APPRAISAL & VALUATION ANALYSIS

Existing Apartment Complex
"Northeast Village Apartments"
4535 Schertz Road Boulevard
San Antonio, Texas

REPORT DATE:
September 26, 2016

EFFECTIVE DATE OF VALUE:
August 25, 2016

PREPARED FOR:
The Smeberg Law Firm, PLLC
Attn.; Mr. Ronald J. Smeberg
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September 26, 2016

The Smeberg Law Firm, PLLC
Mr. Ronald J. Smeberg
2010 W. Kings Highway
San Antonio, Texas 78201

Appraisal of the existing apartment complex located at 4535 Schertz Road, San Antonio, Texas.
(File #C16-0552; 4535 Schertz Road, SATX)

Mr. Smeberg:

As per your request, we have completed the market research and analyses necessary to furnish you with our opinion as to the leased fee market value of the subject property in its current "as is" condition. The market value concluded herein is subject to the various Assumptions and Limiting Conditions described in the accompanying report. Robert H. Rundquist, Associate Appraiser and Blair T. Stouffer, MAI, SRA, LREB performed the visual observation of the subject property.

The definition of market value as defined herein is based on the Office of Comptroller of Currency's Manual for National Banks, Subpart C, Section 3442, as revised by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), effective August 24, 1990. This report is an Appraisal Report which was prepared in accordance with the Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP), with OCC Regulations 12 CFR Part 34, FDIC Regulation Part 323 and Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

The client and intended user of this appraisal report is The Smeberg Law Firm, PLLC. The intended use of this report is for bankruptcy proceeding purposes. The purpose of this report it to determine the leased fee market value of the subject property in its current "as is" condition.

The subject property comprises a 28-unit apartment complex with a net rentable area totaling 27,880 square feet. The subject property was 93.0% leased and occupied upon inspection. The subject site encompasses a total land area of 1.418 acres or approximately 61,768 square feet. The property is located on the northern side of Schertz Road, between Thousand Oaks Drive and Perrin Beitel Road in northeast San Antonio, Texas.

As a result of the inspection of the subject property and based upon the market data information and analyses concluded herein, the following sets forth our opinion as to the market value of the leased fee estate "as is" of the subject property as of August 25, 2016 is as follows:

MARKET VALUE OPINION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
"As Is"	Leased Fee	August 25, 2016	$1,330,000

The marketing period is estimated to be one year or less from the effective date. The exposure time prior to the effective date is also estimated to be one year.

If you should have any questions after reviewing this appraisal, please feel free to contact either of the undersigned directly.

Respectfully submitted,
STOUFFER & ASSOCIATES, LLP

Robert H. Rundquist
Associate Appraiser
State Certified, TX 1337599-G

Blair T. Stouffer, MAI, SRA, LREB
Managing Partner
State Certified, TX 1320799-G

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CERTIFICATION

The undersigned does hereby certify that, to the best of my 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 my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- We have performed no services, as an appraiser or in any other capacity, regarding the subject property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- Neither our engagement to make this appraisal (or any future appraisals for this client), nor any compensation therefore, are contingent upon reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event
- Our compensation for completing this assignment is not contingent upon the 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 the appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Robert H. Rundquist, Associate Appraiser and Blair T. Stouffer, MAI, SRA, LREB, conducted the physical inspection of the subject property.
- No one provided significant real property appraisal assistance to the person signing this certification.
- As of the date of this report, Blair T. Stouffer, MAI, SRA, LREB has completed the requirements of the continuing education of the Appraisal Institute.

Robert H. Rundquist
Associate Appraiser
State Certified, TX 1337599-G

Blair T. Stouffer, MAI, SRA, LREB
Managing Partner
State Certified, TX 1320799-G

EXECUTIVE SUMMARY

Property Type:	Existing Multi-Tenant Apartment Building
Address/Location:	4535 Schertz Road, San Antonio, Texas.
Effective Dates of Value:	August 25, 2016
Date of Report:	September 26, 2016
Property Rights Appraised:	Leased Fee
Appraisal Premises:	"As Is"
Site:	1.418 acres or 61,768
Improvements:	Apartment complex with a net rentable area of 26,880 square feet.
Intended Use:	Bankruptcy proceeding purposes
Intended User(s):	The Smeberg Law Firm, PLLC
Zoning:	C-2, Commercial District, City of San Antonio
Highest and Best Use:	
"As if Vacant"	Multifamily development
"As Improved"	Current multifamily improvements
Extraordinary Assumptions:	See Page 10
Hypothetical Conditions:	See Page 10
Market Value Conclusions	**"As Is"**
Cost Approach:	N/A
Sales Comparison Approach:	$1,330,000
Income Approach:	$1,330,000
Reconciled Market Value:	**$1,330,000**
Marketing Period:	1 year
Exposure Time:	1 year

SUBJECT PHOTO & LOCATION MAP

IDENTIFICATION OF TYPE OF REPORT

This report is an Appraisal Report which was prepared in accordance with the Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP), with OCC Regulations 12 CFR Part 34, FDIC Regulation Part 323 and Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. As per the specific scope of this assignment as agreed upon between the client and the subject appraiser's, this Appraisal Report has utilized a self-contained reporting format. This appraisal assignment is contingent upon the various assumptions and limiting conditions described within this report.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is based upon and is subject to the following assumptions and limiting conditions:

- The legal description as used in this appraisal report is assumed to be correct, as reported by the Bexar County Appraisal District (BCAD).
- The appraisers have not made a survey of the property and no responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.
- The total NRA utilized herein is based on the owner provided rent roll.
- No responsibility is assumed for matters of a legal nature affecting title of the property, nor is an opinion of title rendered. The title is assumed to be good and marketable.
- Information furnished by others is assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraisers.
- All mortgages, liens, encumbrances, leases and servitude have been disregarded unless so specified within this report. The property is appraised as though under responsible ownership and competent management.
- This appraisal further assumes that there are no hidden or unapparent conditions of the property or subsoil that would render it more or less valuable. No responsibility is assumed for such conditions or for engineering that may be required to discover such factors. Additionally, the appraisers were not provided with environmental or asbestos studies on the subject site or external conditions that might affect the subject property at this time.
- Full compliance with all applicable federal, state, and local environmental regulations and laws is assumed unless noncompliance is stated, defined and considered in the appraisal report.

- Full compliance with all applicable zoning and use regulations and restrictions is assumed unless nonconformity has been stated, defined and considered in the appraisal report.

- This appraisal assumes that all required licenses, consents or other legislative or administrative authority from any local, state or national governmental, or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report are based.

- The "Americans with Disability Act of 1990" (ADA) is intended to provide full access and participation for disabled Americans and contains areas of coverage including employment, public services, public accommodations, and telecommunications. Subchapter III of the ADA addresses architectural and procedural barriers to disabled individuals in connection with public accommodations. The effective date of the Act is January 1992 for businesses employing 25 or more employees and having gross annual receipts exceeding $1,000,000. The appraisers have inspected the subject property and have assumed that all ADA requirements have been met. However, if it is later determined that all are not in compliance; we reserve the right to modify the value conclusion contained herein.

- This appraisal also assumes that the current utilization of the land and improvements are within the boundaries of the property lines described and that there are no encroachments or trespasses unless otherwise noted within the report.

- The valuation estimate applies only to the property specifically identified and described in the following report.

- It is assumed that all information known to the client and relative to the valuation has been accurately furnished and that there are no undisclosed leases, agreements, liens, or other encumbrances affecting title or use of the property.

- By reason of the purpose of this valuation and function of the report herein set forth, the value reported is only applicable to the property rights appraised and the appraisal report should not be used for any other purpose.

- No environmental site assessment has been provided to the appraisers. The appraisers recommend that a qualified environmental engineer assess the site for potential hazardous waste materials. The appraisers assume no liability for any hazardous waste material found on the site. Should any be found, substantial impact on the appraised value may be noted. The appraisers reserve the right to evaluate the impact of any environmental study made on the property.

- The appraisers have not performed soil or drainage tests. Nor have the appraisers been provided with soil or drainage test results. Therefore, this appraisal assumes that there are no subsoil or drainage conditions that would adversely affect the subject or its final valuation.

- This appraisal report is based on the condition of local and national economies, the purchasing power of money, and finance rates prevailing at the effective date of value.

EXTRAORDINARY ASSUMPTION(S)

An extraordinary assumption is defined by *The Dictionary of Real Estate Appraisal, Fifth Edition*, as follows:

"An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis."

- None made herein.

HYPOTHETICAL CONDITION(S)

A hypothetical condition is defined by The Dictionary of Real Estate Appraisal, Fifth Edition, as follows:

"That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis."

- The "as complete" valuation, from which the "as is" valuation is derived is made based upon the hypothetical condition that the repairs necessary to make Units #201 and #204 into rentable units, and to make other necessary repairs to cure the deferred maintenance issues discussed herein have been completed, when in fact they have not been as of the effective date of this appraisal report.

CLIENT, INTENDED USER & INTENDED USE OF APPRAISAL

The client and intended user of this report is The Smeberg Law Firm, PLLC. The intended use of this appraisal is for bankruptcy proceeding purposes.

DEFINITIONS OF VALUE

The following opinions were developed for this analysis.

Valuation Scenario	Completed
"As Is"	Yes
"As if Completed"	Yes *
"Upon Stabilization"	No
"Insurable Value"	Yes

*"As if Completed" value utilized as the basis for estimating the "As Is" value

Market Value

For this report, Market Value, as described in the Office of the Comptroller of the Currency Manual for National Banks, Subpart C, Section 34.42, as revised by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), is defined as follows:

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 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:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and each acting in what they consider their own best interest;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. 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.

Leased Fee Interest

An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; usually consists of the right to receive rent and the right to repossession at the termination of the lease.

Fee Simple Interest

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

Market Rent

The rental income that a property would most probably command on the open market; indicated by current rents paid and asked for comparable space as of the date of the appraisal.

DATE OF VALUE & PROPERTY INSPECTION

The effective date of the "as is" market value contained herein is August 25, 2016 which also represents the date of the property inspection.

PROPERTY RIGHTS APPRAISED

The property rights appraised in this report are those constituting the leased fee interest in the subject property. Liens and encumbrances, if any, have been disregarded, and the property is assumed to be under competent management.

SCOPE OF WORK

The scope of work utilized in preparing this appraisal is included throughout this report in the various descriptions and analysis. The general outline includes the following.

Identification of the Problem to be Solved

The problem to be solved for this assignment includes determining the leased fee market value of the subject property in its current "as is" condition.

Information Requested but Not Provided

- Building plans
- Site survey

Extent of the Property Inspection

The subject property was viewed from both the exterior and interior. Access was made available to the interiors of Units #201, #202, #204 and #406 as well as the storage room which was formerly a portion of Unit #304. The exterior of each of the subject buildings was viewed as were the site amenities including; the green belt areas and driveways/parking areas. It is noted that the NRA has been based exclusively upon the owner provided rent roll.

Extent of Data Research

The appraisers have completed numerous appraisals within the general San Antonio area as well as the immediate subject market area. The appraisers have extensive knowledge of the subject area. Numerous brokers, developers, property managers, and other market participants have been interviewed to gain addition perspective into the subject market and to confirm lease data, sales data, etc.

Extent of Analysis Applied

In this case, the following approaches to value have been utilized:

Approach	Completed
Cost Approach	No
Sales Comparison Approach	Yes
Income Approach	Yes

Each of the utilized approaches is explained in greater detail within its respective section of this report. The market value conclusions from each approach were then reconciled into a single "as is" market value opinion.

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property is an existing two story, multi-family apartment complex with a total NRA of 26,880 square feet situated on a 1.418 acre site. The physical address of the subject property is 4535 Schertz Road, San Antonio, Bexar County, Texas.

LEGAL DESCRIPTION

According to the Bexar County Appraisal District the subject property is legally described as follows:

New City Block 14337, Block 4, Lot 35, San Antonio, Bexar County, Texas.

SALES HISTORY OF THE SUBJECT PROPERTY

The following outline summarizes the subject's sale history.

General Information

Current Owner:	Merkle, Carl N.
Current Use:	Multi-family apartment complex
Ownership Change in last 3 years:	No
Contract Price/Lease Information:	According to our interview with the property owner, the subject property is not listed for sale as of the effective date of this appraisal report. No transactions involving the subject property were found to have occurred within the 3 years preceding the effective date of this appraisal.

NEIGHBORHOOD ANALYSIS

Location

The subject property is located within the City of San Antonio in what is considered to be the northeast submarket of San Antonio.

Neighborhood Boundaries

Noted below are the general boundaries for the subject's competitive market area.

Neighborhood Boundaries	
North	Loop 1604
South	Loop 410
East	IH-35
West	US-281

Land Use Summary

The overall character of this area can be described as a single family residential growth area to the north and northeast with commercial development along the major thoroughfares. Significant arterials through the area include IH-35, Judson Road, Loop 410, Wurzbach Parkway, Toepperwein Road, Perrin Beitel Road and Thousand Oaks Drive. IH-35 has a traffic count of over 160,000 cars per day. In addition to being the interstate highway that connects Laredo, San Antonio, Austin and Dallas, it is also a major commuter arterial for residents of the northeast area of the city.

Growth Patterns

The general growth pattern for the City of San Antonio is to the north and northeast. These areas have exploded with new growth in recent years and will likely continue to be the path of new development for the foreseeable future. The subject area as mentioned previously is significantly built-up; however there is an adequate supply of vacant land still available for new development.

Neighborhood Life Cycle

The stages of a neighborhood life cycle are typically broken down into four stages:

Stage	Description
Growth	Period of gains in public favor, acceptance, and demand
Stability	Period of equilibrium without marked gains or losses.
Decline	Period of diminishing demand and acceptance
Renewal	Period of rejuvenation and rebirth of market demand

In this case, the subject neighborhood is considered to be in the growth stage of the neighborhood life cycle.

Access/Major Arterials

Primary access to the subject area is available from Loop 410 to the south and IH-35 to the east which are both major arterials serving the northeastern sub-market and the San Antonio market as a whole. The subject is conveniently located within respect to its proximity also to Loop 410, Wurzbach Parkway and IH-35 which include several of the most heavily trafficked arterials in the San Antonio MSA. Noted below are the major arterials through the immediate subject neighborhood as reported by *CoStar*.

Collection Street	Cross Street	Cross St Dist/Dir	Traffic Volume	Count Year	Dist from Subject
Greystone Dr	Pesquera Dr	0.08 SW	1,264	2014	0.16
Pesquera Dr	Eagle Nest Dr	0.02 SE	1,381	2014	0.18
el Sendero St	Las Cruces St	0.02 SW	1,571	2014	0.21
Schertz Rd	Thousand Oaks Dr	0.13 E	2,932	2014	0.22
Thousand Oaks Dr	Schertz Rd	0.13 SE	17,929	2012	0.23
Thousand Oaks Dr	Chapala Way	0.13 SE	17,744	2014	0.23
Chapala Way	Guadalajara Dr	0.03 NE	1,048	2014	0.32
Vespero St	el Sendero St	0.07 SE	308	2013	0.32
el Sendero St	Guadalajara Dr	0.03 NE	3,968	2014	0.34
Greystone Dr	Edgefield Dr	0.18 SW	1,198	2014	0.36

Demographics

Selected neighborhood demographics for a 1, 3, and 5-mile radius from the subject property are shown in the table below.

Population	1 Mile	3 Mile	5 Mile
2016 Total Population:	10,947	105,625	273,290
2021 Population:	11,878	114,350	296,197
Pop Growth 2016-2021:	8.50%	8.26%	8.38%
Average Age:	35.60	37.60	37.50
Households			
2016 Total Households:	4,397	42,074	105,861
HH Growth 2016-2021:	8.35%	8.14%	8.28%
Median Household Inc:	$40,264	$52,666	$56,226
Avg Household Size:	2.50	2.50	2.50
2016 Avg HH Vehicles:	2.00	2.00	2.00
Housing			
Median Home Value:	$76,348	$133,501	$142,660
Median Year Built:	1978	1980	1982

Source: *CoStar*

Conclusion

The subject neighborhood is considered to be a well established, built-up commercial area within the general northeast submarket of San Antonio. The area features good access from some of the city's major arterials, has good residential backup, and strong demographics. We foresee continued demand for the area due to these factors.

SITE DESCRIPTION

General Information

Address:	4535 Schertz Road, San Antonio, Texas
Property ID:	548931
Map Grid:	552E4

Physical Characteristics

Site Area:	1.418 acres or approximately 61,768 square feet
Shape/Configuration:	Triangular
Frontage:	Approximately 434.4 feet along N/S of Schertz Road
Topography:	Mostly level
Parcel Location:	Interior
Utilities:	All available

Access

Street Name:	Schertz Road
Street Improvements:	Two-way, asphalt paved surface road with two lanes
Curb Cuts:	2
At Signalled Intersection:	No

Flood Information

FEMA Map Panel #:	48029C0270G
Map Date:	September 29, 2010
Flood Zone:	X; an area outside of the 100 year floodplain.

Site Conditions

Soil Conditions:	We did not receive or review a soil report. However, we assume that the soils load bearing capacity is sufficient to support the existing structure. We observed no evidence to the contrary during the physical inspection of the property. Drainage appears to be adequate.
Land Use Restrictions:	We were not given a title report to review. Other than typical utility easements, no other easements were observed, however, a title search is recommended in order to determine if any adverse easements or conditions exist.
Toxic Waste:	No waste hazards affecting the subject site are known. Identification of hazardous material is not within the scope of this appraisal assignment and we have assumed that no such materials are present. We have not made a thorough inspection nor are we qualified to determine whether such hazardous materials exist on the subject site.

Easements/Encumbrances:	To the knowledge of the appraisers, there are no known easements or encumbrances that would adversely affect the subject site.

Site Ratings

Location:	Average
Access:	Good
Visibility:	Good
Site Improvements:	Average
Topography:	Good
Overall Market Appeal:	Average

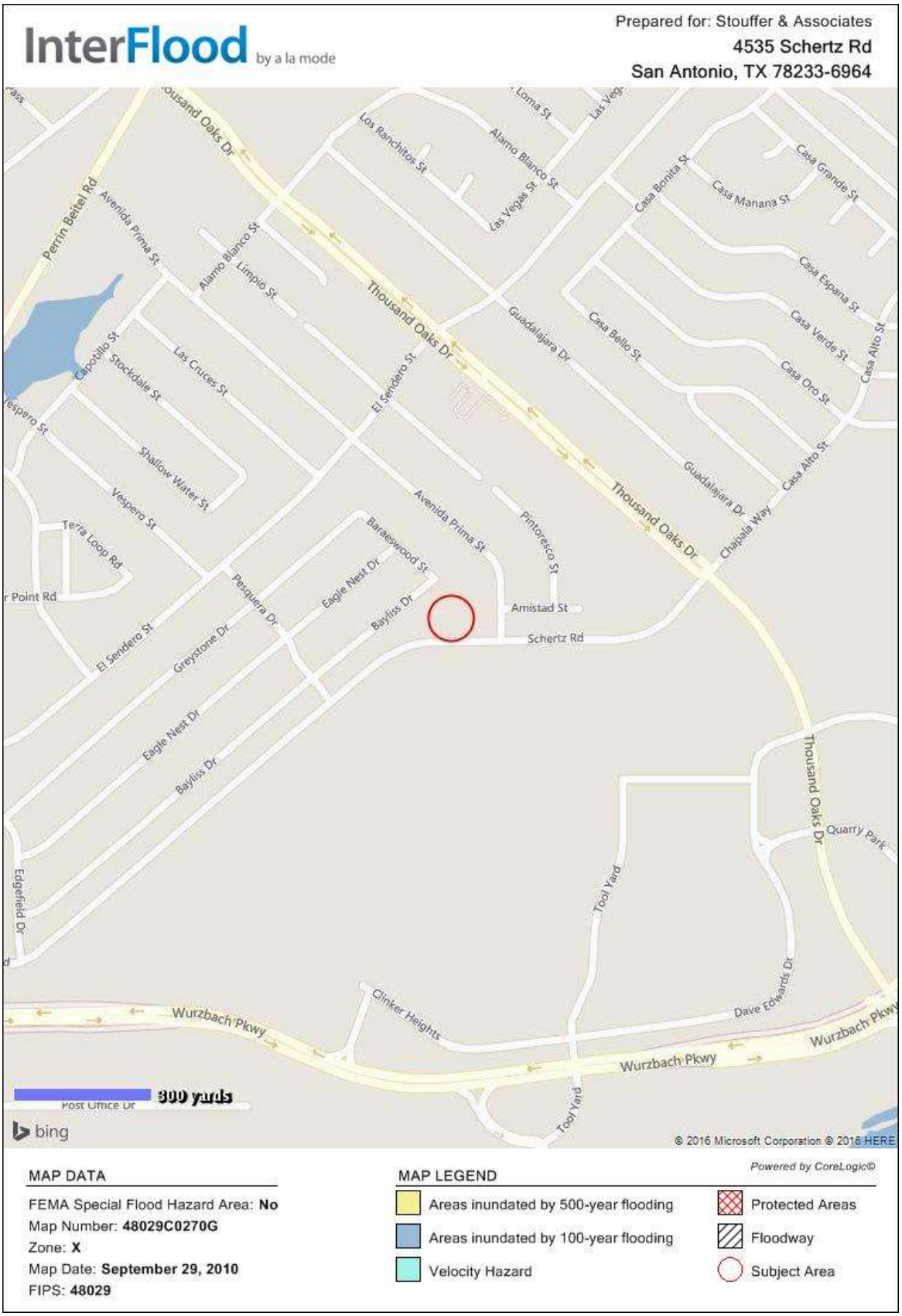
Analysis/Comments

The subject property is composed of a 28-unit multi-family apartment complex situated upon 1.418 acres. Based on the net rentable area of 27,880 square feet, a rather typical land to building ratio of 2.22:1 is indicated. Other site improvements include: green belt areas, concrete curbs, paving and sidewalks. The subject site features a triangular configuration.

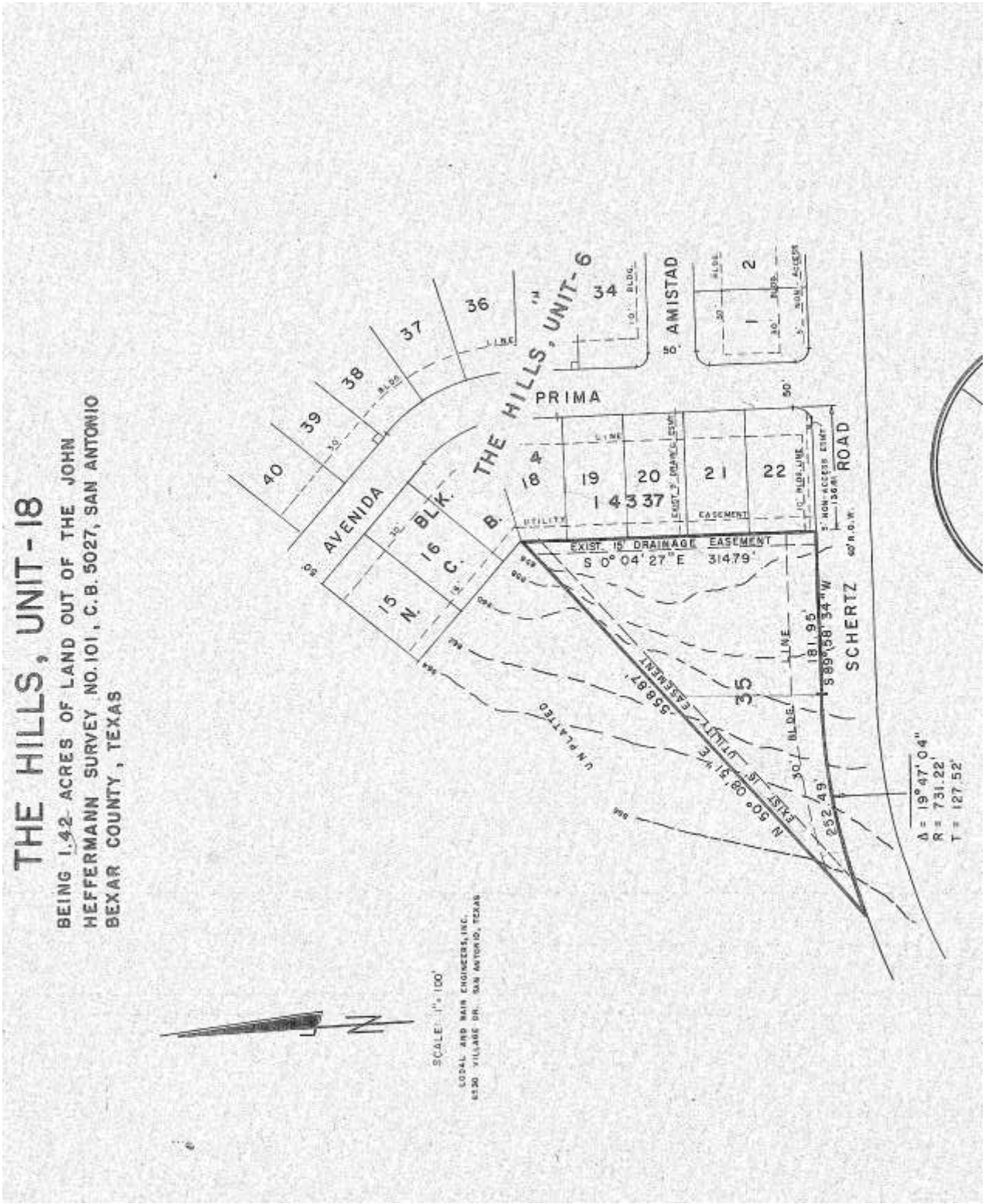
Please refer to the following pages for several exhibits illustrating the subject site.

