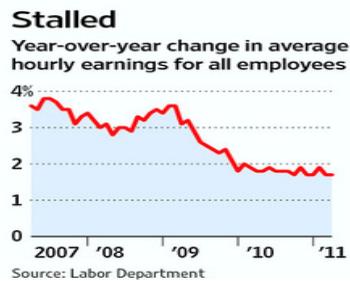


We are pleased to report our acquisition of another core asset in 2010. We bought two retail buildings in the high profile shopping district of Saint Armands Circle.

There also appears to be a slight upturn in leasing and a few new jobs being created in the economy. So far, the recovery for the most part is a jobless recovery. As an eternal optimist, I had hoped for more but now I have resigned myself to the fact that the political leadership will provide no magic bullet to the country's problems.

The billions of dollars thrown at the problem of our fiscal dilemma in an effort to stimulate demand and kick start an expansion were given to Wall Street and the financial institutions and as a result primarily benefited the same group who created the problems to begin with. Yes, I can understand the argument that things could have gotten worse had the financial institutions not been saved but I certainly don't agree with the philosophical end result of having the big banks, receive long term cheap money from the government, grow even bigger, and feel more immune from the need to evaluate risk in a responsible manner. The mere fact that JP Morgan Chase financed a \$20 billion dollar transaction without participants for AT&T to acquire T-Mobile is evidence that "too big to fail" is here to stay. I highly recommend the Academy Award winning documentary, Inside Job, for anyone who wants to understand how the financial crisis occurred and why we have done little or nothing in the end result to prevent the next one.

In the financial markets, there has been a recovery arising out of huge sums of stimulus money from the federal government and the unconscionably low interest rates and loose money policy which encourage highly leveraged transactions. As a result, the recovery has been skewed towards corporate America with little benefit to mid America. Not only has the recovery been jobless but also wageless as average hourly earnings have been flat with only a 1% annualized growth - the weakest performance in 25 years.



The lack of wage gains is bad enough but when coupled with the way the cost of living is climbing, the real wages are actually falling and therefore the same middle class, the largest segment of our population, is bearing the brunt of the improved corporate profits and therefore paying for the recovery. Once again, the gap between rich and poor is further widening.

Through all of this the political divide also widens with each party wanting to impose their philosophy that they have been given a

mandate to do so as the public flips from one party to the other at each election in utter disgust.

This decline of the middle class becomes more evident as salaries and employee benefits slip from 75% of all personal income in 1970 to 64% of personal income in 2010. The shrinking middle class becomes poorer and the upper 20% of America now accounts for 40% of all consumer spending.

We have truly misdiagnosed the problem and need to step back and realize that the failure is in philosophy because we have lost the concept of the long-term in every aspect of our society. Businesses avoid investments in the future no matter how promising they seem for fear of the impact on the next quarter's earnings. We lose our will to invest in a sustainable future in energy every time the rollercoaster of oil prices drops a few pennies. Our commitment to education is not based on excellence but compromised by union contracts and erratically dependent on the current year budgetary stress at the local government level. Our tax policy is written by the big corporations and therefore dependant on the political favors of the last election. By example look at the 2010 two year extension to the tax law intended to only deal with the problem for two years until the next election.

There is no clear long term tax policy to provide incentives to invest long term and without long term investment, a high level of sustained allocation of resources year after year there will be less innovation and hence less job growth. In turn there will be many less discoveries of new medicines and technology advances to propel our productivity growth. One can look back to our national commitment to win the space race after Russia launched Sputnik and realized that commitment to research and development gave rise to many of the inventions that have been responsible for our prosperity for the last decades, including the internet and computers.

The solutions can only be found with a change in our moral commitment to the long term which will not only stabilize our economy but create a more secure world. The burden cannot fall only on the middle class but needs to be fairly allocated to the corporations and the rich as well. The incentive is for highly leveraged trading (gambling) instead of the allocation of resources to long term research and development of other projects such as sustainable energy. We also have to address many sacred cows such as Medicare and Social Security. The solutions to these looming problems have always been obvious but no one has had the political resolve to act.

Regarding the commercial real estate market, problems still persist as the banks continue to extend their loans and pretend the problems will all go away. All the cheap stimulus money makes it easy to carry these non performing assets. If they wait long enough there may be some loans that do self correct. However it is quite clear that the bulk of the problems will not go away without a cleansing and an entrepreneur to bring things back to a new normal. Lenders have a hard enough time running their loan portfolios, let alone managing property and operating businesses. We are seeing more product come to the market that is lender-owned and there is no end in sight

to real estate that is upside down, both residential and commercial. The cure for the problems in the United States and the world today will unfortunately require everyone to share in the burden.

