

HARBOR PLAZA - When starting out with a great property, it is possible to do wonderful things. Since this property had not been well managed for years we have been able to nearly double the rents on renewing tenants and accelerate the process of renewals in the short time that we have operated Harbor Plaza Shopping Center. We have also made changes to the physical plant that have included curing many deferred maintenance issues and re-landscaping the property.

TAVERNIER TOWNE SHOPPING CENTER - We have relocated our liquor store in a new space where they are prospering. We have leases in play for every vacancy and this Winn Dixie, Pier One Imports, Movie Theater, and Post Office anchored property and will soon be one hundred percent occupied. It has been performing extremely well. We are therefore exploring other ways we can exploit our investment including the possibility of adding additional retail space, adding a deck for one of our restaurants in order to expand that restaurant and adding some Workforce Housing in our surrounding vacant land all of which would be new ways to enhance our investment and the source of new income.



SARASOTA CROSSINGS - This Publix anchored property continues to stand out as it has such an amazing future. We have negotiated a deal to terminate our movie theater lease which is at a low rental and at risk of obsolescence because of new theaters being built in the trade area. We have negotiated a new lease with Office Depot at more than twice the rent we were receiving from the theater. We are also in negotiations with another New York Stock Exchange tenant to build them a big box on this redeveloped wing of the Sarasota Crossings. After relocating the other small shop tenants and building out the two new big boxes, the center will take on a yet more prominent place in the retail community of Sarasota. It's location is as good as it gets for a retail property.

MARIETTA SQUARE - Marietta Square remains 100 percent occupied. Our new Seafood Restaurant has opened. We are focusing on utilizing our excess land and additional out parcel for future development to add value to this property. We are also working diligently with Food Lion to encourage the remodel of their store to take advantage of the fact that our Food Lion is the top income producer in their local market.

TRAFALGAR SQUARE - Our CVS Pharmacy and Winn Dixie anchored Trafalgar Square remains well run and well occupied and now having completed the improvements since Hurricane Wilma, it is in impeccable condition. We have received additional settlement funds from our hurricane claim although there is probably more coming. There are issues that may need to be resolved that were not completed as part of the repairs and the possibility of tenant evolution which is inevitable. In the meantime, the quality of the repairs and improvements that we have done have overall reduced the operating expenses of this property.

SARASOTA COMMONS - The Commons has been transformed from an ugly duckling into a beautiful swan and the nature of the property, its tenants, and its customers seem to be evolving with that change. The Publix remodel has increased the customer base coming into the property. David Puyanic negotiated a deal with Publix which would allow us to build a new, 20,000 sq. ft. retail wing on the north side of the parking lot, although we will not move forward on this opportunity until we are able to secure leases with the right tenants before commencing development. This new wing will ultimately add a great deal of value and cash flow to our investment and provide the platform for ever increasing returns to our investors. This is another great example of how underlying real estate value will increase our returns. During 2007 we paid the cost overruns on the remodel and are now building cash reserves which will permit us to move forward with our next positive step in this investment as well as increase distributions to our partners.



Sarasota Commons New Addition – Artist's Rendering

INSURANCE - We formed our new Captive Insurance Company, American Windstorm and Marine Casualty, Inc. during 2007 and wrote our first windstorm policy covering our properties. This will provide protection by creating a reserve against possible catastrophic loss because of the high deductibles that are now common in the insurance industry. We negotiated a reduction in the cost of our commercial coverage; therefore our overall situation is a better plan of protection catastrophic loss.

COMMODORE PLAZA - Our office building has provided our staff a comfortable home on Key Biscayne and as always is one hundred percent occupied with wonderful tenants.

COMMODORE REALTY, INC. - The Property Management team of Pepe Rivero, Dimitri Vorona and Ken Beamer as the Property Administrator has helped move our properties in a better direction for 2007. They deserve a great compliment. Property Management is under the direction of David Puyanic who has also taken responsibility for our Accounting Department.

