

**UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

IN RE:	§	Chapter 11
	§	
1776 AMERICAN PROPERTIES IV LLC, et. al.¹	§	CASE NO. 17-30422-KKB
	§	
	§	Jointly Administered
	§	

**MOTION FOR ORDER (A) AUTHORIZING AND APPROVING THE SALE OF 11515
INGA LANE, HOUSTON, TEXAS 77064 FREE AND CLEAR OF ALL LIENS, CLAIMS
ENCUMBRANCES AND OTHER INTERESTS, AND (B) APPROVING THE EARNEST
MONEY CONTRACT**

**THIS MOTION SEEKS AN ORDER THAT MAY ADVERSELY AFFECT YOU. IF YOU
OPPOSE THE MOTION, YOU SHOULD IMMEDIATELY CONTACT THE MOVING
PARTY TO RESOLVE THE DISPUTE. IF YOU AND THE MOVING PARTY CANNOT
AGREE, YOU MUST FILE A RESPONSE AND SEND A COPY TO THE MOVING
PARTY. YOU MUST FILE AND SERVE YOUR RESPONSE WITHIN 21 DAYS OF THE
DATE THIS WAS SERVED ON YOU. YOUR RESPONSE MUST STATE WHY THE
MOTION SHOULD NOT BE GRANTED. IF YOU DO NOT FILE A TIMELY
RESPONSE, THE RELIEF MAY BE GRANTED WITHOUT FURTHER NOTICE TO
YOU. IF YOU OPPOSE THE MOTION AND HAVE NOT REACHED AN AGREEMENT,
YOU MUST ATTEND THE HEARING. UNLESS THE PARTIES AGREE OTHERWISE,
THE COURT MAY CONSIDER EVIDENCE AT THE HEARING AND MAY DECIDE
THE MOTION AT THE HEARING.**

**THE COURT WILL CONDUCT A HEARING ON THIS MATTER ON SEPTEMBER 18,
2017, AT 10:30 A.M., IN COURTROOM 403, HOUSTON, TEXAS 77002.**

REPRESENTED PARTIES SHOULD ACT THROUGH THEIR ATTORNEYS.

Pursuant to 11 U.S.C. §§ 105 and 363 and 365 and the Federal Rules of Bankruptcy
Procedure 2002, 6004, 6007 and 9014, Staunton Street Partners LLC (“Staunton” or “Movant”),
moves for the entry of an order approving the sale of 11515 Inga Lane, Houston, Texas 77064,

¹ The debtors in these cases, along with the last four digits of their respective taxpayer ID numbers, are 1776 American
Properties IV LLC (3677), 1776 American Properties V LLC (4327), 1776 American Properties VI LLC (8392), 1776
American Properties VII LLC (9340), 1776 American Properties VIII LLC (8277), APRF SP1-1 LLC (3543), Arica
Lane LLC (2643), Austin Road Partners LLC (2582), Hazelwood Brownstone LLC (0949), Hazelwood Management
Services LLC (1694) Independence Construction and Finance Inc. (8618), Reims Holdings LLC (8989) and Staunton
Street Partners LLC (2406).

a/k/a Lot 25, Block 6, Turtle Lake (the “Property”) free and clear of all liens, claims and encumbrances to Herman Ignacio Dobal (the “**Purchaser**”), and in support thereof, respectfully represents the following:

REQUEST FOR CONSIDERATION

1. Movant and Purchaser entered into a contract for the sale of the Property. There is no feasibility period and the parties are ready to close. Under the terms of the contract, closing must occur no later than September 25, 2017. The Property is subject to a mortgage held by Integrity Bank. The Debtor expects Integrity Bank will consent to the sale.

Jurisdiction and Venue

2. This Court has jurisdiction over this case pursuant to 28 U.S.C. § 1334. This is a core proceeding under 28 U.S.C. §157(b)(2)(M). The statutory predicates for the relief requested in this Motion are sections 105(a), 363 and 365 of title 11 of the United States Code (the “**Bankruptcy Code**”) and Rules 2002, 6004, 6006, 9007 and 9014 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”). Venue of the Chapter 11 cases is proper in this district pursuant to 28 U.S.C. §§ 1408(1) and (2) and 11 U.S.C. § 101(2)(A).

BACKGROUND

I. FACTUAL BACKGROUND

A. Overview of the Debtors

3. The above captioned jointly administered Chapter 11 bankruptcy cases were each filed on January 27, 2017 (“Petition Date”) under Chapter 11 of Title 11 of the Bankruptcy Code, 11 U.S.C. § 101 et sq. (the “Bankruptcy Code”).

4. No trustee or examiner has been appointed in the debtors’ bankruptcy cases and an official committee of unsecured creditors has not been established.

5. The debtors continue to manage their property as debtors-in-possession

pursuant to §§ 1107 and 1108 of the Bankruptcy Code.

6. Prior to the Petition Date, the debtors each retained Erich Munding to serve as Vice President and Chief Restructuring Officer.

B. Operations

7. Historically, the debtors were managed by Jeff Fisher. Jeff Fisher was raised in the Houston area and in 1994, Mr. Fisher moved to Asia as part of his United States Military service. In 1997 Mr. Fisher relocated to Hong Kong and has lived in Hong Kong with his wife and family since that time. In 2008, Mr. Fisher began investing in real estate in the Houston area. Mr. Fisher worked with friends and other business contacts in Asia who decided to invest in special purpose entities organized in the Cayman Islands. The offshore companies would then loan money to Delaware based limited liability companies, who in turn invested in real estate in the United States. By 2012, the US based LLC's had acquired over 70 properties worth over \$10 million.

8. The Debtors' businesses generally fit within one of two business models:

Category 1 -- Buy and Hold Rental Properties. Each of these particular Debtors purchase rental properties based upon certain risk and return evaluations. Most of the rental properties are financed through mortgages from the Cayman Islands or British Islands based lender. The underlying notes require interest only payments with balloon payment upon maturity. The offshore lenders are largely funded through Asian based investors. Two of the Debtors have traditional bank financing arrangements that are secured by deeds of trusts and security agreements.

Category II – New Home Construction. These Debtors obtain loans from a Cayman Islands or British Virgin Islands based lender and then use the funds to purchase vacant lots in residential subdivisions. The lots are then marketed to homebuilders as part of a financing package allowing the value of the lots to be used as an equity down payment on a construction loan. The lots are deeded to the builder by the debtor and the debtor takes a subordinated loan position behind the construction loan. The debtors and the homebuilders also enter into an agreement to split the profits on the ultimate sale of the home. When the homes are sold, the proceeds are paid first to the construction lender, then to the respective debtor for the subordinated debt, and then a profit split between the homebuilder and debtor.

9. Collectively, as of the Petition Date, the Debtors owned one hundred sixteen (116) rental single family homes / apartment units, five (5) single family homes, and seventy six (76) vacant lots. In addition, Debtors 1776 IV, 1776 V, 1776 VII and 1776 VIII hold promissory notes and profit sharing arrangements with various builders on approximately fifty eight (58) lots.

