted from most commercial property uses. The subject site has all utilities available in adequate capacity to support the development of the whole site. By virtue of its size, shape, topography and utility availability, the site lends itself to a number of possible uses. However, the site appears best suited for multi-family/recreational use development.

HIGHEST AND BEST USE

Legally Permissible Use

Private (deed) restrictions, zoning regulations, building codes, historic district controls, and environmental regulations can often preclude a possible highest and best use. As mentioned in the Site Analysis section of this report, the subject has been annexed into the City of Port Isabel, which does restrict through zoning ordinances in the past two months. According to the Code Enforcement department, the subject is zoned R-1, Single-Family Residential District.

ARTICLE 5 - CLASS "R-1" SINGLE FAMILY RESIDENCE DISTRICT

Section 1. Use Regulation In Class "R-1" Single Family Residence District. No building, structure or premises shall be used and no building or structure shall be erected, altered or enlarged which is intended or designated to be used in whole or in part for any other than one or more of the following specified uses:

- (1) A detached dwelling for only one family or for one housekeeping unit;
- (2) Municipal buildings and Public Parks;
- (3) Public schools and Churches, provided the site includes a corner lot.
- (4) Home Occupations
- (3) Railway Right of Way and tracks; passenger station but not including yards;
- (4) Golf Course (but not including miniature golf course; driving range or any other form of commercial amusement)
- (5) Accessory buildings including a private garage; as described in Article 2, Section 4, herein.
- (6) Temporary buildings to be used for construction purposes only and removed as soon as the construction is completed or when ordered by the Building Inspector. Field offices for sale of real estate, which shall be removed on order of the Building Inspector of the City of Port Isabel; and as described in Article 2, Section 5, herein.

Section 2. Height Regulation. No building shall exceed 30 feet or three standard stories in height.

Section 3. Area Regulations:

- (1) Front Yard:
 - (A) There shall be a front yard having a minimum depth of 25 feet. Provided, that if a building line has been established by ordinance or by two or more buildings in one block on the same side of the street, this line shall establish the minimum depth of the front yard.
 - (B) Where lots have a double frontage, running through from one street to the other, the requirement of front yard shall apply on both streets.

HIGHEST AND BEST USE

(2) Side Yard: There shall be a side yard on each side of the lot having a width of not less than 5 feet or 10% of the average width of the lot whichever is larger except that the side yard adjacent to the side street shall in no case be less than 10 feet. For the construction of boat houses, and other similar related construction, except for boat docks, there shall be a side setback on each side of the lot having a clear width of not less than three (3') feet, including cornices, porches, stairways, and eaves.

(3) Rear Yard: There shall be a rear yard having a depth of not less than 20 feet or 20% of the depth of the lot, whichever is greater. Where canals, bay front, and yacht basins occur at rear of lots, buildings may extend to the seawall, but no further.

(4) Area of the Lot: The minimum lot area shall be 6,000 square feet.

(5) Width of Lot: The minimum width of the lot shall be fifty (50) feet.

(6) Depth of Lot: The minimum depth of lot shall be one hundred (100) feet.

(7) Parking Space: Parking space shall be provided on the lot to accommodate two (2) motor cars for each dwelling unit consisting of one bedroom and an additional one-half (1/2) space for each additional bedroom and accessible from a public right-of-way or a paved driveway. A driveway may be used as a parking space.

There are no known environmental regulations, historic district controls, or burdensome building codes which would adversely affect the use of the subject site. Therefore, a multi-family/recreational use development would be legally permissible on the site.

HIGHEST AND BEST USE

Financially Feasible Use

From a financial standpoint, any property use which is expected to produce a positive rate of return is regarded as being feasible. Factors dictating which property uses are feasible include those which determine the possible and legal uses as well as other important factors such as: the shape, frontage, and location of the tract; access to the tract; adjacent property uses (in the interest of conformity; and the general neighborhood characteristics. These factors, along with pertinent market information, help determine what returns could be expected from alternative property uses. The subject has legal and physically possible uses which include a multi-family/recreational use development.

The subject is located within a predominately residential and tourist area with surrounding property uses including multi-family residential, retail, restaurants, entertainment, office, and commercial development. The trend in the area is toward development of the vacant land into multi-family uses. However, based on information provided by knowledgeable brokers and participants in the market there has been no activity for multi-family development. Based on the analysis of surrounding land use patterns and development in the area, as well as the physically possible and legally permissible uses of the site, it is our opinion that the future financially feasible use of the subject site would be to hold for development with a medium to high density multi-family/recreational development.

Maximally Productive Use

As concluded in the preceding paragraph, the financially feasible use of the subject site would be for the development of a multi-family/recreational use. Therefore, considering the subject's location, adjacent land uses, and the physically possible, legally permissible, and financially feasible uses of the site, a future multi-family/recreational use development, is considered most feasible.

HIGHEST AND BEST USE

Highest and Best Use, As Vacant. As noted by the analysis of the subject property, as vacant, a future multi-family/recreational use is physically possible, legally permissible and financially feasible. It is our opinion that the highest and best use of the subject properties is to develop with a future multi-family/recreational use development.

A potential buyer for the subject property would be a developer or investor. The typical marketing time for a similar property would be approximately two years if marketed properly.

VALUATION PROCESS

VALUATION PROCESS

The valuation process is an orderly investigative procedure wherein data is acquired, classified, analyzed and then processed into value indications via various appraisal techniques. The most commonly used appraisal techniques are the Cost Approach, the Market Approach, and the Income Approach. The subject property is a vacant tract of land. Therefore, the Cost Approach, Market Approach – Improved, and Income Approach were not considered applicable.

Cost Approach

The Cost Approach is the sum of the land value and the cost new of the improvements less accrued depreciation. The Cost Approach is based on the premise that an informed, rational purchaser/investor would pay no more for an existing property than it would cost him to produce a substitute property with the same utility without undue delay.

Sales Comparison Approach

The Sales Comparison Approach is the process for comparing prices paid for properties having a satisfactory degree of similarity to the subject property adjusted for differences in time, location and physical characteristics. This approach is based on the principle of substitution, which implies that a prudent purchaser will not pay more for a property than the cost to buy a comparable substitute property in a similar location.

Income Capitalization Approach

The Income Capitalization Approach is based on the premise that a prudent investor would pay no more for the subject property than he or she would for another investment with similar risk and return characteristics. Since the value of an investment can be considered equal to the present worth of anticipated future benefits in the form of dollar income or amenities, this approach derives a present value of the net income that the property is capable of producing. This amount is capitalized at a rate which should reflect risk to the investor and the amount of income necessary to support debt service or the mortgage requirement.

VALUATION PROCESS

Each technique or approach to value has its strengths and weaknesses, depending to a large extend on the type of property being appraised and the quality of available data. In most instances, one or more of these approaches will produce a more reliable value indication than the other approach or approaches. Therefore, the final step in the valuation process is the reconciliation and correlation of all the value indications into a final value. This step usually begins with a discussion of the merits and demerits of each approach and an analysis of the reliability of the data used in each approach. It concludes with a statement of the final value.

SALES COMPARISON APPROACH - LAND VALUATION

SALES COMPARISON APPROACH – LAND VALUATION

A reliable indication of the value of land is obtained by comparing the subject property to other tracts which have sold or are offered for sale in the same general vicinity. Such properties are listed on the following pages and are shown on the map enclosed. These sales were utilized for the subject's "as is" market value.

We researched land sales along the Gulf of Mexico and immediate bays along the Texas shoreline for land sales greater than 2 acres and purchased for a commercial use, which excludes single-family use. Limited sales were noted because of the recent economic downturn and limited land available for development. Furthermore, there are limited deep water sites available. We expanded our search to include sales from 2006 to present. We have utilized a blend of beach front and deep water sales.

Speaking with participants in the market and based on current market conditions, there is a scarce amount of investors to purchase a tract of land similar to the subject. The local brokers indicated no comparables similar to the subject selling in the past three years. Therefore, we conclude the sales utilized in our analysis to be the best comparables for the current market.

SALES COMPARISON APPROACH - LAND VALUATION

Land Sale No. 1



Property Identification

Record ID 6057
Property Type Residential, Residential
Address League City, Galveston County, Texas 77573
Location West end of Lighthouse Boulevard
Tax ID 4507-0001-0000-010
Legal Abstract 18, Page 1, 2, 4, & 5, Part of Blocks 1 & 2 Lakeside Addn
Key Map 619U

Sale Data

Grantor First Bank
Grantee Isola Ventura, LLC
Sale Date March 25, 2011
Deed Book/Page 2011015311
Property Rights Fee Simple
Conditions of Sale Arm's Length
Financing Cash to Seller
Sale History No arm's length sales in the past three years.
Verification Dave Ramsey, Listing Broker

SALES COMPARISON APPROACH - LAND VALUATION

Land Sale No. 1 (Cont.)

Sale Price	\$13,500,000
Cash Equivalent	\$13,500,000
Upward Adjustment	\$500,000 Discount for Quick Sale
Downward Adjustment	\$3,500,000 Infrastructure
Adjusted Price	\$10,500,000

Land Data

Zoning	Multi-Family Residential 1.2
Topography	Level
Utilities	All Available
Shape	Rectangular
Landscaping	None
Parking	None
Rail Service	None
Fencing	None
Flood Info	Portions

Land Size Information

Gross Land Size	35.060 Acres or 1,527,214 SF
Front Footage	4655 ft Total Frontage: 4655 ft Clear Lake

Indicators

Sale Price/Gross Acre	\$385,054 Actual or \$299,487 Adjusted
Sale Price/Gross SF	\$8.84 Actual or \$6.88 Adjusted
Sale Price/Front Foot	\$2,900 Actual or \$2,256 Adjusted

Remarks

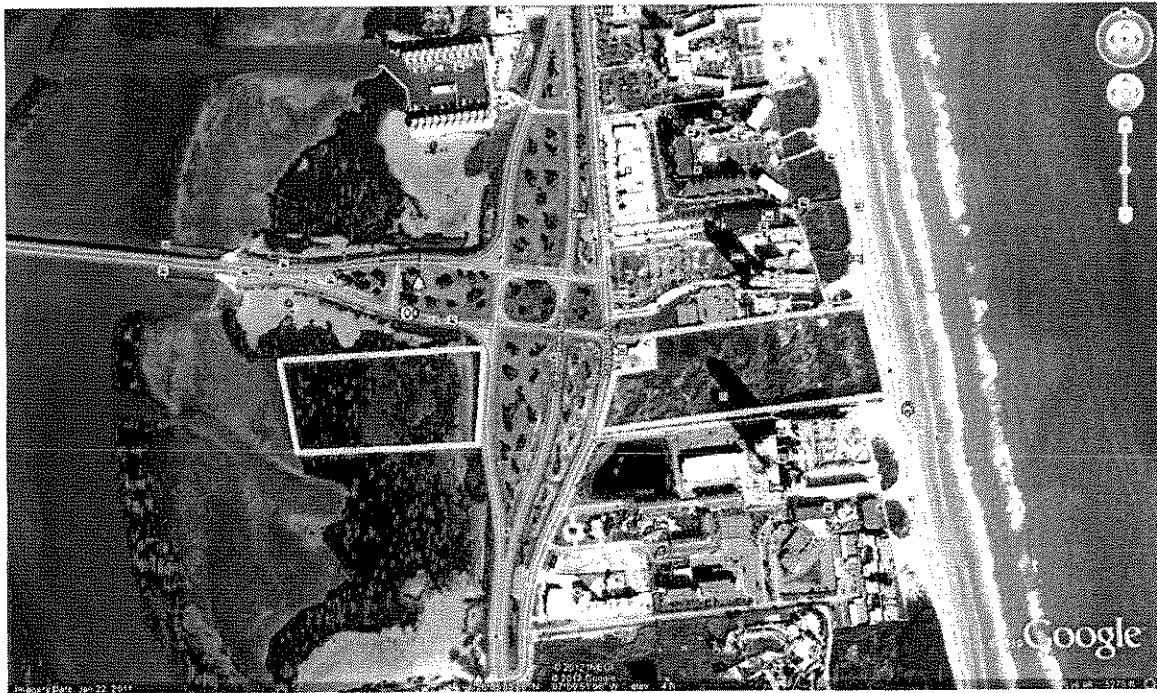
The property is surrounded on all sides by Clear Lake and is accessed via Lighthouse Boulevard. In May 2005, the site was under contract; however, the League City zoning board reviewed the site and lowered the required density resulting in a failed contract. In March 2006, the board removed the previous restrictions. The property's purchase is for a multi-family residential development.