Plat Map

Aerial Map


InterFlood by a la mode
Prepared for: Stouffer & Associates
4535 Schertz Rd
San Antonio, TX 78233-6964
Thousand Oaks Dr
Los Ranchitos St
Alamo Blanco St
Las Vegas St
Casa Bonita St
Casa Manana St
Casa Grande St
Casa España St
Casa Verde St
Casa Alto St
Casa Oro St
Guadalajara Dr
Casa Bello St
Chapala Way
Perrin Beitel Rd
Avenida Prima St
Limpio St
Capotillo St
Stockdale St
Las Cruces St
El Sendero St
Vespero St
Shallow Water St
Terra Loop Rd
Pintoresco St
Baraeswood St
Pesquera Dr
Eagle Nest Dr
Bayliss Dr
Amistad St
Schertz Rd
Greystone Dr
Edgefield Dr
Tool Yard
Quarry Park
Dave Edwards Dr
Clinker Heights
Wurzbach Pkwy
Post Office Dr
300 yards
bing
© 2016 Microsoft Corporation © 2016 HERE
Powered by CoreLogic®
MAP DATA
FEMA Special Flood Hazard Area: No
Map Number: 48029C0270G
Zone: X
Map Date: September 29, 2010
FIPS: 48029
MAP LEGEND
Areas inundated by 500-year flooding
Areas inundated by 100-year flooding
Velocity Hazard
Protected Areas
Floodway
Subject Area

Flood Map



Plat Map from Bexar County Deeds and Records, dated June 7, 1974

ZONING

The following table summarizes the subject's zoning.

General Information

Current Zoning:	"C-2" – Commercial
Source:	City of San Antonio
Uses Permitted:	"C-2" districts accommodate commercial and retail uses that are more intensive in character than "NC" and "C-1" uses, and which generate a greater volume of vehicular traffic and/or truck traffic. The current subject improvements appear to be a legal non-conforming use and in compliance with the current zoning ordinance.
Legally Conforming:	Legal non-conforming use
Zoning Change:	Not Likely

Please see the zoning map below.

IMPROVEMENT DESCRIPTION – AS COMPLETE

The apartment complex is a contemporary style, two-story multifamily complex that was originally constructed in 1986 and is in fair to average condition. The overall complex features a total NRA of 26,880 square feet based on the rent roll provided. Please see the *Hypothetical Condition* noted previously in this report.

General Information

General Property Type:	Multifamily
Specific Property Type:	Garden Apartment Complex
Number of Buildings:	4 apartment buildings
Number of Stories:	2
Number of Units:	28
Unit Mix:	27- three bedroom and two bath units and 1- two bedroom and two bath unit. *It is noted that 1 of the three bedroom units is occupied by the property owners and is not generating income.*

Building Areas/Ratios

Net Rentable Area:	27,880 square feet
Average Unit Size:	996 square feet
Land-to-Building Ratio:	2.22:1
Parking Ratio	2.0 spaces per unit
Other Structures:	None

Age/Life

Year Built:	1986
Actual Age:	30 years
Effective Age:	20 years
Total Economic Life:	50 years
Remaining Economic Life:	30 years

Exterior Construction Details

Construction Class:	Class D- *Marshall Valuation Service* (MVS)
Foundation:	Raised perimeter
Frame:	Wood
Exterior Façade:	Wood siding
Roof Structure:	Composition shingle
Exterior Doors:	Hollow metal

Interior Construction Details-Typical Unit

Floor Coverings:	Vinyl sheet
Walls:	Painted Drywall
Ceilings:	8’ Painted Drywall
Lighting:	Suspended and surface mounted incandescent fixtures and ceiling fans
Elevator:	None

Fire Sprinkler:	None
FF&E:	Appliance package including; dishwasher in some units, garbage disposal, electric oven range combination and refrigerator.
Fireplaces:	No
Patios/Balconies:	Yes, either a balcony or patio area
Typical Bathroom Finishes:	Vinyl flooring with a standard vanity and sink, toilet, tub/shower combination with tile, average cabinetry.
Typical Bedroom Finishes:	Carpet flooring, walk-in closet, ceiling fans and blinds.
Typical Kitchen Finishes:	Average amenities to include vinyl sheet flooring, laminate surface counter tops and backsplash, average quality wooden cabinetry, double stainless steel sink, free standing electric range/oven, refrigerator and freezer, vent hood, garbage disposals and some units feature dishwashers, which the owners are removing on turnover.

Mechanical/Electrical/Plumbing (MEP)

Heating & Cooling:	Central HVAC, approximately 14 of the units need full or partial system replacement; however, it is noted that the central HVAC units have been supplemented with 34 window AC units and that the interiors of the units viewed appeared to be reasonably cooled.
Electrical:	For the purposes of this report, we have assumed all electrical services will be in good working condition and in compliance with all codes.
Plumbing:	For the purposes of this report, we have assumed that the plumbing and mechanical systems will be in good working condition and in compliance with all codes and requirements.
Other:	Each unit features washer and dryer connections, the tenants are responsible for their own washer and dryer units.

Exterior Amenities

Landscaping:	Average
Fencing:	6’ wrought iron or wooden privacy fencing
Sidewalks:	Concrete/Average
Common Amenities:	Green belt areas and open parking
Pool:	None

Other: None

Improvement Ratings – As Complete

Quality: Average
Condition: Average
Functional Utility: Average
Deferred Maintenance: Wood siding, HVAC Units, two burned out units (Assumed repaired in the "as complete" analysis)
Market Appeal: Average
Overall Rating: Average

Analysis/Comments

The subject property will represent an average condition Class C apartment complex upon completion curing deferred maintenance issues and the renovations of the two fire damaged units. The construction quality was found to be typical of similar aged apartment complexes in the San Antonio market with wood framing and wood sided exterior walls.

Please refer below for a table illustrating the apartment unit mix.

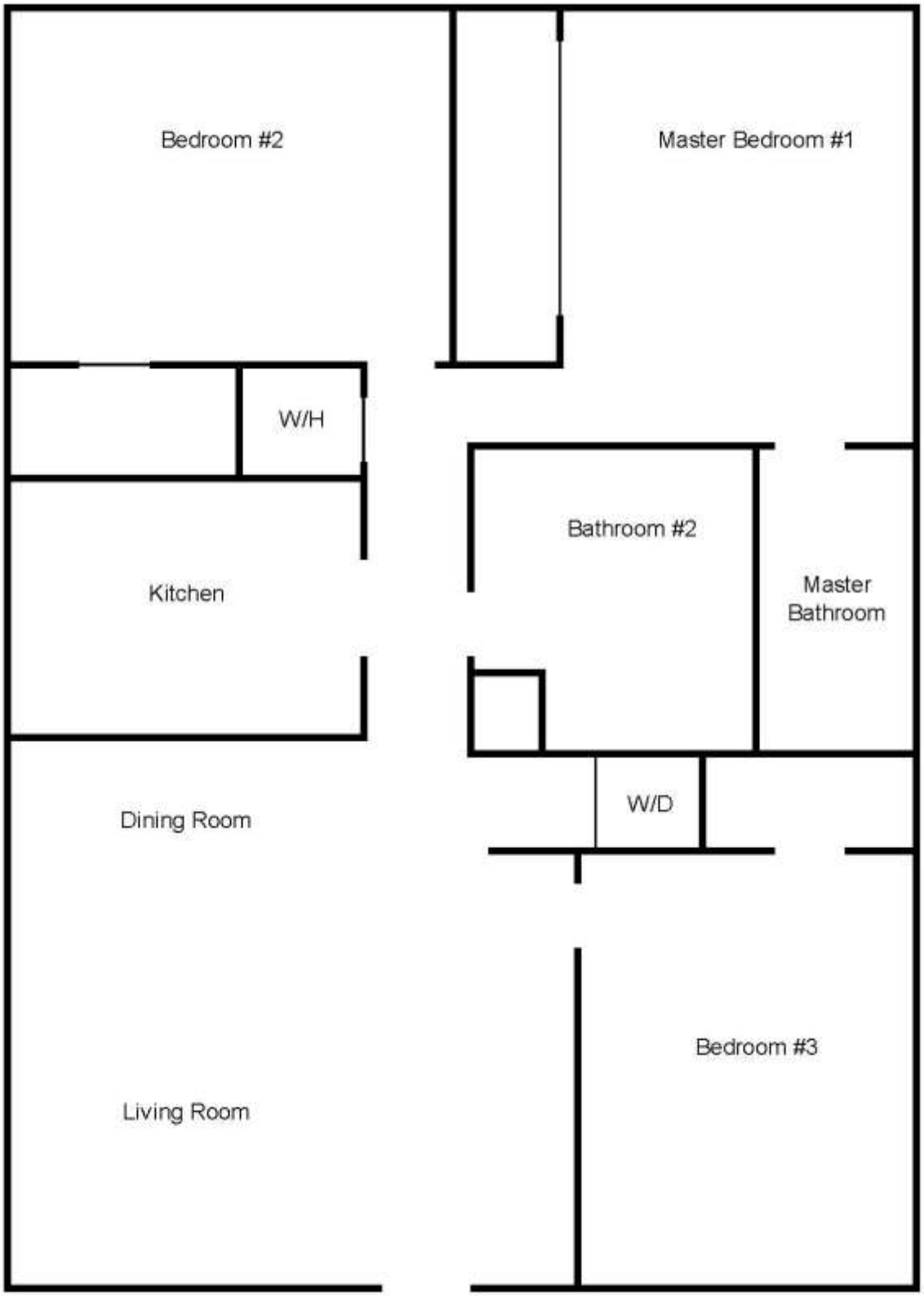
Unit Breakdown			
Unit Type	**# of Units**	**Avg. Size SF**	**Total/SF**
3/2	27	1,000	27,000
2/2	1	880	880
Total/Avg.	**28**	**996**	**27,880**

** It is noted that 1 of the 27 three bedroom units is occupied by the property owners and is not generating income.*

Please see the following pages for floor plan diagrams and photos taken at the time of inspection.

Northeast Village Apartments
Floorplan A - End Units

Northeast Village Apartments
Floorplan B - Middle Units



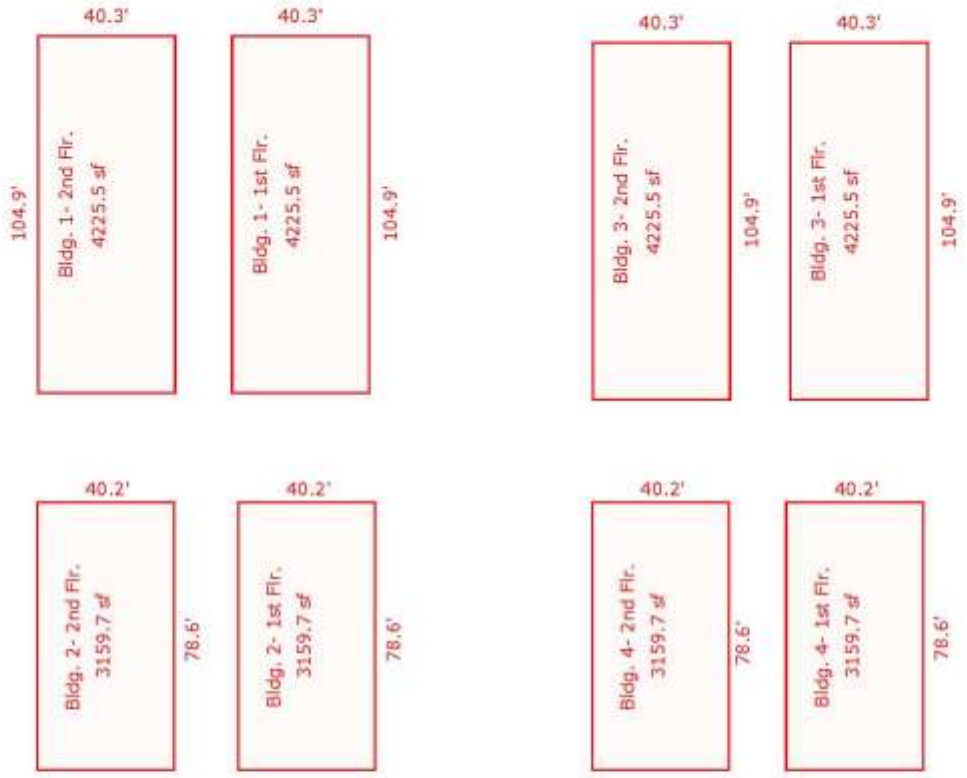
SKETCH/AREA TABLE ADDENDUM

File No C16-0552

SUBJECT

Property Address	4535 Schertz Road		
City	San Antonio	County Bexar	State Texas	Zip 78233
Borrower			
Lender/Client	Mr. Carl Merkle	L/C Address	4535 Schertz Road, Unit #406
Appraiser Name	Robert Rundquist	Appr Address	525 Busby Drive, San Antonio, TX 78209

IMPROVEMENTS SKETCH



Scale: 1" = 60'

AREA CALCULATIONS

AREA CALCULATIONS SUMMARY

Code	Description	Net Size	Net Totals
GBA1	Bldg. 1- 1st Flr.	4225.46	
	Bldg. 1- 2nd Flr.	4225.45	
	Bldg. 3- 1st Flr.	4225.46	
	Bldg. 3- 2nd Flr.	4225.46	
	Bldg. 2- 1st Flr.	3159.72	
	Bldg. 2- 2nd Flr.	3159.72	
	Bldg. 4- 1st Flr.	3159.72	
	Bldg. 4- 2nd Flr.	3159.72	29540.70
Net BUILDING Area		(rounded)	29541

BUILDING AREA BREAKDOWN

Breakdown	Subtotals
Bldg. 1- 1st Flr. 40.3 x 104.9	4225.46
Bldg. 1- 2nd Flr. 40.3 x 104.9	4225.46
Bldg. 3- 1st Flr. 40.3 x 104.9	4225.46
Bldg. 3- 2nd Flr. 40.3 x 104.9	4225.46
Bldg. 2- 1st Flr. 40.2 x 78.6	3159.72
Bldg. 2- 2nd Flr. 40.2 x 78.6	3159.72
Bldg. 4- 1st Flr. 40.2 x 78.6	3159.72
Bldg. 4- 2nd Flr. 40.2 x 78.6	3159.72
8 Items (rounded)	29541

STOUFFER & ASSOCIATES, LLP APEX SOFTWARE 800-880-8988 Apex100 w Apex v5

Sketch included for reference, as the NRA is based solely upon the provided rent roll

Front view of subject property

Street View looking west along Schertz Road

Street View looking east along Schertz Road

Looking north at parking area

North end of Building #3

South end of Building #3

West end of Building #4

North side of Building #4

South end of Building #2 and north end of Building #1

South end of Building #1

West side of Building #2, note boarded up units #201 and #204 to the right

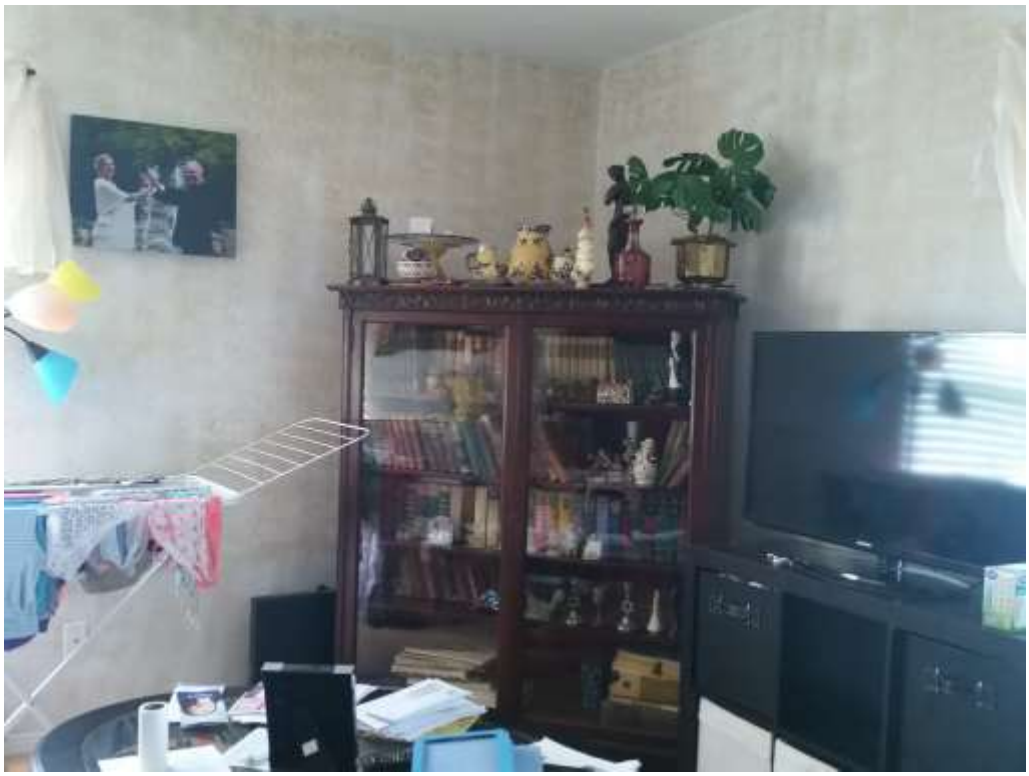
Fire damage on Unit #201

Interior of Unit #201

Interior of Unit #204

West side of Building #3, note damaged siding

North side of Building #4, note damaged siding



Interior View: Unit #406 (managers unit, not generating income)

Interior View: Unit #406

Interior View: Unit #107

Interior View: Unit #107

Interior View: Unit #107

Interior View: Unit #107

TAX ANALYSIS

The following is based on information available from the Bexar County Appraisal District.

Assessed Value	
BCAD ID#	**548931**
Land	$138,980
Improvements	$1,345,320
Total	**$1,484,300**

The subject property is assessed under property ID number 548931 and is under the jurisdiction of seven (7) taxing entities with a combined tax rate of approximately $2.730445 per $100 of valuation. Please see below.

SUMMARY OF TAX ENTITIES

Entity	Tax Rate
Bexar County Rd & Flood	$0.017000
SA River Auth.	$0.017290
Alamo Com. College	$0.149150
Univ. Health System	$0.276235
Bexar County	$0.297500
City of San Antonio	$0.558270
North East ISD	$1.415000
Total	**$2.730445**

Applying the tax rate to the subject's assessed value of $1,484,300 equates to an annual tax liability of $40,528.01. Based upon the concluded market value contained herein, the current assessment is slightly above market and a tax protest may be is warranted. In order to determine if the subject's assessment is within market levels, we have analyzed the comparable sales and their respective assessments per square unit. Please see the following page.

SUMMARY OF TAX COMPARABLES

Sale # / Yr. Blt	# of Units	Assessment *	Assessment/Unit
Sale #1 / 1964	11	$537,140	$48,831
Sale #2 / 1961	60	$2,849,150	$47,485
Sale #3 / 1982	17	$840,970	$49,469
Sale #4 / 1968	44	$2,250,000	$51,136
Sale #5 / 1964	16	$960,000	$60,000
Subject / 1986	**28**	**$1,484,300**	**$53,010**

*Based on tax information

Min	$47,485
Max	$60,000
Mean	$51,384
Median	$49,469

As noted from the previous table, the tax comparables range in assessments from $47,485 to $60,000 per unit with a median indication of $49,469 per unit and a mean indication of $51,384 per unit. The subject's assessment is well within the range indicated by the comparables; and considering the subject's age, condition overall appeal relative to the comparables, the subject's assessment is considered to be within market levels and has been utilized within the *Income Approach* section of this report. It is noted however that the current assessed value is above the estimated market value herein, and that a tax protest may be warranted. It is also noted, that prudent management should take into consideration that a re-assessment of the subject property could result in an increase in the tax burden of the subject property.

MARKET ANALYSIS

According to the 1Q2016 Austin Investor Interest Trend Report, the overall multi-family market in the NE2 submarket (subject submarket) contains a total of 12,509 units. The overall occupancy rate for the NE2 submarket was reported at 89.6%, it is noted that there is a mix of Class A, Class B and Class C units in this market area. The average unit size for these 12,509 units is approximately 844 square feet, which is slightly lower than the subject properties' average unit size of 996 square feet. The average rental rate for two bedroom units was approximately $915 or approximately $0.91/sf.; and the average rental rate for three bedroom units was approximately $1,207 or approximately $0.91/sf. Regarding new construction, the NE2 submarket area saw absorption of 55 units, with 60 new units added over the prior 12 months and 454 units projected for completion in the following 12 months.

Following is a Market Snapshot for the San Antonio MSA; please note the subject sub-market is the North East 2 (NE2) sub-market area. This market snapshot indicates that the average unit price for all unit types in the FW sub-market for 2015 was $66,200 per unit.

Market Snapshot

1Q16	CURRENT CONSTRUCTION		CNV COMPLETIONS		ABSORPTION		OCCUPANCY		RENTAL RATES		2015 ANNUAL SALES $ Per Unit
	Rentable Units	CNV Const Remaining	12 MOS	24 MOS	12 MOS	24 MOS	1Q16	Annual Change	1Q16	Annual Change	
BN	799	292	-	-	-4	57	97.62%	-0.50%	$1.09	2.67%	-
C	2,533	1,388	399	623	234	357	90.33%	-1.59%	$1.53	-2.50%	-
E	2,172		-	-	-28	39	93.23%	-1.29%	$0.88	4.29%	$32,700
FNC	10,495	312	857	1,699	1,226	2,075	89.51%	-1.46%	$1.15	2.59%	$130,300
FNE	7,912	520	-	-	-729	-817	93.59%	0.01%	$1.04	0.55%	-
FNW	6,179	3,499	628	892	457	812	87.49%	-1.39%	$1.28	0.24%	$105,300
FW	17,108	1,132	1,518	2,607	788	2,026	89.21%	-3.65%	$1.12	3.22%	$100,900
KR	1,073		-	-	-3	16	97.39%	-0.28%	$0.86	4.44%	-
NB	3,724	566	335	335	57	258	88.75%	-7.09%	$1.20	1.93%	$130,600
NC	5,343	124	141	141	51	134	91.80%	-0.91%	$1.08	16.55%	$38,300
NC2	28,109	619	1,076	1,420	582	1,397	92.07%	-1.52%	$1.06	4.78%	$92,700
NE	8,894		622	1,127	403	773	89.62%	-1.08%	$1.18	4.95%	$121,100
NE2	12,509	454	-	60	55	736	93.24%	-0.50%	$0.98	5.57%	$66,200
NW	5,017		-	-	-81	32	92.19%	-1.37%	$0.89	2.59%	$36,500
NW2	28,456	1,073	327	1,047	681	1,612	92.93%	0.96%	$1.04	5.36%	$72,000
SC	3,870	872	240	424	185	283	91.71%	-0.08%	$1.02	1.03%	$32,000
SE	1,750		252	412	275	478	86.17%	3.86%	$1.00	8.81%	-
SG	768	117	-	-	-26	-20	92.84%	-3.39%	$1.04	1.06%	$90,600
SW	2,699	-	-	-	39	67	93.74%	-0.28%	$0.96	9.02%	$36,900
W	1,913	-	-	-	4	-4	93.67%	0.21%	$0.87	5.61%	-
BEXAR	143,867	9,993	6,060	10,452	4,161	9,995	91.48%	-0.95%	$1.08	4.39%	$84,800
TOTAL	151,323	10,968	6,395	10,787	4,166	10,311	91.52%	-1.12%	$1.08	4.29%	$87,900

HIGHEST AND BEST USE ANALYSIS

According to the Appraisal Institute, highest and best use may be defined as "The reasonably probable and legal use of vacant land or an improved property, which 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 legal permissibility, physical possibility, financial feasibility, and maximum productivity."

Highest and Best Use "As If Vacant"

Legally Permissible

Legally permissible uses of the subject site are limited to those uses allowed under the applicable zoning ordinances. The subject is zoned "C-2" Commercial District. Although this designation would imply that the existing improvements are not allowed, multifamily development is indeed allowed and only limited by the size of the site.

Physically Possible

The highest and best use of the subject site, as if vacant, is limited to those uses which are physically possible. As discussed in the Site Description and Analysis section, the subject site is comprised of a total of 1.418 acres or 61,768 square feet. The site is triangular in shape and features adequate frontage along Schertz Road. The size of the subject is suitable for numerous types of development and a well-conceived site plan could maximize the utilization of the site.

Financial Feasibility

The most likely highest and best use for the subject site would be for a use that would produce an income equal to or greater than the amount needed to satisfy all financial obligations. As mentioned earlier in the apartment market analysis, the San Antonio NE2 apartment market indicates an overall occupancy level of 89.6%. Typically, occupancy rates this high indicate an acceptable profit margin in order to cover all of the apartment owner's financial obligations. Given the subject's size, retail, office and lodging development would not likely utilize the full potential of the entire site. The subject's size and zoning eliminates single family development and industrial uses. Considering this, multifamily development appears to be the use which provides an income that is satisfactory in covering all financial obligations.

The most feasible use of the site would be for one that would complement the surrounding area. The subject area is mostly residential in nature which is common in this San Antonio sub-market. Please see the table below which notes the subject's surrounding land uses.

SUBJECT MARKET LAND USE SUMMARY

Direction	Adjacent Land Uses
North	Single Family Residential
South	Vacant land, and then Heroes Stadium
East	Single Family Residential
West	Single Family Residential

Maximally Productive

Based on this analysis, the maximally productive use of the subject would be for multifamily development and is demonstrated by the multifamily occupancy rate for the subject submarket which was reported to be 89.6%.