Our properties all continue to operate profitably and we have been successful in our leasing efforts in 2010 to fill vacant space, although based in the new reality of reduced rents and more competition for the tenants. Our long term philosophy has paid off and we are now approaching the day when many of our properties will be free and clear of debt as a result of the long term fixed rate mortgages that we have financed them with. As these loans mature, our partners will benefit from our ability to significantly increase distributions out of the free cash flow no longer going to service debt. We remain believers that cash flow distributions will greatly benefit our partners as other sources of cash flow such as interest on bank accounts and bonds remain low and perhaps other cash flow sources such as social security and retirement plans are reduced and therefore cash flow will always be king.

**ST. ARMANDS CIRCLE:** St. Armands Key is an exclusive barrier island on the Gulf of Mexico between the Sarasota mainland and Long Boat Key and Lido Key. In the center of St. Armands Key the St. Armands Circle shopping district provides a home for more than 100 individual businesses in a park-like setting, providing a pedestrian friendly shopping district, much like Miracle Mile in Coral Gables or Lincoln Road on Miami Beach. This upscale shopping district with both shops and restaurants is the center for commercial activity serving the tourist areas of Sarasota County as well as providing fine dining and entertainment for the local population. Our acquisition of two buildings totaling just under 20,000 SF was completed on December 31, 2010. We see a great deal of opportunity in these properties and have already changed out one tenant through assignment of the lease which will result in increased rents and have dealt with a number of new possible retail tenants including public companies for space in these buildings. Needless to say we are encouraged by our first few months of ownership and expect these blue chip properties to produce a solid rate of return with steady increases in income over the next years. Many of the existing tenants are also quite prominent in the community, including McCarver & Moser, a jeweler and Square on the Circle, a home décor store, both of whom have been tenants in these properties for decades.



Presidents Building, St. Armands Circle



Ringling Building, St. Armands Circle

**BIRD BAY PLAZA:** During 2010 we welcomed Advanced Auto Parts, Little Vegas, Bird Bay Coin Laundry and Fired Up Burgers to this property. Advance Auto Parts, which is listed on the New York Stock exchange added to our list of credit tenants at the Bird Bay Plaza.

We also completed the replacement of the roof at the Bird Bay Plaza with a new 4-ply built up tar and gravel roofing system, built to be highly wind resistant. So far in 2011 we also replaced the LTM Party Store with a new bike store, Real Bikes, which will double the rent from what the prior tenant was paying with additional increases over the next few years. This tenant is particularly exciting to us because the County of Sarasota obtained a grant under the stimulus package from the Federal Government to build a new pedestrian/bike bridge in a Venetian style over Highway 41, serving the bicycle trail adjoining the Bird Bay Plaza. This biking trail will highly likely become a destination biking area, not only for locals but for visitors as well. Real Bikes will service this recreational population well.



Legacy Trail Pedestrian/Bike Overpass over US 41 Bypass, Venice, FL

# REPORT FROM THE BRIDGE

Annual Report  
April 2011



ST. ARMANDS KEY



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**SARASOTA CROSSINGS SHOPPING CENTER:** The news at the Sarasota Crossings this year was the addition of the new 10,000 SF Chinese buffet restaurant in addition to a liquor store and a weight loss center. The new buffet is beautifully built out and well decorated and has been a huge success drawing thousands of customers a week to the property. Our new HH Gregg store has also enjoyed a great deal of success and is the second highest volume store opened by HH Gregg in the Tampa, MSA. We were also able to incentivize Office Depot to open their store; they had been paying rent but had never opened their store thereby conserving cash through the recession. We have given them temporary rent reduction to open and expect them to formally open the store on April 25, 2011 after completing a multi-million dollar build out. We expect the new Office Depot store to further add to the synergy of the Sarasota Crossings Shopping Center.