A 5,000 square foot lighthouse located along the north shore of this tract is owned by South Shore Harbour Development, which maintains the lighthouse.

The property was foreclosed in June 2010. The property was listed for \$16,400,000 and was on the market for approximately nine months. The property was under contract for \$14,000,000; however, the property fell through because an investor backed out. The seller wanted to close the property before their quarter books ended. A discount of approximately \$500,000 was made for a quick sale from the previous contracted price. The listing agent indicated the property had approximately \$3,500,000 worth of infrastructure for a residential development in place.

SALES COMPARISON APPROACH - LAND VALUATION

Land Sale No. 2



Property Identification

Record ID 6521
Property Type Vacant, Investment
Address 320 Padre Boulevard, South Padre Island, Cameron County, Texas 78597
Location East and west lines of Padre Boulevard, south of State Highway 100
Tax ID 113382 and 113383
Legal See Comments
Key Map 555, C4

Sale Data

Grantor Amegy Bank
Grantee Agora USA, LP
Sale Date December 02, 2010
Deed Book/Page 201045389
Property Rights Fee Simple
Conditions of Sale Arm's Length
Financing Cash to Seller
Sale History No arm's length sales in the past three years.
Verification Herb Moss, Selling Agent

Sale Price \$8,000,000
Cash Equivalent \$8,000,000

SALES COMPARISON APPROACH - LAND VALUATION

Land Sale No. 1 (Cont.)

Land Data

Zoning	Resort Area and "C" - Business, D-1
Topography	Level
Utilities	All Available
Shape	Irregular
Landscaping	None
Parking	None
Rail Service	None
Fencing	None
Flood Info	Partially

Land Size Information

Gross Land Size	27.537 Acres or 1,199,512 SF
Useable Land Size	17.590 Acres or 766,221 SF , 63.88%
Front Footage	1853 ft Total Frontage: 846 ft Padre Boulevard; 507 ft Laguna Madre; 500 ft Gulf of Mexico

Indicators

Sale Price/Gross Acre	\$290,518
Sale Price/Gross SF	\$6.67
Sale Price/Useable Acre	\$454,804
Sale Price/Useable SF	\$10.44
Sale Price/Front Foot	\$4,317

Remarks

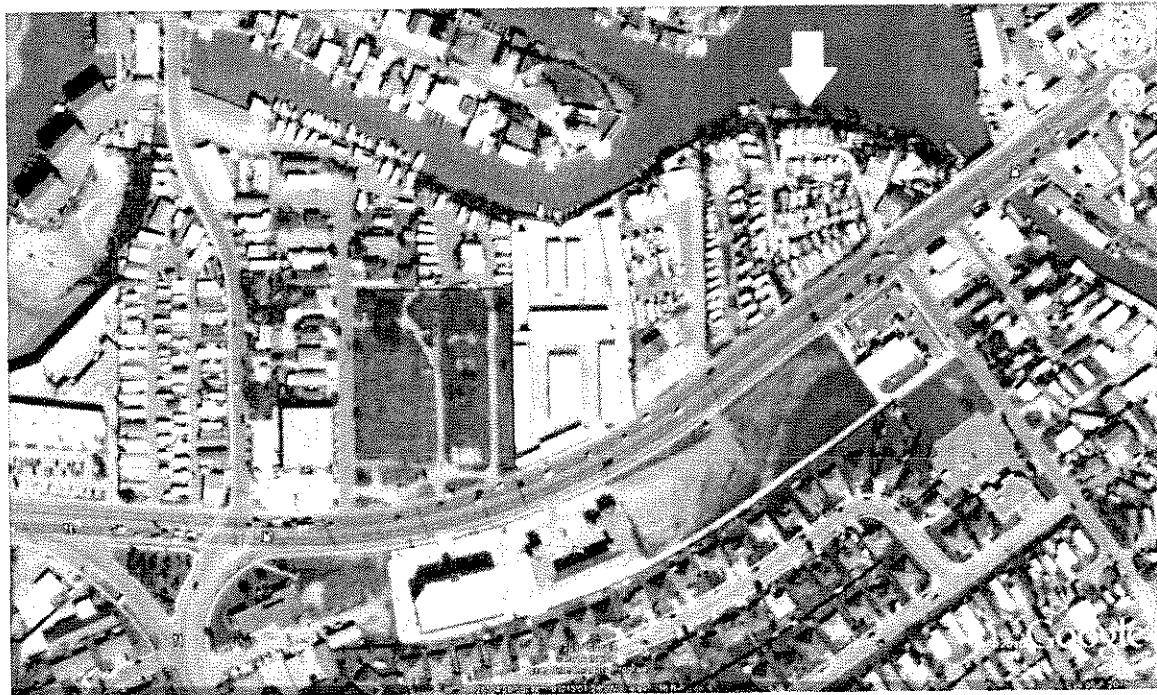
The property was listed for \$12,900,000 and was on the market for approximately eight months. The listing agent indicated the buyer will develop the site in the future, but currently has no plans. The western bay-side 9.947 acres are undevelopable as it is an estuary. The eastern 17.59 acres has gulf frontage.

It was reported there is an easement on the northern portion of the site for emergency vehicles and the property does have wetlands that will have to be mitigated.

Legal: Padre Island Unsubdivided Abstract 260, 9.947 Acres out of 11.87 Acres and 17.59 Acres out of 21.83 Acres, A. D. Dickinson Jr. Tract, West of Park Road 100, Cameron County, Texas

SALES COMPARISON APPROACH - LAND VALUATION

Land Sale No. 3



Property Identification

Record ID	5303
Property Type	Multi-family, Multifamily
Address	502 West State Highway 100, Port Isabel, Cameron County, Texas 78578
Location	North line of State Highway 100, east of Basin Street
Tax ID	94211
Legal	3.59 Acres out of Unsubdivided Tract D, Port Isabel
Key Map	554, B4

Sale Data

Grantor	Port Isabel Park Center, Inc.
Grantee	GF Group, Inc.
Sale Date	July 08, 2008
Deed Book/Page	15234/297
Property Rights	Fee Simple
Conditions of Sale	Arm's Length
Financing	Cash to Seller
Verification	Confidential

Sale Price	\$2,025,000
Cash Equivalent	\$2,025,000

SALES COMPARISON APPROACH - LAND VALUATION

Land Sale No. 3 (Cont.)

Land Data

Topography	Level
Utilities	All Available
Shape	Irregular
Landscaping	None
Parking	None
Rail Service	None
Fencing	None
Flood Info	Yes

Land Size Information

Gross Land Size	3.590 Acres or 156,381 SF
Front Footage	682 ft State Highway 100; 587 ft Channel Frontage

Indicators

Sale Price/Gross Acre	\$564,067
Sale Price/Gross SF	\$12.95

Remarks

The property was being utilized as an RV park at the time of sale. The property was purchased as an investment and was purchased with an adjacent property. This tract sold with owner financing; however, the note was short term and was reported at market.

This tract has frontage along a channel with access to the Laguna Madre.

SALES COMPARISON APPROACH - LAND VALUATION

Land Sale No. 4



Property Identification

Record ID	5304
Property Type	Multi-family, Multifamily
Address	602 West State Highway 100, Port Isabel, Cameron County, Texas 78578
Location	North line of State Highway 100, east of Basin Street
Tax ID	94208 and 94210
Legal	1.79 Acres out of Unsubdivided Tract D, Port Isabel
Key Map	554, B4

Sale Data

Grantor	B&A, Inc.
Grantee	GF Group, Inc.
Sale Date	July 01, 2008
Deed Book/Page	15213/237
Property Rights	Fee Simple
Conditions of Sale	Arm's Length
Financing	Cash to Seller
Verification	Confidential

Sale Price	\$800,000
Cash Equivalent	\$800,000
Upward Adjustment	\$20,000 Demolition
Adjusted Price	\$820,000

SALES COMPARISON APPROACH - LAND VALUATION

Land Sale No. 4 (Cont.)

Land Data

Topography	Level
Utilities	All Available
Shape	Irregular
Landscaping	None
Parking	None
Rail Service	None
Fencing	None
Flood Info	Yes

Land Size Information

Gross Land Size	1.790 Acres or 77,973 SF
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Indicators

Sale Price/Gross Acre	\$446,927 Actual or \$458,101 Adjusted
Sale Price/Gross SF	\$10.26 Actual or \$10.52 Adjusted

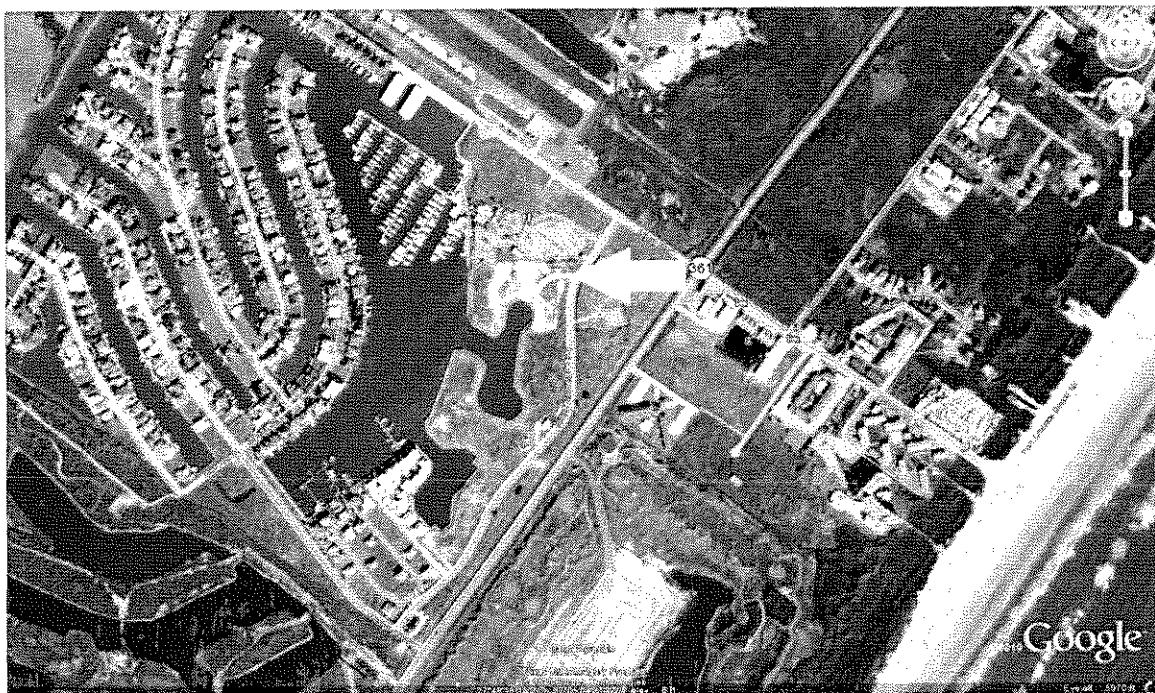
Remarks

The property was being utilized as an RV park at the time of sale. The property was purchased as an investment and was purchased with an adjacent property.

This tract has close frontage along a channel with access to the Laguna Madre.