Highest and Best Use "As If Vacant" - Conclusion

The highest and best use of the subject property "as if vacant" is for commercial development in the form of multifamily use. This type of development has been demonstrated as legally permissible, physically possible, financially feasible, and maximally productive. Lastly, the most probable buyer of the subject would be an investor.

Highest and Best Use "As Improved"

In determining the highest and best use "as improved", the focus is on three possibilities for the property;

1) Continuation of the existing use
2) Modification of the existing use
3) Demolition and redevelopment of the land

Highest and Best Use "As Improved" - Conclusion

The highest and best use of the subject property, as currently improved, is for continued use as a multifamily apartment complex. This conclusion is primarily based on the following:

1) The existing improvements already substantiate the current use as physically possible.
2) The current subject use as an apartment complex is allowed by the zoning ordinance.
3) The current subject improvements contribute significant value above that of the land alone.

SALES COMPARISON APPROACH

In the Sales Comparison Approach, the value of a property is estimated by comparing it with similar, recently sold properties in the surrounding or competing area. Inherent in this approach is the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set by the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution.

Through the analysis of sales of verified arm's-length transactions, market value and price trends are identified. The sales utilized are comparable to the subject in physical, functional, and economic characteristics. The basic procedure is as follows:

- The most recent relevant sales are identified; comparable sales are selected and analyzed with consideration given to the date of sale;
- any changes in economic conditions between the date of sale and the date of value; and other physical, functional, or location factors;
- calculate the cash equivalent price for any sales that included any favorable financing;
- Reduce the sales price to a unit of comparison such as the sales price per square foot, sales price per unit, and the gross income multiplier
- Make appropriate adjustments to the prices of the comparable properties; and
- Interpret the data and draw a logical value conclusion.

For purposes of this analysis, emphasis has been placed on utilizing recent sales with similar highest and best use characteristics, size, age, and location. In this case, we have confirmed five (5) sales for use in this analysis. The comparable sales have been analyzed on a price per unit basis which is the unit of comparison most often used in the subject's market. The comparable sales conveyed between August 2013 and February 2016.

Please refer to the following pages for summaries of each improved sale followed by an *Improved Sales Map*.

Multi-Family Sale No. 1

Property Identification

Record ID	832
Property Name	Stratford Manor
Address	8503 Sagebrush Ln, San Antonio, Bexar County, Texas 78209
Location	@ Loop 410 between Nacogdoches & Harry Wurzbach
Tax ID	507949
Map Grid	551 E8
Legal Description	Lot 3 & 18, Blk. 7, NCB 12517
MSA	San Antonio
Market Type	NC

Sale Data

Grantor	Cape Bluff Holdings LLC
Grantee	Stratbrush Realty LLC
Sale Date	February 23, 2016
Deed Book/Page	17709/101
Property Rights	Leased Fee
Conditions of Sale	Arm's Length
Financing	Cash to Seller
Verification	Reliable 3rd party
Sale Price	$750,000
Cash Equivalent	$750,000

Multi-Family Sale No. 1 (Cont.)

Land Data

Land Size	0.718 Acres or 31,289 SF
Front Footage	Loop 410; Sagebrush;
Zoning	MF-33, Multi-Family
Topography	Basically level
Utilities	All
Shape	Mostly rectangular

Unit Mix

Unit Type	No. of Units	Size SF	Rent/Mo.	Mo. Rent/SF
1/1	4	736	$700	$0.95
2/1.5	6	1,088	$900	$0.83
2/1.5	1	1,429	$1,100	$0.77

Total Units	11
Avg. Unit Size	991
Avg. Rent/Unit	$845
Avg. Rent/SF	$0.85
Gross SF	10,901

General Physical Data

Construction Type	Brick veneer
Parking	Open/covered
Stories	2
Year Built	1964
Condition	Average

Income Analysis

Potential Gross Income	$111,600
Vacancy	$5,580
Effective Gross Income	$106,020
Expenses	$41,895
Net Operating Income	$64,125

Indicators

Sale Price/Gross SF	$68.80
Sale Price/Unit	$68,182
Occupancy at Sale	100
PGIM	6.72
EGIM	7.07
Expenses/SF	$3.84 Gross
Expenses/Unit	$3,809
Expenses as % of PGI	37.54%
Expenses as % of EGI	39.52%
Overall or Cap Rate	8.55%

Multi-Family Sale No. 1 (Cont.)

NOI/SF	$5.88 Gross
NOI/Unit	$5,830

Remarks

Well built, well maintained, Class C multifamily complex comprised of 11 units with an average unit size of 991 sf.

Multi-Family Sale No. 2

Property Identification

Record ID	831
Property Type	Garden
Property Name	Castle Hills Apts.
Address	6014 Blanco Rd, San Antonio, Bexar County, Texas
Location	E/S; N of Oblate Dr.
Tax ID	506324
Map Grid	550 C8
Legal Description	All of Blk. 1, NCB 12412
MSA	San Antonio
Market Type	NC

Sale Data

Grantor	MM Castle Hills Apartments LLC
Grantee	Macdal Properties LLC
Sale Date	September 25, 2015
Deed Book/Page	17544/2030
Property Rights	Leased Fee
Conditions of Sale	Arm's Length
Financing	Cash to Seller
Verification	Reliable 3rd party
Sale Price	$2,675,000
Cash Equivalent	$2,675,000

Multi-Family Sale No. 2 (Cont.)

Land Data

Land Size	2.149 Acres or 93,602 SF
Front Footage	Blanco Rd; Oban Dr.; Barchester Dr.
Zoning	Multi-Family
Topography	Generally level
Utilities	All
Shape	Rectangular

Unit Mix

Unit Type	No. of Units	Size SF
1/1	12	662
2/2	12	1,256
3/2	12	1,350
1/1	24	651

Total Units	60
Avg. Unit Size	914
SF	54,840

General Physical Data

Construction Type	Brick veneer
Parking	Open/covered
Stories	2
Unit Amenities	Patios/Balconies, Fire places, Ceiling Fans, Vaulted Ceilings, Washer/Dryer Connections
Project Amenities	Outdoor Pool, Clubhouse, Exercise/Fitness
Year Built	1961
Condition	Average

Income Analysis

Potential Gross Income	$627,185
Vacancy	$53,311
Effective Gross Income	$573,874
Expenses	$359,874
Net Operating Income	$214,000

Indicators

Sale Price/Gross SF	$48.78
Sale Price/Unit	$44,583
Occupancy at Sale	93
PGIM	4.27
EGIM	4.66
Expenses/SF	$6.56 Gross
Expenses/Unit	$5,998
Expenses as % of PGI	57.38%

Multi-Family Sale No. 2 (Cont.)

Expenses as % of EGI	62.71%
Overall or Cap Rate	8.00%
NOI/SF	$3.90 Gross
NOI/Unit	$3,566

Remarks

This is the sale of a Class C multifamily complex comprised of 60 units and situated on 1.83 acres. Proforma based upon review of the 2013, 2014 and June 2015 T12 operating statements. The 2015 assessed value was 83% of sales price and was used to calculate the real estate tax expense for the property.

Multi-Family Sale No. 3

Property Identification

Record ID	737
Property Type	Townhomes
Property Name	The Hills Townhomes
Address	12125 El Sendero, San Antonio, Bandera County, Texas
Location	El Sendero @ Leonhardt Rd.
Tax ID	549816
Map Grid	552 E3
Legal Description	Lot 71, Blk. 25,NCB 14398, The Hills U-17 Townhouse Sub
MSA	San Antonio
Market Type	NW

Sale Data

Grantor	Allen Wesley Family, LP
Grantee	Mary Kathleen Walt
Sale Date	December 05, 2014
Deed Book/Page	16994/0076
Property Rights	Leased Fee
Conditions of Sale	Arm's length
Financing	Cash to seller
Verification	Contract on file

Multi-Family Sale No. 3 (Cont.)

Sale Price	$1,101,750
Upward Adjustment	$68,632 for rent loss & def. maintenance
Adjusted Price	$1,170,382

Land Data

Land Size	0.962 Acres or 41,900 SF
Front Footage	El Sendero; Leonhardt Rd;
Zoning	C-1, Commercial
Topography	Level
Utilities	All
Shape	Regular
Landscaping	Minimal

Unit Mix

Unit Type	No. of Units	Size SF
2/1.5	12	1,070
2/2.5	5	1,100

Total Units	17
Avg. Unit Size	1,079
SF	18,340

General Physical Data

No. of Buildings	3
Construction Type	Wd. Frame/Stucco
HVAC	Central
Parking	Open
Stories	2
Unit Amenities	Patios/Balconies, Fire places, Ceiling Fans, Washer/Dryer Connections, Microwaves
Project Amenities	Outdoor Pool
Year Built	1982
Condition	Average

Income Analysis

Effective Gross Income	$169,119
Expenses	$73,021
Net Operating Income	$96,098

Indicators

Sale Price/Gross SF	$63.82 Adjusted
Sale Price/Unit	$68,846 Adjusted

Multi-Family Sale No. 3 (Cont.)

EGIM	6.92
Expenses/SF	$3.98 Gross
Expenses/Unit	$4,295
Expenses as % of EGI	43.18%
Overall or Cap Rate	8.21%
NOI/SF	$5.24 Gross
NOI/Unit	$5,653

Remarks

Average townhome complex in northeast market. Pro forma based on projection for 12 months following sale per appraisal at time of sale indicating a capitalization rate of 8.21% after adjustments for rent loss and deferred maintenance. The property was purchased for upside potential. Rents in place at the time of the sale were +/-20% below market. Actual NOI as of the date of the appraisal was $63,466 annualized which indicates a much lower capitalization rate of 5.8% (with no adjustment for rent loss and def. maintenance)

Deferred maintenance estimated at the time of appraisal was $35,750 that was included in the contract as a seller concession, with an additional $36,000 that was the responsibility of the buyer following closing. Rent loss was applied due to the below market rents in place at the time of the sale.

Multi-Family Sale No. 4

Property Identification

Record ID	869
Property Type	Garden
Address	3031 Eisenhauer , San Antonio, Bexar County, Texas 78209
Location	NE
Tax ID	1186261
Map Grid	583 F3
Legal Description	NCB 11839 BLK 3 LOTS 32-33, P-100(DRAINAGE ESMT), & SW IRR 61.55FT OF 43
MSA	San Antonio
Market Type	NE

Sale Data

Grantor	Rock Creek Eisenhauer, LLC
Grantee	Sagittarius Eisenhauer, LLC
Sale Date	August 28, 2014
Deed Book/Page	16848
Recorded Plat	349
Property Rights	Leased Fee
Conditions of Sale	Arm's Length
Verification	Confidential; August 26, 2016; Confirmed by Rob Rundquist

Multi-Family Sale No. 4 (Cont.)

Sale Price	$2,000,000
Downward Adjustment	$60,000 Repairs
Adjusted Price	$1,940,000

Land Data

Land Size	1.843 Acres or 80,285 SF
Front Footage	Eisenhauer; Vandiver;
Zoning	MF-33, Multi-Family
Topography	Mostly Level
Utilities	All available
Shape	Rectangular
Landscaping	Fair-Avg.
Flood Info	None

Unit Mix

Unit Type	No. of Units	Size SF
1/1	21	634
1/1-Lft	2	845
2/2	11	930
2/2.5-TH	6	1,031
2/2.5-TH	4	1,041

Total Units	44
Avg. Unit Size	809
SF	35,584

General Physical Data

No. of Buildings	3
Construction Type	Wood
HVAC	Central
Parking	44 open spaces
Stories	2
Unit Amenities	Patios/Balconies, Ceiling Fans
Project Amenities	Outdoor Pool, Laundry
Year Built	1930/2001
Condition	Fair-Avg.

Income Analysis

Potential Gross Income	$403,560
Vacancy	$22,196
Effective Gross Income	$381,364
Expenses	$223,164
Net Operating Income	$158,200

Multi-Family Sale No. 4 (Cont.)

Indicators

Sale Price/Gross SF	$54.52 Adjusted
Sale Price/Unit	$44,091 Adjusted
Occupancy at Sale	80%
PGIM	4.96
EGIM	5.24
Expenses/SF	$6.27 Gross
Expenses/Unit	$5,072
Expenses as % of PGI	55.29%
Expenses as % of EGI	68.52%
Overall or Cap Rate	7.91%
NOI/SF	$4.17 Gross
NOI/Unit	$3,375

Remarks

Class C, two story apartment complex constructed in 1968.
The property had been poorly managed maintained for 2-3 years prior to the sale; therefore the sellers gave the buyers a $60,000 credit at the time of the sale to partially offset the repairs needed. Income and expenses are based upon the sellers' proforma at the time of the sale.

Multi-Family Sale No. 5

Property Identification

Record ID	626
Property Name	Northern Garden Apts.
Address	743 Byrnes Dr., San Antonio, Bexar County, Texas
Location	NWC Byrnes & Harry Wurzbach
Tax ID	450879
Map Grid	584 A4
Legal Description	Lots 16-19, Blk. 16, NCB 10168
MSA	San Antonio
Market Type	NE

Sale Data

Grantor	Northern Garden Apartments LLC (TX)
Grantee	Northern Garden Apartments LLC (CA)
Sale Date	August 30, 2013
Deed Book/Page	16328/1879
Property Rights	Leased Fee
Conditions of Sale	Arm's Length
Financing	Cash to Seller
Verification	Contract on file C13-0518
Sale Price	$920,000

Multi-Family Sale No. 5 (Cont.)

Land Data	
Land Size	1.016 Acres or 44,266 SF
Front Footage	222 ft. Byrnes; 205 ft. Harry Wurzbach;
Zoning	MF-33, Multi-Family
Topography	Level
Utilities	All
Shape	Rectangular

Unit Mix

Unit Type	No. of Units	Size SF
1/1	2	700
2/1	10	970
2/1.5	4	1,080

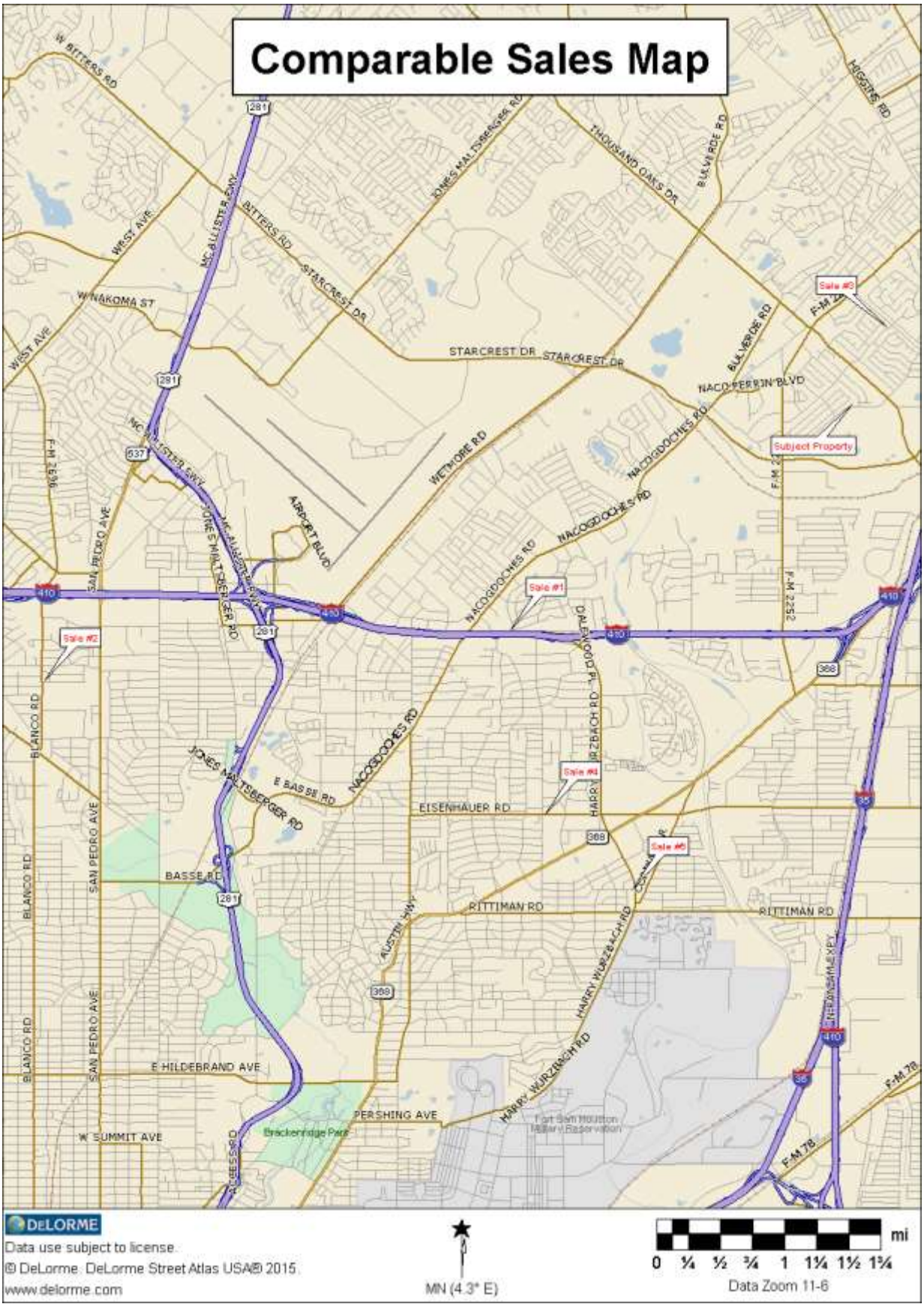
Total Units	16
Avg. Unit Size	964
Gross SF	15,420
General Physical Data	
No. of Buildings	4
Construction Type	Stone/stucco
Parking	Open/covered
Stories	2
Project Amenities	Laundry
Year Built	1964
Condition	Average
Income Analysis	
Potential Gross Income	$155,220
Vacancy	$4,657
Effective Gross Income	$150,563
Expenses	$69,361
Net Operating Income	$81,202
Indicators	
Sale Price/Gross SF	$59.66
Sale Price/Unit	$57,500
Occupancy at Sale	100%
PGIM	5.93
EGIM	6.11
Expenses/SF	$4.50 Gross
Expenses/Unit	$4,335
Expenses as % of PGI	44.69%

Multi-Family Sale No. 5 (Cont.)

Expenses as % of EGI	46.07%
Overall or Cap Rate	8.83%
NOI/SF	$5.27 Gross
NOI/Unit	$5,075

Remarks

Average quality Class C apartment complex that underwent a major rehabilitation project the past two years at a reported cost of $300,000 bringing it to average condition. Although similarly named, the buyer and seller were unrelated.


Comparable Sales Map
Sale #1
Sale #2
Sale #3
Sale #4
Sale #5
Sale #6
Subject Property
W BITTERS RD
BITTERS RD
STARCREST DR
THOUSAND OAKS DR
BULVERDE RD
HIGGINS RD
WEST AVE
W NAKOMA ST
MCALLISTER FWY
JONES MALTSBERGER RD
NACO-PERRIN BLVD
NACOGDOCHES RD
WETMORE RD
AIRPORT BLVD
SAN PEDRO AVE
BLANCO RD
DALEWOOD PL
HARRY WURZBACH RD
E BASSE RD
BASSE RD
EISENHAUER RD
RITTIMAN RD
AUSTIN HWY
E HILDEBRAND AVE
PERSHING AVE
W SUMMIT AVE
ACCESS RD
Brackenridge Park
Fort Sam Houston Military Reservation
F-M 2696
F-M 2252
F-M 78
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Comparable Sales Summary Table

Sale #	Sale Date	Sale Price	Size (Units)	Price / Unit
1	2/23/2016	$750,000	11	$68,182
2	9/25/2015	$2,675,000	60	$44,583
3	12/5/2014	$1,101,750	17	$64,809
4	8/28/2014	$1,940,000	44	$44,091
5	8/30/2013	$920,000	16	$57,500
Subject	**8/25/2016**		**28**	

Please refer to the following discussion of the adjustment processes.

Transactional Adjustments

Transactional adjustments account for the following categories: Expenditures Made after Purchase, Property Rights, Financing, Conditions of Sale, and Market Conditions.

Expenditures Made Immediately After Purchase (Buyer's Expenditures)

A knowledgeable buyer considers expenditures that will have to be made following the purchase of a property because these costs affect the price the buyer agrees to pay. Such expenditures may include: cost to cure deferred maintenance, cost to demolish and remove any portion of the improvements, costs to petition for a zoning change, etc. Sale #3 had been poorly managed and maintained for several years prior to the sale; therefore the seller made concessions to the buyer to partially offset the deferred maintenance and below market rents in effect at the time of the sale; therefore this comparable was adjusted upward accordingly. No buyer's expenditures were reported for any of the remaining sales in this instance, thus no further adjustments were warranted.

Property Rights

The subject's leased fee interest is being valued in this instance. In this case each of the comparables sold in leased fee; therefore, no adjustments have been warranted.

Financing

The transaction price of one property may differ from that of an identical property due to different financing arrangements. For example, the purchaser of a property may have assumed an existing mortgage at a favorable interest rate. In another case, a developer or seller may have arranged a buy down, paying cash to the lender so that a mortgage with a below-market interest rate could be offered. In both cases the buyers probably paid higher prices for the properties to obtain below-market financing. Other non-market financing arrangements include installment sale contracts and wraparound loans.

All of the comparable sales utilized in this analysis transacted based on cash or cash equivalent financing and no adjustments were warranted.

Conditions of Sale

Conditions of sale adjustments are required if the motivations of the buyer and/or seller were subject to any undue influences making the transaction considered to be something other than an arm's length transaction causing the sale price to be lower or higher than market value. Undue influences may include bankruptcy, assemblage, relationship between buyer and seller, etc.

In this case, all of the comparable sales were found to be arm's length transactions where both the buyers and sellers were typically motivated. Thus, no adjustments were required.

Market Conditions

Comparable sales that occurred under market conditions different from those applicable to the subject on the effective date of value require adjustment for any differences that affect their value. An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time.

The sales utilized in this instance conveyed between August 2013 and February 2016. Please see below for a summary of the market condition adjustments which have been based on an analysis of RERC going-in capitalization rates for the south investment criteria for Third Tier Apartment properties.

Market Conditions Adjustment - Change in Capitalization Rates					
	Sale 1	**Sale 2**	**Sale 3**	**Sale 4**	**Sale 5**
Sale Date	2/23/2016	9/25/2015	12/5/2014	8/28/2014	8/30/2013
RERC Avg at Time of Sale*	7.7%	8.0%	8.3%	8.3%	8.3%
Current RERC Avg*	7.8%	7.8%	7.8%	7.8%	7.8%
% Value Difference	**-1.0%**	**2.0%**	**5.0%**	**5.0%**	**5.0%**

*Reflects mean rate for 3rd Tier Apartment Properties.

Property Adjustments

Location

Historical sales data indicates that a substantial locational adjustment would be made for proximity to major traffic arteries, major intersections, or major growth/demand generators. The subject property is located in a primarily residential neighborhood, north of Wurzbach Parkway, between Perrin Beitel Road and Thousand Oaks Drive. Comparables #1 and #2 feature superior locations in close proximity to Loop 410 and US-281 in what are considered to be slightly superior locations, warranting the downward adjustments noted. Sales #3, #4 and #5 feature locations with similar characteristics, not warranting adjustment.

Occupancy

The subject property is operating at a stabilized occupancy level, as are each of the comparable properties; therefore no occupancy adjustments were warranted.

Unit Size

The subject property features an average unit size of 996 square feet based on the calculated NRA. The subject units are considered to feature functional size and design based on the age and condition of the subject property. Typically, comparables with larger unit sizes can command superior prices per unit and vice versa. Sale #4 features a slightly smaller average unit size, warranting the upward adjustment noted. The remaining four sales feature similar average unit sizes, not warranting adjustment

Quality of Construction

The subject property in this instance features what Marshall and Swift Valuation Services considers being Average Quality Class C construction. Each of the comparables features similar construction quality, not warranting adjustment.

Amenities

The subject property features minimal amenities including open parking and green belt areas, as well as washer and dryer connections in each unit. All five comparable sales feature additional amenities including a mix of covered parking, swimming pools, exercise facilities and clubhouses. Each of the comparables was adjusted downward in varying degrees to account for these additional amenities.

Year Built/Condition

The subject property was constructed in 1986 and was observed to be in fair to average condition as of the effective date of this appraisal; however, as we are estimating the "as-is" value by deducting the costs to cure deferred maintenance items from the subject upon completion of these renovations, we have assumed for the purposes of this analysis that the subject property will be in average condition upon completion of these repairs. Sale #4 was constructed in 1968 and was observed to be in fair to average condition at the time of the sale, therefore a slight upward adjustment was made to this sale. The remaining sales were all observed to be in average condition, not warranting adjustment.

Land-to-Building Ratio

Properties with a larger land-to-building ratio allow for additional parking availability, room for green belt areas and site amenities, etc. In this case, the subject features a rather typical land-to-building ratio of 2.22:1. Noted in the table on the following page is a summary of the comparables and their respective land-to-building ratios.

Land to Building Ratios	
Sale #	**LTB Ratio**
1	2.87
2	1.71
3	2.28
4	2.26
5	2.87
Subj.	**2.22**

In this case, Sale #2 features a much lower land to building ratio, warranting the upward adjustment noted. Sales #1 and #5 featured much higher land to building ratios, warranting the downward adjustments noted. Sales #3 and #4 featured a similar land to building ratio, not warranting adjustment.

# of Units

Typically, an inverse relationship exists with respect to the total number of units and the price per unit. Significantly larger complexes typically sell for less per unit compared to smaller complexes within fewer units due to the larger capital outlay required and for the fewer number of market participants. Sales #1, #3 and #5 feature significantly lower number of units, warranting the downward adjustments noted in varying degrees. Sales #2 and #4 each feature significantly higher unit counts; warranting the upward adjustments noted, in varying degrees.