C. Property To Be Sold.

10. Staunton owns the single family residence located at 11515 Inga Lane, Houston, Texas 77064. Staunton has adequately marketed the Property for sale and has received multiple offers on the Property. All things considered, the offer submitted by the Purchaser is the highest and best offer.

11. The Property is subject to a mortgage, which is secured by a first lien deed of trust held by Integrity Bank. A copy of the recorded Deed of Trust is attached hereto as **Exhibit “A.”** The Deed of Trust secures a mortgage on approximately thirty-five (34) single family homes. The

mortgage is reflected by a promissory note (“Note”) in the original principal amount of \$4,060,000. The current principal balance of the Note is approximately \$1.2 million. The Debtor and Integrity expect to reach an agreement on a release price of \$80,000.00, which shall be paid at closing (the “Release Price”). Integrity Bank’s will continue to have a lien and deed of trust on the remaining 33 tracts, and will continue to have a lien on the net proceeds that will be deposited into the Debtor’s DIP account. Although an agreement has not yet been finalized, Debtor expects an agreement to be reached by the time of the hearing.

REQUESTED RELIEF -- SALE FREE AND CLEAR

12. By this Motion, pursuant to sections 105, 363, and 365 of the Bankruptcy Code and Bankruptcy Rules 2002 and 6004, the Debtor seeks:

- a. authorization of the sale of Property to the Purchaser free and clear of all liens, claims, interests, and encumbrances, for a total purchase price of \$109,900.00.
- b. approval the form Texas Association of Realtors Earnest Money Contract attached hereto as **Exhibit “B”** and the transactions contemplated therein;
- c. authorization for payment of the 2016 and pro-rata 2017 ad-valorem property taxes owed on the Property at the closing;²
- d. authorization for payment of the Release Price to Integrity Bank at closing;
- e. authorization for payment of any other secured claim on the property, including past due HOA assessments;
- f. authorization for payment of such normal and customary closing costs and fees;
- g. waiver any 14-day stay imposed by Bankruptcy Rules 6004 and 6006; and
- h. such other and further relief as is just and proper.

13. The Property shall be sold, transferred and conveyed free and clear of liens, claims, and encumbrances. All liens will attach to the proceeds of the sale or be paid through the closing by the title company.

² To be clear, the 2017 ad valorem tax liens will remain on the Property until paid (when due), and the Declaration and Restrictive Covenants related to HOA constitute a covenant running with the land the sale will be subject to such Declaration and Restrictive Covenants.

14. Section 363(b)(1) of the Bankruptcy Code provides that “[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” In this case, the sale is arguably within the ordinary course of the Movant’s business. Regardless, to avoid any controversy and to provide complete disclosures to all stake holders in these cases, the Debtors will seek court approval of the sale of any of their real estate holdings.

15. Approval of a proposed sale of the debtor’s assets outside of the ordinary course of business and prior to the confirmation of a plan of reorganization is appropriate if the court finds that sound business reasons justify the transaction. *See In re Abbotts Dairies of Pennsylvania*, 788 F.2d 143, 145-147 (3rd Cir. 1986); *In re Lionel Corp.*, 722 F.2d 1063, 1070 (2nd Cir. 1983). In order to win court approval for the sale of estate property other than in the ordinary course of business, the trustee need not show that the sale will produce enough money to pay all, or most claims. *In re Buchanan*, 270 B.R. 689, (Bankr. N.D.Ohio 2001).

16. In determining whether to grant a debtor-in-possession’s motion to use, sell, or lease property of the estate, the Court should grant the relief sought if the Debtor is exercising sound business judgment. *Richmond Leasing Co. v. Capital Bank, N.A.*, 762 F.2d 1303, 1311 fn.10 (5th Cir. 1985); *In re Bombay Co.*, 2007 Bankr. LEXIS 3218 at *12.

17. In this case, Staunton is not selling all of its assets, rather, it is only selling one of its approximate thirty five properties.

18. Debtor is represented by Ross Klingsberg and AIM Realty in the transaction. The Purchaser is represented by Andrea Diaz and Texas Ally Realty Group, LLC. Pursuant to the Order Authorizing Application to AIM Realty, Movant requests approval of the commissions provided for in the Contract.

ADEQUATE AND REASONABLE NOTICE

19. Rule 6004 of the Federal Rules of Bankruptcy Procedure requires that Notice of a proposed sale of property ... not in the ordinary course of business shall be given pursuant to Rule 2002(a)(2), (c)(1), (i), and (k) and if applicable in accordance with Section 363(b)(2) of the Code.

20. Rule 2002(a)(2) requires twenty-one (21) days' notice of a sale of assets, unless the Court shortens the notice period. The Movant is giving written notice to all creditors and other parties requesting notice in accordance with the rule and any party asserting a lien on the Property. In addition, the Movant is giving notice to any party who has an expressed an interest in the Property. Accordingly, the Movant urges that the notice of the sale is adequate.

CONCLUSION

WHEREFORE, Staunton Street Partners LLC requests the Court approve the sale of the Property free and clear of all liens, claims and encumbrances to and grant the Movant any such other relief to which it may be entitled.

DATED: August 24, 2017

Respectfully submitted,

ANDREWS MYERS, PC

/s/ T. Josh Judd

T. Josh Judd

SBN: 24036866

1885 Saint James Place, 15h Floor

Houston, TX 77056

Tel: 713-850-4200

Fax: 713-850-4211

jjudd@andrewsmyers.com

CERTIFICATE OF SERVICE

I hereby certify that on August 24, 2017, a true and correct copy of the foregoing Motion was forwarded by email to the parties listed below by the Court's ECF notification system, and via US Mail to the 30 largest unsecured creditors listed on the attached service list.

/s/ T. Josh Judd

T. Josh Judd

Bruce Michael Badger on behalf of Creditor Green Bank, N.A.

bkcy@badgerlawoffice.com

H Miles Cohn on behalf of Creditor Blavesco ltd

mcohn@craincaton.com, mfriery@craincaton.com; mriseden@craincaton.com

H Miles Cohn on behalf of Defendant Blavesco Ltd

mcohn@craincaton.com, mfriery@craincaton.com; mriseden@craincaton.com

Michael J Darlow on behalf of Creditor Fort Bend Independent School District

mdarlow@pbfcm.com, tpope@pbfcm.com; mdarlow@ecf.inforuptcy.com

John P Dillman on behalf of Creditor Harris County

Houston_bankruptcy@publicans.com

John P Dillman on behalf of Creditor Houston Liens

Houston_bankruptcy@publicans.com

John P Dillman on behalf of Creditor Montgomery County

Houston_bankruptcy@publicans.com

Jason D Kraus on behalf of Creditor Bouman Kraus, PC

jdk@boumankraus.com

Susan C Mathews on behalf of Creditor Silverfield Homeowners Association Inc.