SALES COMPARISON APPROACH - LAND VALUATION

Land Sale No. 5



Property Identification

Record ID	5632
Property Type	Waterfront, Waterfront
Address	Port Aransas, Nueces County, Texas 78373
Location	West line of Island Moorings Boulevard, southwest of Piper Lane
Tax ID	R374419
Legal	Lot 1B, Block 1, The Moorings at Mustang Island
Key Map	162, D7

Sale Data

Grantor	Jerry Gnazzo, et al
Grantee	KM Moorings at Mustang Island, Ltd.
Sale Date	August 31, 2007
Deed Book/Page	2007045307
Property Rights	Fee Simple
Conditions of Sale	Arm's Length
Financing	Cash to Seller
Sale History	Previously sold \$2.50 PSF in 2004
Verification	Confidential

Sale Price	\$15,000,000
Cash Equivalent	\$15,000,000

SALES COMPARISON APPROACH - LAND VALUATION

Land Sale No. 5 (Cont.)

Land Data

Zoning	AT
Topography	Level
Utilities	Public
Shape	Irregular
Landscaping	None
Parking	None
Rail Service	None
Fencing	None
Flood Info	None

Land Size Information

Gross Land Size	32.919 Acres or 1,433,952 SF
Front Footage	7060 ft Total Frontage: 2126 ft Island Moorings Boulevard; 4934 ft Island Moorings Marina

Indicators

Sale Price/Gross Acre	\$455,664
Sale Price/Gross SF	\$10.46
Sale Price/Front Foot	\$2,125

Remarks

The property has riparian water rights and has 15.1 acres of submerged land. The property is located adjacent to the Island Moorings Marina and includes two condominium docks out of an adjacent condominium complex (Units 62 and 63). The property has two bulkheaded lagoons.

SALES COMPARISON APPROACH - LAND VALUATION

Land Sale No. 6



Property Identification

Record ID	5633
Property Type	Waterfront, Waterfront
Address	622 Access Road 1A, Port Aransas, Nueces County, Texas 78373
Location	Southwest line of Access Road 1A, southeast of Highway 361
Tax ID	R198326
Legal	See Comments
Key Map	162, E7

Sale Data

Grantor	Aransas Princess Owners Only
Grantee	Koontz/McCombs I, Ltd.
Sale Date	August 27, 2007
Deed Book/Page	2007045698
Property Rights	Fee Simple
Conditions of Sale	Arm's Length
Financing	Cash to Seller
Verification	Confidential

Sale Price	\$6,000,000
Cash Equivalent	\$6,000,000

Land Data

Topography	Level
Utilities	All Available

SALES COMPARISON APPROACH - LAND VALUATION

Land Sale No. 6 (Cont.)

Shape	L Shaped
Landscaping	None
Parking	None
Rail Service	None
Fencing	None
Flood Info	Portions

Land Size Information

Gross Land Size	14.256 Acres or 620,992 SF
Front Footage	327 ft Gulf of Mexico

Indicators

Sale Price/Gross Acre	\$420,875
Sale Price/Gross SF	\$9.66

Remarks

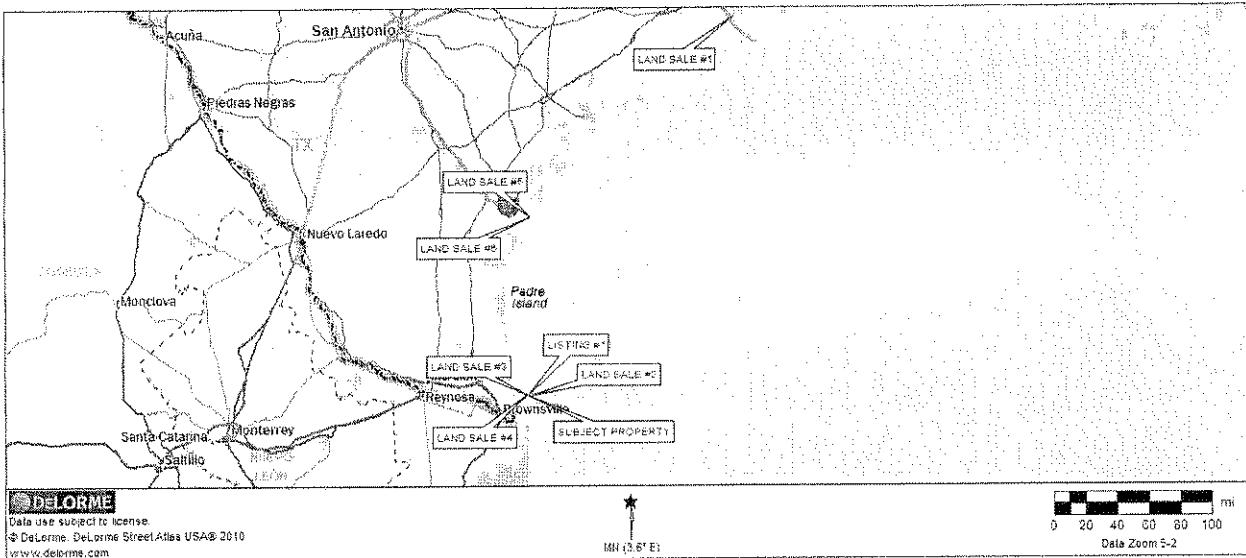
Legal:

Tract 1: a 9.363 acre tract of land, out of that certain 30.00 acre tract being a portion of the Isaac W. Boone Survey, Land Script 241, Mustang Island, Nueces County, Texas. Tract 2: a 1.647 acre tract but of that certain 30.00 acre tract being a portion of the Isaac W. Boone Survey, Land Script 241, Mustang Island, Nueces County, Texas and being the 100.00' x 717.90' R-O-W. Tract 3: 3.246 acre out of a 19.438 acre tract of which 19.20 acres are out of the Isaac Boone Survey, Land Script 241, Survey 587, Abstract 43 and 0.238 acre being out of a portion of land recorded in Volume 911, page 330, Nueces County, Texas.

The property adjoins the Newport Golf Course and along the Aransas Princess.

SALES COMPARISON APPROACH - LAND VALUATION

Land Sales Map



SALES COMPARISON APPROACH - LAND VALUATION

Mr. Troy Giles of Troy Giles Realty and Management stated the market is active with a great time for buying opportunities, but there are limited buyers in the market. The most active area is the condominium market with some commercial activity. Mr. Giles stated there has been limited to no land sales in the past few years.

Below is a summary of Gulf of Mexico land sales from 2009 to present. These sales were not utilized in our analysis, but illustrate a price range for water front tracts along the Gulf Coast.

SALE #	LOCATION	SALE PRICE	DATE OF SALE	USE	WATER FRONTAGE	SIZE (AC)	PRICE/SF	PRICE/WF
1	12th Street at St. Charles Bay, Rockport, Texas	\$2,500,000	7/24/2012	Recreational	1,650	80.946	\$0.71	\$1,515
2	100 Bon Secour Avenue, Gulf Shores, Alabama	\$2,375,000	4/20/2012	Mixed Use	N/A	27.610	\$1.97	N/A
3	12160 Cortez Road, Bradenton, Florida	\$2,944,000	12/29/2010	Marina	N/A	4.650	\$14.53	N/A
4	1700 SW 17th Street, Ft. Lauderdale, Florida	\$1,250,000	9/14/2010	Marina	N/A	5.610	\$5.12	N/A
5	248 Causeway Drive, N. Smyrna Beach, Florida*	\$2,000,000	7/26/2010	Marina	N/A	4.000	\$11.48	N/A
6	State Highway 35 (Business), south of FM 188, Aransas Pass, Texas	\$375,000	2/28/2010	Residential	N/A	9.653	\$0.89	N/A
7	12100 West Manatee Avenue, Bradenton, Florida	\$8,000,000	9/1/2009	Residential	N/A	77.090	\$2.38	N/A

*This sale included submerged land.

SALES COMPARISON APPROACH - LAND VALUATION

Bracketing Method

Qualitative differences may be analyzed by ranking comparable sales according to their degree of similarity to the subject. The magnitude of differences may be used to decide which comparable sales are more reliable indicators of the value of the subject and should provide a basis for reconciliation. The qualitative comparison of the comparable sales table below references various characters in reference to the subject property. The chart presents a relative comparison between the comparable sales and the subject.

QUALITATIVE COMPARISON OF COMPARABLE SALES CHART						
SALE #	1	2	3	4	5	6
PRICE PER SQUARE FEET	\$6.88	\$10.44	\$12.95	\$10.52	\$10.46	\$9.66
PROPERTY RIGHTS CONVEYED	Similar	Similar	Similar	Similar	Similar	Similar
FINANCING	Similar	Similar	Similar	Similar	Similar	Similar
CONDITION OF SALE	Inferior	Inferior	Similar	Similar	Similar	Similar
BUYERS EXPENDITURES	Similar	Similar	Similar	Similar	Similar	Similar
MARKET CONDITIONS	Similar	Similar	Superior	Superior	Superior	Superior
LOCATION/ACCESS	Superior	Superior	Superior	Superior	Superior	Similar
SIZE	Inferior	Superior	Superior	Superior	Inferior	Superior
CORNER/FRONTAGE	Similar	Similar	Inferior	Inferior	Superior	Similar
FLOOD PLAIN/SITE WORK/EASEMENTS	Similar	Similar	Similar	Similar	Similar	Similar
CONFIGURATION	Similar	Similar	Similar	Similar	Similar	Similar
UTILITIES	Superior	Superior	Superior	Superior	Superior	Superior

Based on this information, the sales can be reconfigured into an array in descending order of desirability, as demonstrated in the comparables sales array referenced below.

COMPARABLE SALES ARRAY		
Sale #	Unadjusted Price/SF	Adjusted Price/SF
6	\$9.66	\$6.98
3	\$12.95	\$6.99
5	\$10.46	\$6.22
2	\$10.44	\$6.26
SUBJECT		
4	\$10.52	\$5.68
1	\$6.88	\$5.36

SALES COMPARISON APPROACH - LAND VALUATION

Adjustments are made to the prices of the selected tracts to compensate for differences between each tract and the subject site. In applying such adjustments, it is necessary to consider the following factors.

Property Rights Conveyed: A sales transaction for site valuation is always predicated on the real property interest conveyed. Some transactions are subject to a lease, and thus the analysis of this tract may involve the leased fee estate instead of the fee simple interest. For purposes of this report, the appraiser selected transactions that were sold on a fee simple basis, in order to maintain conformity with the sales and accurately as possible derive a market value for the subject property. No adjustments were made.

Financing Terms: The transaction price of one property may differ from that of an identical property due to different financing arrangements. For example, a buyer may pay a higher price in a transaction which involves below market or favorable financing.

Favorable financing can be in terms of a below market interest rate, a small down payment, an interest only loan, a non-recourse or limited liability loan, or a loan based upon the cash flow of the project. All of the sales in this report were cash to the seller; therefore, no adjustments are deemed necessary.

SALES COMPARISON APPROACH - LAND VALUATION

Conditions of Sale: Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. Buyers or sellers acting under duress may cause a sale to be less representative of the market. A financial, business, or family relationship between the parties may affect the price of a property. When non-market conditions of sale are detected in a transaction, the sale can be used as a comparable only with great care. The circumstances of the sale must be thoroughly researched before an adjustment is made. Although conditions of sale are often perceived as applying only to sales that are not arm's-length transactions, some arm's-length sales may reflect atypical motivations or sale conditions due to unusual tax considerations, sale at legal auction, lack of exposure on the open market, or eminent domain proceedings. If the sales used in the market approach reflect such situations, an appropriate adjustment must be made for motivation or conditions of sale. Sale 1 sold out of foreclosure and required an upward adjustment.

Buyer's Expenditures: Properties may require additional costs after a sale to bring improvements to acceptable market condition. These costs may include, but are not limited to site work, site remediation, improvement remediation, etc. Buyer's expenditures are usually known to both parties at the time of sale. Sale 4 had demolition included in the sale. The demolition costs were included in the final market value noted. No adjustments were made.

Market Conditions: Changes in market conditions may be the result of inflation, deflation, fluctuations in supply and demand, changes in highest and best use, or other factors. Although this adjustment is often referred to as a "time" adjustment, time is not the cause of the adjustment, but a reflection of shifts, or changes in market conditions.