The subject and the five comparables were considered generally similar in all other categories of comparison and no other adjustments were required. The noted adjustments are considered to be reasonable and supportable.

Conclusion – As Complete

After adjustments, the comparable sales analyzed indicate values for the subject in a range from a low of $47,749 per unit to a high of $63,614 per unit with a mean indication of $53,451 and a median of $51,851 per unit. We have given primary consideration to the mean value indication and secondary weight to the median value indication and have concluded on the basis of $52,500 per unit. After applying this indication to the subject's 28-units, the concluded market value "as complete" was $1,470,000 rounded.

Conclusion – As Is

As the purpose for this assignment is to determine the "as is" value as of the effective date of this analysis, it is necessary to deduct the estimated costs to cure the deferred maintenance noted during our site visit from the "as complete" value.

A cost estimate from Top Notch Construction, LLC, dated August 23, 2016 was provided to repair the two burned out units, Unit #201 and Unit #204. This estimate totalled $82,258. Additionally, during our site visit, the property owners indicated that approximately ½ of the units (14) were in need of new HVAC equipment, with ½ of those (7) requiring a complete system replacement, and the other half (7) needing replacement of the interior units only. Based upon equipment costs from similar complexes, we have estimated the cost to replace an

interior unit at $1,750 and the cost to replace the exterior unit at $1,750 as well. Finally, during our site visit we noted that along the rear of each building the lower portion of the fibre board exterior siding was in need of replacement due to what appears to be water damage. We have estimated a total area of approximately 734 square feet of siding needs to be repaired. We have based the repair cost for the siding upon costs reported by Marshall and Swift Valuation Services of $16.10 per square foot, as noted in Section 41/Page 5 of the Marshall and Swift Cost Guide. Overall, as noted below, the costs to cure these deferred maintenance items and rehabilitate Units #201 and #204 totals $131,425; to which we then add entrepreneurial profit of 10%, which is typical for similar renovation projects in the subject market area.

It is noted that the central HVAC units have been supplemented with 34 window AC units and that the interiors of the units viewed appeared to be reasonably cooled.

Deferred Maintenance / Rehabilitation Costs			
Description	**Cost/Unit**	**# of Units**	**Total Cost**
Repair Units #201 & #204			$82,858
Repair Siding			$11,817
Replace HVAC Equipment (Interior)	$1,750	14	$24,500
Replace HVAC Equipment (Exterior)	$1,750	7	$12,250
Total Exterior Def. Maint.			$131,425
Entreprenurial Profit		10%	$13,143
			$144,568
Total Cost Per Unit			$5,163
Deferred Maintenance to include: Repairing fire damage to Units #201 and #204 and for replacing rotted wooden siding and HVAC equipment as required.			

After deducting the costs to cure the deferred maintenance items and rehabilitate Units #201 and #204 of $144,568, the resulting "as is" market value by the Sales Comparison Approach is **$1,330,000** (rounded).

Please see the following page for the *Adjustment Grid – Improved Sales*.

ADJUSTMENT GRID - IMPROVED SALES

ITEM	SUBJECT PROPERTY	SALE 1		SALE 2		SALE 3		SALE 4		SALE 5	
ADDRESS	4535 Schertz Road	8503 Sagebrush Lane		6014 Blanco Road		12125 El Sendero		3031 Eisenhauer		743 Byrnes Drive	
CITY, STATE	San Antonio, TX	San Antonio, TX		San Antonio, TX		San Antonio, TX		San Antonio, TX		San Antonio, TX	
# UNITS	28 UNITS	11 UNITS		60 UNITS		17 UNITS		44 UNITS		16 UNITS	
NET RENTABLE AREA	27,880 SF	10,901 SF		54,840 SF		18,340 SF		35,584 SF		15,420 SF	
PROPERTY TYPE	Multifamily	Multifamily		Multifamily		Multifamily		Multifamily		Multifamily	
SITE AREA	61,768 SF	31,289 SF		93,602 SF		41,900 SF		80,285 SF		44,266 SF	
DATE OF SALE		02/23/16		09/25/15		12/05/14		08/28/14		08/30/13	
SALE PRICE /UNIT			$68,182		$44,583		$64,809		$44,091		$57,500
ACTUAL SALE PRICE			$750,000		$2,675,000		$1,101,750		$1,940,000		$920,000
BUYERS EXP.		None	+$0	None	+$0	Seller Conc.	+$68,632	None	+$0	None	+$0
ADJ. SALE PRICE			$750,000		$2,675,000		$1,170,382		$1,940,000		$920,000
PROPERTY RIGHTS		Leased Fee	+$0	Leased Fee	+$0	Leased Fee	+$0	Leased Fee	+$0	Leased Fee	+$0
ADJ. SALE PRICE			$750,000		$2,675,000		$1,170,382		$1,940,000		$920,000
FINANCING		Cash Equiv.	+$0	Cash Equiv.	+$0	Cash Equiv.	+$0	Cash Equiv.	+$0	Cash Equiv.	+$0
CONDITIONS OF SALE		Arm's Length	+$0	Arm's Length	+$0	Arm's Length	+$0	Arm's Length	+$0	Arm's Length	+$0
ADJ. SALE PRICE			$750,000		$2,675,000		$1,170,382		$1,940,000		$920,000
MARKET CONDITIONS		02/23/16	-1%	09/25/15	2%	12/05/14	5%	08/28/14	5%	08/30/13	5%
ADJ. SALE PRICE			$742,500		$2,728,500		$1,228,901		$2,037,000		$966,000
ADJ. SALE PRICE/UNIT			$67,500		$45,475		$72,288		$46,295		$60,375
PHYSICAL ADJUSTMENTS BELOW ON A PER UNIT BASIS											
LOCATION	Average	Inferior	5%	Inferior	5%	Similar	0%	Similar	0%	Similar	0%
OCCUPANCY	Stabilized	Similar	0%	Similar	0%	Similar	0%	Similar	0%	Similar	0%
AVG UNIT SIZE	996 SF	991	0%	914	0%	1,079	0%	809	2%	964	0%
QUALITY OF CONST	Average	Superior	-5%	Superior	-5%	Similar	0%	Similar	0%	Similar	0%
AMENTIES	Minimal	Superior	-5%	Superior	-10%	Superior	-5%	Superior	-5%	Superior	-5%
AGE/CONDITION	1986, Avg.	1964/Avg.	0%	1961/Avg.	0%	1985/Avg.	0%	1968/ Fair-Avg.	10%	1964/Avg.	0%
LAND-TO-BUILDING RATIO	2.22 :1	2.87	-3%	1.71	4%	2.28	0%	2.26	0%	2.87	-3%
# UNITS	28 UNITS	11	-13%	60	11%	17	-7%	44	5%	16	-8%
GROSS ADJUSTMENT			31%		35%		12%		22%		16%
NET ADJUSTMENT			-21%		5%		-12%		12%		-16%
ADJ PRICE/UNIT			$53,325		$47,749		$63,614		$51,851		$50,715

SUMMARY OF ADJUSTED VALUES PER UNIT		
RANGE	$47,749	$63,614
MEAN VALUE		$53,451
MEDIAN VALUE		$51,851

VALUE INDICATION	**$52,500**	**Per Unit**	**X**	**28 Units**	**$1,470,000**
AS COMPLETE MARKET VALUE INDICATION (ROUNDED)					**$1,470,000**
LESS: COST TO RENOVATE BURNED OUT UNITS AND CURE DEFERRED MAINTENANCE, PLUS 10% PROFIT					**($144,568)**
AS IS MARKET VALUE INDICATION (ROUNDED)					**$1,330,000**

INCOME APPROACH

Methodology

The Income Approach is a method of converting the anticipated economic benefits of owning a property into a value estimate by way of capitalization. The principle of anticipation is the basis of this approach. This principle states that prudent, knowledgeable investors recognize a relationship between the value of an asset and the income it is capable of generating.

In order to estimate the value of anticipated economic benefits of a particular property, the potential income and the expenses necessary to generate that income, must be estimated, and an appropriate capitalization method selected. The two most common methods of capitalization are direct capitalization and discounted cash flow analysis. In the direct capitalization, the estimated net operating income is divided by an overall rate extracted directly from market sales. In the discounted cash flow analysis, anticipated future net income streams and a reversionary value are discounted to a present value.

In valuing the subject, the Direct Capitalization Method was utilized in estimating the market value for the subject property.

Rent Roll Analysis

Based upon the owner occupied unit being considered a non-income generating unit; the 27 rentable units were 93% leased and occupied as of the effective date of this analysis. According to the property owner/property manager the subject has typically maintained a high occupancy level. As such, the subjects' current occupancy level is considered to be in line with the market levels as of the effective date of this analysis. The subject submarket has historically maintained relatively high occupancy levels (approx. 90% to 95%) due to its proximity to the Loop 410, US-281, IH-35 and Wurzbach Parkway, all major commercial arterials in Northeast San Antonio; as well as the surrounding multifamily and commercial development.

The subject's current rent roll is illustrated on the following pages.

4535 Schertz Road - Rent Roll					
Unit #	Unit Type	Rent/Mo	Sq. Ft.	Rent PSF	Lease Expiration
101	3/2	$875	1,000	$0.88	12/31/2015
102	3/2	$875	1,000	$0.88	10/31/2015
103	3/2	$875	1,000	$0.00	11/30/2016
104	3/2	$875	1,000	$0.88	12/31/2016
105	3/2	$875	1,000	$0.88	2/29/2016
106	3/2	$875	1,000	$0.88	7/31/2016
107	3/2	$875	1,000	$0.88	Pending HAP
108	3/2	$875	1,000	$0.88	7/31/2017
201	3/2	Down Unit	1,000	$0.00	Down Unit
202	3/2	$875	1,000	$0.88	3/31/2017
203	3/2	$875	1,000	$0.88	4/30/2017
204	3/2	Down Unit	1,000	$0.00	Down Unit
205	3/2	$875	1,000	$0.88	7/31/2016
206	3/2	$935	1,000	$0.94	6/30/2016
301	3/2	$875	1,000	$0.88	6/30/2016
302	3/2	$875	1,000	$0.88	5/31/2016
303	3/2	$875	1,000	$0.88	3/31/2016
304	2/2	$750	880	$0.85	4/30/2017
305	3/2	$815	1,000	$0.82	3/31/2015
306	3/2	$875	1,000	$0.88	8/31/2017
307	3/2	$875	1,000	$0.88	9/30/2016
308	3/2	$875	1,000	$0.88	Pending HAP
401	3/2	$875	1,000	$0.88	6/30/2016
402	3/2	$875	1,000	$0.88	12/31/2015
403	3/2	$875	1,000	$0.88	5/31/2017
404	3/2	$875	1,000	$0.00	12/31/2015
405	3/2	$875	1,000	$0.88	2/29/2016
406	3/2	Mgr. Unit	1,000	$0.00	Mgr. Unit

Market Rental Analysis

As previously discussed, the subject property is currently operating at a 93% occupancy level. Additionally, based upon our analysis to follow it appears that overall, the subject property is operating at rental rates that are considered to be in line with market rental rates.

In order to determine if the existing rents are at market levels, we have performed a survey of comparable rentals in the subject market area, searching for comparable properties in the subject neighborhood for comparable unit types and sizes, similar to that of the subject units, with similar unit and complex amenities. We were able to locate five properties with similar unit types for comparison to the subject units.

Please see the following page for a summary of the utilized rental comparables, followed by a location map of the same.

Multi-Family Lease No. 1

Property Identification

Record ID	662
Property Type	Garden
Property Name	Republic Woodlake
Address	7027 FM 78, San Antonio, Bexar County, Texas
Location	At Woodlake Pkwy
Map Grid	585 F4
MSA	San Antonio
Market Type	NE
Verification	Prop. mgmt.; August 26, 2016; Confirmed by Rob Rundquist

Unit Mix

Unit Type	No. of Units	Size SF	Rent/Mo.	Mo. Rent/SF
1/1	96	587	$660	$1.12
1/1	48	734	$805	$1.10
2/1	96	881	$917	$1.04
2/2	24	954	$994	$1.04
3/2	24	1,150	$1,195	$1.04

Multi-Family Lease No. 1 (Cont.)

Occupancy	95%
Total Units	288
Unit Size Range	587 - 1,150
Avg. Unit Size	787
Monthly Rent Range	$660 - $1,195
Avg. Rent/Unit	$842
Avg. Rent/SF	$1.07
SF	226,656

Physical Data

Construction Type	Hardi-plank/Stone
HVAC	Yes
Stories	2
Unit Amenities	Ceiling Fans, W/D connects
Project Amenities	Outdoor Pool, Clubhouse, Laundry, Sports Court, Exercise/Fitness, Gated, Covered Parking (110)
Parking	Open/Covered
Year Built	2008
Condition	Good

Remarks

Newer Class B complex in northeast San Antonio.

Multi-Family Lease No. 2

Property Identification

Record ID	564
Property Type	Garden
Property Name	Avistar at the Crest
Address	12660 Uhr Lane, San Antonio, Texas
Location	N Quadrant of Nacogdoches & Thousand Oak
Map Grid	552 C2
MSA	San Antonio
Market Type	NE
Verification	Property Manager; 655-4801, August 26, 2016; Confirmed by Rob Rundquist

Unit Mix

Unit Type	No. of Units	Size SF	Rent/Mo.	Mo. Rent/SF
1/1	32	705	$735	$1.04
1/1	32	708	$745	$1.05
2/2	60	976	$885	$0.91
2/2	60	1,022	$955	$0.93
3/2	16	1,240	$1,170	$0.94

Multi-Family Lease No. 2 (Cont.)

Occupancy	96%
Total Units	200
Unit Size Range	705 - 1,240
Avg. Unit Size	925
Monthly Rent Range	$745 - $1,170
Avg. Rent/Unit	$882
Avg. Rent/SF	$0.95
SF	184,936

Physical Data

Construction Type	Brick and wood
HVAC	Central
Stories	2
Project Amenities	2 Outdoor Pools, Outdoor Tennis, Clubhouse, Laundry, Sports Court, Exercise/Fitness
Parking	Open
Year Built	1984
Condition	Average

Remarks

Average condition Class C property located in NE submarket. Currently offering move in specials of $199, $299, $399 first month rent on 1, 2, and 3 bedroom units, respectively.

Multi-Family Lease No. 3

Property Identification

Record ID	555
Property Type	Garden
Property Name	Kenton Place Apartments
Address	14650 Nacogdoches Road, San Antonio, Texas 78247
Location	NE Quadrant of Nacogdoches Road and Dreamwood
Tax ID	588005
Map Grid	519 B8
Confirmation Date	On-site Manager
MSA	San Antonio
Market Type	NE
Owner	Clear Real Estate
Verification	Prop. Mgmt. (210) 767-2408, September 2, 2016; Confirmed by Rob Rundquist

Unit Mix

Unit Type	No. of Units	Size SF	Rent/Mo.	Mo. Rent/SF
1/1	20	740	$719	$0.97
1/1	24	888	$739	$0.83
1/1.5	4	1,138	$824	$0.72

Multi-Family Lease No. 3 (Cont.)

2/2	8	1,029	$869	$0.84
2/2	20	1,012	$904	$0.89
2/2	52	1,067	$879	$0.82
2/2	16	1,096	$899	$0.82
2/2	8	1,122	$909	$0.81
2/2	80	1,141	$909	$0.80
3/2	12	1,380	$1,189	$0.86

Occupancy	92
Total Units	244
Unit Size Range	740 - 1,380
Avg. Unit Size	1061
Monthly Rent Range	$719 - $1,189
Avg. Rent/Unit	$880
Avg. Rent/SF	$0.83
SF	258,972

Physical Data

No. of Buildings	45
Construction Type	Stucco and wood
HVAC	Central
Stories	3
Utilities with Rent	RUBS
Unit Amenities	Patios/Balconies, Fire places, Ceiling Fans, Washer/Dryer Connections
Project Amenities	2 Outdoor Pools, Outdoor Tennis, Clubhouse, Laundry, Sports Court, Exercise/Fitness
Parking	Open/Covered
Year Built	1983
Condition	Average

Remarks

Average condition Class B property located in NE submarket. No concessions currently offered as of survey date.

Multi-Family Lease No. 4

Property Identification

Record ID	375
Property Type	Garden
Property Name	Villas at Ventana
Address	2167 NE Loop 410, San Antonio, Texas 78217
Location	N/S NE Loop 410, west of Starcrest
Tax ID	529039
Map Grid	552 B7
MSA	San Antonio
Market Type	NE
Verification	Prop. Mgr.; (210) 599-6989, August 26, 2016; Confirmed by Rob Rundquist

Unit Mix

Unit Type	No. of Units	Size SF	Rent/Mo.	Mo. Rent/SF
1/1	8	603	$640	$1.06
1/1	16	608	$660	$1.09
1/1	2	624	$645	$1.03

Multi-Family Lease No. 4 (Cont.)

1/1	13	640	$670	$1.05
1/1	16	675	$670	$0.99
1/1	23	680	$670	$0.99
1/1	2	706	$690	$0.98
1/1	2	720	$694	$0.96
1/1	14	768	$704	$0.92
1/1	10	800	$675	$0.84
1/1	2	864	$709	$0.82
1/1-TH	4	864	$715	$0.83
2/1	16	864	$715	$0.83
2/1	8	872	$675	$0.77
2/1	4	936	$710	$0.76
2/2	16	964	$710	$0.74
2/1	2	1,008	$736	$0.73
2/2	4	1,125	$750	$0.67
2/1.5	4	1,152	$866	$0.75
2/2	2	1,180	$865	$0.73
2/2	8	1,216	$891	$0.73
2/2	4	1,224	$899	$0.73
2/2	2	1,248	$899	$0.72
2/2	23	1,008	$899	$0.89
3/2	17	1,440	$1,065	$0.74
3/2	5	1,440	$1,065	$0.74
3/2 TH	12	1,440	$1,115	$0.77
3/2	2	1,512	$1,089	$0.72

Occupancy	93%
Total Units	241
Unit Size Range	603 - 1,512
Avg. Unit Size	926
Monthly Rent Range	$640 - $1,115
Avg. Rent/Unit	$782
Avg. Rent/SF	$0.84
SF	223,088

Physical Data

Construction Type	Brick
HVAC	Yes
Stories	2
Unit Amenities	Patios/Balconies, Fire places, Ceiling Fans, Washer/Dryer Connections
Project Amenities	Outdoor Pool, Clubhouse, Laundry, Exercise/Fitness, Covered parking
Year Built	1974
Condition	Average

Multi-Family Lease No. 4 (Cont.)

Remarks

Average condition C+ property located in NE submarket. The property manager mentioned that a new management company has taken over recently and is trying to push occupancy higher.

Multi-Family Lease No. 5

Property Identification

Record ID	372
Property Type	Garden
Property Name	Saddlewood Apartments
Address	2554 NE Loop 410, San Antonio, Texas 78217
Location	S/S NE Loop 410, west of Perrin Beitel
Tax ID	536475
Map Grid	552 C8
MSA	San Antonio
Market Type	NE
Verification	Veronica; (210) 651-2011, August 26, 2016; Confirmed by Rob Rundquist

Unit Mix

Unit Type	No. of Units	Size SF	Rent/Mo.	Mo. Rent/SF
1/1 w/ den	120	746	$689	$0.92
2/2	48	988	$779	$0.79
2/2	64	1,018	$799	$0.78
3/2	50	1,177	$995	$0.85

Occupancy 93%

Multi-Family Lease No. 5 (Cont.)

Total Units	282
Unit Size Range	746 - 1177
Avg. Unit Size	925
Monthly Rent Range	$679 - $995
Avg. Rent/Unit	$837
Avg. Rent/SF	$0.78
SF	260,946

Physical Data

Construction Type	Wood and stucco
HVAC	Yes
Stories	2
Unit Amenities	Patios/Balconies, Ceiling Fans
Project Amenities	Outdoor Pool
Year Built	1970
Condition	Average

Remarks

Average condition Class C apartment complex located in northeast submarket.

Rent Comparable Map
Rent #1
Rent #2
Rent #3
Rent #4
Rent #5
Subject Property
Northern Hills Lake
Eldorado Lake
Salado Creek
Rosillo Creek
Pittman Creek
Martinez Creek
Crea Brothers Lake
O'CONNOR RD
EISENHAUER RD
RITTIMAN RD
MONTGOMERY DR
CRESTWAY DR
KITTY HAWK RD
WALZEM RD
FM 1976
FM 78
F-M 2252
THOUSAND OAKS DR
WURZBACH PKWY
W IH 35 ACCESS RD
AUSTIN HWY
FERRIN BETTR RD
BLEVERDE RD
WACO PERRIN BLVD
WEIDNER RD
LOOKOUT RD
HUDSON RD
TOUCHSTONE RD
CORINNE DR
DELORME
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Data Zoom 12-0

Subject Unit Types	2 Br / 2 Bth - 880 SF	3 Br / 2 Bth - 1,000 SF
Rental # 1 Unit Types	2 Br / 2 Bth - 954 SF	3 Br / 2 Bth - 1,150 SF
Size (SF)	954	1,150
Avg. Monthly Rent	$994	$1,195
Rent PSF	$1.04	$1.04
Subj.	$0.85	$0.88
Rental # 2 Unit Types	2 Br / 2 Bth - 976 SF	3 Br / 2 Bth - 1,240 SF
Size (SF)	976	1,240
Avg. Monthly Rent	$885	$1,170
Rent PSF	$0.91	$0.94
Subj.	$0.85	$0.88
Rental # 3 Unit Types	2 Br / 2 Bth - 1,012 SF	3 Br / 2 Bth - 1,380 SF
Size (SF)	1,012	1,380
Avg. Monthly Rent	$904	$1,189
Rent PSF	$0.89	$0.86
Subj.	$0.85	$0.88
Rental # 4 Unit Types	2 Br / 2 Bth - 964 SF	3 Br / 2 Bth - 1,440 SF
Size (SF)	964	1,440
Avg. Monthly Rent	$710	$1,065
Rent PSF	$0.74	$0.74
Subj.	$0.85	$0.88
Rental # 5 Unit Types	2 Br / 2 Bth - 988 SF	3 Br / 2 Bth - 1,177 SF
Size (SF)	988	1,177
Avg. Monthly Rent	$689	$995
Rent PSF	$0.70	$0.85
Subj.	$0.85	$0.88

Conclusion of Market Rent

The subject property is currently receiving $0.85 per square foot per month for the 880 square foot, two bedroom and two bath unit and $0.88 per square foot for the 1,000 square foot, three bedroom and two bath units. As exhibited on the previous page, the subject rental rates are well bracketed by the comparable rental data, and overall appear to be in line with current market levels as exhibited by the in-place rents as compared to the average rates for the rent comparables. There are slight differences between the location of the comparables, construction quality, condition of the improvements, unit configuration and the amenities offered by the each of the comparables. Therefore, for the purposes of this analysis we have estimated market rents for the subject units as follows; **$0.85** per square foot per month for the two bedroom unit and **$0.88** per square foot for the three bedroom units. Please see the summary on the next page.

Gross Potential Income (GPI)

Based upon our conclusions, the GPI of the subject property is as outlined below:

4535 Schertz Road - GPI					
Unit Type	**# of Units**	**Avg. Size SF**	**Total/SF**	**Rent**	**Annual GPI**
3/2	27	1000	27,000	$875	$283,500
2/2	1	880	880	$750	$9,000
Total/Avg.	**28**	**996**	**27,880**	**$871**	**$292,500**

** It is noted that 1 of the 27 three bedroom units is occupied by the property owners and is not generating income.*

Adjusted Gross Potential Income (GPI)

As previously discussed, Unit #406 is occupied by the property owners, and is not generating income; therefore it is necessary to deduct the GPI for this unit from the overall GPI of the subject property. The resulting GPI after adjusting for the owner occupied unit is $282,000.

Vacancy & Collection Loss

The subject property was 93% leased and occupied as of the effective date of value. Historically, according to the property owner/manager, the subject property has maintained a similar occupancy level, which is in line with the market. In this case, information from Austin Investor Interests was analyzed for multi-family properties within the subject's immediate NE2 San Antonio market area. According to this data source, the occupancy rate indication for Class C complexes in the subject market area is approximately 93.0%, an approximately 0.47% improvement from 4Q2015, but a 0.72% decline from 12 months ago.

Noted in the table on the following page is a market survey of the comparable rentals and sales utilized herein and their respective vacancy rates as of the date of the survey.

Vacancy		
Address	**# of Units**	**Occupancy**
Stratford Manor	11	100%
Castle Hills Apts.	60	93%
The Hills Townhomes	17	100%
The Garden Apts.	44	80%
Northern Garden Apts.	16	100%
Republic Woodlake	288	95%
Avistar @ the Crest	200	96%
Kenton Place Apts.	244	92%
Villas at Ventana	241	93%
Saddlewood Apts.	282	93%
	Min.	**80%**
	Max.	**100%**
	Avg.	**94%**

With consideration given to the market indications, the stable occupancy history of the subject property, the occupancy levels of the comparable sales and rent comparables; and with consideration given to the condition of the subject improvements as of the date of our inspection, we have concluded on a stabilized occupancy level of 93% or a vacancy rate of 7% and a collection loss rate of 2%, for a combined vacancy and collection loss rate of 9% for use in this analysis. Therefore after deducting vacancy and collection loss, the resulting total rental income is **$256,620**.

