



Joseph J. Blake and Associates, Inc.
Real Estate Valuation and Consulting

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December 19, 2007

Ms. Michelle Burg
Commerce Bank, NA
1661 Worthington Avenue
West Palm Beach, FL 33409
AIM:14-798-01-02

Re: 321 Ocean Drive Land
321 Ocean Drive
Miami Beach, Florida 33139

Dear Ms. Burg:

As requested, I have prepared an appraisal of the property referenced above. The purpose of this appraisal is to provide an opinion of the market value of the subject's fee simple estate as of the date of inspection, December 19, 2007. The opinion of value is in terms of cash or of financing terms equivalent to cash.

The subject consists of oceanfront land located within the Art Deco District of South Beach. The site consists of 0.894 acres or approximately 38,952 SF of land. The property is zoned "R-PS4," Residential Performance Standard, High Density, under the jurisdiction of Miami Beach, FL.

A portion of the tract is improved with a dilapidated three-story building which was formerly used as a hotel. The structure is at the end of its economic life with the highest and best use of the property being for the demolition of the structure and the re-development of the parcel.

The site has been approved for re-development with a seven-story, 130-unit hotel which has an allowable net building area of 77,904 SF. The development order providing the Certificate of Appropriateness for the project was approved in September 2007. However, the development order stipulates a number of conditions which must be met prior to the issuance of a building permit for the property. These conditions must be met within the following 18-months or the property's Certificate of Appropriateness will expire and become null and void. The subject's owner has requested a re-hearing on the property regarding the conditions stipulated on the proposed development. The re-hearing for the property will be held January 8, 2008.

The existing improvement on the site is located within the Ocean Beach Historic District and as such portions of the existing structure are considered to be historically significant by the Miami Beach Historic Preservation Board (MBHPB). The redevelopment of the site requires the front 40 LF feet of hotel as well as 30 LF feet of the north and south wing walls to be preserved and incorporated into any new improvements. The area subject to preservation consists of 700 SF ((40 LF + 30 LF + 30 LF) x 7 LF). I assume the balance of the improvements are demolished, to make way for the construction of the proposed improvements.

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The presence of a historically significant structure can add costs to a project, can reduce costs to a project, or can add or detract from a development's sales potential. With the case of the subject, it appears that the costs associated with retaining the front of the building are balanced by the savings that will occur as a result of not having to construct 700± SF of new building. The presence of the historic structure also adds distinction to the project, however not so much distinction as to significantly add any additional value to the site. As a result, I am of the opinion that the presence of the current structure on the site, which is partially considered to be historically significant, has no effect on the subject's value.

This letter must remain attached to the report, which contains 64 pages plus related exhibits, in order for the value opinion set forth to be considered valid. The ensuing appraisal, in a self-contained report, has been prepared in conformity with and is subject to the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation (USPAP). The report considers the most widely recognized approach to value: the Income Capitalization, Sales Comparison and Cost Approaches. However, only the Sales Comparison Approach is considered applicable within the valuation of the subject. The appraisal is subject to the attached Assumptions and Limiting Conditions and Definition of Market Value.

This appraisal has also been prepared in conformity with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

After an inspection of the subject, and analysis of pertinent physical and economic factors that impact value, I am of the opinion that the market value of the fee simple estate of the subject, as of December 19, 2007, is:

\$16,400,000
SIXTEEN MILLION FOUR HUNDRED THOUSAND DOLLARS

The subject's value reflects an approved project in keeping with the scope of the property's zoning code and zoning plans for the property as submitted to the Planning Department for the City of Miami Beach. As such, a premium or any type of price differential is not associated with the subject as no extended period of time is associated with the aforementioned approval. Additionally, the presence of the current structure on the site, which is considered to be partially historically significant, has no effect on the subject's value.

The opinion of value is in terms of cash or of financing terms equivalent to cash.

My opinion of value is based on reasonably achievable marketing and exposure times of 6 to 12 months, assuming the property is properly priced and aggressively marketed.

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Warrant Deed and Legal Description
Site Survey
R-SP4 Zoning Code
Development Order
Qualifications of the Appraisers