Generally, land values rise over time due to inflation and the decreasing supply of land. The sales included in this report ranged in date of sale from August 27, 2007 to March 25, 2011. Over the past few years sales have declined due to a slow in the economy until stabilization in mid-2009. Discussions with various market participants, we have considered downward adjustments for Sales 3, 4, 5, and 6.

SALES COMPARISON APPROACH - LAND VALUATION

Location: All of the sales are located along the Texas Gulf Coast; however, limited sales were found in the subject's immediate area. The comparables found are considered the best comparables available for the subject property. The subject is located at the east end of South Garcia Street, approximately one mile southeast of State Highway 100. Because of the limited sales in the immediate area, it is difficult to have matched paired sales for locations. We have utilized assessed values from the sales' respective appraisal districts to determine an adjustment over 10 percent, when warranted.

Sale 1 is located at the west end of Lighthouse Boulevard in League City. This sale is located in a highly developed area with higher end water front homes and developments. The site has access to the Gulf of Mexico similar to the subject. The sale required a downward adjustment. This adjustment is supported by a higher land assessed value from the Galveston Appraisal District at \$5,765,940, or \$6.88 per square foot. Therefore, our concluded adjustment is considered reasonable.

Sale 2 is located along Padre Boulevard, just south of State Highway 100 in South Padre Island. This sale is located along the major thoroughfare that access South Padre Island and has a high traffic count compared to the subject. This sale required a downward adjustment.

Sale 3 is located along State Highway 100 in Port Isabel. This sale is located along the major thoroughfare that access South Padre Island and has a high traffic count compared to the subject. This sale required a downward adjustment.

Sale 4 is located along State Highway 100 in Port Isabel. This sale is located along the major thoroughfare that access South Padre Island and has a high traffic count compared to the subject. This sale required a downward adjustment.

Sale 5 is located along Island Moorings Marina and Island Mooring Boulevard in Port Aransas. This sale is located in an area with a large number of residential developments with a high traffic

SALES COMPARISON APPROACH - LAND VALUATION

area. The water location is not considered as ideal as the subject but has more development, a downward adjustment was made to this sale. This adjustment is supported by a higher land assessed value from the Cameron Appraisal District at \$2,803,588, or \$1.96 per square foot. Therefore, our concluded adjustment is considered reasonable.

Sale 6 is located adjacent to the Aransas Princess along Beach Access 1A in Port Aransas. This sale has Gulf frontage, but is shallow; therefore, no adjustment was made.

Size: The next adjustment consideration is for size. The sales analyzed range in size from **1.79 acres to 35.060 acres**. The subject property consists of **23.67 acres (fee simple)**, which is within the range of the sales in this analysis. Typically, in the marketplace, there exists an inverse relationship between unit price and size. However, there generally exists a size range in which tracts are considered comparable; therefore, this inverse relationship is not absolute.

Generally, sales with analogous sizes fall into categories of comparability. The sales utilized in our analysis are considered the best comparables available; however, the paired sales utilized are not ideal because of limited paired sales located within a specific region with similar characteristics as the subject. The following is a paired sales analysis.

SIZE						
Set 1						
Sale Number	Sales Price	Date	Acreage	Price/SF	% Change	% Change/AC
3	\$2,025,000	Jul-08	3.59	\$10.95	27.33%	2.56%
6	\$6,000,000	Aug-07	14.256	\$8.60		
Set 1						
Sale Number	Sales Price	Date	Acreage	Price/SF	% Change	% Change/AC
4	\$820,000	Jul-08	1.79	\$9.40	9.30%	0.75%
6	\$6,000,000	Aug-07	14.256	\$8.60		

Note: the Price per Square Foot is adjusted for all other characteristics except for size.

Set 1 calculation: $(\$10.95 \text{ PSF} - \$8.60 \text{ PSF}) / \$8.60 \text{ PSF} = 27.33\% \text{ Change}$

$27.33\% / (14.256 \text{ Acres} - 3.59 \text{ Acres}) = 2.56\% \text{ Change / Acre}$

Set 2 calculation: $(\$9.40 \text{ PSF} - \$8.60 \text{ PSF}) / \$8.60 \text{ PSF} = 9.30\% \text{ Change}$

$9.30\% / (14.256 \text{ Acres} - 1.79 \text{ Acres}) = 0.75\% \text{ Change / Acre}$

SALES COMPARISON APPROACH - LAND VALUATION

The paired sales utilized show a range of 0.75 percent to 2.56 percent change for difference in site size. We have considered a change in acreage at approximately 1.25 percent reasonable for these sales. Considering these adjustments Sales 2, 3, 4, and 6 would require downward adjustments. Sales 1 and 5 would require upward adjustments.

Sales 3 and 4 required the largest adjustments (greater than 10 percent). The change in acreage for Sale 3 is 20.08 acres, which we have concluded a 25 percent downward adjustment. The change in acreage for Sale 4 is 21.88 acres, which we have concluded a 30 percent adjustment reasonable. Please note that an adjustment factor of 1.25 percent is not linear and some subjective or rounding may be in effect.

Corner/Frontage Influence: Properties which enjoy a corner location or have frontage along more than one roadway typically sell at a higher per unit value due to increased exposure and accessibility. The subject property has frontage along South Garcia Street and the Laguna Madre. No adjustments were made.

Water Adjustment: The subject property has access to deep water, which is superior to beach front water or shallow lagoon sales. Sales 1 and 6 are similar to the subject and no adjustments were made. Sales 2 and 3 are inferior to the subject and required an upward adjustment. Sale 4 is inferior to the subject and required an upward adjustment. Sale 5 is superior to the subject and required a downward adjustment.

Flood Plain/Shape/Easements: Properties encumbered by floodway, flood plain, and easements have limited development potential. The shape also affects the use of a site. No adjustments were made.

SALES COMPARISON APPROACH - LAND VALUATION

Utility Availability: The availability of utilities is a major factor in the development of any property. If a site has no access to utility service and cannot acquire access, it is virtually impossible to develop. Therefore, the price paid for such a site would be affected due to its lack of utilities. In this case, an owner must make up the expense for acquiring the services and enhancing the site's value. The subject site has utilities available via the Laguna Madre Water District. At the time of the appraisal, public sewer was not available. Sales 1, 2, 3, 4, 5, and 6 each required downward adjustments.

SALES COMPARISON APPROACH - LAND VALUATION

The following presents the land adjustment grid for the subject property (fee simple).

ITEM	1	2	3	4	5	6
PRICE PER SQUARE FEET	\$6.88	\$10.44	\$12.95	\$10.52	\$10.46	\$9.66
DATE OF SALE	3/25/2011	12/2/2010	7/8/2008	7/1/2008	8/31/2007	8/27/2007
PROPERTY RIGHTS CONVEYED	0%	0%	0%	0%	0%	0%
SUBTOTAL	\$6.88	\$10.44	\$12.95	\$10.52	\$10.46	\$9.66
FINANCING	0%	0%	0%	0%	0%	0%
SUBTOTAL	\$6.88	\$10.44	\$12.95	\$10.52	\$10.46	\$9.66
CONDITION OF SALE	20%	0%	0%	0%	0%	0%
SUBTOTAL	\$8.25	\$10.44	\$12.95	\$10.52	\$10.46	\$9.66
BUYERS EXPENDITURES	0%	0%	0%	0%	0%	0%
SUBTOTAL	\$8.25	\$10.44	\$12.95	\$10.52	\$10.46	\$9.66
MARKET CONDITIONS	0%	0%	-10%	-10%	-15%	-15%
ADJUSTED PRICE PER SQUARE FEET	\$8.25	\$10.44	\$11.65	\$9.46	\$8.89	\$8.21
SIZE (ACRES)	35.060	17.590	3.590	1.790	32.919	14.256
LOCATION/ACCESS	-30%	-30%	-10%	-10%	-15%	0%
SIZE	5%	-5%	-25%	-30%	5%	-5%
CORNER/FRONTAGE	0%	0%	0%	0%	0%	0%
WATER FRONTAGE	0%	5%	5%	10%	-10%	0%
FLOOD PLAIN/SITE WORK/EASEMENTS	0%	0%	0%	0%	0%	0%
CONFIGURATION	0%	0%	0%	0%	0%	0%
UTILITIES	-10%	-10%	10%	10%	-10%	-10%
TOTAL GROSS PHYSICAL ADJUSTMENTS	45%	45%	45%	50%	30%	15%
TOTAL NET PHYSICAL ADJUSTMENTS	-35%	-40%	-40%	-40%	-30%	-15%
FINAL ADJUSTED PRICE PER SQUARE FEET	\$5.36	\$6.26	\$6.99	\$5.68	\$6.22	\$6.98
MEAN	\$6.25 per Square Foot					
MEDIAN	\$6.24 per Square Foot					
MAXIMUM	\$6.99 per Square Foot					
MINIMUM	\$5.36 per Square Foot					

The sales have adjusted sales prices ranging from \$5.36 per square foot to \$6.99 per square foot and an average of \$6.25 per square foot.

The comparables utilized in our analysis were considered the best comparable available. Because the subjectivity of some of the adjustments, the previous sales price of the subject in 2006, the slow market, a large supply of water front tracts, and the subject requiring dredging and other site work, we have concluded on the lower end of the adjusted range. Based on the size and location of the subject and the current listing, \$6.25 per square foot is concluded. Therefore, as of October 10, 2012, the Market Value is:

23.67 Acres X \$6.25 per Square Foot =	\$6,444,158
ROUNDED:	\$6,440,000

SALES COMPARISON APPROACH - LAND VALUATION

We contracted the State of Texas' General Land Office regarding the value of the submerged land. Mr. Buster Renfrow indicated submerged land does not sell through the open market, but is owned by the local coastal state, in this case the State of Texas. There are a few exceptions. Various navigational districts throughout the state do have ownership of submerged land; however, these navigational districts may not profit from the submerged land, per law. Mr. Renfrow stated the General Land Office researched similar governing bodies to derive a discount rate from market value of water front, fee simple, tracts. The General Land Office indicated a policy of 60 percent discount is made to submerged land of adjacent littoral land. It was noted that the 60 percent discount was not a market value for the site. In the case of submerged sites and adjacent littoral properties, a lease for the submerged site is considered a bilateral monopoly. In a bilateral monopoly there is no true market value for a site as there is only one buyer and one seller of a specific good. Therefore, we have considered a 60 percent discount to the adjacent littoral site's price per unit reasonable in determining the market value of the submerged site.

73.74 Acres X \$6.25 per Square Foot	=	\$20,075,715
Less: Discount of Submerged Land	60%	(\$12,045,429)
Total:		\$8,030,286
ROUNDED:		\$8,030,000

RECONCILIATION AND FINAL VALUE

RECONCILIATION AND FINAL VALUE

All three approaches to value were considered in deriving the market value of the subject property; however, only the sales comparison approach – land analysis was considered applicable. A final market value is selected as the dominant tendency or most probable outcome from a range of possible outcomes. The following discussion summarizes the conclusions of each approach.

Cost Approach. This approach incorporates the principle of substitution in that no rational person will pay more for a property than the amount for which he can obtain, by purchase of a site and construction of a building without undue delay, a property of equal quality. The weakness of this approach is determining the various forms of depreciation.

Market Approach. The strength of this approach is that it directly measures the actions of buyers and sellers in the marketplace. The weakness of this approach is that no two properties are ever exactly alike. Amenities in purchase considerations and intangible qualities are sometimes difficult to compare. Also, the exact condition of each sale is sometimes unknown. This approach produced several very reliable sales of both improved properties and vacant sites. The price per square foot method was utilized in the improved analysis. Typically, the price per square foot method entails analysis of sales, and determination of proper adjustments. This analyzing process is market derived; however, some arbitrary decisions must be made. The indicated Market Value via the Sales Comparison Approach is:

\$6,440,000 (Fee Simple)

\$8,030,000 (Submerged Land - Leasehold)

RECONCILIATION AND FINAL VALUE

Income Approach. This approach is based on the determination of value by an analysis of the potential net income a property will generate. Since most income producing properties are purchased for their potential income stream, this approach is applicable in the evaluation of the income producing properties. This approach reflects the present value which an investor would be willing to pay for the anticipated benefits to be derived from the ownership of the property. As previously mentioned, the income approach was not considered applicable, as the subject is a vacant tract of land.