smathews@bakerdonelson.com, mward@bakerdonelson.com

Craig E Power on behalf of Creditor 1776 American Properties Limited

cpower@cokinoslaw.com, msegura@cokinoslaw.com; eolson@cokinoslaw.com

Craig E Power on behalf of Creditor 1776 Investment Management Limited

cpower@cokinoslaw.com, msegura@cokinoslaw.com; eolson@cokinoslaw.com

Craig E Power on behalf of Creditor 1776 Property fund SPC

cpower@cokinoslaw.com, msegura@cokinoslaw.com; eolson@cokinoslaw.com

Craig E Power on behalf of Creditor Jeffrey W Fisher

cpower@cokinoslaw.com, msegura@cokinoslaw.com; eolson@cokinoslaw.com

Ron Satija on behalf of Creditor Noble Capital Servicing LLC
rsatija@legalstrategy.com

Brian John Smith on behalf of Interested Party IPP Financial Advisers PTE Ltd
brian.smith@hklaw.com, robert.jones@hklaw.com; brent.mcilwain@hklaw.com;
william.cage@hklaw.com; warren.gluck@hklaw.com

L David Smith on behalf of Creditor Integrity Bank
smith@csrlaw.com

Michael J Smith on behalf of Creditor Integrity Bank
msmith@csrlaw.com

Owen Mark Sonik on behalf of Creditor Spring Independent School District
osonik@pbfc.com, tpope@pbfc.com; osonik@ecf.inforuptey.com

Stephen Douglas Statham on behalf of U.S. Trustee US Trustee
stephen.statham@usdoj.gov

Bobbie Leigh Stratton on behalf of Creditor Silverfield Homeowners Association Inc.
bstratton@bakerdonelson.com, sperez@bakerdonelson.com; rperez@bakerdonelson.com

US Trustee
USTPRegion07.HU.ECF@USDOJ.GOV

Lance E Williams on behalf of Creditor Westbriar Homeowners Association
lwilliams@riddleandwilliams.com, ashanks@riddleandwilliams.com

CONSOLIDATED LIST OF THIRTY LARGEST UNSECURED CREDITORS

American Property Recovery Fund SPC-Land
Lot Arbitrage SP2
PO Box 309
Ugland House
Grand Cayman, KY 1-1104
Cayman Islands

1776 American Properties 1 Limited
PO Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands, VG1110

1776 Investment Management Limited
89 Nexu Way
Grand Cayman, KY 1-9007
Cayman Islands

American Property Recovery Fund SPC Property
Development Loan Fund SP3
PO Box 309, Ugland House
Grand Cayman, KY 1-1104
Cayman Islands

1776 Property Fund SPC Land Lot Arbitrage SP4
PO Box 309
Ugland House
Grand Cayman, KY 1-1104
Cayman Islands

Integrity Bank
c/o L. David Smith
Chermosky, Smith, Ressler & Smith PLLC
4646 Wild Indigo, Suite 110
Houston, Texas 77027

American Property Recovery Fund SPC
American Residential SP1
PO Box 309
Ugland House
Grand Cayman, KY 1-1104
Cayman Islands

Green Bank
c/o Bruce M. Badger
Badger Law Office
3400 Avenue H. Second Floor
Rosenberg, TX 77471

1776 Property Fund SPC Commercial Office SP2
PO Box 309
Ugland House
Grand Cayman, KY 1-1104
Cayman Islands

1776 Property Fund SPC SP1 Senior Loan
PO Box 309
Ugland House
Grand Cayman, KY 1-1104
Cayman Islands

Harris County et al
c/o John P. Dillman
Linebarger Goggan Blair & Sampson, LLP
PO Box 3064
Houston, Texas 77253-3064

Montgomery County
c/o John P. Dillman
Linebarger Goggan Blair & Sampson, LLP
PO Box 3064
Houston, Texas 77253-3064

1776 Property Fund SPC SP7 Mezzanine Loan
Fund
PO Box 309
Ugland House
Grand Cayman, KY 1-1104
Cayman Islands

Willis Independent School District
c/o Yolanda Humphrey
1235 North Loop West
Suite 600
Houston, Texas 77008

Spring Independent School District
c/o Yolanda Humphrey
1235 North Loop West
Suite 600
Houston, Texas 77008

Internal Revenue Service Centralized Insolvency
Operation
P. O. Box 7346
Philadelphia, PA 19101-7346

Harris County Municipal Water District #82
c/o Carl O. Sandin
1235 North Loop West, Suite 600
Houston, Texas 77008

Far Hills Utility District
c/o Michael Darlow
1235 North Loop West, Suite 600
Houston, Texas 77008

CIT Bank, NA.
c/o Weltman, Weinberg & Reis Co.
3705 Marlane Drive
Grove City, Ohio 43123

Humble Independent School District
c/o Carl O. Sandin
1235 North Loop West, Suite 600
Houston, Texas 77008

Westbriar Homeowners Association
c/o Lance Williams
Riddle & Williams
3710 Rawlins Street, Suite 1400
Dallas, Texas 75219

Fort Bend County Independent School District
c/o Yolanda Humphrey
1235 North Loop West, Suite 600
Houston, Texas 77008

Alief County Independent School District
c/o Carl O. Sandin
1235 North Loop West, Suite 600
Houston, Texas 77008

Jason C. Kraus
Bouman Kraus LP
2219 Sawdust Road
Suite 1604
Spring, Texas 77380

Montgomery County Municipal Utility District #46
c/o Michael Darlow
1235 North Loop West
Suite 600
Houston, Texas 77008

Emerald Forest Utility District
c/o Carl O. Sandin
1235 North Loop West
Suite 600
Houston, Texas 77008

Select Portfolio Servicing, Inc.
P. O. Box 65250
Salt Lake City, UT 84165-0250

Harris County Municipal Utility District #120
c/o Carl O. Sandin
1235 North Loop West
Suite 600
Houston, Texas 77008

City of Houston
c/o Michael Darlow
1235 North Loop West
Suite 600
Houston, Texas 77008

Beyond IT
1219 Durham Drive
Houston, Texas 77007

Canter Office Equipment
C18, 600 Kenrick Drive
Houston, Texas 77060

4850-9754-2990, v. 1 4436.3



PROMULGATED BY THE TEXAS REAL ESTATE COMMISSION (TREC)

11-2-2015

ONE TO FOUR FAMILY RESIDENTIAL CONTRACT (RESALE)

NOTICE: Not For Use For Condominium Transactions

1. PARTIES: The parties to this contract are Staunton Street Partners LLC (Seller) and Herman Ignacio Dobal (Buyer). Seller agrees to sell and convey to Buyer and Buyer agrees to buy from Seller the Property defined below.