Miscellaneous / Other Income / RUBS

The subject property also collects additional income from utility reimbursements based upon RUBS, forfeited deposits, application fees, late fees and pet fees. We have estimated miscellaneous/other income at **$26,004**, noting that the rent roll provided indicates a monthly differential of $2,164 between the rent and the total income received by the owners. During an interview, the property owner indicated that this differential is attributed to utility reimbursements and miscellaneous fees. This is considered reasonable as this income is not always guaranteed.

Operating Expense Analysis

We have projected operating expenses in our analysis of the subject property. Expenses for real estate taxes, insurance, utilities, management, administrative/contract services costs, marketing, repairs and maintenance, and replacement reserves were analyzed in our analysis. We have projected total expenses at **$161,423** or approximately $5,765 per unit in our analysis. We have compared our projected expenses against other properties and the historical data reported by the property owner in our analysis.

Real Estate Taxes - $40,528

This expense has been based on the tax analysis as discussed in the Tax Analysis sector of this report. The subject's projected annual assessment is within the range indicated by the tax comparables; therefore it would be considered prudent that management would take into consideration that an increase in the assessed value could occur, which could increase the tax burden on the subject property.

Property Insurance - $16,212

Insurance has been applied at **$16,212** or $579 per unit, which is based upon the historically reported insurance costs for the subject property. This is slightly higher than the 2015 reported costs and slightly lower than the projected 2016 rates reported by the borrower, and is within the range exhibited by the expense comparables of $225 to $645 per unit; and aligns with information from our interviews with commercial property insurance agents; therefore it is considered to be reasonable and well supported.

Utilities - $49,028

As previously discussed, the utility cost distribution of the subject property includes the tenants paying for all their own utilities, including reimbursing the landlord paying RUBS for water, garbage and pest control, with the tenants paying their own electricity separately. We have compared utility costs from similar properties to those reported by property owner of $53,420 for 2015 and for projected 2016 costs of $49,005. Therefore, we have estimated the annual utility expenses associated with the subject property at **$49,028**, or $1,751 per unit annually; which is slightly lower than the reported 2015 expenses, and in line with the projected 2016 expenses. It is noted that this is well above the range exhibited by the expense comparables, which are based upon various utility reimbursement methods; but as it is based upon actual expenses for the subject, it is considered to be reasonable.

Management - 5% of EGI

This expense typically ranges between 3% and 5% for larger properties and between 4% and 10% for smaller properties. Based upon the high occupancy history of the subject property and the market data analyzed; in this case 5% of the effective gross income, or **$14,131** annually is considered to be reasonable.

Administrative/Contract Services - $2,716

This category includes office expenses such as accounting, leasing fees and legal fees etc. This expense has been applied at **$2,716** or $97 per unit per year. This amount is consistent with the expense data reported by the borrower; however it is well below the range exhibited by the expense comparables; however, as the property owner lives on site and performs the majority of the administrative and contract services themselves, it is considered that this expense estimate is reasonable as similar costs are typically provided by outside service providers.

Marketing - $2,716

This self-explanatory expense category has been projected at **$2,716**, or $97 per unit. This expense was reported by the borrower at $92 per unit for 2015 and was not reported in the 2016 projection. Taking into account the management and marketing practices implemented by the owners, the reported costs for 2015 and by comparison to the two of the three expense comparables which reported marketing costs and exhibit a marketing expense range from $75 to $100 per unit, this estimate is considered to be reasonable.

Repairs and Maintenance - $30,492

This category includes the ongoing daily maintenance and supplies of the subject property such as general repairs, upkeep, lawn care, etc. Repair and maintenance costs from similar properties typically exhibit a range of $300 to $1,500 per unit annually. In this case, we have estimated the repair and maintenance costs at $1,089 per unit, or **$30,492** annually. This is within the range reported by the borrower for 2015 and the projected 2016 costs; and within the range exhibited by the expense comparables of $357 to $1,175 per unit.

Reserves - $5,600

Reserves for replacement are generally an allocation for capital expenditures such as roof repairs, A/C unit repairs, and other major expenditures of which may not occur from year to year, but generally are incurred in large amounts when these expenses become necessary. Reserves typically range from $150 to $450 per unit annually; the expense comparables reported reserves exhibiting a range from $200 to $275 per unit; therefore, we have applied reserve expenses on the basis of $200 per unit.

Total Expenses - $161,423

The total expenses are estimated to be $161,423 or $5,765 per unit annually, which is above the range exhibited by the expense comparables of $3,236 to $4,566, but is within the range reported by the borrower for 2015 and the projected 2016 costs of $5,192 to $5,938 per unit respectively. Please the chart below which further supports this conclusion:

EXPENSE ANALYSIS												
Comp #	**Expense Comparable 1**		**Expense Comparable 2**		**Expense Comparable 3**		**Subject Property 2015**		**Subject Property 2016 YTD/Projected**		**Subject Property Projection**	
Property	**Confidental**		**Confidential**		**Confidential**		**Northeast Village**		**Northeast Village**		**Northeast Village**	
City/State	San Antonio, Texas		San Antonio, Texas		San Antonio, Texas		San Antonio, Texas		San Antonio, Texas		San Antonio, Texas	
SF/# Units	38,220	50	26,942	56	12,941	21	27,880	28	27,880	28	27,880	28
Expense Year	Proforma	$/Unit	Proforma	$/Unit	Proforma	$/Unit	Proforma	$/Unit	Proforma	$/Unit	Projection	$/Unit
RE Taxes	$45,178	$904	$63,396	$1,132	$17,742	$845	$24,606	$879	$40,528	$1,447	$40,528	$1,447
Insurance	$32,250	$645	$12,600	$225	$5,510	$262	$14,701	$525	$18,000	$643	$16,212	$579
Utilities	$37,500	$750	$53,340	$953	$14,240	$678	$53,420	$1,908	$49,005	$1,750	$49,028	$1,751
Management	$15,894	$318	$20,022	$358	$5,761	$274	$17,904	$639	$10,489	$375	$14,131	$505
Administrative/Contract Services	$23,750	$475	$50,400	$900	$13,000	$619	$2,922	$104	$2,821	$101	$2,716	$97
Marketing	$5,000	$100	$4,200	$75	Not Rep'd.	$0	$2,482	$89	$0	$0	$2,716	$97
Repairs/Maint	$58,750	$1,175	$33,600	$600	$7,500	$357	$29,350	$1,048	$45,425	$1,622	$30,492	$1,089
Reserves	$10,000	$200	$15,400	$275	$4,200	$200	Not Rep't.	$0	Not Rep't.	$0	$5,600	$200
Totals	**$228,322**	**$4,566**	**$252,958**	**$4,517**	**$67,953**	**$3,236**	**$145,385**	**$5,192**	**$166,268**	**$5,938**	**$161,423**	**$5,765**

Based on the chart above, the subject's total expense conclusion of $161,423 or $5,765 per unit is well above the expenses reported by the comparables, but as it is within the reported 2015 and the projected 2016 expenses reported by the property owner, it is considered to be reasonable.

Net Operating Income

After deducting the expenses from the effective gross income, the net operating income is calculated to be **$121,201**.

Derivation of the Capitalization Rate

Overall rates derived directly from the market sales data are optimal and are considered to be more reliable than rates derived through other less direct methods. In this case the five comparable sales indicated income and expense information reported which allowed the appraisers to derive an overall rate/capitalization rate for use in this analysis.

Please see the summary chart below as well which indicates an average overall rate indication of 6.0% as indicated in the additional overall rate comparable summary below.

Sales Comparable Overall Rates		
Sale #	**Sale Date**	**OAR**
1	2/23/2016	8.6%
2	9/25/2015	8.0%
3	12/5/2014	8.2%
4	8/28/2014	7.9%
5	8/30/2013	8.8%
Average		**8.3%**

We have also referred to the 2nd Quarter 2016, RERC Survey of 3rd Tier Apartment properties in the south region; the report indicates capitalization rates for 3rd Tier investment apartment properties ranging from 6.0% to 9.5%, with an average of **7.8%.** It is noted that this is a 0.1% increase over 1st Quarter 2016 and a 0.3% decline from 2nd Quarter 2015.

After considering the capitalization rates of the comparable sales, the characteristics of the subject property and giving the greatest weight to the average rate exhibited by the sales and with secondary consideration given to the RERC investment survey, we have concluded a capitalization rate of **8.25%** for use in our analysis. This is considered to be reasonable due to the owner management in place and is well supported by the sales and market data.

Conclusion – As Complete

The Income Statement on the following page summarizes the direct capitalization method. After applying the concluded 8.25% overall rate to the NOI of $121,201, the concluded "as complete" market value by the Income Approach is determined to be $1,470,000 (rounded).

Conclusion – As Is

As the purpose for this assignment is to determine the "as is" value as of the effective date of this analysis, it is necessary to deduct the estimated costs to renovate the two burned out units and to cure the deferred maintenance noted during our site visit from the "as complete" value.
As discussed in the Sales Comparison Approach, it was estimated that the total costs including profit to renovate the burned out units and cure the deferred maintenance was $144,568.

When this amount is deducted from the "as complete" value of $1,470,000; the "as is" value by the Income Capitalization Approach is reconciled at **$1,330,000** (rounded), as shown in the Direct Capitalization summary below:

INCOME STATEMENT			
Annual Gross Income			
28 Units (See GPI Table)			$292,500
Less: Rent Lost Due to Owners Unit			($10,500)
Adjusted GPI			$282,000
Vacancy & Collection Loss	**9%**		($25,380)
Total Rental Income			**$256,620**
Misc. / Other Income / RUBS			$26,004
Effective Gross Income			**$282,624**
Less: Expenses		**Expenses/Unit**	
Real Estate Taxes		$1,447	$40,528
Insurance		$579	$16,212
Utilities		$1,751	$49,028
Management @	5.0%	$505	$14,131
Administrative/Contract Services		$97	$2,716
Marketing		$97	$2,716
Repairs/Maintenance		$1,089	$30,492
Reserves		$200	$5,600
Total Expenses		**$5,765**	**$161,423**
Net Operating Income			**$121,201**
Capitalized @	**8.25%**		$1,469,101
AS COMPLETE MARKET VALUE (Rounded)		$52,500	$1,470,000
LESS: COST TO RENOVATE BURNED OUT UNITS AND CURE DEFERRED MAINTENANCE, PLUS 10% PROFIT			($144,568)
AS IS MARKET VALUE (Rounded)		$47,500	**$1,330,000**

RECONCILIATION

The three utilized approaches indicate the following "as is" values for the subject property.

Summary of Conclusions	
Cost Approach	N/A
Sales Comparison Approach	$1,330,000
Income Approach	$1,330,000

The Cost Approach was not considered to be applicable in this instance due to the age of the subject improvements and for the lack of reliance placed on this approach in the subject market.

The Sales Comparison Approach provides a good amount of current data with which to make comparisons using the price per unit method. In this case, good sales data was available for comparison to the subject property. All five (5) sales represented similar apartment complexes and were considered to be recent sales. Overall, the Sales Comparison Approach is considered to be reliable indicator of value.

The Income Approach provides sufficient data for determining a market rent and vacancy for the subject property, as well as projecting operating expenses for use in the Direct Capitalization Method. Adequate comparable rental data was available from the subject's market and the capitalization rate was well supported by both actual market sales as well as national surveys. Based on the availability of data available for this approach, the Income Approach is considered to be a good indicator of value.

Conclusion

In this case, the Income Approach has been given the greatest weight and the Sales Comparison approach is considered to be supportive of the Income Approach conclusion. Therefore, it is our opinion that the "as is" market value of the leased fee interest in the subject property is as follows:

MARKET VALUE OPINION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
"As Is"	Leased Fee	August 25, 2016	$1,330,000

ESTIMATE OF EXPOSURE TIME

The exposure period is that time frame leading up to the hypothetical sale of the subject property which is the "as of" date of the appraisal of the subject property. The exposure period is the time in which the property maintained its value leading up to the appraisal date. The comparable sales indicate that the exposure time would have been approximately one year. The estimated marketing time (i.e. the amount of time it would probably take to sell the subject property if exposed in the market beginning on the date of this valuation) is also estimated to be one year.

ADDENDA

Stouffer
& ASSOCIATES
REAL ESTATE APPRAISERS AND CONSULTANTS

525 Busby Drive, San Antonio, Texas 78209
210.828.3743 210.828.7228 (fax)
stoufferappraisals@satx.rr.com

AGREEMENT FOR PROFESSIONAL VALUATION SERVICES (subject to Bankruptcy Court Approval)

DATE OF AGREEMENT
August 15, 2016

PARTIES TO AGREEMENT
Carl Merkle

APPRAISER
Stouffer & Associates, LLP
525 Busby Drive
San Antonio, Texas 78209
210.828.3743
www.stoufferappraisals.com
stoufferappraisals@satx.rr.com
Appraisal Report – 4535 Schertz Road - 2016

Client hereby engages Appraiser to complete an appraisal assignment and valuation services as follows:

PROPERTY IDENTIFICATION/TYPE & ADDRESSES
28 unit apartment complex, located at 4535 Schertz Road, San Antonio, Bexar County, Texas 78233

INTEREST VALUED
Fee Simple

CLIENT / INTENDED USER
The client and intended user of this report is The Smeberg Law Firm, PLLC, Attn.; Mr. Ronald J. Smeberg

INTENDED USE
To establish market value of property for bankruptcy proceeding purposes.

IDENTIFICATION OF THE PROBLEM TO BE SOLVED
Determine the "as is" fee simple market value of the subject property as the property currently sits with 2 uninhabitable units and the hypothetical "as complete" market value assuming the two uninhabitable units are repaired, and provide necessary valuation services relating to the same.

TYPE OF VALUE
Market value as defined by the Appraisal Institute.

DATE OF VALUE
The date of value will be as of the date of the site visit.

HYPOTHETICAL CONDITIONS, EXTRAORDINARY ASSUMPTIONS
To be determined upon seeing the property.

APPLICABLE REQUIREMENTS OTHER THAN THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE (USPAP)
The Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

ANTICIPATED SCOPE OF WORK
A site visit will be made by Stouffer & Associates, LLP personnel. An analysis of improved sales and comparable rental activity will be undertaken to determine the market value utilizing the sales comparison and income capitalization approaches. Valuation services will be provided in relation to legal proceedings regarding the subject property.

APPRAISAL REPORT VALUATION APPROACHES
Sales Comparison Approach & Income Capitalization Approach (See scope of work above)

FORM OR FORMAT
Appraisal Report-narrative

DELIVERY DATE
2 weeks from authorization to proceed and payment of appraisal fee fees being sent in advance.

DELIVERY METHOD
Email (PDF) and hard copy of report if requested

NUMBER OF COPIES
A PDF copy of the report will be provided.

PAYMENT TO APPRAISER
Appraiser shall be paid a $3,000 (Three Thousand Dollars) flat fee for the appraisal upon approval of Appraiser's employment by the Bankruptcy court. Appraiser shall submit fee applications for all hourly work in addition to the flat fee.

HISTORY OF SUBJECT PROPERTY
The appraiser must analyze the subject property for the past three years. If the property is for sale, under contract, or has sold in the past three years, this must be disclosed to the appraiser. Thus, information relating to ownership history is required to be provided.

CONFIDENTIALITY
Appraiser shall not provide a copy of the written Appraisal Report to, or disclose the results of the appraisal, or the valuation services provided in accordance with this Agreement with any party other than the Client, unless Client authorizes, except as stipulated in the Confidentiality Section of the ETHICS RULE of the Uniform Standards of Professional Appraisal Practice (USPAP).

CHANGES TO AGREEMENT
Any changes to the assignment as outlined in this Agreement shall necessitate a new Agreement. The identity of the client, intended users, or intended use; the date of value; type of value; or property appraised cannot be changed without a new Agreement.

CANCELLATION
Client may cancel this Agreement at any time prior to the Appraiser's delivery of the Appraisal Report upon written notification to the Appraiser. Client shall pay Appraiser for work completed on assignment prior to Appraiser's receipt of written cancellation notice, unless otherwise agreed upon by Appraiser and Client in writing.

NO THIRD PARTY BENEFICIARIES
Nothing in this Agreement shall create a contractual relationship between the Appraiser or the Client and any third party, or any cause of action in favor of any third party. This Agreement shall not be construed to render any person or entity a third party beneficiary of this Agreement, including, but not limited to, any third parties identified herein.

INFORMATION NEEDED FOR THIS ASSIGNMENT

The following information is needed for this assignment if available:

- Information relating to a prior sale of subject property within 36 months of the effective date
- A site survey, if available
- Pending purchase contract, if applicable
- Existing Building Plans, including floor plans and elevations, if available
- A current rent roll, or rent roll in effect as of the effective date of the appraisal
- Copies of a typical tenant lease
- Historical Income/Operating Statements for the 3 years prior to the effective date
- Construction cost estimate (if applicable)
- Estimated renovation timeline (if applicable)
- Construction Plans (if applicable)

TESTIMONY AT COURT OR PREPERATION FOR COURT OR OTHER PROCEEDINGS

Unless otherwise stated in this Agreement, Client agrees that Appraiser's assignment pursuant to this Agreement shall not include the Appraiser's participation in or preparation for, whether voluntarily or pursuant to subpoena, any oral or written discovery, sworn testimony in a judicial, arbitration or administrative proceeding, or attendance at any judicial, arbitration, or administrative proceeding relating to this assignment. In the event testimony or court proceedings are to occur, the hourly charges shall be $350 per hour for any meetings, deposition, court preparation, trial testimony, etc. by Mr. Blair Stouffer, MAI, SRA, LREB; and $175 per hour for any meetings, deposition, court preparation, trial testimony, etc. by a Texas Certified General Appraiser providing assistance to Mr. Stouffer.

APPRAISER INDEPENDENCE

Appraiser cannot agree to provide a value opinion that is contingent on a predetermined amount. Appraiser cannot guarantee the outcome of the assignment in advance. Appraiser cannot insure that the opinion of value developed as a result of this Assignment will serve to facilitate any specific objective by Client or others or advance any particular cause. Appraiser's opinion of value will be developed competently and with independence, impartiality and objectivity.

EXPIRATION OF AGREEMENT

This Agreement is valid only if signed by both Appraiser and Client as noted herein.

GOVERNING LAW & JURISDICTION

The interpretation and enforcement of this Agreement shall be governed by the laws of the State of Texas in which the Appraiser's principal place of business is located, exclusive of any choice of law rules.

By Appraiser:

Blair T. Stouffer, MAI, SRA, LREB

By Client:

Carl Merkle, Debtor in Possession

Bexar CAD

Property

Account

Property ID:	548931	Legal Description:	NCB 14337 BLK 4 LOT 35
Geographic ID:	14337-004-0351	Agent Code:	
Type:	Real		
Property Use Code:	810		
Property Use Description:	SMALL APARTMENTS		

Location

Address:	4535 SCHERTZ RD SAN ANTONIO, TX 78233	Mapsco:	552E4
Neighborhood:		Map ID:	
Neighborhood CD:	14420		

Owner

Name:	MERKLE CARL N	Owner ID:	2841134
Mailing Address:	4535 SCHERTZ RD APT 406 SAN ANTONIO, TX 78233-6900	% Ownership:	100.0000000000%
		Exemptions:	

Values

(+) Improvement Homesite Value:	+	$0		
(+) Improvement Non-Homesite Value:	+	$1,345,320		
(+) Land Homesite Value:	+	$0		
(+) Land Non-Homesite Value:	+	$138,980	Ag / Timber Use Value	
(+) Agricultural Market Valuation:	+	$0		$0
(+) Timber Market Valuation:	+	$0		$0

(=) Market Value:	=	$1,484,300		
(–) Ag or Timber Use Value Reduction:	–	$0		

(=) Appraised Value:	=	$1,484,300		
(–) HS Cap:	–	$0		

(=) Assessed Value:	=	$1,484,300		

Taxing Jurisdiction

Owner:	MERKLE CARL N
% Ownership:	100.0000000000%
Total Value:	$1,484,300

Entity	Description	Tax Rate	Appraised Value	Taxable Value	Estimated Tax
06	BEXAR CO RD & FLOOD	0.017000	$1,484,300	$1,484,300	$252.33
08	SA RIVER AUTH	0.017290	$1,484,300	$1,484,300	$256.64
09	ALAMO COM COLLEGE	0.149150	$1,484,300	$1,484,300	$2,213.84
10	UNIV HEALTH SYSTEM	0.276235	$1,484,300	$1,484,300	$4,100.15
11	BEXAR COUNTY	0.297500	$1,484,300	$1,484,300	$4,415.80
21	CITY OF SAN ANTONIO	0.558270	$1,484,300	$1,484,300	$8,286.40
55	NORTH EAST ISD	1.415000	$1,484,300	$1,484,300	$21,002.85
CAD	BEXAR APPRAISAL DISTRICT	0.000000	$1,484,300	$1,484,300	$0.00
	Total Tax Rate:	2.730445			
				Taxes w/Current Exemptions:	$40,528.01
				Taxes w/o Exemptions:	$40,528.00

Improvement / Building

All improvmets valued at income

Improvement #1: Commercial **State Code:** B2 **Living Area:** 4160.0 sqft **Value:** N/A

Type	Description	Class CD	Exterior Wall	Year Built	SQFT
800	MULTIPLE RESIDENCE	D - F	WD	1986	4160.0

Improvement #2: Commercial **State Code:** B2 **Living Area:** 6400.0 sqft **Value:** N/A

Type	Description	Class CD	Exterior Wall	Year Built	SQFT
800	MULTIPLE RESIDENCE	D - F	WD	1986	6400.0

Improvement #3: Commercial **State Code:** B2 **Living Area:** sqft **Value:** N/A

Type	Description	Class CD	Exterior Wall	Year Built	SQFT
ASP	Asphalt	* - A		0	9726.0

Improvement #4: Commercial **State Code:** B2 **Living Area:** sqft **Value:** N/A

Type	Description	Class CD	Exterior Wall	Year Built	SQFT
CON	Concrete	* - A		0	1000.0

Improvement #5: Commercial **State Code:** B2 **Living Area:** 3200.0 sqft **Value:** N/A

Type	Description	Class CD	Exterior Wall	Year Built	SQFT
800	MULTIPLE RESIDENCE	D - F	WD	1987	3200.0

Improvement #6: Commercial **State Code:** B2 **Living Area:** sqft **Value:** N/A

Type	Description	Class CD	Exterior Wall	Year Built	SQFT
ASP	Asphalt	* - A		0	7765.0

Improvement #7: Commercial **State Code:** B2 **Living Area:** sqft **Value:** N/A

Type	Description	Class CD	Exterior Wall	Year	SQFT

				Built	
CON	Concrete	* - A		0	500.0

Improvement #8: Commercial **State Code:** B2 **Living Area:** sqft **Value:** N/A

Type	Description	Class CD	Exterior Wall	Year Built	SQFT
WDD	Detached Wood Deck	A - NO		0	200.0

Improvement #9: Commercial **State Code:** B2 **Living Area:** 8320.0 sqft **Value:** N/A

Type	Description	Class CD	Exterior Wall	Year Built	SQFT
800	MULTIPLE RESIDENCE	D - F	WD	1986	8320.0

Improvement #10: Commercial **State Code:** B2 **Living Area:** sqft **Value:** N/A

Type	Description	Class CD	Exterior Wall	Year Built	SQFT
ASP	Asphalt	* - A		0	6023.0

Land

#	Type	Description	Acres	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
1	CMF	Commercial Multi Family	1.4180	61768.08	0.00	0.00	$0	$0

Roll Value History

Year	Improvements	Land Market	Ag Valuation	Appraised	HS Cap	Assessed
2016	$1,345,320	$138,980	0	1,484,300	$0	$1,484,300
2015	$1,206,020	$138,980	0	1,345,000	$0	$1,345,000
2014	$1,175,240	$138,980	0	1,314,220	$0	$1,314,220
2013	$1,175,240	$138,980	0	1,314,220	$0	$1,314,220
2012	$1,175,240	$138,980	0	1,314,220	$0	$1,314,220
2011	$547,190	$69,480	0	616,670	$0	$616,670

Deed History - (Last 3 Deed Transactions)

#	Deed Date	Type	Description	Grantor	Grantee	Volume	Page	Deed Number
1	1/14/2013	SWD	Special Warranty Deed	MERKLE CARL & JANIE J	MERKLE CARL N	15926	246	20130021337
2	7/14/2005	WD	Warranty Deed	FISHER ROGER	MERKLE CARL & JANIE J	11520	1092	20050160359
3		Deed	Deed		FISHER, ROGER	6649	1047	0

North East Village Apts - 4535 Schertz Rd. San Antonio, TX 78233
Rent Roll as of August 23, 2016