Final Value. Although all three approaches to value were considered, the final market value must be based upon that confirmation of the available market data and analysis which is most appropriate. Only the sales comparison approach was considered applicable to value.

The appraisers have concluded the market values of the subject property based upon the current market conditions. Therefore, our final market value of the fee simple and leasehold estates "as is," as of October 10, 2012, is as follows:

MARKET VALUE - "AS IS" (October 10, 2012)	
Fee Simple Land (23.67 Acres)	\$6,440,000
Submerged Land (73.74 Acres)	\$8,030,000
TOTAL	\$14,470,000

ADDENDA

QUALIFICATIONS/STATE CERTIFICATIONS

PROFESSIONAL QUALIFICATIONS

Matthew Craig Whitney, MAI

2040 North Loop 336 West, Suite 120
Commonwealth Centre
Conroe, Texas 77304
936-441-8070 Houston Metro
936-756-2727 Fax

929 E. Esperanza Ave.
Suite 9
McAllen, Texas 78501
956-874-8114 Office
956-661-9921 Fax
mwhitney@whitney-appraisals.com e-mail

PROFESSIONAL EXPERIENCE

Matthew C. Whitney is president of Whitney & Associates, a real estate appraisal and consulting firm with offices located in Conroe, Montgomery County, Texas and McAllen, Hidalgo County, Texas. Whitney & Associates is a full service appraisal firm specializing in client consultation, feasibility studies, and the appraisals of various types of properties including commercial, industrial, marinas, recreational areas, multi-family complexes, single-family residences, ranch properties and vacant land.

With over 18 years of experience in property valuation, Mr. Whitney has an extensive background in various properties throughout the state of Texas. Additionally, Mr. Whitney has performed consulting services for properties outside Texas, including assignments in California, Florida, Kansas, Massachusetts, Mississippi, New Hampshire, New Mexico, New York, North Carolina, Oklahoma, Rhode Island, South Carolina, South Dakota, and Virginia.

Whitney & Associates is one of the few appraisal firms awarded contracts by the State of Texas Comptroller of Public Accounts (Property Tax Division) to perform special assignments, such as the annual ratio study. The annual ratio study is essentially an audit of appraisal districts throughout the state. Each school district's government funding is affected by the results of this study. Mr. Whitney has been involved in the ratio study for 10 years and has performed analyses of over 20,000 parcels in 15 counties.

More recently, the firm has performed assignments for the purposes of portfolio management, investment analysis, right-of-ways and litigation proceedings. The Texas Department of Transportation and Montgomery County have utilized Mr. Whitney's expertise in the expansions of Interstate Highway 45, FM 830, FM 1488, FM 3083, Woodlands Parkway, Nichols Sawmill Road and additional major projects to accommodate the area's rapid growth.

Since 2006, Whitney & Associates has also been selected to conduct appraisals of insurable values for over 60 school districts throughout Texas and Oklahoma.

Mr. Whitney is qualified as an expert witness

EDUCATION

Texas A&M University, College Station, Texas
Master's Degree in Land Economics and Real Estate, May 1992
Bachelor of Science in Agriculture Economics, August 1990

SEMINARS/CONTINUING EDUCATION

Appraisal Institute Courses & Professional Seminars

- 1A-1 / Real Estate Appraisal Principles
- 1A-2 / Basic Valuation Procedures
- 1B-A / Capitalization Theory and Techniques, Part A
- 1B-B / Capitalization Theory and Techniques, Part B
- 2-1 / Case Studies
- 2-2 / Report Writing
- Part A&B / Standards of Professional Practice
- Subdivision Analysis
- Subdivision Valuation
- Understanding Limited Appraisals - General
- Attacking & Defending the Appraisal in Litigation
- How to Appraise a Golf Course
- Analyzing Operating Expenses
- Liability Management for Residential Appraisals
- Evaluating Commercial Construction
- Real Estate Forecast Competition

Additional Real Estate Courses:

- Land Economics
- Farm and Ranch Valuation and Analysis
- Real Estate Fundamentals
- Real Estate/Oil and Gas Law
- Building Construction

PROFESSIONAL CREDENTIALS/AFFILIATIONS

MAI ~ Appraisal Institute

Appraisal Institute Member

Texas State Certified General Real Estate Appraiser (TX-1326491-G) (exp 11-30-12)

Oklahoma State Certified General Real Estate Appraiser (12877CGA) (exp 01-31-13)

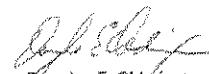
Society of Texas A&M Real Estate Professionals

International Right of Way Association Member

Texas Appraiser Licensing and Certification Board
P.O. Box 12188 Austin, Texas 78711-2188
Certified General Real Estate Appraiser

Number: TX 1326491 G
Issued: 12/02/2010 Expires: 11/30/2012
Appraiser: MATTHEW CRAIG WHITNEY

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Texas Occupations Code, Chapter 1103, is authorized to use this title, Certified General Real Estate Appraiser.


Douglas E. Oldmixon
Commissioner

PROFESSIONAL QUALIFICATIONS

Keith M. McCumber, MAI

2040 North Loop 336 West, Suite 120
Commonwealth Centre
Conroe, Texas 77304

936-441-8070 Houston Metro
936-756-2727 Fax
kmccumber@whitney-appraisals.com e-mail

EDUCATION

- ! Sam Houston State University, Huntsville, Texas. Graduated with a Master's in Business Administration with an emphasis in Management—December 2002
- ! Texas A & M University, College Station, Texas. Graduated with a Bachelor of Business Administration in Finance—August 2000
- ! Del Mar College, Corpus Christi, Texas. Graduated with an Associates in Business Administration—December 1997

Appraisal Institute Courses & Professional Seminars

- Advanced Income Capitalization (February 2005)
- Highest and Best Use and Market Analysis (September 2005)
- Advanced Sales Comparison and Cost Approaches (February 2006)
- Report Writing and Valuation Analysis (March 2006)
- Subdivision Valuation (November 2006)
- Business Practices and Ethics (December 2010)
- Appraisal Review – General (July 2008)
- Understanding and Testing DCF Valuation Models (July 2008)
- Forecasting Revenue (July 2008)
- Analyzing Distressed Real Estate (July 2008)
- Advanced Applications (July 2008)
- General Demonstration Appraisal Report Writing Seminar (June 2009)
- 7-Hour National USPAP Update Course (May 2012)
- Spotlight on USPAP: Common Errors and Issues (February 2010)
- A Lender's Perspective: The Role of the Appraisal (February 2010)
- Appraisal Challenges: Declining Markets and Sales Concessions (February 2010)
- Spotlight on Challenges (February 2010)
- Supervising Appraisal Trainees (September 2010)
- Data Verification Methods (September 2010)
- Real Estate Appraisal Operations (September 2010)
- Advanced Internet Search Strategies (October 2010)
- The Port of Houston and How It affects Real Estate Today (October 2010)
- Appraisal Curriculum Overview (December 2010)
- Online Appraising Convenience Stores (March 2011)
- IRWA: Course 403 – Easement Valuation (August 2011)
- IRWA: Course 103 – Ethics and the Right of Way Profession (August 2011)
- IRWA: Course 104 – Standards of Practice for the Right of Professional (August 2011)

- Fundamentals of Separating Real, Personal Property, and Intangible Business Assets (March 2012)
- Appraising the Appraisal: Appraisal Review General (April 2012)
- IRWA: Course 804 – Skills of Expert Testimony (August 2012)

Principles Additional Real Estate Courses:

- Uniform Standards of Professional Appraisal Practice
- Real Estate appraisal
- Principles in Real Estate
- Law of Contracts
- Law of Agency

AFFILIATIONS/PROFESSIONAL DESIGNATIONS

Texas State Certified General Real Estate Appraiser (TX-1334227-G) (exp. 10/31/14)

MAI – Appraisal Institute

Appraisal Institute Member – No. 467341

International Right of Way Association Member

PROFESSIONAL EXPERIENCE

Keith McCumber graduated from Sam Houston State University in December 2002, with a Masters of Business Administration in Management and Texas A & M University in August 2000, with a Bachelor of Business Administration in Finance. He was employed as a surveying technician for McCumber Surveying from June of 1993 until August 2000. Mr. McCumber has a working knowledge of various surveying equipment.

During September 2002, he joined Whitney and Associates as a commercial appraiser. His responsibilities include inspecting properties, reviewing, and preparing appraisal reports and consulting assignment.

Mr. McCumber has 10 years of appraisal experience with experience in property valuation, consulting services inside and outside the state of Texas, feasibility studies, portfolio management, investment analysis, and right-of-way proceedings.

Texas Appraiser Licensing and Certification Board

P.O. Box 12188 Austin, Texas 78711-2188

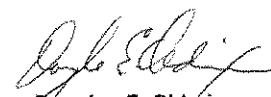
Certified General Real Estate Appraiser

Number: **TX 1334227 G**

Issued: **08/03/2012** Expires: **10/31/2014**

Appraiser: **KEITH MICHAEL MCCUMBER**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Texas Occupations Code, Chapter 1103, is authorized to use this title, Certified General Real Estate Appraiser.


Douglas E. Oldmixon
Commissioner

ENGAGEMENT LETTER

BNEWMANREV

September 24, 2012

Whitney & Associates Real Estate Valuation and Consulting
929 East Esperanza Avenue, No. 9
McAllen, TX 78501
956-874-8114
kmccumber@whitney-appraisals.com

Re: Client Engagement Letter for a Summary Appraisal of A 23.67 acre tract of land in Fee Simple and a 73.74 acres of submerged land in Leased Fee, Located at the east end of South Garcia Street, approximately one mile southeast of State Highway 100, Port Isabel, Cameron County, Texas 78578.

Dear Mr. McCumber

You may consider this an engagement letter for you to complete the referenced appraisal in a Summary format. You are expected to comply with all applicable USPS (SR2-2b), FIRREA, and Bank reporting requirements.

Client: Ms. Lisa Duncan
Patriot Bank
7500 San Felipe, Suite 125
Houston, Texas 77063

Owner: RVP Texas Properties, LLC
Borrower: RVP Texas Properties, LLC
Contact: Eddie Parise @ 713-400-7140

Purpose: "As Is" Market Value of both tracts
Information: Please contact the borrower for all information.

It is understood that your fee for this assignment will be \$5,000.00 and that the delivery date for review will be no later than October 16, 2012. It should be noted that time is of the essence and, if possible, an earlier delivery date would be appreciated.

To facilitate the review process, when you have completed the report, please E-mail the report for review to bnewmanrev@gmail.com. Any concerns will be handled prior to your delivery of the appraisal to Ms. Duncan at Patriot Bank.

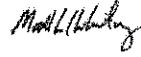
After receiving this Engagement letter, please sign and return by e-mail so that I can confirm you have received the assignment. Any additional questions, please feel free to contact me at bnewmanrev@gmail.com

Respectfully,



Bernard Newman
BNEWMANREV

Accepted By:



Date:

46 Milan Estates, Houston, Texas 77056 Phone 713-622-3347

SUBMERGED LAND LEASE



TEXAS GENERAL LAND OFFICE
JERRY PATTERSON, COMMISSIONER

JERRY PATTERSON, COMMISSIONER

April 27, 2006

Mr. Victor Lassak, Jr.
RVI Texas Properties
4205 Beltway Drive
Addison, Texas 75001-3702

RE: Commercial Easement No. 4.C840180
Laguna Madre, Cameron County, Texas

Dear Lassalle:

Enclosed are three originals of the coastal assignment of easement to be approved under the above-captioned easement. Please sign these documents, have them notarized where indicated by the tags and return them to me. An assignment evaluation fee of \$50.00 is due at this time.