2. PROPERTY: The land, improvements and accessories are collectively referred to as the "Property".
A. LAND: Lot 25 Block 6, Turtle Lake Addition, City of Houston, County of Harris, Texas, known as 11515 Inga Lane 77064 (address/zip code), or as described on attached exhibit.
B. IMPROVEMENTS: The house, garage and all other fixtures and improvements attached to the above-described real property, including without limitation, the following permanently installed and built-in items, if any: all equipment and appliances, valances, screens, shutters, awnings, wall-to-wall carpeting, mirrors, ceiling fans, attic fans, mail boxes, television antennas, mounts and brackets for televisions and speakers, heating and air-conditioning units, security and fire detection equipment, wiring, plumbing and lighting fixtures, chandeliers, water softener system, kitchen equipment, garage door openers, cleaning equipment, shrubbery, landscaping, outdoor cooking equipment, and all other property owned by Seller and attached to the above described real property.
C. ACCESSORIES: The following described related accessories, if any: window air conditioning units, stove, fireplace screens, curtains and rods, blinds, window shades, draperies and rods, door keys, mailbox keys, above ground pool, swimming pool equipment and maintenance accessories, artificial fireplace logs, and controls for: (i) garage doors, (ii) entry gates, and (iii) other improvements and accessories.
D. EXCLUSIONS: The following improvements and accessories will be retained by Seller and must be removed prior to delivery of possession:

3. SALES PRICE:
A. Cash portion of Sales Price payable by Buyer at closing \$ 16,485.00
B. Sum of all financing described in the attached: [X] Third Party Financing Addendum, [] Loan Assumption Addendum, [] Seller Financing Addendum \$ 93,415.00
C. Sales Price (Sum of A and B) \$ 109,900.00

4. LICENSE HOLDER DISCLOSURE: Texas law requires a real estate license holder who is a party to a transaction or acting on behalf of a spouse, parent, child, business entity in which the license holder owns more than 10%, or a trust for which the license holder acts as a trustee or of which the license holder or the license holder's spouse, parent or child is a beneficiary, to notify the other party in writing before entering into a contract of sale. Disclose if applicable:

5. EARNEST MONEY: Upon execution of this contract by all parties, Buyer shall deposit \$ 2,198.00 as earnest money with Fidelity National Title as escrow agent, at 5151 San Felipe, Suite 125, Houston, TX 77056 (address). Buyer shall deposit additional earnest money of \$ with escrow agent within days after the effective date of this contract. If Buyer fails to deposit the earnest money as required by this contract, Buyer will be in default.

6. TITLE POLICY AND SURVEY:
A. TITLE POLICY: Seller shall furnish to Buyer at [X] Seller's [] Buyer's expense an owner policy of title insurance (Title Policy) issued by Fidelity National Title (Title Company) in the amount of the Sales Price, dated at or after closing, insuring Buyer against loss under the provisions of the Title Policy, subject to the promulgated exclusions (including existing building and zoning ordinances) and the following exceptions:
(1) Restrictive covenants common to the platted subdivision in which the Property is located.
(2) The standard printed exception for standby fees, taxes and assessments.
(3) Liens created as part of the financing described in Paragraph 3.
(4) Utility easements created by the dedication deed or plat of the subdivision in which the Property is located.

TAR 1601 Initialed for identification by Buyer [Signature] and Seller [Signature] TREC NO. 20-13

EXHIBIT "B"

11515 Inga Lane
Houston, TX 77064
(Address of Property)

Contract Concerning _____ Page 2 of 9 11-2-2015

(5) Reservations or exceptions otherwise permitted by this contract or as may be approved by Buyer in writing.

(6) The standard printed exception as to marital rights.

(7) The standard printed exception as to waters, tidelands, beaches, streams, and related matters.

(8) The standard printed exception as to discrepancies, conflicts, shortages in area or boundary lines, encroachments or protrusions, or overlapping improvements: (i) will not be amended or deleted from the title policy; or (ii) will be amended to read, "shortages in area" at the expense of Buyer Seller.

B. COMMITMENT: Within 20 days after the Title Company receives a copy of this contract, Seller shall furnish to Buyer a commitment for title insurance (Commitment) and, at Buyer's expense, legible copies of restrictive covenants and documents evidencing exceptions in the Commitment (Exception Documents) other than the standard printed exceptions. Seller authorizes the Title Company to deliver the Commitment and Exception Documents to Buyer at Buyer's address shown in Paragraph 21. If the Commitment and Exception Documents are not delivered to Buyer within the specified time, the time for delivery will be automatically extended up to 15 days or 3 days before the Closing Date, whichever is earlier. If, due to factors beyond Seller's control, the Commitment and Exception Documents are not delivered within the time required, Buyer may terminate this contract and the earnest money will be refunded to Buyer.

C. SURVEY: The survey must be made by a registered professional land surveyor acceptable to the Title Company and Buyer's lender(s). (Check one box only)

(1) Within _____ days after the effective date of this contract, Seller shall furnish to Buyer and Title Company Seller's existing survey of the Property and a Residential Real Property Affidavit promulgated by the Texas Department of Insurance (T-47 Affidavit). If Seller fails to furnish the existing survey or affidavit within the time prescribed, Buyer shall obtain a new survey at Seller's expense no later than 3 days prior to Closing Date. If the existing survey or affidavit is not acceptable to Title Company or Buyer's lender(s), Buyer shall obtain a new survey at Seller's Buyer's expense no later than 3 days prior to Closing Date.

(2) Within 21 days after the effective date of this contract, Buyer shall obtain a new survey at Buyer's expense. Buyer is deemed to receive the survey on the date of actual receipt or the date specified in this paragraph, whichever is earlier.

(3) Within _____ days after the effective date of this contract, Seller, at Seller's expense shall furnish a new survey to Buyer.

D. OBJECTIONS: Buyer may object in writing to defects, exceptions, or encumbrances to title; disclosed on the survey other than items 6A(1) through (7) above; disclosed in the Commitment other than items 6A(1) through (8) above; or which prohibit the following use or activity: Single Family Residence. Buyer must object the earlier of (i) the Closing Date or (ii) 3 days after Buyer receives the Commitment, Exception Documents, and the survey. Buyer's failure to object within the time allowed will constitute a waiver of Buyer's right to object; except that the requirements in Schedule C of the Commitment are not waived by Buyer. Provided Seller is not obligated to incur any expense, Seller shall cure the timely objections of Buyer or any third party lender within 15 days after Seller receives the objections and the Closing Date will be extended as necessary. If objections are not cured within such 15 day period, this contract will terminate and the earnest money will be refunded to Buyer unless Buyer waives the objections.

E. TITLE NOTICES:

(1) ABSTRACT OR TITLE POLICY: Broker advises Buyer to have an abstract of title covering the Property examined by an attorney of Buyer's selection, or Buyer should be furnished with or obtain a Title Policy. If a Title Policy is furnished, the Commitment should be promptly reviewed by an attorney of Buyer's choice due to the time limitations on Buyer's right to object.

(2) MEMBERSHIP IN PROPERTY OWNERS ASSOCIATION(S): The Property is is not subject to mandatory membership in a property owners association(s). If the Property is subject to mandatory membership in a property owners association(s), Seller notifies Buyer under §5.012, Texas Property Code, that, as a purchaser of property in the residential community identified in Paragraph 2A in which the Property is located, you are obligated to be a member of the property owners association(s). Restrictive covenants governing the use and occupancy of the Property and all dedicatory instruments governing the establishment, maintenance, and operation of this residential community have been or will be recorded in the Real Property Records of the county in which the Property is located. Copies of the restrictive covenants and dedicatory instrument may be obtained from the county clerk. You are obligated to pay assessments to the property owners association(s). The amount of the assessments is subject to

Contract Concerning _____

11515 Inga Lane
Houston, TX 77064

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(Address of Property)

change. Your failure to pay the assessments could result in enforcement of the association's lien on and the foreclosure of the Property.