Our leasing team has gained experience during 2007. We have made the two new big deals of Office Depot and the other yet to be signed New York Stock Exchange tenant in during 2007 and these take many months to negotiate. In addition, we have continued to fill our smaller spaces.

The enthusiasm and spirit of our staff is commendable and our administrative staff, including Claudia Ridge, Christina Carrasco, and Nicky Rodriguez, deserves thanks for keeping the day to day operation of the business going well.

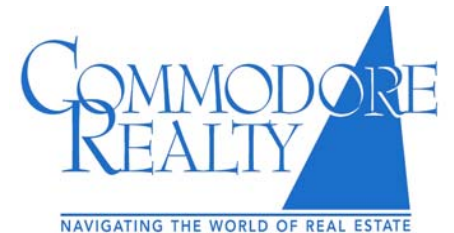
We are looking for a world of opportunity in 2008 and for the next few years and will look forward to reporting our progress to you.

REPORT FROM THE BRIDGE

Annual Report
April 2008



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True to our prediction in 2007, the credit crisis in America has now taken center stage as the underlying problem in the economy. Although the sub-prime mortgage crisis remains a symptom and has exponentially grown many new symptoms are also now working their way through the economy, e.g. syndicated loans, conduit debt obligations, leveraged buyouts, student loans, commercial real estate credit, hedge fund credit and state and municipal government debt as well as governmental budget deficits to name a few are all reeling from the loss of confidence in the credit markets. The issues are rooted deep and the creativity and greed of Wall Street has taken the problem to new heights by creating new credit products outside the purview of the Federal Reserve System and the Securities and Exchange Commission leaving more room than ever for greed to run wild in the mischief of creative minds. Credit default swaps and derivatives are a little understood market which is immense in comparison to the entire market capitalization of the New York Stock Exchange. Over forty-five trillion dollars in these contracts are outstanding.

Many of the looming problems are yet to unfold. A few of those will include the decline in income at local governmental levels, a potential of a derivatives crisis, and the unraveling of the hedge fund industry and bankruptcies in the financial sector.

One recent example of of this is the Bear Stearns debacle. The firm dominated the sub-prime mortgage business and was totally committed to their business model. Their President, James Cayne, took a \$382 million bonus in January of 2008 and played bridge in a tournament the weekend the firm unraveled and was sold through a rather unconventional transaction forced through the Federal Reserve to J.P. Morgan for \$220 million dollars. Their market cap the Friday before was \$3.54 billion. Does something seem not quite right here?

The Fed bailed out Bear Stearns – there was no bankruptcy – no shareholder’s vote – no creditor’s rights – no open set of books so the whole story will never be told.

The why is simple. The Fed wanted to stop the hemorrhaging somehow and maybe for now they succeeded but the cost of this approach is much greater than meets the eye. Bear was an absolute leader in high risk leverage. On the day that they were sold, they had \$33 in debt for each dollar of equity. In other words, they deserved to collapse and if every household in America acted as they did, they all would collapse as well. J.P. Morgan deserved a bargain.

After all, they agreed to assume the debt and fulfill these obligations. The problem is the Fed also put their balance sheet and reputation on the line. This process opened the door for greed to once again set in and as a result the Bear Stearns sales price has been re-set to four (4) times the original amount and it is still being negotiated. The deal reeks of collusion and government bailout and perhaps, worst of all, sends a message to the large institutions of “why bother running their business with conservative prudence. After all, the Fed will bail us out if all goes wrong anyway”. Bear deserved to go bankrupt and send a message to the financial community that if you take on leverage of thirty-three (33) times your equity, no one is going to bail you out.

We at Commodore Realty have run our affairs with adequate equity, reasonable non-recourse fixed rate debt and thereby have not endangered our investors capital.

Although I don’t want to diminish the importance of the financial economy which is the source to a great extent of the current economic crisis, one has to step back and differentiate between that and the real economy.