When I receive the originals I will obtain the Commissioner's signature and return one original assignment assignment to each of you for your records. You are also required to have this instrument recorded in the Cameron County Clerk's Records. Please send the documents to:

General Land Office
Attn: Norton Willis
Asset Inspection
Coastal Leasing Division
1700 North Congress Avenue, Suite 110
Austin, TX 78701-1495

Thank you for your cooperation and patience in this matter. If I can be of further service please feel free to contact me at 312-475-1436

Sincerely,

Norby Whits
Commercial Leasing
Asset Inspection Division
Enclosure

Stephan F Austin Building • 1190 North Congress Avenue • Austin, Texas 78701-1427
Phone: (512) 467-1427 • Austin, Texas 78701-1427
E-mail: info@sfaw.org • www.sfa.org

1. 2009

PC05207305(KAB)

00045364

The State of Texas



Austin, Texas

ASSIGNMENT AND ASSUMPTION AGREEMENT
OF
COMMERCIAL EASEMENT / LEASE NO. LC840180

STATE OF TEXAS §
COUNTY OF CAMERON §

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, by Commercial Easement / Lease No. LC840180, effective November 21, 1985, (the "Easement"), the School Land Board, acting by and through the Land Commissioner, on behalf of the Permanent School Fund (the "State"), granted to, Peninsula Land Company herein called ("Assignor"), the right to use certain real property located in Cameron County, Texas, (the "Premises") and more particularly described on Exhibits to such Easement, for a term commencing on November 21, 1985, and terminating November 19, 2093, reference being here made to the Easement for all purposes; and

WHEREAS, Assignor desires to assign its interest as "Grantee" under the aforesaid Easement to RVL Texas Properties, LLC, hereinafter referred to as "Assignee", and Assignee agrees to such assignment and shall assume the duties of Grantee under the Easement;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Assignor hereby sells, assigns and transfers unto Assignee, to have and to hold, Assignor's interest under the Easement for the remainder of the Easement term (the "Assignment Period"), effective May 9, 2006 (the "Effective Date").

2. Assignee hereby accepts this Assignment and assumes and agrees to perform the covenants, duties and obligations of "Grantee" pursuant to the Easement, and Assignee shall be fully and directly liable for the performance of such covenants, duties and obligations. It is agreed that the liability of Assignor and Assignee is joint and several and may be enforced against either Assignee or Assignor without any notice to, demand upon, proceeding against or judgment against the other.

3. **ASSIGNEE HAS INSPECTED THE PHYSICAL AND TOPOGRAPHIC CONDITION OF THE PREMISES (INCLUDING THE IMPROVEMENTS LOCATED THEREON, IF ANY), AND ACCEPTS SAME "AS IS" IN ITS EXISTING PHYSICAL AND TOPOGRAPHIC CONDITION, AS A MATERIAL PART OF THE CONSIDERATION FOR THIS EASEMENT, ASSIGNEE AND THE STATE AGREE THAT ASSIGNEE IS TAKING THE PREMISES "AS IS" WITH ANY AND ALL LATENT AND PATENT DEFECTS AND THAT THERE IS NO WARRANTY BY THE STATE THAT THE PREMISES ARE FIT FOR A PARTICULAR PURPOSE. ASSIGNEE ACKNOWLEDGES THAT IT IS NOT RELYING UPON ANY REPRESENTATION, STATEMENT OR OTHER ASSERTION BY THE STATE WITH RESPECT TO THE PREMISES' CONDITION, BUT IS RELYING UPON ITS EXAMINATION OF THE PREMISES. ASSIGNEE TAKES THE PREMISES WITH THE EXPRESS UNDERSTANDING THAT THERE ARE NO EXPRESS OR IMPLIED WARRANTIES, AND THE STATE DISCLAIMS ANY AND ALL WARRANTIES OF HABITABILITY, MERCHANTABILITY, SUITABILITY, FITNESS FOR ANY PURPOSE, AND ANY OTHER WARRANTY WHATSOEVER NOT EXPRESSLY SET FORTH IN THIS EASEMENT. THE STATE AND ASSIGNEE HEREBY AGREE AND ACKNOWLEDGE THAT THE USE OF THE TERMS "GRANT" AND/OR "CONVEY" IN NO WAY IMPLIES THAT THIS EASEMENT IS FREE OF LIENS, ENCUMBRANCES AND/OR PRIOR RIGHTS. ASSIGNEE IS HEREBY PUT ON NOTICE THAT ANY PRIOR GRANT AND/OR ENCUMBRANCE MAY BE OF RECORD AND ASSIGNEE IS ADVISED TO EXAMINE**

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THE RECORDS IN THE ARCHIVES AND RECORDS DIVISION OF THE GENERAL LAND OFFICE, 1790 NORTH CONGRESS AVENUE, AUSTIN, TEXAS 78701-1495, AND ALL OTHER LAND TITLE RECORDS OF THE COUNTY IN WHICH THE PREMISES ARE LOCATED.

4. THE STATE HEREBY CONSENTS TO THIS ASSIGNMENT WITH THE EXPRESS UNDERSTANDING THAT THIS ASSIGNMENT SHALL NOT RELIEVE ASSIGNOR OF LIABILITY FOR THE PERFORMANCE OF THE COVENANTS, DUTIES AND OBLIGATIONS OF GRANTEE UNDER SAID EASEMENT, INCLUDING LIABILITY FOR THE FULL AMOUNT OF RENTAL AND ANY ADDITIONAL CONSIDERATION, PROVIDED TO BE PAID BY GRANTEE TO THE STATE PURSUANT TO SAID EASEMENT, AND SUCH LIABILITY SHALL CONTINUE REGARDLESS OF FURTHER ASSIGNMENTS OR TRANSFERS OF THE EASEMENT, WHETHER OR NOT ASSIGNOR RECEIVED NOTICE OR CONSENTED TO FURTHER ASSIGNMENTS OR TRANSFERS. HOWEVER, ANY SUM PAID BY ASSIGNEE TO THE STATE SHALL BE CREDITED TO ASSIGNOR FOR THE AFORESAID OBLIGATIONS.

5. If Assignor has sold, or sells, to Assignee any property that the State has a statutory landlord's lien on or that the State was granted an express contractual lien and security interest in under the Easement, then it is hereby agreed that the liens and security interests held by the State shall be prior and superior to any lien or security interest of Assignor until such time as all of the covenants, duties and obligations of Grantee under the Easement have been fully performed.

6. Assignor hereby releases and relinquishes any and all claims to any sum paid the State with respect to the Premises, whether as rent, future rent, or other consideration. Assignor acknowledges and agrees that the State has fully performed all of its covenants, duties and obligations accruing under the Easement and does hereby release the State from any and all claims for non-performance.

7. Assignor will, promptly upon execution of this instrument, pay to the State the sum of Fifty and no Dollars (\$50.00) as an Assignment Fee if not submitted previously.

8. Any notice to be given under the terms of the Easement or this Assignment shall be in writing and shall either be delivered by hand or sent by U. S. Registered or Certified Mail, adequate postage prepaid, if for the State, to it at the Notice Address stated in the Easement; if for Assignee, to it at 4205 Beltway Drive, Addison, Texas 75001. Either party's address may be changed from time to time by such party by giving notice as provided above, except that the Premises may not be used by Assignee as the notice address. No change of address of either party shall be binding on the other party until notice of such change of address is given as herein provided. A post office receipt for registration of such notice or signed return receipt shall be conclusive that such notice was delivered in due course of mail if mailed as provided above.

9. Assignor, Assignee and the State hereby acknowledge that the current annual rental is One Thousand And 00/100 Dollars (\$1,000.00). The foregoing rental may be subject to adjustment as set forth in the Easement.

10. Except as otherwise specifically provided herein, all of the terms and provisions of the Easement shall remain in full force and effect during the Assignment Period. All defined terms used herein shall have the same meaning as when used in the Easement unless otherwise indicated herein.

11. In the event any provision of this Agreement is more restrictive than any administrative rule promulgated by the General Land Office and/or the School Land Board, this Agreement shall control.

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EXECUTED in multiple counterparts, each of which shall have the effect of an original.

Assignor: *Penfield Land Company*

Patrick S. Martin
Signature / Current Easement Holder

PATRICK S. MARTIN, PRESIDENT

Printed Name & Title

JUN 30 2006

Date of Signature

Acknowledgment of Assignor's Signature

STATE OF TEXAS §

COUNTY OF DALLAS §

This instrument was acknowledged before me, the undersigned authority, on the 30th
day of JUN 30, 2006, by PATRICK S. MARTIN.

R. Abel

Notary Public

My commission expires: 8-16-08

Assignee: **RVL Texas Properties, LLC**

Victor Liseiak, Jr.
Signature of Individual Assuming Responsibility for the Easement / Lease

VICTOR LISEIAK, JR. SEC'y

Printed Name & Title

06/30/06

Date of Signature

Acknowledgment of Assignee's Signature

STATE OF TEXAS §

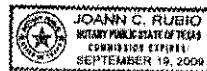
COUNTY OF DALLAS §

This instrument was acknowledged before me, the undersigned authority, on the 30th
day of JUN 30, 2006, by VICTOR LISEIAK, JR.

Jeanne C. Putnam

Notary Public

My commission expires: 09-19-09



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THE UNDERSIGNED, as Grantor in the above-described Commercial Easement / Lease (LC840180), subject to the conditions stated in Paragraph 4 above, does hereby consent to the assignment of the said instrument as specified above.

IN TESTIMONY WHEREOF, witness my hand and the Seal of Office,

THE STATE OF TEXAS
By: *Jerry E. Patterson*
JERRY E. PATTERSON
Commissioner, General Land Office
Chairman, School Land Board
Date: *7/27/04*

APPROVED: *Wm. H. Moore*
Contents: *JB*
Legal: *JB*
Deputy: *JB*
Executive: *JB*

NEVER RECORD OR RETURN TO:
Hexter Full File Company
8333 Douglas Avenue, Suite 130, LB 80
Dallas, Texas 75218
Attn: Mary M. Vanderslice

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Date Aug 03, 2000 at 10:35A

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Part Type *By*
Joyce B Rivera, County Clerk
Cameron County

The State of Texas



Austin, Texas

SEVENTH AMENDMENT TO
COMMERCIAL EASEMENT LC840180

STATE OF TEXAS §
COUNTY OF CAMERON §

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, by Commercial Easement No. LC840180, effective 11/21/1985, as amended ("Easement"), the State of Texas, acting by and through the Commissioner of the General Land Office and Chairman of the School Land Board, on behalf of the Permanent School Fund ("Grantor"), authorized Peninsula Land Company, ("Grantee") to use certain real property located in CAMERON County, Texas (the "Premises"), which property is more particularly described on Exhibit to the Easement; and

WHEREAS, Grantee has requested an extension of time to commence construction of the boat slips required under the Easement because the United States Army Corps of Engineers ("COE") has indicated the possibility of a realignment of the Gulf Intracoastal Water Way ("GIWW");

WHEREAS, Grantor and Grantee acknowledge and reaffirm that Grantee shall not assign or sublease the rights granted in the Easement either in whole or in part to any third party for any purpose without the prior written approval of the Grantor.

WHEREAS, Grantor and Grantee desire to amend the Easement;

NOW, THEREFORE, in consideration of the Grantee's continued use of the Premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. The annual payments shall continue to be One Thousand and NO/100 Dollars (\$1,000.00), until the earlier occurrence of:
 - a) January 1 of the first easement year (as such term is defined in Amendment No. 3 of the Easement, hereinafter "Easement Year") following the commencement of construction of the boat slips required under the Easement; or
 - b) January 1 of the first Easement Year following the issuance of a final decision by the COE regarding the re-routing of the GIWW.
2. Commencing January 1 of the first Easement Year described in section 1(a) or 1(b) above, whichever occurs first, the annual payments shall be the greater of:
 - a) Five Thousand and no/100 Dollars (\$5,000.00); or
 - b) One Dollar and 90/100 (\$1.90) per linear foot of slips actually constructed as of the date said annual payment is due.
3. Construction of the boat slips may commence at any time during the term of the Easement, but in no event shall begin later than January 1, 2016, or one (1) year after the COE issues a final decision on the re-routing of the GIWW, whichever occurs first. Upon such date, Grantee shall have commenced construction of the subject improvements and shall diligently pursue construction of such improvements until completion;

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provided, however, notwithstanding any other provision of the Easement, Grantee shall have completed construction of the minimum two hundred thirty-two (232) slips no later than December 31, 2018.