Section 207.003, Property Code, entitles an owner to receive copies of any document that governs the establishment, maintenance, or operation of a subdivision, including, but not limited to, restrictions, bylaws, rules and regulations, and a resale certificate from a property owners' association. A resale certificate contains information including, but not limited to, statements specifying the amount and frequency of regular assessments and the style and cause number of lawsuits to which the property owners' association is a party, other than lawsuits relating to unpaid ad valorem taxes of an individual member of the association. These documents must be made available to you by the property owners' association or the association's agent on your request.

If Buyer is concerned about these matters, the TREC promulgated Addendum for Property Subject to Mandatory Membership in a Property Owners Association(s) should be used.

- (3) **STATUTORY TAX DISTRICTS:** If the Property is situated in a utility or other statutorily created district providing water, sewer, drainage, or flood control facilities and services; Chapter 49, Texas Water Code, requires Seller to deliver and Buyer to sign the statutory notice relating to the tax rate, bonded indebtedness, or standby fee of the district prior to final execution of this contract.
- (4) **TIDE WATERS:** If the Property abuts the tidally influenced waters of the state, §33.135, Texas Natural Resources Code, requires a notice regarding coastal area property to be included in the contract. An addendum containing the notice promulgated by TREC or required by the parties must be used.
- (5) **ANNEXATION:** If the Property is located outside the limits of a municipality, Seller notifies Buyer under §5.011, Texas Property Code, that the Property may now or later be included in the extraterritorial jurisdiction of a municipality and may now or later be subject to annexation by the municipality. Each municipality maintains a map that depicts its boundaries and extraterritorial jurisdiction. To determine if the Property is located within a municipality's extraterritorial jurisdiction or is likely to be located within a municipality's extraterritorial jurisdiction, contact all municipalities located in the general proximity of the Property for further information.
- (6) **PROPERTY LOCATED IN A CERTIFICATED SERVICE AREA OF A UTILITY SERVICE PROVIDER:** Notice required by §13.257, Water Code: The real property, described in Paragraph 2, that you are about to purchase may be located in a certificated water or sewer service area, which is authorized by law to provide water or sewer service to the properties in the certificated area. If your property is located in a certificated area there may be special costs or charges that you will be required to pay before you can receive water or sewer service. There may be a period required to construct lines or other facilities necessary to provide water or sewer service to your property. You are advised to determine if the property is in a certificated area and contact the utility service provider to determine the cost that you will be required to pay and the period, if any, that is required to provide water or sewer service to your property. The undersigned Buyer hereby acknowledges receipt of the foregoing notice at or before the execution of a binding contract for the purchase of the real property described in Paragraph 2 or at closing of purchase of the real property.
- (7) **PUBLIC IMPROVEMENT DISTRICTS:** If the Property is in a public improvement district, §5.014, Property Code, requires Seller to notify Buyer as follows: As a purchaser of this parcel of real property you are obligated to pay an assessment to a municipality or county for an improvement project undertaken by a public improvement district under Chapter 372, Local Government Code. The assessment may be due annually or in periodic installments. More information concerning the amount of the assessment and the due dates of that assessment may be obtained from the municipality or county levying the assessment. The amount of the assessments is subject to change. Your failure to pay the assessments could result in a lien on and the foreclosure of your property.
- (8) **TRANSFER FEES:** If the Property is subject to a private transfer fee obligation, §5.205, Property Code, requires Seller to notify Buyer as follows: The private transfer fee obligation may be governed by Chapter 5, Subchapter G of the Texas Property Code.
- (9) **PROPANE GAS SYSTEM SERVICE AREA:** If the Property is located in a propane gas system service area owned by a distribution system retailer, Seller must give Buyer written notice as required by §141.010, Texas Utilities Code. An addendum containing the notice approved by TREC or required by the parties should be used.
- (10) **NOTICE OF WATER LEVEL FLUCTUATIONS:** If the Property adjoins an impoundment of water, including a reservoir or lake, constructed and maintained under Chapter 11, Water Code, that has a storage capacity of at least 5,000 acre-feet at the impoundment's normal operating level, Seller hereby notifies Buyer: "The water level of the impoundment of water adjoining the Property fluctuates for various reasons, including as

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a result of: (1) an entity lawfully exercising its right to use the water stored in the impoundment; or (2) drought or flood conditions."

7. PROPERTY CONDITION:

A. **ACCESS, INSPECTIONS AND UTILITIES:** Seller shall permit Buyer and Buyer's agents access to the Property at reasonable times. Buyer may have the Property inspected by inspectors selected by Buyer and licensed by TREC or otherwise permitted by law to make inspections. Any hydrostatic testing must be separately authorized by Seller in writing. Seller at Seller's expense shall immediately cause existing utilities to be turned on and shall keep the utilities on during the time this contract is in effect.

B. **SELLER'S DISCLOSURE NOTICE PURSUANT TO §5.008, TEXAS PROPERTY CODE (Notice):**
 (Check one box only)

- (1) Buyer has received the Notice.
 (2) Buyer has not received the Notice. Within 3 days after the effective date of this contract, Seller shall deliver the Notice to Buyer. If Buyer does not receive the Notice, Buyer may terminate this contract at any time prior to the closing and the earnest money will be refunded to Buyer. If Seller delivers the Notice, Buyer may terminate this contract for any reason within 7 days after Buyer receives the Notice or prior to the closing, whichever first occurs, and the earnest money will be refunded to Buyer.
 (3) The Seller is not required to furnish the notice under the Texas Property Code.

C. **SELLER'S DISCLOSURE OF LEAD-BASED PAINT AND LEAD-BASED PAINT HAZARDS** is required by Federal law for a residential dwelling constructed prior to 1978.

D. **ACCEPTANCE OF PROPERTY CONDITION:** "As Is" means the present condition of the Property with any and all defects and without warranty except for the warranties of title and the warranties in this contract. Buyer's agreement to accept the Property As Is under Paragraph 7D(1) or (2) does not preclude Buyer from inspecting the Property under Paragraph 7A, from negotiating repairs or treatments in a subsequent amendment, or from terminating this contract during the Option Period, if any.
 (Check one box only)

- (1) Buyer accepts the Property As Is.
 (2) Buyer accepts the Property As Is provided Seller, at Seller's expense, shall complete the following specific repairs and treatments:

(Do not insert general phrases, such as "subject to inspections" that do not identify specific repairs and treatments.)

E. **LENDER REQUIRED REPAIRS AND TREATMENTS:** Unless otherwise agreed in writing, neither party is obligated to pay for lender required repairs, which includes treatment for wood destroying insects. If the parties do not agree to pay for the lender required repairs or treatments, this contract will terminate and the earnest money will be refunded to Buyer. If the cost of lender required repairs and treatments exceeds 5% of the Sales Price, Buyer may terminate this contract and the earnest money will be refunded to Buyer.