Unit	Tags	BD/BA	Tenant	Status	Sq. Ft.	Mkt Rent	Rent	Util-WST	Electricity Allowance	Total	Tenant Pays Elect 2 CPS	Tenant Portion	Subsidized Portion	Total	Deposit	Lease From	Lease To	Move-in	Lease Status	30 Day notice to move
101	SAHA	3/2.00	Gabrielle Gonzalez	Leased	1,000	875	875	65	114	1,054	Yes	195	745	940	400	12/8/2014	12/31/2015	12/27/2014	M2M	
102		3/2.00	Linda Henderson	Leased	1,000	875	875			875	Yes	875		875	600	11/1/2014	10/31/2015	11/6/2014	M2M	
103	SAHA	3/2.00	Shaniqua Giles	Leased	1,000	875	875	80	130	1,085	No	-	1,085	1,085	1,000	11/27/2015	11/30/2016	11/27/2015	Orig Lease	
104	SAHA	3/2.00	Arneshia Graham	Leased	1,000	875	875	80	130	1,085	Yes	272	683	955	950	12/15/2015	12/31/2016	12/15/2015	M2M	
105	SAHA	3/2.00	Kimberly Lewis	Leased	1,000	875	875	80	152	1,107	Yes	81	874	955	500	3/1/2015	2/29/2016	3/1/2015	M2M	
106	SAHA	3/2.00	Andrea Sanchez	Leased	1,000	875	875	65	114	1,054	No	298	756	1,054	500	7/14/2015	7/31/2016	7/14/2015	M2M	
107	SAHA	3/2.00	Brenda Kindred	Leased	1,000	875	875	80	-	955	Yes	400	555	955	400	waiting for HAP		7/25/2016	Orig Lease	
108	SAHA	3/2.00	Angela Rodriguez	Leased	1,000	875	875	80	-	955	Yes	122	833	955	400	7/12/2016	7/31/2017	7/12/2016	Orig Lease	
201		3/2.00	n/a	Down	1,000	875								-	-				Down	
202		3/2.00	Elizabeth Gloria	Leased	1,000	875	875	65		940	Yes	940		940	600	4/1/2016	3/31/2017	4/1/2016	Orig Lease	
203		3/2.00	Denise Ann Rodriguez	Leased	1,000	875	875	80		955	Yes	955		955	400	3/1/2016	4/30/2017	3/1/2016	Orig Lease	
204		3/2.00	n/a	Down	1,000	875								-	-				Down	
205	SAHA	3/2.00	Gussie Guerra	Leased	1,000	875	875	80	130	1,085	No	132	953	1,085	1,000	7/1/2015	7/31/2016	7/1/2015	M2M	
206		3/2.00	Allen Rhodes	Leased	1,000	875	935	65		1,000	Yes	1,000		1,000	500	6/23/2015	6/30/2016	6/23/2015	M2M	
301	SAHA	3/2.00	Michelle Harris	Leased	1,000	875	875	65	114	1,054	No	50	1,004	1,054	400	6/23/2015	6/30/2016	6/23/2015	M2M	
302	SAHA	3/2.00	Nina Diaz	Leased	1,000	875	875	65	114	1,054	Yes	(40)	980	940	500	5/5/2015	5/31/2016	5/5/2015	M2M	
303	SAHA	3/2.00	Santa Garcia	Leased	1,000	875	875	65		940	Yes	65	875	940	500	3/2/2015	3/31/2016	3/2/2015	M2M	
304		2/2.00	Nicole Goss	Leased	880	750	750	65		815	Yes	815		815	750	5/1/2016	4/30/2017	5/1/2016	Orig Lease	
305		3/2.00	Cassandra Henderson	Leased	1,000	875	815			815	Yes	815		815	400	4/1/2014	3/31/2015	4/1/2014	M2M	
306		3/2.00	Misti Smith	Leased	1,000	875	875	80		955	Yes	955		955	1,000	7/30/2016	8/31/2017	8/1/2016	Orig Lease	
307	SAHA	3/2.00	Myeshia Holt	Leased	1,000	875	875	65	114	1,054	Yes	402	538	940	400	9/14/2015	9/30/2016	11/6/2006	Renew Lease	
308	SAHA	3/2.00	LaSonya Rice	Leased	1,000	875	875	80		955	Yes	594	361	955	400	waiting for HAP		7/1/2016	Orig Lease	
401	SAHA	3/2.00	Domonique Brown	Leased	1,000	875	875	65	114	1,054	No	51	1,003	1,054	400	6/5/2015	6/30/2016	6/5/2015	M2M	
402		3/2.00	Raul & Irene Escobedo	Leased	1,000	875	875			875	Yes	875		875	500	12/13/2014	12/31/2015	12/13/2014	M2M	8/31/2016
403		3/2.00	Troy Williams	Leased	1,000	875	875	65		940	Yes	940		940	1,000	5/4/2016	5/31/2017	5/1/2016	Orig Lease	
404		3/2.00	LeCour Sampson	Leased	1,000	875	875	65		940	Yes	940		940	400	12/2/2014	12/31/2015	12/2/2014	M2M	
405	SAHA	3/2.00	Santiago & Flor Mujica	Leased	1,000	875	875	65		940	Yes	790	150	940	400	3/1/2015	2/29/2016	3/1/2015	M2M	
406	OS MGR	3/2.00	Carl Merkle	Leased	1,000	875	comp			-	Yes	comp		-	-	4/9/2012	3/30/2013	4/9/2012	M2M	
28 Units	**54% SAHA**			**92.9% Leased**	**27,880**	**$ 24,375**	**$ 21,750**	**$ 1,565**	**$ 1,226**	**$ 24,541**		**$ 12,522**	**$ 11,395**	**$ 23,917**	**$ 14,300**					
				7.1% Down																
				0.0% Vacant																

Request for Tenancy Approval
Housing Choice Voucher Program

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0169
(exp. 09/30/2017)

Public reporting burden for this collection of information is estimated to average .08 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number. The Department of Housing and Urban Development (HUD) is authorized to collect information required on this form by Section 8 of the U.S. Housing Act of 1937 (42 U.S.C. 1437f). Collection of the data on the family's selected unit is mandatory. The information is used to determine if the unit is eligible for rental assistance. HUD may disclose this information to Federal, State, and local agencies when relevant civil, criminal, or regulatory investigations and prosecutions. It will not be otherwise disclosed or released ourside of HUD, except as permitted or required by law. Failure to provide any of the information may result in delay or rejection of family voucher assistance.

1. Name of Public Housing Agency (PHA)
San Antonio Housing Authority

2. Address of Unit (street address, apartment number, city, State & zip code)
4535 Schertz Road, Apt 107
San Antonio, TX 78233

3. Requested Beginning Date of Lease	4. Number of Bedrooms	5. Year Constructed	6. Proposed Rent	7. Security Deposit Amt.	8. Date Unit Available for Inspection
	3	1986	$955	$400	7/18/16

9. Type of House/Apartment

☐ Single Family Detached ☐ Semi-Detached / Row House ☐ Manufactured Home ■ Garden / Walkup ☐ Elevator / High-Rise

10. If this unit is subsidized, indicate type of subsidy.

☐ Section 202 ☐ Section 221(d)(3)(BMIR) ☐ Section 236 (Insured or noninsured) ☐ Section 515 Rural Development

☐ Home ☐ Tax Credit

☐ Other (Describe Other Subsidy, Including Any State or Local Subsidy) _____

11. Utilities and Appliances

The owner shall provide or pay for the utilities and appliances indicated below by an "**O**". The tenant shall provide or pay for the utilities and appliances indicated below by a "**T**". Unless otherwise specified below, the owner shall pay for all utilities and appliances provided by the owner.

Item	Specify fuel type	Provided by	Paid by
Heating	☐ Natural gas ☐ Bottle gas ☐ Oil ■ Electric ☐ Coal or Other	O	T
Cooking	☐ Natural gas ☐ Bottle gas ☐ Oil ■ Electric ☐ Coal or Other	O	T
Water Heating	☐ Natural gas ☐ Bottle gas ☐ Oil ■ Electric ☐ Coal or Other	O	T
Other Electric		O	T
Water		O	O
Sewer		O	O
Trash Collection		O	O
Air Conditioning		O	T
Refrigerator		O	T
Range/Microwave		O	T
Other (specify)			

12. Owner's Certifications.

a. The program regulation requires the PHA to certify that the rent charged to the housing choice voucher tenant is not more than the rent charged for other unassisted comparable units. **Owners of projects with more than 4 units must complete the following section for most recently leased comparable unassisted units within the premises.**

Address and unit number	Date Rented	Rental Amount
1. 4535 Schertz Rd, Unit 206	6/23/15	$1,000
2. 4535 Schertz Rd, Unit 202	4/1/16	$955
3. 4535 Schertz Rd, Unit 203	3/1/16	$955

b. The owner (including a principal or other interested party) is not the parent, child, grandparent, grandchild, sister or brother of any member of the family, unless the PHA has determined (and has notified the owner and the family of such determination) that approving leasing of the unit, notwithstanding such relationship, would provide reasonable accommodation for a family member who is a person with disabilities.

c. Check one of the following:

✓ Lead-based paint disclosure requirements do not apply because this property was built on or after January 1, 1978.

_____ The unit, common areas servicing the unit, and exterior painted surfaces associated with such unit or common areas have been found to be lead-based paint free by a lead-based paint inspector certified under the Federal certification program or under a federally accredited State certification program.

_____ A completed statement is attached containing disclosure of known information on lead-based paint and/or lead-based paint hazards in the unit, common areas or exterior painted surfaces, including a statement that the owner has provided the lead hazard information pamphlet to the family.

13. **The PHA has not screened the family's behavior or suitability for tenancy. Such screening is the owner's own responsibility.**

14. The owner's lease must include word-for-word all provisions of the HUD tenancy addendum.

15. The PHA will arrange for inspection of the unit and will notify the owner and family as to whether or not the unit will be approved.

William Wheeler / Stonewall Property Group Print or Type Name of Owner/Owner Representative		Print or Type Name of Household Head	
[illegible] on behalf of William Wheeler Signature		Signature (Household Head)	
4737 Shavano Oak, Ste 105 Business Address		Present Address of Family (street address, apartment no., city, State, & zip code)	
San Antonio, Tx 78249			
Telephone Number 210-479-1616	Date (mm/dd/yyyy) 7/14/16	Telephone Number	Date (mm/dd/yyyy)

SAHA | SAN ANTONIO HOUSING AUTHORITY

Opportunity Lives Here

Applicant/Participant

HCV Rent Simplification Contract Rent & Family Contribution Estimate

Family Name:	Brenda Kindred
Bedroom Size:	3
Maximum Rent to Owner With Utilities:	$1,054 House, Apt
Maximum Rent to Owner All Bills Paid:	$1,228
Maximum Family Contribution:	$400

The Shopping Estimate is based on income provided and may not be adjusted. The amounts provided serve only as a guideline in which to stay within when searching for a unit. Contract Rent to Owner will not be accepted if requested amount goes over the Maximum Rent to Owner shown above.

Printed On: **4/28/2016**

Voucher
Housing Choice Voucher Program

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB No. 2577-0169
(Exp. 04/30/2018)

Public Reporting Burden for this collection of information is estimated to average 0.05 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number. Assurances of confidentiality are not provided under this collection. This collection of information is authorized under Section 8 of the U.S. Housing Act of 1937 (42 U.S.C. 1437f). The information is used to authorize a family to look for an eligible unit and specifies the size of the unit. The information also sets forth the family's obligations under the Housing Choice Voucher Program.

Privacy Act Statement. The Department of Housing and Urban Development (HUD) is authorized to collect the information required on this form by Section 8 of the U.S. Housing Act of 1937 (42 U.S.C. 1437f). Collection of family members' names is mandatory. The information is used to authorize a family to look for an eligible unit and specifies the size of the unit. The information also sets forth the family's obligations under the Housing Choice Voucher Program. HUD may disclose this information to Federal, State and local agencies when relevant to civil, criminal, or regulatory investigations and prosecutions. It will not be otherwise disclosed or released outside of HUD, except as permitted or required by law. Failure to provide any of the information may result in delay or rejection of family voucher issuance.

Please read **entire** document before completing form Fill in all blanks below. Type or print clearly.	Voucher Number **191726**
1. Insert **unit size** in number of bedrooms. (This is the number of bedrooms for which the Family qualifies, and is used in determining the amount of assistance to be paid on behalf of the Family to the owner.)	1 Unit Size **3**
2. **Date Voucher Issued (mm/dd/yyyy)** Insert actual date the Voucher is issued to the Family.	2. Issue Date (mm/dd/yyyy) **04/28/2016**
3. **Date Voucher Expires (mm/dd/yyyy)** Insert date sixty days after date Voucher is issued. (See Section 6 of this form.)	3. Expiration Date (mm/dd/yyyy) **06/27/2016**
4. **Date Extension Expires** (if applicable)(mm/dd/yyyy) (See Section 6. of this form)	4. Date Extension Expires (mm/dd/yyyy) 07/27/2016

5. Name of Family Representative **Brenda Lanettey Kindred**	6. Signature of Family Representative	Date Signed (mm/dd/yyyy) 4/28/2016

7. Name of Public Housing Agency (PHA)
San Antonio Housing Authority

8. Name and Title of PHA Official
Tyra Gex

9. Signature of PHA Official

Date Signed (mm/dd/yyyy)
04/28/2016

1. Housing Choice Voucher Program

A. The public housing agency (PHA) has determined that the above named family (item 5) is eligible to participate in the housing choice voucher program. Under this program, the family chooses a decent, safe and sanitary unit to live in. If the owner agrees to lease the unit to the family under the housing choice voucher program, and if the PHA approves the unit, the PHA will enter into a housing assistance payments (HAP) contract with the owner to make monthly payments to the owner to help the family pay the rent.

B. The PHA determines the amount of the monthly housing assistance payment to be paid to the owner. Generally, the monthly housing assistance payment by the PHA is the difference between the applicable payment standard and 30 percent of monthly adjusted family income. In determining the maximum initial housing assistance payment for the family, the PHA will use the payment standard in effect on the date the tenancy is approved by the PHA. The family may choose to rent a unit for more than the payment standard, but this choice does not change the amount of the PHA's assistance payment. The actual amount of the PHA's assistance payment will be determined using the gross rent for the unit selected by

2. Voucher

A. When issuing this voucher the PHA expects that if the family finds an approvable unit, the PHA will have the money available to enter into a HAP contract with the owner. However, the PHA is under no obligation to the family, to any owner, or to any other person, to approve a tenancy. The PHA does not have any liability to any party by the issuance of this voucher.

B. The voucher does not give the family any right to participate in the PHA's housing choice voucher program. The family becomes a participant in the PHA's housing choice voucher program when the HAP contract between the PHA and the owner takes effect.

C. During the initial or any extended term of this voucher, the PHA may require the family to report progress in leasing a unit at such intervals and times as determined by the PHA.

TEXAS ASSOCIATION OF REALTORS®

RESIDENTIAL LEASE FOR A MULTI-FAMILY PROPERTY UNIT

USE OF THIS FORM BY PERSONS WHO ARE NOT MEMBERS OF THE TEXAS ASSOCIATION OF REALTORS® IS NOT AUTHORIZED.
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1. PARTIES: The parties to this lease are:

the owner of the Unit, Landlord,: Carl Merkle, DBA Northeast Village Apts ; and

Tenant(s): Brenda Kindred .

2. PROPERTY: Landlord leases to Tenant the following Unit Number 107 located at:

Address: 4535 Schertz Rd, San Antoniuo, TX 7 78233
in Bexar County, Texas, together with the following non-real-property items: Stove, Refrigerator .

The Unit and the non-real-property are collectively called the "Unit". "Property" refers to the real property on which the Unit is located including, but not limited to, the building and common areas.

3. TERM:

A. Primary Term: The primary term of this lease begins and ends as follows:

Commencement Date:_____ Expiration Date: _____

B. Delay of Occupancy: Tenant must occupy the Unit within 5 days after the Commencement Date. If Tenant is unable to occupy the Unit by the 5th day after the Commencement Date because of construction in the Unit or a prior tenant's holding over of the Unit, Tenant may terminate this lease by giving written notice to Landlord before the Unit becomes available to be occupied by Tenant, and Landlord will refund to Tenant the security deposit and any rent paid. Landlord will abate rent on a daily basis for a delay caused by construction or a prior tenant's holding over. This paragraph does not apply to any delay in occupancy caused by cleaning, repairs, or make-ready items.

4. AUTOMATIC RENEWAL AND NOTICE OF TERMINATION: This lease automatically renews on a month-to-month basis unless Landlord or Tenant provides the other party written notice of termination as provided in Paragraph 4A. Oral notice of termination is not sufficient under any circumstances. Time is of the essence for providing notice of termination (strict compliance with dates by which notice must be provided is required). The date on which rent is due does not apply to the requirement for providing written notice of termination. If a box is not checked under Paragraph 4A, Paragraph 4A(1) will apply. If a box is not checked under Paragraph 4B, Paragraph 4B(1) will apply.

A. This lease automatically renews on a month-to-month basis unless Landlord or Tenant provides the other party written notice of termination not less than: *(Check only one box.)*

☒ (1) 30 days before the Expiration Date.
☐ (2) _____ days before the Expiration Date.

If Landlord or Tenant fails to provide the other party timely written notice of termination as required by paragraph 4A, the lease automatically renews on a month-to-month basis. The Landlord or Tenant then must provide a subsequent written notice of termination as required by paragraph 4B.

Stonewall Property Group, 4737 Shavano Oak ste. 105 San Antonio, TX 78249
Phone: 210-479-1616 Fax: 210-479-1614 Bill Wheeler Northeast Village

Produced with zipForm® by zipLogix 18070 Fifteen Mile Road, Fraser, Michigan 48026 www.zipLogix.com

B. If this lease automatically renews on a month-to-month basis, it will continue to renew on a month-to-month basis until either party provides written notice of termination to the other party and the notice of termination will be effective: *(Check only one box.)*

☐ (1) on the last day of the month following the month in which the notice is given. Landlord is not obligated to prorate rent even if Tenant surrenders the Unit before the termination date.

☒ (2) on the date designated in the notice but not sooner than 30 days after the notice is given and, if necessary, rent will be prorated on a daily basis.

5. RENT:

A. Monthly Rent: Tenant will pay Landlord monthly rent in the amount of $ _____ for each full month during this lease. The first full month's rent is due and payable not later than _____ by *(select one or more)*: ☒ cashier's check ☒ electronic payment ☒ money order ☐ personal check or ☐ other means acceptable to Landlord.

Thereafter, Tenant will pay the monthly rent so that Landlord receives the monthly rent on or before:

☒ (1) the first day of each month during this lease.

☐ (2) _____ .

Weekends, holidays, and mail delays do not excuse Tenant's obligation to timely pay rent.

B. Prorated Rent: On or before _____ Tenant will pay Landlord $ _____ as prorated rent from the Commencement Date through the last day of the month in which this lease begins.

C. Place of Payment: Unless this lease provides otherwise, Tenant will remit all amounts due to Landlord under this lease to the following person or entity at the place stated and make all payments payable to the named person or entity. Landlord may later designate, in writing, another person or place to which Tenant must remit amounts due under this lease.

Name: Northeast Village Apartments
Address: 4535 Schertz Rd Unit 406
San Antonuio, TX 78233

Notice: Place the address, Unit number and Tenant's name on all payments.

D. Method of Payment:

(1) Tenant must pay all rent timely and without demand, deduction, or offset, except as permitted by law or this lease.

(2) Time is of the essence for the payment of rent (strict compliance with rental due dates is required).

(3) Unless the parties agree otherwise, Tenant may not pay rent in cash and will pay all rent by *(select one or more):*
☒ cashier's check ☒ electronic payment ☒ money order ☐ personal check or ☐ other means acceptable to Landlord. Landlord ☐ may or ☐ may not charge a reasonable fee to process or accept payment by *(select one or more only if Landlord indicates a reasonable fee may be charged):* ☐ cashier's check ☐ electronic payment ☐ money order ☐ personal check or ☐ other means acceptable to Landlord.

(4) Landlord ☒ requires ☐ does not require Tenant(s) to pay monthly rents by one payment.

(5) If Tenant fails to timely pay any amounts due under this lease or if any check of Tenant is not honored by the institution on which it was drawn, Landlord may require Tenant to pay such amount and any subsequent amounts under this lease in certified funds. This paragraph does not limit Landlord from seeking other remedies under this lease for Tenant's failure to make timely payments with good funds.

E. Rent Increases: There will be no rent increases through the primary term. Landlord may increase the rent that will be paid during any month-to-month renewal period by providing at least 30 days written notice to Tenant.

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6. LATE CHARGES:

A. If Landlord does not actually receive a rent payment in the full amount at the designated place of payment by the 3rd day of each month at 11:59pm, Tenant will pay Landlord for each late payment:
(1) an initial late charge equal to *(check one box only)*: ☐ (a) $ _____ ; or ☒ (b) 10.000 % of one month's rent; **and**
(2) additional late charges of $ 5.00 per day thereafter until rent and late charges are paid in full. Additional late charges for any one payment may not exceed more than 30 days.
§92.019, Property Code prohibits assessing a late fee until rent has remained unpaid for at least one full day after the date on which the rent is due.

B. For the purposes of paying rent and any late charges, the mailbox is not the agent for receipt for Landlord (the postmark date is not the date Landlord receives the payment). The parties agree that the late charge is based on a reasonable estimate of uncertain damages to the Landlord that are incapable of precise calculation and result from late payment of rent. Landlord's acceptance of a late charge does not waive Landlord's right to exercise remedies under Paragraph 27.

7. RETURNED PAYMENT: Tenant will pay Landlord $ 50.00 for each payment Tenant tenders to Landlord which is returned or not honored by the institution on which it is drawn for any reason, plus any late charges until Landlord receives payment. Tenant must make any returned payment good by paying such amount(s) plus any associated charges in certified funds.

8. APPLICATION OF FUNDS: Regardless of any notation on a check, Landlord may apply funds received from Tenant first to any non-rent obligations of Tenant, including but not limited to, late charges, returned payment charges, repairs, brokerage fees, periodic utilities, pet charges, and then to rent.

9. PETS:

A. Unless the parties agree otherwise in writing, Tenant may not permit, even temporarily, any pet in the Unit (including but not limited to any mammal, reptile, bird, fish, rodent, or insect).

B. If Tenant violates this Paragraph 9 or any agreement to keep a pet in the Unit, Landlord may take all or any of the following action:
(1) declare Tenant to be in default of this lease and exercise Landlord's remedies under Paragraph 27;
(2) charge Tenant, as additional rent, an initial amount of $ 500.00 and $ 5.00 per day thereafter per pet for each day Tenant violates the pet restrictions;
(3) remove or cause to be removed any unauthorized pet and deliver it to appropriate local authorities by providing at least 24-hour written notice to Tenant of Landlord's intention to remove the unauthorized pet; and
(4) charge to Tenant the Landlord's cost to:
(a) remove any unauthorized pet;
(b) exterminate the Unit for fleas and other insects;
(c) clean and deodorize the Unit's carpets and drapes; and
(d) repair any damage to the Unit caused by the unauthorized pet.

C. When taking any action under Paragraph 9B Landlord will not be liable for any harm, injury, death, or sickness to any pet.

10. SECURITY DEPOSIT:

A. Security Deposit: On or before execution of this lease, Tenant will pay a security deposit to Landlord in the amount of $ 400.00 by *(select one or more)*: ☒ cashier's check ☐ electronic payment ☒ money order ☐ personal check or ☐ other means acceptable to Landlord. "Security deposit" has the meaning assigned to that term in §92.102, Property Code. Any additional

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deposits Tenant pays to Landlord, other than the security deposit, will become part of the security deposit.

B. Interest: No interest or income will be paid to Tenant on the security deposit. Landlord may place the security deposit in an interest-bearing or income-producing account and any interest or income earned will be paid to Landlord or Landlord's representative.

C. Refund: Tenant must give Landlord at least thirty (30) days written notice of surrender before Landlord is obligated to account for or refund the security deposit. Any refund of the security deposit will be made payable to all Tenants named in this lease.

Notices about Security Deposits:

(1) §92.108, Property Code provides that a tenant may not withhold payment of any portion of the last month's rent on grounds that the security deposit is security for unpaid rent.
(2) Bad faith violations of §92.108 may subject a tenant to liability up to 3 times the rent wrongfully withheld and the landlord's reasonable attorney's fees.
(3) The Property Code does not obligate a landlord to return or account for the security deposit until the tenant surrenders the Unit and gives the landlord a written statement of the tenant's forwarding address, after which the landlord has 30 days in which to account.
(4) "Surrender" is defined in Paragraph 16 of this lease.
(5) One may view the Texas Property Code at the Texas Legislature's website which, as of the date shown in the lower left-hand corner of this form, is http://www.statutes.legis.state.tx.us/ **.**

D. Deductions:

(1) Landlord may deduct reasonable charges from the security deposit for:
(a) damages to the Unit and Property, excluding normal wear and tear, and all reasonable costs associated to repair the Unit and Property;
(b) costs for which Tenant is responsible to clean, deodorize, exterminate, and maintain the Unit;
(c) unpaid or accelerated rent;
(d) unpaid late charges;
(e) unpaid utilities and utility expenses Landlord incurs to maintain utilities to the Unit as required by this Lease;
(f) unpaid pet charges;
(g) replacing unreturned keys, garage door openers, security devices, or other components;
(h) the removal of unauthorized locks or fixtures installed by Tenant;
(i) Landlord's cost to access the Unit if made inaccessible by Tenant;
(j) missing or burned-out light bulbs and fluorescent tubes (at the same location and of the same type and quality that are in the Unit on the Commencement Date);
(k) packing, removing, and storing abandoned property;
(l) removing abandoned or illegally parked vehicles;
(m) costs of reletting (as defined in Paragraph 27), if Tenant is in default;
(n) attorney's fees, costs of court, costs of service, and other reasonable costs incurred in any legal proceeding against Tenant;
(o) mailing costs associated with sending notices to Tenant for any violations of this lease;
(p) any other unpaid charges or fees or other items for which Tenant is responsible under this lease; and
(q) cost to restore walls, flooring, landscaping or any alteration to the Property not approved in writing by Landlord;
(r) damages to the Unit and Property caused by smoking, including but not limited to stains, burns, odors, and removal of debris; and
(s) costs to rekey certain security devices, as provided in Paragraph 19.

(2) If deductions exceed the security deposit, Tenant will pay to Landlord the excess within 10 days after Landlord makes written demand.

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11. UTILITIES:

A. Tenant will pay all connection fees, service fees, usage fees, and all other costs and fees for all utilities to the Unit (for example, electricity, gas, water, wastewater, garbage, telephone, alarm monitoring systems, cable, and Internet connections) except the following which Landlord will pay: Rental amount includes the following utilities which are paid directly by landlord: water, sewer, trash. Tenant is responsible for all other utilities, including electricity which must be placed in tenant's name.
Unless otherwise agreed, amounts under this paragraph are payable directly to the service providers.