4. All other provisions of the Easement shall remain in full force.

EXCEPT as set forth herein, all of the terms and provisions of the Easement shall remain in full force and in effect.

In the event of a conflict between any provision of the Easement, as amended, and any administrative rule promulgated by the General Land Office and/or the School Land Board, the Easement shall control.

This amendment for Commercial Easement No. LC940180 is effective the 1st day of December 2005

EXECUTED in multiple counterparts, each of which shall have the effect of an original.

IN TESTIMONY WHEREOF, witness my hand and the Seal of Office.

GRANTOR:
THE STATE OF TEXAS

By: Jeffrey E. Patterson
Jeffrey E. Patterson
Commissioner, General Land Office
Chairman, School Land Board

GRANTEE:
Pennsylvania Land Company

Patrick S. Martin
Patrick S. Martin
Printed Name & Title

Date: 10 JAN 2006

Date of Signature: Jan. 6, 06

APPROVED:
Content: W.W. NGP
Legal: SPM
Deputy: BDT by WWP
Executive: _____

ACKNOWLEDGMENT of Grantee's Signature

STATE OF TEXAS
COUNTY OF: DALLAS

This instrument was acknowledged before me, the undersigned authority, on the 6th day of January, 2006, by Cynthia M. Brooks



Cynthia M. Brooks
Notary Public, State of Texas
My commission expires: 3/1/2009

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wch/bsr

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PERMITS



DEPARTMENT OF THE ARMY
GALVESTON DISTRICT, CORPS OF ENGINEERS
CORPUS CHRISTI REGULATORY FIELD OFFICE
5161 FLYNN PARKWAY, SUITE 306
CORPUS CHRISTI, TX 78411-4218

December 23, 2009

REPLY TO
ATTENTION DES

Corpus Christi Regulatory Office

SUBJECT: Permit Application SWG-1997-02944; Extension of Time

Mr. Victor Lissiak, P.E.
Viewtech Structural Engineers Inc.
4205 Beltway Drive
Addison, TX 75001

Dear Mr. Lissiak:

Your letter dated November 6, 2009, to amend Permit No. SWG-1997-02944 for an extension of time is approved pursuant to Section 10 of the Rivers and Harbors Act of 1899. Permit No. 17521 was issued on September 19, 1986 and authorized construction of a marina to include 260 boat slips, piers, floating breakwaters, a marine service facility, a bulkhead, dredging, and cabanas. Amendment 17521(01) for an extension of time was issued 28 February 1989, amendment 17521(02) for an extension of time was issued on 28 February 1992, and amendments 17521(03), 17521(04) and 17521(05), all for an extension of time, were issued respectively on 3 August 1994, 13 January 1998, and 18 March 2003. This extension of time approval has resulted in a reduction of the scope of the project. The permit site is located in the Laguna Madre and adjoins the west end of the abandoned Queen Isabel Causeway, in Port Isabel, Cameron County, Texas.

All work is to be performed in accordance with the enclosed revised plans in seven (7) sheets and the original permit conditions, which remain in full force and effect, with the exception of the time limit for completion. Please note the enclosed Notification of Administrative Appeal Options regarding this permit. This authorization expires on December 31, 2015. In addition to the original permit conditions, the following special conditions are added to your authorization:

1. The permittee understands and agrees that, if future operations by the United States require the removal, relocation, or other alteration of the structure or work herein authorized, or if, in the opinion of the Secretary of the Army or his authorized representative, said structure or work shall cause unreasonable obstruction to the free navigation of the navigable waters, the permittee will be required, upon due notice from the Corps of Engineers, to remove, relocate, or alter the structural work or obstructions caused thereby, without expense to the United States. No claim shall be made against the United States on account of any such removal or alteration.
2. Prior to the performance of hydraulic dredging, the permittee will obtain a Section 401-water quality certification from the TCEQ for the effluent or return water. The permittee will submit a copy of the Section 401-certification to the Corps of Engineers Corpus Christi Regulatory Field Office (CCRFO), prior to performing hydraulic dredging.

3. A post-construction seagrass survey shall be conducted by the applicant within fourteen (14) days of cessation of any jurisdictional construction activities within 500 feet of the seagrass areas depicted in the attached permit drawings. The survey reports shall be provided in report form to the CCRFO within 30 days of cessation of any construction activity.

4. The footprint of the proposed dredged material placement area will be staked on the ground and the CCRFO notified prior to construction of the DMPA so that the CCRFO can verify that the DMPA is being sited in a non jurisdictional upland area.

5. A demolition plan for the east unused section of the Queen Isabella Causeway (QIC) will be submitted to the CCRFO for its review and written approval prior to any demolition. No placement of demolished QIC bridge material into Laguna Madre, or any other waters of the United States, is authorized by this permit.

This letter also contains an approved jurisdictional determination for your subject site. If you object to this determination, you may request an administrative appeal under Corps regulations at 33 CFR Part 331. Enclosed you will find a combined Notification of Administrative Appeal Options and Process (NAP) and Request for Appeal (RFA) form. If you request to appeal this determination you must submit a completed RFA form to the Southwestern Division Office at the following address:

James E. Gilmore, Appeal Review Officer
US Army Engineer Division, Southwestern
1100 Commerce Street, Suite 831
Dallas TX 75242-1317
Telephone: 469-487-7061; FAX: 469-487-7190

In order for an RFA to be accepted by the Corps, the Corps must determine that it is complete, meets the criteria for appeal under 33 C.F.R. Part 331.5, and that it has been received by the Division Office at the above address within 60 days of the date of the NAP. It is not necessary to submit an RFA form to the Division office if you do not object to the determination in this letter.

Please notify the District Engineer, in writing, upon completion of the authorized work. A pre-addressed postcard has been enclosed for this purpose.

FOR THE DISTRICT COMMANDER:


John Wong
Senior Project Manager
Corpus Christi Regulatory Field Office

Enclosures

Copies Furnished (next page)

Copies Furnished:

Eight Coast Guard District, New Orleans, LA

U.S. Fish and Wildlife Service, Corpus Christi, TX

Texas General Land Office, Austin, TX

Texas General Land Office, Corpus Christi, TX

Southern Area Office, Corpus Christi, TX

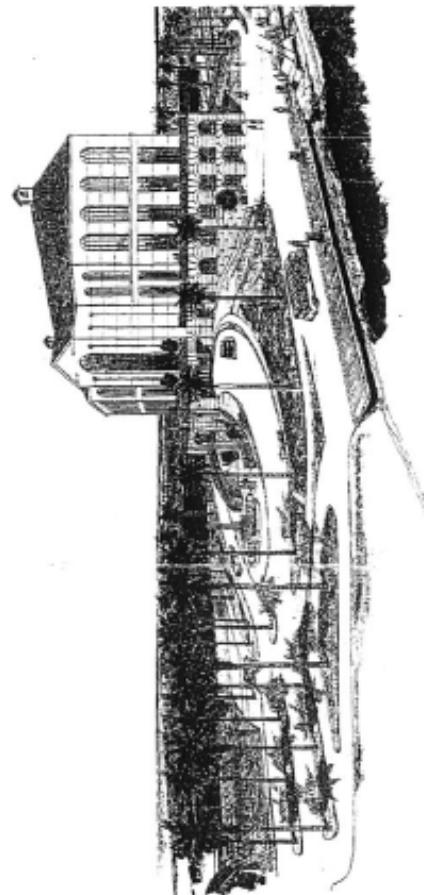
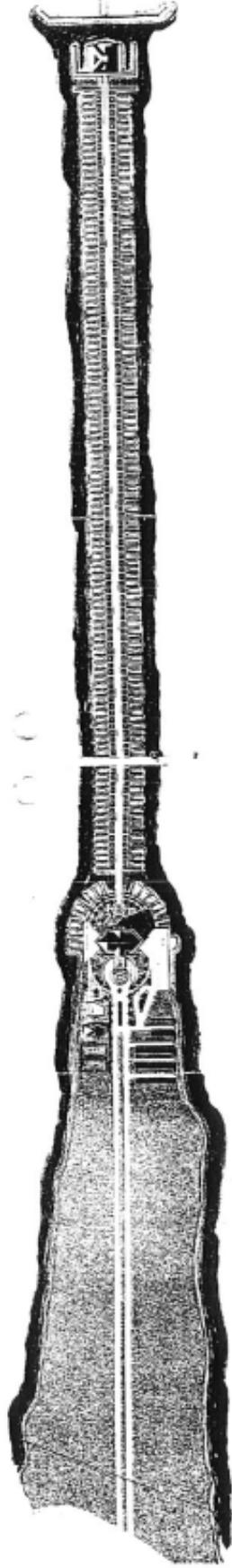
NOTIFICATION OF ADMINISTRATIVE APPEAL OPTIONS AND PROCESS AND REQUEST FOR APPEAL		
Applicant: RVL Texas Properties, LLC	Permit: SWG-1997-02914	Date: 23 Dec 2009
Attached is:	See Section below	
<input checked="" type="checkbox"/> INITIAL PROFFERED PERMIT (Standard Permit or Letter of Permission)	A	
<input type="checkbox"/> PROFFERED PERMIT (Standard Permit or Letter of Permission)	B	
<input type="checkbox"/> PERMIT DENIAL	C	
<input checked="" type="checkbox"/> APPROVED JURISDICTIONAL DETERMINATION	D	
<input type="checkbox"/> PRELIMINARY JURISDICTIONAL DETERMINATION	E	
<p>SECTION I: The following identifies your rights and options regarding an administrative appeal of the above decision. Additional information may be found at http://www.usace.army.mil/inet/functions/cw/cecw0/reg/or Corps regulations at 33 CFR Part 331.</p> <p>A: INITIAL PROFFERED PERMIT: You may accept or object to the permit.</p> <ul style="list-style-type: none"> ACCEPT: If you received a Standard Permit, you may sign the permit document and return it to the district engineer for final authorization. If you received a Letter of Permission (LOP), you may accept the LOP and your work is authorized. Your signature on the Standard Permit or acceptance of the LOP means that you accept the permit in its entirety, and waive all rights to appeal the permit, including its terms and conditions, and approved jurisdictional determinations associated with the permit. OBJECT: If you object to the permit (Standard or LOP) because of certain terms and conditions therein, you may request that the permit be modified accordingly. You must complete Section II of this form and return the form to the district engineer. Your objections must be received by the district engineer within 60 days of the date of this notice, or you will forfeit your right to appeal the permit in the future. Upon receipt of your letter, the district engineer will evaluate your objections and may: (a) modify the permit to address all of your concerns, (b) modify the permit to address some of your objections, or (c) not modify the permit having determined that the permit should be issued as previously written. After evaluating your objections, the district engineer will send you a proffered permit for your reconsideration, as indicated in Section B below. <p>B: PROFFERED PERMIT: You may accept or appeal the permit</p> <ul style="list-style-type: none"> ACCEPT: If you received a Standard Permit, you may sign the permit document and return it to the district engineer for final authorization. If you received a Letter of Permission (LOP), you may accept the LOP and your work is authorized. Your signature on the Standard Permit or acceptance of the LOP means that you accept the permit in its entirety, and waive all rights to appeal the permit, including its terms and conditions, and approved jurisdictional determinations associated with the permit. APPEAL: If you choose to decline the proffered permit (Standard or LOP) because of certain terms and conditions therein, you may appeal the declined permit under the Corps of Engineers Administrative Appeal Process by completing Section II of this form and sending the form to the division engineer. This form must be received by the division engineer within 60 days of the date of this notice. <p>C: PERMIT DENIAL: You may appeal the denial of a permit under the Corps of Engineers Administrative Appeal Process by completing Section II of this form and sending the form to the division engineer. This form must be received by the division engineer within 60 days of the date of this notice.</p> <p>D: APPROVED JURISDICTIONAL DETERMINATION: You may accept or appeal the approved jurisdictional determination (JD) or provide new information.</p> <ul style="list-style-type: none"> ACCEPT: You do not need to notify the Corps to accept an approved JD. Failure to notify the Corps within 60 days of the date of this notice, means that you accept the approved JD in its entirety, and waive all rights to appeal the approved JD. APPEAL: If you disagree with the approved JD, you may appeal the approved JD under the Corps of Engineers Administrative Appeal Process by completing Section II of this form and sending the form to the division engineer. This form must be received by the division engineer within 60 days of the date of this notice. <p>E: PRELIMINARY JURISDICTIONAL DETERMINATION: You do not need to respond to the Corps regarding the preliminary JD. The preliminary JD is not appealable. If you wish, you may request an approved JD (which may be appealed), by contacting the Corps district for further instruction. Also you may provide new information for further consideration by the Corps to reevaluate the JD.</p>		