The real economy is where the widgets are produced and sold and where real value is added by changing iron ore to automobiles. Rest assured the real economy can be rocked by the financial economy as well and in fact saddled with so much debt to effectively stagnate the real economy’s performance. We all can be thankful that those millions of Americans out their each day in the real economy are trying their best to produce value.

The financial economy accelerates the process of price change when a credit crises develops thereby recasting value as a result of excessive leverage and the collapse that takes place when assets no longer justify the credit terms under which they were acquired. We have always maintained a reasonable equity and have avoided excessive leverage in our business model. Therefore the current economic conditions provide a buying opportunity. The re-pricing of risk in the credit markets will result in a back to basics approach to value in the real economy. Although there will be many losers as the transfer of wealth occurs, there will also be winners. This is where we at Commodore Realty intend to seize upon the opportunity of the marketplace and benefit.

Rest assured, we are already in a recession. There are many wild cards that have become part of the risks of a business decision today that are a bit different than in prior business cycles including the huge amount of American dollar

denominated debt held by foreigners, the decline in foreign confidence in America. Another huge risk is inflation which is highly likely to be the big economic news in 2009. Notwithstanding, many of the economic rules can still be relied upon and we expect the next few years to offer opportunities to make some great investments and to expand our portfolio with limited risks. We will keep you posted.

Without getting too sidetracked by politics, we are also hopeful that the catastrophic policies of recent years squandering America’s future on the cost of the Iraq war and ignoring the opportunity to find a policy which would lead to energy independence will soon change. The United States of America is still a great country and with a change in philosophy and direction such as when Eisenhower committed us to win the space race could change our direction very quickly.

The conduit market which provided a significant share of mortgages to the commercial real estate market has all but disappeared. The only remaining lenders are conventional lenders such as life insurance companies and banks and they are hesitant to make loans unless it is a known borrower who they have confidence in and there is significant equity to protect the loan against downside. Therefore all the creative financing of the past is gone. No creative financing = no creative pricing.

There is clearly a slowdown in the economy and consumers are not spending the money that they once did. Many stores sales are declining and there are the first signs of bankruptcies including The Sharper Image. Others, such as Borders Books, have reported earnings declines and put themselves on the market for sale. The length and depth of the recession will result in additional bankruptcies and as a result tenant failures.

As investors and opportunists at Commodore Realty although our preferred product type is retail, we will keep a watchful eye on all segments of the market and seize opportunity where it exists. Our investments in the past have included apartment buildings, farms, groves, and development sites as well as office.

We have continued to work hard to manage our properties and keep occupancy high. We are ever watchful over our receivables and our individual tenant’s health. Although we too will not be exempt from tenant failures, we believe that our policy in this area and our actions in the past will insure that we experience a lot less of this pain than many of our competitors.

With regard to our individual properties, we are please to report:

BRICKELL PROPERTIES - We have recently entered into a contract for the sale of two of our Brickell Properties where the sales price exceeds \$2 million dollars. We originally purchased these for \$250,000. Although we believe that this market will enjoy a wonderful future, in its present overbuilt condition it may take some years to digest all of the construction that has occurred there and since our buyer has plans to use it for a moderately priced hotel which is sorely needed in the Brickell area we think his plan will be successful. In the end result, although we may be foregoing profit down the road we will accept the cash today and use it towards opportunities that will present themselves during this cycle. We are working on an interim redevelopment plan for our other Brickell site to optimize its value.

BIRD BAY PLAZA - As our oldest property, Bird Bay continues to demand investment for upgrades to keep it up to the standard of the remaining portfolio. Last year we completed a minor remodel of the exterior of the premises and the new look has been well received by both our tenants and the customers visiting this property. Bird Bay to date has been more impacted by the economy than any of our other properties and certain tenants have struggled and ultimately been lost. We expect our leasing team to put the extra effort into the Bird Bay Plaza this year in order to bring on a new tenant base. We have also dealt with the construction issues necessary to bring in our new Farmer’s Market which we hope will become another anchor tenant at this property.