B. Unless provided by Landlord, Tenant must, at a minimum, keep the following utilities on, if available, at all times this lease is in effect: gas; electricity; water; wastewater; and garbage services.

C. Tenant authorizes all utility service providers to release to Landlord information concerning connections, disconnections, and charges.

Notice: Before signing this lease, Tenant should determine if all necessary utilities are available to the Unit and are adequate for Tenant's use.

12. USE AND OCCUPANCY:

A. Occupants: Tenant may use the Unit as a private residence only. The only persons Tenant may permit to reside in the Unit during the term of this lease are *(include names and ages of all occupants)*: Quicy Clark, DayJur Kindred, Daqwon Kindred .

B. Phone Numbers: Tenant must promptly inform Landlord of any changes in Tenant's phone numbers (home, work, and mobile) not later than 5 days after a change.

C. HOA Rules: Tenant must comply with any owners' association rules or restrictive covenants affecting the Property. Tenant will reimburse Landlord for any fines or other charges assessed against Landlord for violations by Tenant of any owners' association rule or restrictive covenant.

D. Prohibitions: Unless otherwise authorized by this lease, Tenant may not install or permit any of the following in the Unit, even temporarily: a spa, hot tub, above-ground pool, trampoline, or any item which causes a suspension or cancellation of insurance coverage or an increase in insurance premiums. Tenant may not permit any part of the Unit to be used for: (1) any activity which is a nuisance, offensive, noisy, or dangerous; (2) the repair of any vehicle; (3) any business of any type, including but not limited to child care; (4) any activity which violates any zoning ordinance, owners' association rule, or restrictive covenant; (5) any illegal or unlawful activity; or (6) activity that obstructs, interferes with, or infringes on the rights of other persons near the Unit.

E. Guests: Tenant may not permit any guest to stay in the Unit longer than the amount of time permitted by any owners' association rule or restrictive covenant or 5 days without Landlord's written permission, whichever is less.

F. Common Areas: Landlord is not obligated to pay any non-mandatory or user fees for Tenant's use of any common areas or facilities (for example, pool or tennis courts). If Tenant uses any of the common areas, Tenant shall exercise reasonable care, not damage the common areas, and keep the common areas clean and sanitary.

G. Property Rules: Landlord may adopt rules to maintain and enhance the safety and appearance of the Property. From time to time Landlord, at its discretion, may amend the rules. Tenant agrees to comply with the rules as they may be amended. Exceptions or waivers must be authorized by Landlord in writing.

13. PARKING RULES:

A. Parking Type:

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☒ (1) Common Parking: Tenant may park no more than 2 vehicles (cars, motorcycles, and passenger trucks) on the Property in the common parking areas located on the Property.

☐ (2) Assigned Parking: Tenant's assigned parking areas are identified as follows: _____ _____ _____ .

Only one vehicle may be parked in each assigned parking space. Each month, on or before the date rent is due under the Lease, Tenant will pay additional rent of $ _____ for the assigned parking. Tenant may not assign, sublet, or trade any assigned parking space or area.

B. Tenant may not use any parking spaces or areas on the Property for any boat, trailer, recreational vehicle, all terrain vehicle, jet ski, or any other type of personal property.

C. Tenant's guests, patrons or invitees may park only in those areas designated by Landlord for Tenant's guests, patrons, or invitees.

D. Landlord may, but is not obligated to, institute controlled-access systems to the parking areas, including but not limited to systems such as vehicle identification stickers, license numbers, or controlled-access devices. At the time the lease ends, Tenant must return all access devices to Landlord.

E. In accordance with applicable state and local laws, the Landlord may tow, at Tenant's expense: (a) any inoperative vehicle on or adjacent to the Property; (b) any vehicle parked in violation of this paragraph or any additional parking rules made part of this lease; or (c) any vehicle parked in violation of any law, local ordinance, or owners' association rule.

14. ACCESS BY LANDLORD:

A. Advertising: Landlord may prominently display a "For Sale" or "For Lease" or similarly worded sign in the Unit during the term of this lease or any renewal period. Landlord or Landlord's contractor may take interior and exterior photographs or images of the Unit and use the photographs or images in any advertisements to lease or sell the Unit or Property.

B. Access: Before accessing the Unit, Landlord or anyone authorized by Landlord will attempt to first contact Tenant, but may enter the Unit at reasonable times without notice to make repairs or to show the Unit to prospective tenants or buyers, inspectors, fire marshals, lenders, appraisers, or insurance agents. Additionally, Landlord or anyone authorized by Landlord may peacefully enter the Unit at reasonable times without first attempting to contact Tenant and without notice to: (1) survey or review the Unit's condition and take photographs to document the condition; (2) make emergency repairs; (3) exercise a contractual or statutory lien; (4) leave written notices; or (5) seize nonexempt property if Tenant is in default.

C. Trip Charges: If Landlord or Landlord's agents have made prior arrangements with Tenant to access the Unit and are denied or are not able to access the Unit because of Tenant's failure to make the Unit accessible (including, but not limited to, any occupant, guest or invitee of Tenant, pet, or security device prohibiting access to any area within the Property), Landlord may charge Tenant a trip charge of $ 50.00 .

D. Keybox: **A keybox is a locked container placed on the Unit holding a key to the Unit. The keybox is opened by a special combination, key, or programmed access device so that persons with the access device may enter the Unit, even in Tenant's absence. The keybox is a convenience but involves risk (such as unauthorized entry, theft, property damage, or personal injury). Neither the Association of REALTORS® nor MLS requires the use of a keybox.**

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(1) Tenant authorizes Landlord, Landlord's property manager, and Landlord's broker to place a keybox near the Unit containing a key to the Unit:
(a) during the last 30 days of this lease or any renewal or extension; and
(b) at any time Landlord lists the Unit for sale with a Texas licensed broker.

(2) Tenant may withdraw Tenant's authorization to place a keybox near the Unit by providing written notice to Landlord and paying Landlord a fee of $ 1,129.00 as consideration for the withdrawal. Landlord will remove the keybox within a reasonable time after receipt of the notice of withdrawal and payment of the required fee. Removal of the keybox does not alleviate Tenant's obligation to make the Unit available for showings as stated in Paragraph 14B.

(3) If Landlord or Landlord's agents denied or are not able to access the Unit after first attempting to contact Tenant, Landlord may charge Tenant a trip charge as provided in Paragraph 14C.

(4) Landlord, the property manager, and Landlord's broker are not responsible to Tenant, Tenant's guests, family, or occupants for any damages, injuries, or losses arising from use of the keybox unless caused by Landlord, the property manager, or Landlord's broker.

15. MOVE-IN CONDITION:

A. Landlord makes no express or implied warranties as to the Unit's or Property's condition. Tenant has inspected the Unit and Property and accepts the unit **AS-IS** provided that Landlord: _____

B. Tenant will complete an Inventory and Condition Form, noting any damages to the Unit, and deliver it to Landlord within 5 days after the Commencement Date. If Tenant fails to timely deliver the Inventory and Condition Form, the Unit will be deemed to be free of damages, unless otherwise expressed in this lease. The Inventory and Condition Form is not a request for repairs. Tenant must direct all requests for repairs in compliance with Paragraph 18.

16. MOVE-OUT:

A. Move-Out Condition: When this lease ends, Tenant will surrender the Unit in the same condition as when received, normal wear and tear excepted. Tenant will leave the Unit in a clean condition free of all trash, debris, and any personal property. Tenant may not abandon the Unit.

B. Definitions:

(1) *"Normal wear and tear"* means deterioration that occurs without negligence, carelessness, accident, or abuse.

(2) *"Surrender"* occurs when all occupants have vacated the Unit, in Landlord's reasonable judgment, and one of the following events occurs:
(a) the date Tenant specifies as the move-out or termination date in a written notice to Landlord has passed; or
(b) Tenant returns keys and access devices that Landlord provided to Tenant under this lease.

(3) *"Abandonment"* occurs when all of the following occur:
(a) all occupants have vacated the Unit, in Landlord's reasonable judgment;
(b) Tenant is in breach of this lease by not timely paying rent; and
(c) Landlord has delivered written notice to Tenant, by affixing it to the inside of the main entry door or if the Landlord is prevented from entering the Unit by affixing it to the outside of the main entry door, stating that Landlord considers the Unit abandoned, and Tenant fails to respond to the affixed notice by the time required in the notice, which will not be less than 2 days from the date the notice is affixed to the main entry door.

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C. Personal Property Left After Move-Out:
(1) If Tenant leaves any personal property in the Unit of Property after surrendering or abandoning the Unit Landlord may:
(a) dispose of such personal property in the trash or a landfill;
(b) give such personal property to a charitable organization; or
(c) store and sell such personal property by following procedures in §54.045(b)-(e), Property Code.
(2) Tenant must reimburse Landlord all Landlord's reasonable costs under Paragraph 16C(1) for packing, removing, storing, and selling the personal property left in the Unit after surrender or abandonment.

17. UNIT AND PROPERTY MAINTENANCE:

A. Tenant's General Responsibilities: Tenant, at Tenant's expense, must:
(1) keep the Unit clean and sanitary and use the Property only in ways that are sanitary, clean and non-disruptive;
(2) promptly dispose of all garbage in appropriate receptacles;
(3) supply and change heating and air conditioning filters at least once a month;
(4) supply and replace all light bulbs, fluorescent tubes, and batteries for smoke alarms, carbon monoxide detectors, garage door openers, ceiling fan remotes, and other devices (of the same type and quality that are in the Unit on the Commencement Date);
(5) maintain appropriate levels of necessary chemicals or matter in any water softener;
(6) take action to promptly eliminate any dangerous condition in the Unit;
(7) take all necessary precautions to prevent broken water pipes due to freezing or other causes;
(8) replace any lost or misplaced keys;
(9) pay any periodic, preventive, or additional extermination costs desired by Tenant, including treatment for bed bugs, except as required by law;
(10) remove any standing water;
(11) know the location and operation of the main water cut-off valve and all electric breakers to the Unit and how to switch the valve or breakers off at appropriate times to mitigate any potential damage; and
(12) promptly notify Landlord, in writing, of all needed repairs.

B. Yard Maintenance:

(1) *"Yard"* means all lawns, shrubbery, bushes, flowers, gardens, trees, rock or other landscaping, and other foliage on or encroaching on the Property or on any easement appurtenant to the Property, and does not include common areas maintained by an owners' association.

(2) *"Maintain the yard"* means to perform activities such as, but not limited to: (a) mowing, fertilizing, and trimming the yard; (b) controlling pests and weeds in the yard; and (c) removing debris from the yard.

(3) Unless prohibited by ordinance or other law, ☐ Tenant ☒ Landlord will water the yard at reasonable and appropriate times including but not limited to the following times: _____
_____
_____ . Other than watering, the yard will be maintained as follows:

☒ (a) Landlord, at Landlord's expense, will maintain the yard. Tenant will permit Landlord and Landlord's contractors reasonable access to the yard and will remove any pet from the yard at appropriate times.

☐ (b) Tenant, at Tenant's expense, will maintain the yard.

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❑ (c) Tenant will maintain in effect a scheduled yard maintenance contract with: ❑ a contractor who regularly provides such service; ❑ _____ .

C. Prohibitions: If Tenant installs any fixtures in the Unit, authorized or unauthorized, such as additional smoke alarms, locks, alarm systems, cables, satellite dishes, or other fixtures, such fixtures will become the property of the Landlord. Except as otherwise permitted by law, this lease, or in writing by Landlord, Tenant may not:
(1) remove any part of the Property or Unit or any of Landlord's personal property from the Unit or Property;
(2) remove, change, add, or rekey any lock;
(3) make holes in the woodwork, floors, or walls, except that a reasonable number of small nails may be used to hang pictures in sheetrock and grooves in paneling;
(4) permit any water furniture in the Unit;
(5) install additional phone or video cables, outlets, antennas, satellite receivers, or alarm systems;
(6) alter, replace or remove flooring material, paint, or wallpaper;
(7) install, change, or remove any: fixture, appliance, or non-real-property item listed in Paragraph 2;
(8) keep or permit any hazardous material on the Property or in the Unit such as flammable or explosive materials;
(9) keep or permit any material or item which causes any liability or fire and extended insurance coverage to be suspended or canceled or any premiums to be increased;
(10) dispose of any environmentally detrimental substance (for example, motor oil or radiator fluid) on the Property or in the Unit; or
(11) cause or allow any lien to be filed against any portion of the Property.

D. Failure to Maintain: If Tenant fails to comply with this Paragraph 17 Landlord may, in addition to exercising Landlord's remedies under Paragraph 27, perform whatever action Tenant is obligated to perform and Tenant must immediately reimburse Landlord the reasonable expenses that Landlord incurs plus any administrative fees assessed by Landlord's agents or any other entity as provided by law.

E. Smoking: Smoking by Tenant, Tenant's guests, family, or occupants is ❑ permitted ☒ not permitted in the Unit or Property (including, but not limited to, the garage or outdoor areas of the Property). If smoking is not permitted and does occur in the Unit or Property, Tenant will be in default and:
(1) Landlord may exercise Landlord's remedies under Paragraph 27; and
(2) Landlord may deduct from the security deposit damages to the Unit or Property caused by smoking, including, but not limited to stains, burns, odors, and removal of debris.

18. REPAIRS: (Notice: Subchapter B, Chapter 92, Property Code governs repair obligations).

A. Repair Requests: All requests for repairs must be in writing and delivered to Landlord. If Tenant is delinquent in rent at the time a repair notice is given, Landlord is not obligated to make the repair. In the event of an emergency related to the condition of the Unit that materially affects the physical health or safety of an ordinary tenant, Tenant may call Landlord or, if applicable, the property manager, at (210)479-1616 . Ordinarily a repair to the heating and air conditioning system is not an emergency.

B. NOTICE: If Landlord fails to repair a condition that materially affects the physical health or safety of an ordinary tenant as required by this lease or the Property Code, Tenant may be entitled to exercise remedies under §92.056 and §92.0561 of the Property Code. If Tenant follows the procedures under those sections, the following remedies may be available to Tenant: (1) terminate the lease and obtain an appropriate refund under §92.056(f); (2) have the condition repaired or remedied according to §92.0561; (3) deduct from the rent the cost of the repair or remedy according to §92.0561; and (4) obtain judicial remedies according to §92.0563. Do not exercise these remedies without consulting an attorney or

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carefully reviewing the procedures under the applicable sections. The Property Code presumes that 7 days is a reasonable period of time for the Landlord to repair a condition unless there are circumstances which establish that a different period of time is appropriate (such as the severity and nature of the condition and the availability of materials, labor, and materials). Failure to strictly follow the procedures in the applicable sections may cause Tenant to be in default of the lease.

C. Completion of Repairs:

(1) Tenant may not repair or cause to be repaired any condition, regardless of the cause, without Landlord's permission. All decisions regarding repairs, including the completion of any repair, whether to repair or replace the item, and the selection of contractors, will be at Landlord's sole discretion.

(2) Landlord is not obligated to complete a repair on a day other than a business day unless required to do so by the Property Code.

D. Payment of Repair Costs:

(1) Except as otherwise specified in this lease, Landlord will pay to repair or remedy conditions in the Unit in need of repair if Tenant complies with the procedures for requesting repairs as described in this Paragraph 18. This includes, but is not limited to, repairs to the following items not caused by Tenant or Tenant's negligence:

(a) heating and air conditioning systems;

(b) water heaters; or

(c) water penetration from structural defects.

(2) Landlord will NOT pay to repair the following items unless caused by Landlord's negligence:

(a) conditions caused by Tenant, an Occupant, or any guest or invitee of Tenant;

(b) damage to doors, windows, and screens;

(c) damage from windows or doors left open;

(d) damage from wastewater stoppages caused by foreign or improper objects in lines that exclusively serve the Unit;

(e) items that are cosmetic in nature with no impact on the functionality or use of the item; and

(f) the following specific items or appliances: _____

_____

_____ .

E. Trip Charges: If a repair person is unable to access the Unit after making arrangements with Tenant to complete the repair, Tenant will pay any trip charge the repair person may charge, which amount may be different from the amount stated in Paragraph 14C.

F. Advance Payments and Reimbursements: Landlord may require advance payment of repairs or payments under this Paragraph 18 for which Tenant is responsible. Tenant must promptly reimburse Landlord the amounts under this Paragraph 18 for which Tenant is responsible.

19. SECURITY DEVICES AND EXTERIOR DOOR LOCKS:

A. Subchapter D, Chapter 92, Property Code requires the Unit to be equipped with certain types of locks and security devices, including (with some exceptions): (1) window latches on each window; (2) a keyed doorknob lock or keyed deadbolt lock on each exterior door; (3) a sliding door pin lock on each exterior sliding glass door of the dwelling; (4) a sliding door handle latch or a sliding door security bar on each exterior sliding glass door of the dwelling; and (5) a keyless bolting device and a door viewer on each exterior door of the dwelling. Landlord has rekeyed the security devices since the last occupant vacated the Unit or will rekey the security devices within 7 days after Tenant moves in. "Security device" has the meaning assigned to that term in §92.151, Property Code.

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B. All notices or requests by Tenant for rekeying, changing, installing, repairing, or replacing security devices must be in writing. Installation of additional security devices or additional rekeying or replacement of security devices desired by Tenant may be paid by Tenant in advance in accordance with §92.162(c), Property Code, and may be installed only by contractors authorized by Landlord.

C. If Tenant vacates the Unit in breach of this lease, Landlord may deduct from the security deposit reasonable costs incurred by Landlord to rekey security devices as authorized by §92.156(e), Property Code.

20. SMOKE ALARMS: Subchapter F, Chapter 92, Property Code requires the Unit to be equipped with smoke alarms in certain locations. Requests for additional installation, inspection, or repair of smoke alarms must be in writing. Disconnecting or intentionally damaging a smoke alarm or removing a battery without immediately replacing it with a working battery may subject Tenant to civil penalties and liability for damages and attorney fees under §92.2611, Property Code.

21. LIABILITY: Unless caused by Landlord, Landlord is not responsible to Tenant, Tenant's guests, family, or occupants for any damages, injuries, or losses to person or property caused by fire, flood, water leaks, ice, snow, hail, winds, explosion, smoke, interruption of utilities, theft, burglary, robbery, assault, vandalism, other persons, condition of the Property or Unit, environmental contaminants (for example, carbon monoxide, asbestos, radon, lead-based paint, mold, fungus, etc.), or other occurrences or casualty losses. Tenant will promptly reimburse Landlord for any loss, property damage, or cost of repairs or service to the Property or Unit caused by Tenant, Tenant's guests, any occupants, or any pets.

22. HOLDOVER: If Tenant fails to vacate the Unit at the time this lease ends Tenant will pay Landlord rent for the holdover period and indemnify Landlord and prospective tenants for damages, including but not limited to lost rent, lodging expenses, costs of eviction, and attorneys' fees. Rent for any holdover period will be three (3) times the monthly rent, calculated on a daily basis, and will be immediately due and payable daily without notice or demand.

23. RESIDENTIAL LANDLORD'S LIEN: Landlord will have a lien for unpaid rent against all of Tenant's nonexempt personal property that is in the Unit or on the Property and may seize such nonexempt property if Tenant fails to pay rent. Subchapter C, Chapter 54, Property Code governs the rights and obligations of the parties regarding Landlord's lien. Landlord may collect a charge for packing, removing, or storing property seized in addition to any other amounts Landlord is entitled to receive. Landlord may sell or dispose of any seized property in accordance with the provisions of §54.045, Property Code.

24. SUBORDINATION: This lease and Tenant's leasehold interest are and will be subject, subordinate, and inferior to: (i) any lien or encumbrance now or later placed on the Unit or Property by Landlord; (ii) all advances made under any such lien or encumbrance; (iii) the interest payable on any such lien or encumbrance; (iv) any and all renewals and extensions of any such lien or encumbrance; (v) any restrictive covenant; and (vi) the rights of any owners' association affecting the Unit or Property.

25. CASUALTY LOSS OR CONDEMNATION: Section 92.054, Property Code governs the rights and obligations of the parties regarding a casualty loss to the Unit and Property. Any proceeds, payment for damages, settlements, awards, or other sums paid because of a casualty loss to the Unit or Property will be Landlord's sole property. For the purpose of this lease, any condemnation of all or a part of the Unit is a casualty loss.

26. SPECIAL PROVISIONS: *(Do not insert a lease-option or lease-purchase clause without the assistance of legal counsel. Special obligations and liabilities under statute apply to such transactions.)*

27. DEFAULT:

A. If Landlord fails to comply with this lease, Tenant may seek any relief provided by law.

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B. If Tenant fails to timely pay all amounts due under this lease or otherwise fails to comply with this lease, Tenant will be in default and:

(1) Landlord may terminate Tenant's right to occupy the Unit by providing Tenant with at least one day written notice to vacate;
(2) all unpaid rents which are payable during the remainder of this lease or any renewal period will be accelerated without notice or demand;
(3) Landlord may exercise Landlord's lien under Paragraph 23 and any other rights under this lease or the Property Code; and
(4) Tenant will be liable for:
(a) any lost rent;
(b) Landlord's cost of reletting the Unit including but not limited to leasing fees, advertising fees, utility charges, and other fees reasonably necessary to relet the Unit;
(c) repairs to the Unit for use beyond normal wear and tear;
(d) all Landlord's costs associated with eviction of Tenant, including but not limited to attorney's fees, court costs, costs of service, witness fees, and prejudgment interest;
(e) all Landlord's costs associated with collection of amounts due under this lease, including but not limited to collection fees, late charges, and returned check charges; and
(f) any other recovery to which Landlord may be entitled by law.

C. Notice to vacate under Paragraph 27B(1) may be by any means permitted by §24.005, Property Code.

D. If Tenant vacates the Unit in breach of this lease, Landlord may deduct from the security deposit the reasonable costs to rekey certain security devices, as provided in Paragraph 19.

E. Landlord will attempt to mitigate any damage or loss caused by Tenant's breach by attempting to relet the Unit to acceptable tenants and reducing Tenant's liability accordingly.

28. EARLY TERMINATION: This lease begins on the Commencement Date and ends on the Expiration date unless: (i) renewed under Paragraph 4; (ii) extended by written agreement of the parties; or (iii) terminated earlier under Paragraph 27, by agreement of the parties, applicable law, or this Paragraph 28. Tenant is not entitled to early termination due to voluntary or involuntary job or school transfer, changes in marital status, loss of employment, loss of co-tenants, changes in health, purchase of property, or death.

A. Special Statutory Rights: Tenants may have special statutory rights to terminate the lease early in certain situations involving family violence, military deployment or transfer, or certain sex offenses or stalking.

(1) Military: If Tenant is or becomes a servicemember or a dependent of a servicemember, Tenant may terminate this lease by delivering to Landlord a written notice of termination and a copy of an appropriate government document providing evidence of: (a) entrance into military service; (b) military orders for a permanent change of station (PCS); or (c) military orders to deploy with a military unit for not less than 90 days. Termination is effective on the 30th day after the first date on which the next rental payment is due after the date on which the notice is delivered. Section 92.017, Property Code governs the rights and obligations of the parties under this paragraph.

(2) Family Violence: Tenant may terminate this lease if Tenant provides Landlord with a copy of a court order described under §92.016, Property Code protecting Tenant or an occupant from family violence committed by a cotenant or occupant of the Unit. Section 92.016, Property Code governs the rights and obligations of the parties under this paragraph. If the family violence is committee by someone other than a cotenant or co-occupant of the Property, Tenant must give written notice of termination 30 days prior to the effective date of the notice.

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(3) Sex Offenses or Stalking: Tenant may have special statutory rights to terminate this lease in certain situations involving certain sexual offenses or stalking, if the Tenant provides Landlord with the documentation required by §92.0161, Property Code. For more information about the types of situations covered by this provision, Tenant is advised to review §92.0161, Property Code.

B. Assignment, Subletting and Replacement Tenants:

(1) Tenant may not assign this lease or sublet the Unit without Landlord's written consent.

(2) If Tenant requests an early termination of this lease under this Paragraph 28B, Tenant may attempt to find a replacement tenant and may request Landlord to do the same. Landlord may, but is not obligated to, attempt to find a replacement tenant under this paragraph.

(3) Any assignee, subtenant, or replacement tenant must, in Landlord's discretion, be acceptable as a tenant and must sign: (a) a new lease with terms not less favorable to Landlord than this lease or otherwise acceptable to Landlord; (b) a sublease with terms approved by Landlord; or (c) an assignment of this lease in a form approved by Landlord.

(4) At the time Landlord agrees to permit an assignee, subtenant, or replacement tenant to occupy the Unit, Tenant will pay Landlord:
(a) if Tenant procures the assignee, subtenant, or replacement tenant:
☐ (i) $ _____ .
☒ (ii) 50.000 % of one month's rent that the assignee, subtenant, or replacement tenant is to pay.

(b) if Landlord procures the assignee, subtenant, or replacement tenant:
☐ (i) $ _____ .
☒ (ii) 50.000 % of one month's rent that the assignee, subtenant, or replacement tenant is to pay.

(5) Unless expressly stated otherwise in an assignment or sublease, Tenant will not be released from Tenant's obligations under this lease because of an assignment or sublease. An assignment of this lease or a sublease of this lease without Landlord's written consent is voidable by Landlord.

29. ATTORNEY'S FEES: Any person who is a prevailing party in any legal proceeding brought under or related to the transaction described in this lease is entitled to recover prejudgment interest, attorney's fees, costs of service, and all other costs of the legal proceeding from the non-prevailing party.