F. **COMPLETION OF REPAIRS AND TREATMENTS:** Unless otherwise agreed in writing: (i) Seller shall complete all agreed repairs and treatments prior to the Closing Date; and (ii) all required permits must be obtained, and repairs and treatments must be performed by persons who are licensed to provide such repairs or treatments or, if no license is required by law, are commercially engaged in the trade of providing such repairs or treatments. At Buyer's election, any transferable warranties received by Seller with respect to the repairs and treatments will be transferred to Buyer at Buyer's expense. If Seller fails to complete any agreed repairs and treatments prior to the Closing Date, Buyer may exercise remedies under Paragraph 15 or extend the Closing Date up to 5 days if necessary for Seller to complete the repairs and treatments.

G. **ENVIRONMENTAL MATTERS:** Buyer is advised that the presence of wetlands, toxic substances, including asbestos and wastes or other environmental hazards, or the presence of a threatened or endangered species or its habitat may affect Buyer's intended use of the Property. If Buyer is concerned about these matters, an addendum promulgated by TREC or required by the parties should be used.

H. **RESIDENTIAL SERVICE CONTRACTS:** Buyer may purchase a residential service contract from a residential service company licensed by TREC. If Buyer purchases a residential service contract, Seller shall reimburse Buyer at closing for the cost of the residential service contract in an amount not exceeding \$ 400.00. Buyer should review any residential service contract for the scope of coverage, exclusions and limitations. The purchase of a residential service contract is optional. Similar coverage may be purchased from various companies authorized to do business in Texas.

8. **BROKERS' FEES:** All obligations of the parties for payment of brokers' fees are contained in separate written agreements.

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and Seller EM

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9. CLOSING:

- A. The closing of the sale will be on or before September 15, 2017, or within 7 days after objections made under Paragraph 6D have been cured or waived, whichever date is later (Closing Date). If either party fails to close the sale by the Closing Date, the non-defaulting party may exercise the remedies contained in Paragraph 15.
- B. At closing:
- (1) Seller shall execute and deliver a general warranty deed conveying title to the Property to Buyer and showing no additional exceptions to those permitted in Paragraph 6 and furnish tax statements or certificates showing no delinquent taxes on the Property.
 - (2) Buyer shall pay the Sales Price in good funds acceptable to the escrow agent.
 - (3) Seller and Buyer shall execute and deliver any notices, statements, certificates, affidavits, releases, loan documents and other documents reasonably required for the closing of the sale and the issuance of the Title Policy.
 - (4) There will be no liens, assessments, or security interests against the Property which will not be satisfied out of the sales proceeds unless securing the payment of any loans assumed by Buyer and assumed loans will not be in default.
 - (5) If the Property is subject to a residential lease, Seller shall transfer security deposits (as defined under §92.102, Property Code), if any, to Buyer. In such an event, Buyer shall deliver to the tenant a signed statement acknowledging that the Buyer has acquired the Property and is responsible for the return of the security deposit, and specifying the exact dollar amount of the security deposit.

10. POSSESSION:

- A. Buyer's Possession: Seller shall deliver to Buyer possession of the Property in its present or required condition, ordinary wear and tear excepted. upon closing and funding according to a temporary residential lease form promulgated by TREC or other written lease required by the parties. Any possession by Buyer prior to closing or by Seller after closing which is not authorized by a written lease will establish a tenancy at sufferance relationship between the parties. **Consult your insurance agent prior to change of ownership and possession because insurance coverage may be limited or terminated. The absence of a written lease or appropriate insurance coverage may expose the parties to economic loss.**

B. Leases:

- (1) After the Effective Date, Seller may not execute any lease (including but not limited to mineral leases) or convey any interest in the Property without Buyer's written consent.
- (2) If the Property is subject to any lease to which Seller is a party, Seller shall deliver to Buyer copies of the lease(s) and any move-in condition form signed by the tenant within 7 days after the Effective Date of the contract.

- 11. SPECIAL PROVISIONS:** (Insert only factual statements and business details applicable to the sale. TREC rules prohibit license holder from adding factual statements or business details for which a contract addendum, lease or other form has been promulgated by TREC for mandatory use.) This Contract is subject to approval by the United States Bankruptcy Court. This contract will be submitted for approval by the United States Bankruptcy Court after the Option Period has expired or terminated by the Buyer. If this Contract is not approved by the United States Bankruptcy Court, the Buyer will be refunded their earnest money deposit.

12. SETTLEMENT AND OTHER EXPENSES:

- A. The following expenses must be paid at or prior to closing:

- (1) Expenses payable by Seller (Seller's Expenses):
 - (a) Releases of existing liens, including prepayment penalties and recording fees; release of Seller's loan liability; tax statements or certificates; preparation of deed; one-half of escrow fee; and other expenses payable by Seller under this contract.
 - (b) Seller shall also pay an amount not to exceed \$ _____ to be applied in the following order: Buyer's Expenses which Buyer is prohibited from paying by FHA, VA, Texas Veterans Land Board or other governmental loan programs, and then to other Buyer's Expenses as allowed by the lender.
- (2) Expenses payable by Buyer (Buyer's Expenses): Appraisal fees; loan application fees; origination charges; credit reports; preparation of loan documents; interest on the notes from date of disbursement to one month prior to dates of first monthly payments; recording fees; copies of easements and restrictions; loan title policy with endorsements required by lender; loan-related inspection fees; photos; amortization schedules; one-half of escrow fee; all prepaid items, including required premiums for flood and hazard insurance, reserve deposits for insurance, ad valorem taxes and special governmental assessments; final compliance inspection; courier fee; repair inspection; underwriting fee; wire transfer fee; expenses incident to any loan; Private

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Mortgage Insurance Premium (PMI), VA Loan Funding Fee, or FHA Mortgage Insurance Premium (MIP) as required by the lender; and other expenses payable by Buyer under this contract.