Sarasota Crossings Shopping Center - New Office Depot

**SARASOTA COMMONS SHOPPING CENTER:** This year we were able to save a tenant through the bankruptcy process at Sarasota Commons by working with them through a re-organization plan that allowed them to remain viable and continue as our tenant. These efforts are time consuming and difficult but necessary in this current economic environment. We were also able to add several new tenants including Saigon Hibachi a Vietnamese restaurant that is doing a great job and a Brazilian Ju-Jitsu training center primarily for young people. Finally, we added the Sarasota Hearing and Speech Aid Center which is a long established business relocating to our property from a nearby shopping center. This property has a great deal of stability with its anchor tenants Publix, Lifestyle Family Fitness and the U.S. Post Office, each of whom draws in significant numbers of patrons each day. The property is in terrific condition after our remodeling several years ago and therefore expenses at the property have been easy to control. We intend to make a large push forward with leasing out this property in 2011.

**PALMETTO - SWEETBAY SUPERMARKET:** Our free standing supermarket in Palmetto continues to perform well. Through David Puyanic's continuing effort we were able to get a traffic light approved at the cross street entering this property on Highway 301. The traffic light will provide easier access to the Sweetbay Supermarket and the downtown Palmetto area.

**TRAFALGAR SQUARE SHOPPING CENTER:** In September 2010 our Winn-Dixie store went dark along with 29 other Winn-Dixie locations. Although they continue to fulfill their obligations and paying rent, we are aggressively working on a new anchor tenant for the Winn-Dixie space. We hope to conclude a deal with a new grocer for a portion of the space in 2011 and complete a façade renovation as part of their taking occupancy. We were also able to complete a cross-access driveway with both the Walmart Super center adjoining this property and the Mobil Oil gas station which serves as an outparcel, thereby improving the accessibility to Trafalgar Square.

**TAVERNIER TOWNE SHOPPING CENTER:** We were pleased to add Metro PCS and Lucky Duck Sweepstakes to this property during 2010 and recently in 2011, the expansion of the Landsaw Eye Care Clinic and the addition of Vitas Healthcare. We have also done a lot of work at Tavernier in 2010 and more continues in 2011. There has been a major façade remodel completed, a plan for installing a new roof on approximately half of the shopping center, and a plan to connect to the new sewer line and County operated sewer plant. These are all major, time consuming projects.



Tavernier Towne Shopping Center - Winn-Dixie's New Façade

**MARIETTA SQUARE SHOPPING CENTER:** We were delighted to add Arden's Kafé & Katering to our property in 2010 and continue to nurse along the relationship with the State of Florida Health Clinic which is under stress because of State budgeting constraints under Florida's new governor. We also completed the installation of a new roof over Food Lion in exchange for their exercising a five year option extending their lease to 2016.

**HARBOR PLAZA SHOPPING CENTER:** We have now caught up on the deferred maintenance of Harbor Plaza after several years of management and as a consequence have been able to greatly reduce operating expenses at the property. Harbor Plaza now makes a beautiful appearance and is booming with activity. The additions of the new Ultra Bike Store and the Shoe Repair shop have greatly added to the synergy of the property. In addition, the beautiful build outs of the new tenants have substantially upgraded the property. The flower shop expanded and needless to say, a flower shop always looks beautiful. They have expanded their product line to include candles, orchids, incense and gifts. In 2011 we also opened the Sandy Wallin Art Gallery at the property.

**BRICKELL PROPERTIES:** We have now signed a lease with 7-Eleven for a new free standing building on the corner across the street from the Brickell Metrorail station. We are in the process of redeveloping this site to fulfill our obligations under the lease.

**INSURANCE:** Our Captive Insurance Company American Windstorm & Marine Casualty has had no claims since its formation as a result of quiet hurricane seasons over the last five years. We are very fortunate to have built up reserves in order to deal with the inevitability of a hurricane in the future.

**COMMODORE PLAZA:** We welcome Dr. Caride and his staff who replaced Dr. Kemper in our building. We are very pleased with the new relationship.

**COMMODORE REALTY, INC.** Our team has worked harder than ever to fight the effects of the recession during 2010. The leasing team has tackled the challenges of keeping our properties full using all their marketing skills.

Our property management team has worked diligently seeking every opportunity to reduce expenses and get more out of our dollars to ensure that the properties are well kept at a lesser cost. Our accounting and administrative team has been on the top of their game and we have done better this year than ever at collecting and processing the paper work needed to keep our business in good order. We were able to add the ACH system of deposits to our banking relationship this year and many of our partners have opted for payment directly to their accounts.

We are thankful that our long term minded philosophy has provided us a far better position to approach the years of recession as an opportunity to improve. We also thank our Partners for their trust and confidence throughout the years.



John Ringling Boulevard, St. Armands Key