30. REPRESENTATIONS: Tenant's statements in this lease and any application for rental are material representations. Each party to this lease represents that he or she is of legal age to enter into a contract. If Tenant makes a misrepresentation in this lease or in an application for rental, Tenant is in default.

31. ADDENDA: Incorporated into this lease are the following addenda, exhibits and other information. If Landlord's Rules and Regulations are made part of this lease, Tenant agrees to comply with the Rules and Regulations as Landlord may, at Landlord's discretion, amend from time to time.

☐ Addendum Regarding Lead-Based Paint
☒ Inventory & Condition Form
☐ Landlord's Additional Parking Rules
☐ Pet Agreement
☐ Protecting Your Home from Mold
☐ _____
☐ Residential Lease Guaranty
☐ Landlord's Rules
☐ Owners' Association Rules
☐ Agreement Between Brokers
☐ Residential Lease Application

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32. NOTICES: All notices under this lease must be in writing and are effective when hand-delivered, sent by mail, or sent by electronic transmission to *(Do not insert an e-mail address or a fax number unless the party consents to receive notices under this lease at the e-mail address or fax number specified.)*:

Tenant at the Unit and a copy to:	Landlord c/o:
_____	Stonewall Property Group
_____	4737 Shavano Oak Suite 105
_____	San Antonio, TX 78249
E-mail: _____	E-mail: admin@stonewallpropertygroup.com
Fax: _____	Fax: (210)479-1614

33. AGREEMENT OF PARTIES:

A. Entire Agreement: There are no oral agreements between Landlord and Tenant. This lease contains the entire agreement between Landlord and Tenant and may not be changed except by written agreement.

B. Binding Effect: This lease is binding upon and inures to the benefit of the parties to this lease and their respective heirs, executors, administrators, successors, and permitted assigns.

C. Joint and Several: All Tenants are jointly and severally liable for all provisions of this lease. Any act or notice to, refund to, or signature of, any one or more of the Tenants regarding any term of this lease, its extension, its renewal, or its termination is binding on all Tenants executing this lease.

D. Waiver: Landlord's past delay, waiver, or non-enforcement of a rental due date or any other right will not be deemed to be a waiver of any other breach by Tenant or any other right in this lease.

E. Severable Clauses: Should a court find any clause in this lease unenforceable, the remainder of this lease will not be affected and all other provisions in this lease will remain enforceable.

F. Controlling Law: The laws of the State of Texas govern the interpretation, validity, performance, and enforcement of this lease.

G. Copyright: If an active REALTOR® member of the Texas Association of REALTORS® does not negotiate this lease as a party or for one of the parties, with or without the assistance by an active member of the State Bar of Texas, this lease is voidable at will by Tenant.

34. INFORMATION:

A. Future inquiries about this lease, rental payments, and security deposits should be directed to the person listed for receipt of notices for Landlord under Paragraph 32.

B. It is Tenant's responsibility to determine, before signing this lease, if: (i) all services (e.g., utilities, connections, schools, and transportation) are accessible to or from the Unit; (ii) such services are sufficient for Tenant's needs and wishes; and (iii) Tenant is satisfied with the Unit's and Property's condition.

C. The brokers to this lease have no knowledge of whether Landlord is delinquent in the payment of any lien against the Unit or Property.

D. Unpaid rent and any unpaid amount under this lease are reportable to credit reporting agencies.

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E. Landlord is not obligated to respond to any request for Tenant's rental and payment history from a mortgage company or other prospective landlord until Tenant has given notice of termination of this lease and Tenant is not in breach of this lease. *(Notice: Landlord or Landlord's agent may charge a reasonable fee for processing such information.)* Tenant authorizes Landlord to disclose personal information about Tenant and Tenant's rental history for law enforcement and governmental purposes.

F. If all occupants over 18 years of age die during this lease, Landlord may: (i) permit the person named below to access the Unit at reasonable times in Landlord's or Landlord's agent's presence; (ii) permit the named person to remove Tenant's personal property; and (iii) refund the security deposit, less deductions, to the named person. Section 92.014, Property Code governs procedures to follow in the event of a tenant's death.

Name: _____ Phone: _____
Address: _____
E-mail: _____

G. The Texas Department of Public Safety maintains a database that the public may search, at no cost, to determine if registered sex offenders are located in certain areas (see www.txdps.state.tx.us under on-line services). For information concerning past criminal activity in certain areas, contact the local police department.

H. Landlord's insurance does not cover Tenant from loss of personal property. Landlord highly recommends that Tenant obtain liability insurance and insurance for casualties such as fire, flood, water damage, and theft.

I. Landlord's broker, Stonewall Property Group ,
☒ will ☐ will not act as the property manager for landlord. If property is not managed by above-named broker, Property will be managed by ☐ Landlord or ☐ property manager for Landlord:
Name of property manager: _____ Phone: _____
Address: _____
E-mail: _____

J. This lease is negotiable between the parties. This lease is binding upon final acceptance. READ IT CAREFULLY. If you do not understand the effect of this lease, consult your attorney BEFORE signing.

Landlord Carl Merkle Date	Tenant Brenda Kindred Date
Landlord DBA Northeast Village Apts Date	Tenant Date
Or signed for Landlord under written property management agreement or power of attorney:	Tenant Date
By: _____ Date	Tenant Date
Broker's Associate's Printed Name	
William Wheeler 464095 Broker's Printed Name License No.	

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For Landlord's Use:

On _____ * (*date*), Landlord provided a copy of the lease, signed by all parties, to at least one Tenant by ❑ mail ❑ e-mail ❑ fax ❑ in person.

Note: Landlord must provide at least one copy of the lease to at least one Tenant* ***no later than three business days* *after the date the lease is signed by each party to the lease. Additionally, if more than one tenant is a party to the lease, no later than three business days after the date the Landlord receives a written request for a copy of a lease from a tenant who has not already received one as required above, the Landlord must provide a copy to the requesting tenant. Landlord may provide the copy of the lease in: (1) a paper format; (2) an electronic format if requested by the tenant; or (3) by e-mail if the parties have communicated by e-mail regarding the lease. See § 92.024, Property Code, for more details.*

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SCHEDULE E (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Supplemental Income and Loss

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

▶ **Attach to Form 1040, 1040NR, or Form 1041.**

▶ **Information about Schedule E and its separate instructions is at *www.irs.gov/schedulee*.**

OMB No. 1545-0074

2013

Attachment Sequence No. **13**

Name(s) shown on return: Carl N Merkle

Your social security number

Part I **Income or Loss From Rental Real Estate and Royalties** **Note.** If you are in the business of renting personal property, use **Schedule C** or **C-EZ** (see instructions). If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

A Did you make any payments in 2013 that would require you to file Form(s) 1099? (see instructions) ☐ Yes ☒ No

B If "Yes," did you or will you file required Forms 1099? ☐ Yes ☐ No

1a	Physical address of each property (street, city, state, ZIP code)
A	4535 Schertz Road San Antonio TX 78233
B	
C	

1b	Type of Property (from list below)	**2** For each rental real estate property listed above, report the number of fair rental and personal use days. Check the **QJV** box only if you meet the requirements to file as a qualified joint venture. See instructions.		**Fair Rental Days**	**Personal Use Days**	**QJV**
A	2		**A**	365	0	☐
B			**B**			☐
C			**C**			☐

Type of Property:

1 Single Family Residence
2 Multi-Family Residence
3 Vacation/Short-Term Rental
4 Commercial
5 Land
6 Royalties
7 Self-Rental
8 Other (describe)

Income:	**Properties:**		**A**	**B**	**C**
3	Rents received	**3**	195,381.		
4	Royalties received	**4**			
Expenses:					
5	Advertising	**5**			
6	Auto and travel (see instructions)	**6**			
7	Cleaning and maintenance	**7**	4,990.		
8	Commissions	**8**			
9	Insurance	**9**	11,434.		
10	Legal and other professional fees	**10**			
11	Management fees	**11**	19,553.		
12	Mortgage interest paid to banks, etc. (see instructions)	**12**	70,554.		
13	Other interest	**13**			
14	Repairs	**14**	18,219.		
15	Supplies	**15**	2,554.		
16	Taxes	**16**	36,382.		
17	Utilities	**17**	25,372.		
18	Depreciation expense or depletion	**18**	43,867.		
19	Other (list) ▶ See Line 19 Other Expenses	**19**	3,349.		
20	Total expenses. Add lines 5 through 19	**20**	236,274.		
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file **Form 6198**	**21**	-40,893.		
22	Deductible rental real estate loss after limitation, if any, on **Form 8582** (see instructions)	**22**	(40,893.)	( )	( )

23a	Total of all amounts reported on line 3 for all rental properties	**23a**	195,381.
b	Total of all amounts reported on line 4 for all royalty properties	**23b**	
c	Total of all amounts reported on line 12 for all properties	**23c**	70,554.
d	Total of all amounts reported on line 18 for all properties	**23d**	43,867.
e	Total of all amounts reported on line 20 for all properties	**23e**	236,274.

24	**Income.** Add positive amounts shown on line 21. **Do not** include any losses	**24**	
25	**Losses.** Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	**25**	(40,893.)
26	**Total rental real estate and royalty income or (loss).** Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2 NPA	**26**	-40,893.

-40,893.

For Paperwork Reduction Act Notice, see the separate instructions. BAA REV 03/03/14 TTW **Schedule E (Form 1040) 2013**

SCHEDULE E (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Supplemental Income and Loss

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

▶ **Attach to Form 1040, 1040NR, or Form 1041.**

▶ **Information about Schedule E and its separate instructions is at *www.irs.gov/schedulee*.**

OMB No. 1545-0074

2014

Attachment Sequence No. **13**

Name(s) shown on return: Carl N Merkle & Olena Ilchenko

Your social security number

Part I **Income or Loss From Rental Real Estate and Royalties** **Note.** If you are in the business of renting personal property, use **Schedule C** or **C-EZ** (see instructions). If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

A Did you make any payments in 2014 that would require you to file Form(s) 1099? (see instructions) ☐ Yes ☒ No

B If "Yes," did you or will you file required Forms 1099? ☐ Yes ☐ No

1a	Physical address of each property (street, city, state, ZIP code)
A	4535 Schertz Road San Antonio TX 78233
B	
C	

1b	Type of Property (from list below)	**2** For each rental real estate property listed above, report the number of fair rental and personal use days. Check the **QJV** box only if you meet the requirements to file as a qualified joint venture. See instructions.		**Fair Rental Days**	**Personal Use Days**	**QJV**
A	2		**A**	365	0	☐
B			**B**			☐
C			**C**			☐

Type of Property:

1 Single Family Residence
2 Multi-Family Residence
3 Vacation/Short-Term Rental
4 Commercial
5 Land
6 Royalties
7 Self-Rental
8 Other (describe)

Income:	**Properties:**		**A**	**B**	**C**
3	Rents received	**3**	140,922.		
4	Royalties received	**4**			
Expenses:					
5	Advertising	**5**	117.		
6	Auto and travel (see instructions)	**6**			
7	Cleaning and maintenance	**7**	1,060.		
8	Commissions	**8**			
9	Insurance	**9**	18,042.		
10	Legal and other professional fees	**10**			
11	Management fees	**11**	14,315.		
12	Mortgage interest paid to banks, etc. (see instructions)	**12**	68,486.		
13	Other interest	**13**			
14	Repairs	**14**	17,444.		
15	Supplies	**15**	525.		
16	Taxes	**16**	38,411.		
17	Utilities	**17**	53,406.		
18	Depreciation expense or depletion	**18**	43,867.		
19	Other (list) ▶ See Line 19 Other Expenses	**19**	15,501.		
20	Total expenses. Add lines 5 through 19	**20**	271,174.		
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file **Form 6198**	**21**	-130,252.		
22	Deductible rental real estate loss after limitation, if any, on **Form 8582** (see instructions)	**22**	(130,252.)	( )	( )

23a	Total of all amounts reported on line 3 for all rental properties	**23a**	140,922.
b	Total of all amounts reported on line 4 for all royalty properties	**23b**	
c	Total of all amounts reported on line 12 for all properties	**23c**	68,486.
d	Total of all amounts reported on line 18 for all properties	**23d**	43,867.
e	Total of all amounts reported on line 20 for all properties	**23e**	271,174.

24	**Income.** Add positive amounts shown on line 21. **Do not** include any losses	**24**	
25	**Losses.** Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	**25**	(130,252.)
26	**Total rental real estate and royalty income or (loss).** Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2 . NPA	**26**	-130,252.

For Paperwork Reduction Act Notice, see the separate instructions. BAA REV 12/31/14 TTW -130,252. **Schedule E (Form 1040) 2014**

SCHEDULE E (Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Supplemental Income and Loss

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

▶ **Attach to Form 1040, 1040NR, or Form 1041.**

▶ **Information about Schedule E and its separate instructions is at *www.irs.gov/schedulee*.**

OMB No. 1545-0074

2015

Attachment Sequence No. **13**

Name(s) shown on return: Carl N Merkle & Olena Ilchenko

Your social security number

Part I **Income or Loss From Rental Real Estate and Royalties** **Note:** If you are in the business of renting personal property, use **Schedule C** or **C-EZ** (see instructions). If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

A Did you make any payments in 2015 that would require you to file Form(s) 1099? (see instructions) ☐ Yes ☒ No

B If "Yes," did you or will you file required Forms 1099? ☐ Yes ☐ No

1a	Physical address of each property (street, city, state, ZIP code)
A	4535 Schertz Road San Antonio TX 78233
B	
C	

1b	Type of Property (from list below)	**2** For each rental real estate property listed above, report the number of fair rental and personal use days. Check the **QJV** box only if you meet the requirements to file as a qualified joint venture. See instructions.		**Fair Rental Days**	**Personal Use Days**	**QJV**
A	2		**A**	365	0	☐
B			**B**			☐
C			**C**			☐

Type of Property:

1 Single Family Residence
2 Multi-Family Residence
3 Vacation/Short-Term Rental
4 Commercial
5 Land
6 Royalties
7 Self-Rental
8 Other (describe)

Income:	**Properties:**		**A**	**B**	**C**
3	Rents received	**3**	200,162.		
4	Royalties received	**4**			
Expenses:					
5	Advertising	**5**			
6	Auto and travel (see instructions)	**6**			
7	Cleaning and maintenance	**7**	965.		
8	Commissions	**8**	2,482.		
9	Insurance	**9**	14,701.		
10	Legal and other professional fees	**10**			
11	Management fees	**11**	17,904.		
12	Mortgage interest paid to banks, etc. (see instructions)	**12**	58,875.		
13	Other interest	**13**			
14	Repairs	**14**	19,757.		
15	Supplies	**15**	8,628.		
16	Taxes	**16**	24,606.		
17	Utilities	**17**	53,420.		
18	Depreciation expense or depletion	**18**	43,867.		
19	Other (list) ▶ See Line 19 Other Expenses	**19**	2,922.		
20	Total expenses. Add lines 5 through 19	**20**	248,127.		
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file **Form 6198**	**21**	-47,965.		
22	Deductible rental real estate loss after limitation, if any, on **Form 8582** (see instructions)	**22**	(47,965.)	( )	( )

23a	Total of all amounts reported on line 3 for all rental properties	**23a**	200,162.
b	Total of all amounts reported on line 4 for all royalty properties	**23b**	
c	Total of all amounts reported on line 12 for all properties	**23c**	58,875.
d	Total of all amounts reported on line 18 for all properties	**23d**	43,867.
e	Total of all amounts reported on line 20 for all properties	**23e**	248,127.

24	**Income.** Add positive amounts shown on line 21. **Do not** include any losses	**24**	
25	**Losses.** Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	**25**	(47,965.)
26	**Total rental real estate and royalty income or (loss).** Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2 . NPA	**26**	-47,965.

For Paperwork Reduction Act Notice, see the separate instructions. BAA REV 03/14/16 TTW -47,965. **Schedule E (Form 1040) 2015**

QUALIFICATIONS OF ROBERT H. RUNDQUIST

EDUCATIONAL BACKGROUND

Boonton High School

LICENSES/DESIGNATIONS

State Certified General Real Estate Appraiser, Certificate No. TX-1337599-G

APPRAISAL EDUCATION - COURSES AND SEMINARS

The Texas A&M 20th Annual Outlook for the Texas Land Market
The Texas A&M 23rd Annual Outlook for the Texas Land Market
Appraisal Issues
Real Estate Appraisal
Real Estate Principals
Real Estate Finance
Income Property Valuation- I
Income Property Valuation- II
Residential Market Analyses and H&B Use
Appraisal X URAR
Practice of Appraisal Review-FHA Protocol
FHA Today
Fannie Mae Today
Appraising Residential Properties
Identifying Relevant Characteristics
USPAP
Investment Analyses for Appraisers

CAREER EXPERIENCE

Mr. Rundquist has performed appraisals and appraisal reviews of real property types in Texas and California to include retail, office, medical, hotel, service stations, religious facilities, multi-Family and industrial properties for both existing and proposed properties in addition to the valution of raw land, agricultural land and residential subdivisions.

GENERAL REAL ESTATE EXPERIENCE

Mr. Rundquist has been actively involved in the appraisal of real estate in excess of 10 years, performing appraisal, appraisal reviews and consultation for a variety of clients including; lenders, credit unions, municipalities, individuals, partnerships, corporations, real estate developers, and attorneys.

PROPERTY TYPES APPRAISED

Mr. Rundquist performs anywhere from 75 to 125 appraisals per year for various clients which are utilized for variety of uses to include loan underwriting, foreclosures, condemnation cases, estate valuations, feasibility analysis, tax protests, and marketing direction.

A list of the various property types appraised include the following:

- Vacant land/residential and commercial
- Residential subdivisions (existing and proposed)
- Retail Buildings/Shopping Centers, etc.

- Ground leases/Billboards
- Medical Office Buildings
- Restaurants
- Mini-Storage Facilities
- Farm and Ranch properties (large and small acreage tracts)
- Apartments/Multi-family projects
- 2-4 Family Residential (Existing and proposed)
- General Office Buildings
- Industrial and Manufacturing Facilities (Existing and proposed)
- Condominiums (Residential and Office) (Existing and proposed)
- Special Purpose properties
- Market Rental Analysis
- Forecast Annual Rent Surveys for GSA

Texas Appraiser Licensing and Certification Board

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

Certified General Real Estate Appraiser

Number: **TX 1337599 G**

Issued: **10/13/2015** Expires: **12/31/2017**

Appraiser: **ROBERT HARRY RUNDQUIST**

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

QUALIFICATIONS OF BLAIR T. STOUFFER, MAI, SRA

BIOGRAPHICAL AND EDUCATIONAL BACKGROUND

Blair T. Stouffer was born in San Antonio, Texas and attended Alamo Heights High School. Graduating in 1972, he attended the University of Texas at Austin after receiving a full baseball scholarship. Honors received at the University of Texas included being a member of the Silver Spurs Honorary Service Organization, All College World Series Tournament Team, 1975, District 6 All Tournament Team 1974 & 1975, All Southwest Conference Team. After his junior season at UT, he signed professionally with the Texas Rangers Baseball Club playing four seasons in the Ranger organization. He graduated in 1977 from the University of Texas at Austin with a B.B.A.

Blair T. Stouffer has been involved in the real estate appraisal industry since 1978. He received his SRPA designation from the Society of Real Estate Appraisers in 1985 and received his MAI designation from the American Institute of Real Estate Appraisers in 1988. Mr. Stouffer has served on various committees within both organizations to include being past Vice President, past secretary, past treasurer, and chairman of the Professional Practice Committee of the Society of Real Estate Appraisers. He has also been a member of the Review and Counseling Committee of the Appraisal Institute as well as serving on the Admissions Committee for many years. He is a **past President of the San Antonio Chapter of the Appraisal Institute (1994).** Due to the merger between the Society of Real Estate Appraisers and the Appraisal Institute in 1991, Mr. Stouffer currently is noted as having the MAI designation and the SRA designation (SRA designation taking the place of SRPA designation)

Mr. Stouffer has taken a vast amount of courses in order to obtain his designations in addition to seminars/courses which satisfy Appraisal Institute requirements relating to continuing education. He is currently certified under the Continuing Education Requirements of the Appraisal Institute in addition to being State Certified by the State of Texas (TX1320799-G).

Blair T. Stouffer, MAI, SRA is the founder of **Blair T. Stouffer & Associates** with the company name changed in 2003 to **Stouffer & Associates LLP. Stouffer & Associates, LLP** is a full service Real Estate Appraisal firm with a diverse range of experience in valuating numerous property types. Stouffer & Associates LLP has appraised properties throughout the State of Texas and specializes primarily in the San Antonio and surrounding areas inclusive of South Texas, Austin, New Braunfels, San Marcos, Boerne, and various other cities within this locale. Mr. Stouffer has also testified as an expert witness in both State and Federal Court on behalf of both debtors and creditors.

LICENSES/DESIGNATIONS

MAI	(Designated by the Appraisal Institute) Member #7855 [6/14/88]
SRA	(Senior Residential Appraiser) - Appraisal Institute
Broker	Licensed Real Estate Broker of the State of Texas **#281356**
Appraisal	"State Certified" TX-1320799-G (May 31, 2017)

PROPERTY TYPES APPRAISED

A list of the various property types appraised include the following:

- Vacant land/residential and commercial
- Residential subdivisions and mixed use developments
- Retail Buildings/Shopping Centers, etc.
- Ground leases/Billboards
- Medical Office Buildings
- Farm and Ranch properties
- Apartments/Multi-family projects
- Churches
- Single Family Residential
- 2-4 Family Residential
- Office Buildings
- Industrial and Manufacturing Facilities
- Resort Properties
- Motels/Hotels/Restaurants, etc.
- Condominiums (Residential and Office)
- Special Purpose properties inclusive of Nursing homes, cemeteries, mobile home parks, Automotive Facilities, Truck Stops/Freight Terminals, FBO's. (Airport) etc.

PROFESSIONAL ORGANIZATIONS/OFFICES

President/Member	1997	Real Estate Breakfast Club
President/Member	1994	Appraisal Institute - SA Chapter
1st Vice President	1992	Appraisal Institute - SA Chapter
2nd Vice President	1991	Appraisal Institute - SA Chapter
Chairman	1989-1992	Admissions Committee - (AIREA)
Program Director	1991	San Antonio Chapter - (AIREA)
Vice President	1991	Society of Real Estate Appraisers - SA Chapter
Secretary	1991	Appraisal Institute - San Antonio Chapter
Secretary	1989-1990	Society of Real Estate Appraisers - SA Chapter
Chairman	1988-1990	Professional Practice Committee
Director	1989	Society of Real Estate Appraisers - SA Chapter
Treasurer	1988-1989	Society of Real Estate Appraisers - SA Chapter
Chairman	1987	Society of Real Estate Appraisers - SA Chapter

PROFESSIONAL MEMBERSHIPS

Texas Association of Realtors
San Antonio Board of Realtors
Real Estate Council of San Antonio

Texas Appraiser Licensing and Certification Board

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

Certified General Real Estate Appraiser

Number: **TX 1320799 G**

Issued: **05/27/2015** Expires: **05/31/2017**

Appraiser: **BLAIR TODD STOUFFER**

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

CLIENT REFERENCES

Broadway National Bank 1177 N.E. Loop 410 San Antonio, Texas 78209	Attn:	Mr. James D. Goudge CEO and Chairman 210-283-6500
Bandera Bank P.O. Box 1596 Bandera, Texas 75003	Attn:	Mr. Ken Finley Senior Vice President 830-796-3711
Bank of America 3500 West Eldorado Parkway McKinney, Texas 75070	Attn:	Mr. James A. Rosso, Jr., MAI, SRA Vice President 214-856-3307
Comerica Bank-Texas 1508 W. Mockingbird Lane Dallas, Texas 75235	Attn:	Mr. Marc S. Farmer Vice President 214-589-4752
First State Bank of Uvalde 200 E. Nopal Uvalde, Texas 78802	Attn:	Ms. Janet Foley Vice President 830-278-6231
Frost Bank 100 W. Houston San Antonio, Texas 78205	Attn:	Ms. Delores L. Kraft-Longoria, MAI Appraisal Services 210-220-5051
International Bank of Commerce 130 E. Travis San Antonio, Texas 78205	Attn:	Mr. Michael Sohn President 210-518-2508
Jefferson State Bank 2900 Fredericksburg Road San Antonio, Texas 78201	Attn:	Mr. Danny Butler President & Chief Operation Officer 210-731-4663
Lone Star Capital Bank 150 North Loop 1604 East San Antonio, Texas 78232	Attn:	Mr. Steve Turner Senior Vice President 210-496-6116
PlainsCapital Bank 70 NE Loop 410, Suite 100 San Antonio, Texas 78216	Attn:	Mr. Mark Outlaw Senior Vice President 210-541-8228
Schertz Bank & Trust 519 Main Street Schertz, Texas 78154	Attn:	Mr. Lewis Borgfeld Executive Vice President 210-945-7400

Security State Bank Box S Pearsall, Texas 78061	Attn:	Mr. Larry Neal Sr. Vice President 830-334-3606
Texas Capital Bank 745. E. Mulberry, Ste. 250 San Antonio, Texas 78212	Attn:	Ms. Laurie Griffith Executive Vice President 210-785-3608
Texas Department of Transportation 519 Main Street San Antonio, Texas 78229	Attn:	Mr. Lee Ketchum Right of Way Appraiser 210-615-6013
Texas Heritage Bank 1208 S. Main Boerne, Texas 78006	Attn:	Mr. Steve Mack President & CEO 830-249-3955
Wells Fargo Bank 4101 Wiseman Blvd., Bldg. 102 San Antonio, Texas 78251	Attn:	Mr. Brian Frilot Job Manager 210-856-7028