- B. If any expense exceeds an amount expressly stated in this contract for such expense to be paid by a party, that party may terminate this contract unless the other party agrees to pay such excess. Buyer may not pay charges and fees expressly prohibited by FHA, VA, Texas Veterans Land Board or other governmental loan program regulations.
13. **PRORATIONS:** Taxes for the current year, interest, maintenance fees, assessments, dues and rents will be prorated through the Closing Date. The tax proration may be calculated taking into consideration any change in exemptions that will affect the current year's taxes. If taxes for the current year vary from the amount prorated at closing, the parties shall adjust the prorations when tax statements for the current year are available. If taxes are not paid at or prior to closing, Buyer shall pay taxes for the current year.
14. **CASUALTY LOSS:** If any part of the Property is damaged or destroyed by fire or other casualty after the effective date of this contract, Seller shall restore the Property to its previous condition as soon as reasonably possible, but in any event by the Closing Date. If Seller fails to do so due to factors beyond Seller's control, Buyer may (a) terminate this contract and the earnest money will be refunded to Buyer (b) extend the time for performance up to 15 days and the Closing Date will be extended as necessary or (c) accept the Property in its damaged condition with an assignment of insurance proceeds, if permitted by Seller's insurance carrier, and receive credit from Seller at closing in the amount of the deductible under the insurance policy. Seller's obligations under this paragraph are independent of any other obligations of Seller under this contract.
15. **DEFAULT:** If Buyer fails to comply with this contract, Buyer will be in default, and Seller may (a) enforce specific performance, seek such other relief as may be provided by law, or both, or (b) terminate this contract and receive the earnest money as liquidated damages, thereby releasing both parties from this contract. If Seller fails to comply with this contract, Seller will be in default and Buyer may (a) enforce specific performance, seek such other relief as may be provided by law, or both, or (b) terminate this contract and receive the earnest money, thereby releasing both parties from this contract.
16. **MEDIATION:** It is the policy of the State of Texas to encourage resolution of disputes through alternative dispute resolution procedures such as mediation. Any dispute between Seller and Buyer related to this contract which is not resolved through informal discussion will be submitted to a mutually acceptable mediation service or provider. The parties to the mediation shall bear the mediation costs equally. This paragraph does not preclude a party from seeking equitable relief from a court of competent jurisdiction.
17. **ATTORNEY'S FEES:** A Buyer, Seller, Listing Broker, Other Broker, or escrow agent who prevails in any legal proceeding related to this contract is entitled to recover reasonable attorney's fees and all costs of such proceeding.
18. **ESCROW:**
- A. **ESCROW:** The escrow agent is not (i) a party to this contract and does not have liability for the performance or nonperformance of any party to this contract, (ii) liable for interest on the earnest money and (iii) liable for the loss of any earnest money caused by the failure of any financial institution in which the earnest money has been deposited unless the financial institution is acting as escrow agent.
- B. **EXPENSES:** At closing, the earnest money must be applied first to any cash down payment, then to Buyer's Expenses and any excess refunded to Buyer. If no closing occurs, escrow agent may: (i) require a written release of liability of the escrow agent from all parties, (ii) require payment of unpaid expenses incurred on behalf of a party, and (iii) only deduct from the earnest money the amount of unpaid expenses incurred on behalf of the party receiving the earnest money.
- C. **DEMAND:** Upon termination of this contract, either party or the escrow agent may send a release of earnest money to each party and the parties shall execute counterparts of the release and deliver same to the escrow agent. If either party fails to execute the release, either party may make a written demand to the escrow agent for the earnest money. If only one party makes written demand for the earnest money, escrow agent shall promptly provide a copy of the demand to the other party. If escrow agent does not receive written objection to the demand from the other party within 15 days, escrow agent may disburse the earnest money to the party making demand reduced by the amount of unpaid expenses incurred on behalf of the party receiving the earnest money and escrow agent may pay the same to the creditors. If escrow agent complies with the provisions of this paragraph, each party hereby releases escrow agent from all adverse claims related to the disbursement of the earnest money.

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- D. DAMAGES: Any party who wrongfully fails or refuses to sign a release acceptable to the escrow agent within 7 days of receipt of the request will be liable to the other party for (i) damages; (ii) the earnest money; (iii) reasonable attorney's fees; and (iv) all costs of suit.
- E. NOTICES: Escrow agent's notices will be effective when sent in compliance with Paragraph 21. Notice of objection to the demand will be deemed effective upon receipt by escrow agent.
- 19. REPRESENTATIONS: All covenants, representations and warranties in this contract survive closing. If any representation of Seller in this contract is untrue on the Closing Date, Seller will be in default. Unless expressly prohibited by written agreement, Seller may continue to show the Property and receive, negotiate and accept back up offers.
- 20. FEDERAL TAX REQUIREMENTS: If Seller is a "foreign person," as defined by applicable law or if Seller fails to deliver an affidavit to Buyer that Seller is not a "foreign person," then Buyer shall withhold from the sales proceeds an amount sufficient to comply with applicable tax law and deliver the same to the Internal Revenue Service together with appropriate tax forms. Internal Revenue Service regulations require filing written reports if currency in excess of specified amounts is received in the transaction.
- 21. NOTICES: All notices from one party to the other must be in writing and are effective when mailed to, hand-delivered at, or transmitted by fax or electronic transmission as follows:

To Buyer at:

To Seller at:

Phone: _____

Phone: _____

Fax: _____

Fax: _____

E-mail: _____

E-mail: emundinger@bridgecapitalcorp.com

22. AGREEMENT OF PARTIES: This contract contains the entire agreement of the parties and cannot be changed except by their written agreement. Addenda which are a part of this contract are (Check all applicable boxes):

- | | |
|--|--|
| <input checked="" type="checkbox"/> Third Party Financing Addendum | <input type="checkbox"/> Environmental Assessment, Threatened or Endangered Species and Wetlands Addendum |
| <input type="checkbox"/> Seller Financing Addendum | <input type="checkbox"/> Seller's Temporary Residential Lease |
| <input checked="" type="checkbox"/> Addendum for Property Subject to Mandatory Membership in a Property Owners Association | <input type="checkbox"/> Short Sale Addendum |
| <input type="checkbox"/> Buyer's Temporary Residential Lease | <input type="checkbox"/> Addendum for Property Located Seaward of the Gulf Intracoastal Waterway |
| <input type="checkbox"/> Loan Assumption Addendum | <input type="checkbox"/> Addendum for Seller's Disclosure of Information on Lead-based Paint and Lead-based Paint Hazards as Required by Federal Law |
| <input type="checkbox"/> Addendum for Sale of Other Property by Buyer | <input type="checkbox"/> Addendum for Property in a Propane Gas System Service Area |
| <input type="checkbox"/> Addendum for Reservation of Oil, Gas and Other Minerals | <input checked="" type="checkbox"/> Other (list): <u>Information About Brokerage Services</u> |
| <input type="checkbox"/> Addendum for "Back-Up" Contract | _____ |
| <input type="checkbox"/> Addendum for Coastal Area Property | _____ |

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23. **TERMINATION OPTION:** For nominal consideration, the receipt of which is hereby acknowledged by Seller, and Buyer's agreement to pay Seller \$ 300.00 (Option Fee) within 3 days after the effective date of this contract, Seller grants Buyer the unrestricted right to terminate this contract by giving notice of termination to Seller within 7 days after the effective date of this contract (Option Period). Notices under this paragraph must be given by 5:00 p.m. (local time where the Property is located) by the date specified. If no dollar amount is stated as the Option Fee or if Buyer fails to pay the Option Fee to Seller within the time prescribed, this paragraph will not be a part of this contract and Buyer shall not have the unrestricted right to terminate this contract. If Buyer gives notice of termination within the time prescribed, the Option Fee will not be refunded; however, any earnest money will be refunded to Buyer. The Option Fee will will not be credited to the Sales Price at closing. Time is of the essence for this paragraph and strict compliance with the time for performance is required.

24. **CONSULT AN ATTORNEY BEFORE SIGNING:** TREC rules prohibit real estate license holders from giving legal advice. READ THIS CONTRACT CAREFULLY.