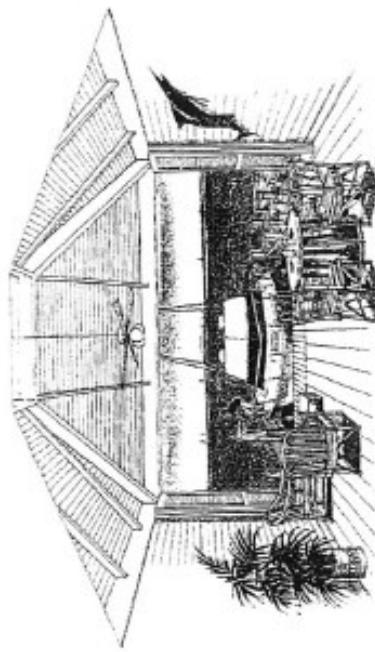
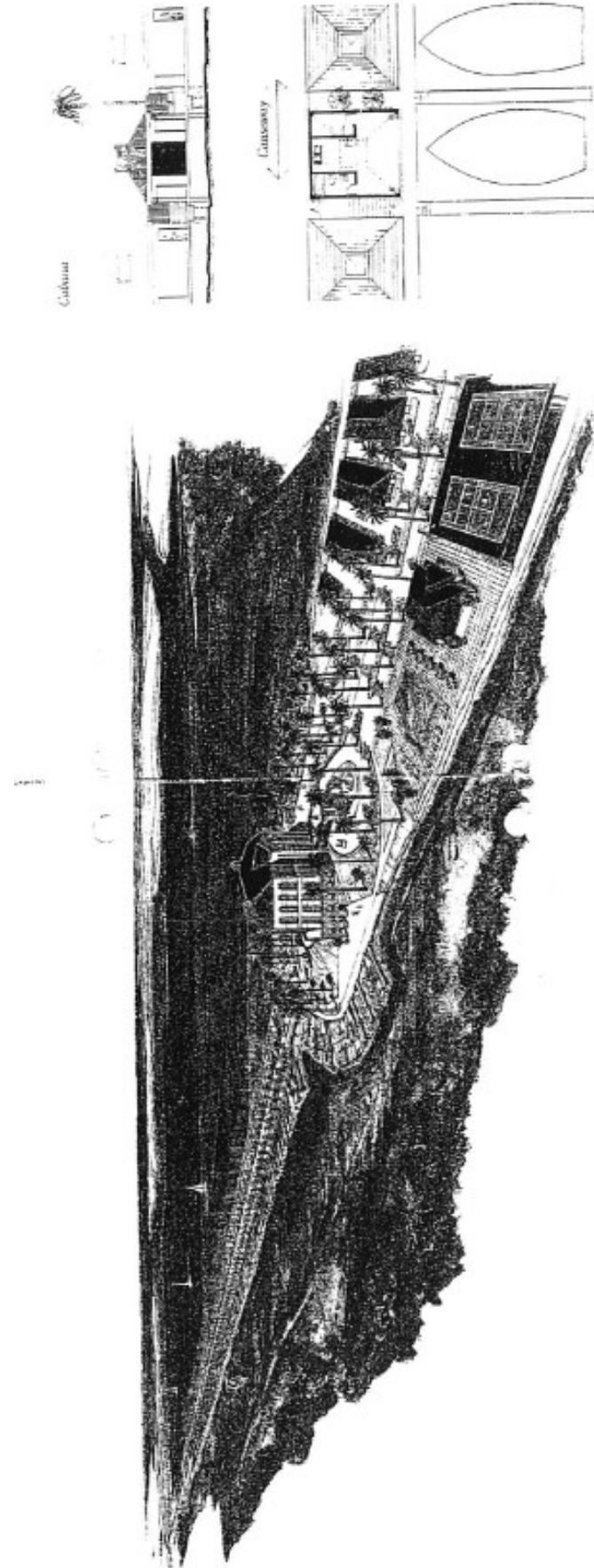
Previously Proposed Properties



PENINSULA YACHT CLUB PORT ISABEL, TEXAS

Although this information is believed to be accurate it cannot be guaranteed.





20' x 20' area of open-air Cubanua adjacent to the office room
concentrates and generates:

- Telephone
- Cable TV
- Print deck of 10' x 20'
- Complete bathroom of 5' x 10'
- Kitchen/gallery area of 10' x 10'
- Secure storage room of 5' x 8'
- Washer/dryer connection
- Electrical connection for refrigerator/freezer
- Structure of exotic treated pine with whitewashed interior
- Multi-fold exterior louvered doors provide sun control and
privacy



Although this information is believed to be accurate it cannot be guaranteed.

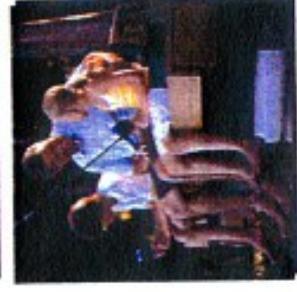


privately held by Gulf Coast Fine Coastal Properties
Contact: Karen Ferrier karen.ferrier@qip-914.com

at
Jackie Bunker jackie.bunker@qip-914.com
at 950-761-5400

Mariner's Point

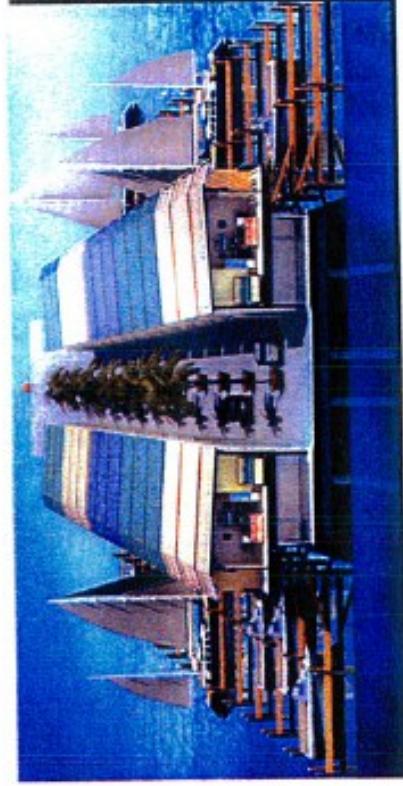
An "Ooh-Yah"-Power Real Slip & Cottage Development is the Lagniappe Canal at South Padre Island

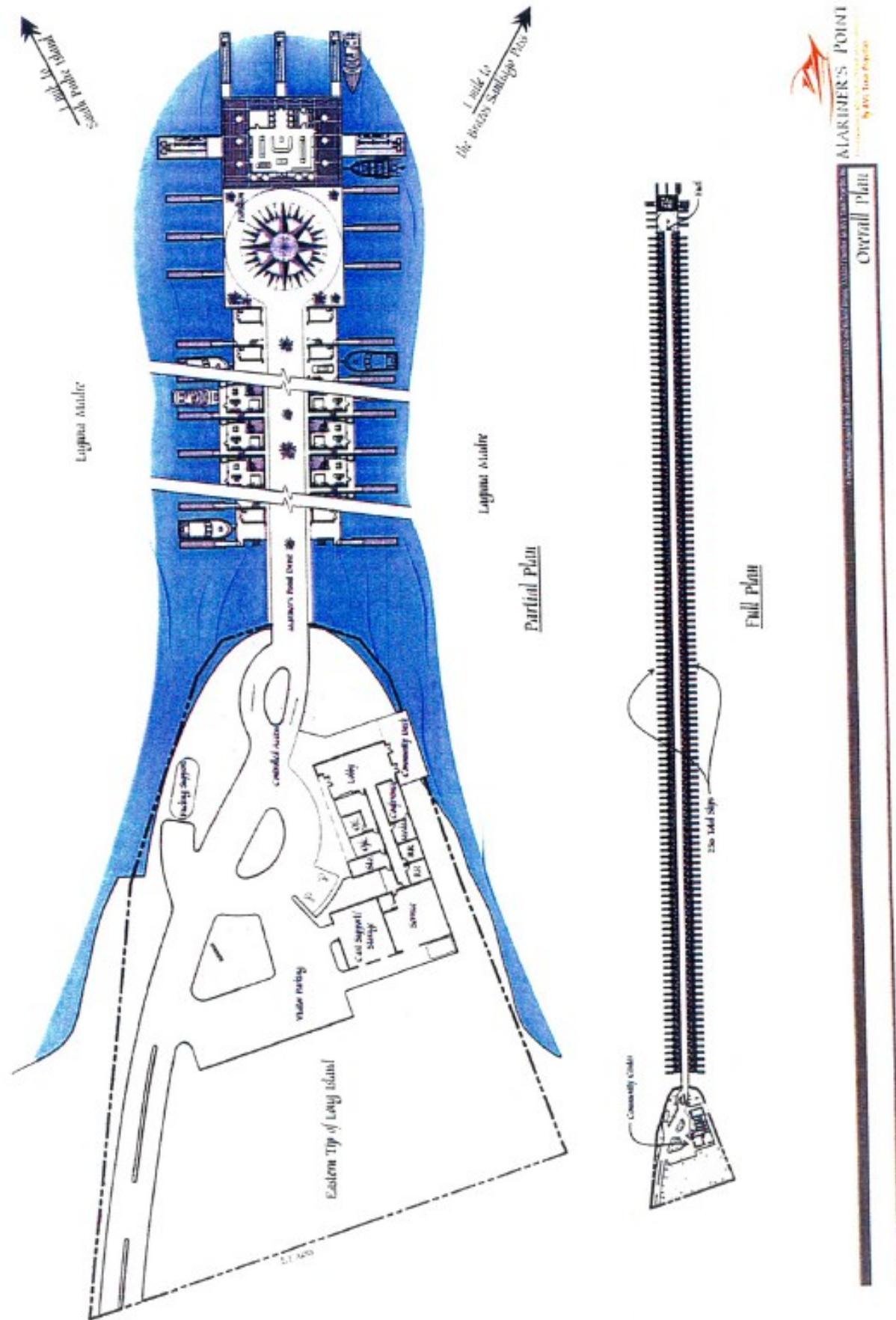


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Mariner's Point Amenities Include

- 250 boat slips with adjoining cottages.
- Control access to the cottages.
- Private jack dock available only to owners.
- Private black water disposal available only to owners.
- Private community center, conference room, media room and management offices.
- Beachball allows direct access vehicle directly to boat slip/cottage.
- Optional docksides for cottages.
- Designed in accordance with hurricane and fire safety standards.
- Share power connection for each boat slip.
- Private slips share available only to owners.
- Boats with beams up to 21' can be accommodated.
- Covered parking and storage below cottage.
- 8800' private loading strip within 20 minutes.
- Two commercial airports within 40 minutes.
- Only one mile to open water in the Gulf of Mexico.
- WIDE AFTERN AUTOMATON to provide stability for boats in slopes.





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