Buyer's Attorney is: _____

Seller's Attorney is: _____

Phone: _____

Phone: _____

Fax: _____

Fax: _____

E-mail: _____

E-mail: _____

EXECUTED the _____ day of 8/17/2017, _____ (EFFECTIVE DATE).
(BROKER: FILL IN THE DATE OF FINAL ACCEPTANCE.)


Buyer Herman Ignacio Dobal

08/15/2017 18:37:02

DocuSigned by:

Seller Staunton Street Partners LLC

Buyer

Seller

The form of this contract has been approved by the Texas Real Estate Commission. TREC forms are intended for use only by trained real estate license holders. No representation is made as to the legal validity or adequacy of any provision in any specific transactions. It is not intended for complex transactions. Texas Real Estate Commission, P.O. Box 12188, Austin, TX 78711-2188, (512) 936-3000 (<http://www.trec.texas.gov>) TREC NO. 20-13. This form replaces TREC NO. 20-12.

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BROKER INFORMATION
 (Print name(s) only. Do not sign)

<u>Texas Ally Realty Group, LLC</u> Other Broker Firm	<u>9001961</u> License No.	<u>Aim Realty, INC.</u> Listing Broker Firm	<u>380906</u> License No.
represents <input checked="" type="checkbox"/> Buyer only as Buyer's agent		represents <input type="checkbox"/> Seller and Buyer as an intermediary	
<input type="checkbox"/> Seller as Listing Broker's subagent		<input checked="" type="checkbox"/> Seller only as Seller's agent	
<u>Andrea Diaz</u> Associate's Name	<u>569754</u> License No.	<u>W. Ross Klingberg</u> Listing Associate's Name	<u>416425</u> License No.
Licensed Supervisor of Associate	License No.	Licensed Supervisor of Listing Associate	License No.
<u>1301 S IH 35, Suite 301</u> Other Broker's Address	<u>(866)653-6139</u> Fax	<u>14417 Cornerstone Village Drive</u> Listing Broker's Office Address	<u>(281)440-4291</u> Fax
<u>Austin</u> City	<u>TX 78741</u> State Zip	<u>Houston</u> City	<u>TX 77014</u> State Zip
<u>andream.investments@yahoo.com</u> Associate's Email Address	<u>(832)236-6817</u> Phone	<u>ROSS@AIMREALTYMANAGEMENT.COM</u> Listing Associate's Email Address	<u>(281)960-5491</u> Phone
		Selling Associate's Name	License No.
		Licensed Supervisor of Selling Associate	License No.
		Selling Associate's Office Address	Fax
		City	State Zip
		Selling Associate's Email Address	Phone

Listing Broker has agreed to pay Other Broker 3.000% of the total sales price when the Listing Broker's fee is received. Escrow agent is authorized and directed to pay other Broker from Listing Broker's fee at closing.

OPTION FEE RECEIPT

Receipt of \$ _____ (Option Fee) in the form of _____ is acknowledged.

 Seller or Listing Broker

 Date

CONTRACT AND EARNEST MONEY RECEIPT

Receipt of Contract and \$ 2,198 Earnest Money in the form of check # 533
 is acknowledged.
 Escrow Agent: Fidelity National Title-Gallena Date: 8/18/17

By: Alex Becerra for Carrie Momson Email Address: carrie.momson@fnf.com
5151 San Felipe, STE. 125 Phone: (713) 966-4050
 Address: Houston, TX 77056 Fax: (877) 733-7081
 City State Zip

11-2-2015



PROMULGATED BY THE TEXAS REAL ESTATE COMMISSION (TREC)

THIRD PARTY FINANCING ADDENDUM

TO CONTRACT CONCERNING THE PROPERTY AT

11515 Inga Lane

Houston

(Street Address and City)

A. TYPE OF FINANCING AND DUTY TO APPLY AND OBTAIN APPROVAL: Buyer shall apply promptly for all financing described below and make every reasonable effort to obtain approval for the financing, including but not limited to furnishing all information and documents required by Buyer's lender. (Check applicable boxes):

- 1. Conventional Financing: (a) A first mortgage loan in the principal amount of \$ 93,415.00 (excluding any financed PMI premium), due in full in 30 year(s), with interest not to exceed 4.375 % per annum for the first 30 year(s) of the loan with Origination Charges as shown on Buyer's Loan Estimate for the loan not to exceed 1.000 % of the loan. (b) A second mortgage loan in the principal amount of \$ (excluding any financed PMI premium), due in full in year(s), with interest not to exceed % per annum for the first year(s) of the loan with Origination Charges as shown on Buyer's Loan Estimate for the loan not to exceed % of the loan.
2. Texas Veterans Loan: A loan(s) from the Texas Veterans Land Board of \$ for a period in the total amount of years at the interest rate established by the Texas Veterans Land Board.
3. FHA Insured Financing: A Section FHA insured loan of not less than \$ (excluding any financed MIP), amortizable monthly for not less than years, with interest not to exceed % per annum for the first year(s) of the loan with Origination Charges as shown on Buyer's Loan Estimate for the loan not to exceed % of the loan.
4. VA Guaranteed Financing: A VA guaranteed loan of not less than \$ (excluding any financed Funding Fee), amortizable monthly for not less than years, with interest not to exceed % per annum for the first year(s) of the loan with Origination Charges as shown on Buyer's Loan Estimate for the loan not to exceed % of the loan.
5. USDA Guaranteed Financing: A USDA-guaranteed loan of not less than \$ (excluding any financed Funding Fee), amortizable monthly for not less than years, with interest not to exceed % per annum for the first year(s) of the loan with Origination Charges as shown on Buyer's Loan Estimate for the loan not to exceed % of the loan.
6. Reverse Mortgage Financing: A reverse mortgage loan (also known as a Home Equity Conversion Mortgage loan) in the original principal amount of \$ (excluding any financed PMI premium or other costs), with interest not to exceed % per annum for the first year(s) of the loan with Origination Charges as shown on Buyer's Loan Estimate for the loan not to exceed % of the loan. The reverse mortgage loan will will not be an FHA insured loan.

Initialed for Identification by Buyer [Signature] and Seller [Signature]

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Third Party Financing Condition Addendum Concerning

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(Address of Property)

B. APPROVAL OF FINANCING: Approval for the financing described above will be deemed to have been obtained when Buyer Approval and Property Approval are obtained.

1. Buyer Approval:

This contract is subject to Buyer obtaining Buyer Approval. If Buyer cannot obtain Buyer Approval, Buyer may give written notice to Seller within 21 days after the effective date of this contract and this contract will terminate and the earnest money will be refunded to Buyer. If Buyer does not terminate the contract under this provision, the contract shall no longer be subject to the Buyer obtaining Buyer Approval. Buyer Approval will be deemed to have been obtained when (i) the terms of the loan(s) described above are available and (ii) lender determines that Buyer has satisfied all of lender's requirements related to Buyer's assets, income and credit history.

This contract is not subject to Buyer obtaining Buyer Approval.

2. Property Approval: Property Approval will be deemed to have been obtained when the Property has satisfied lender's underwriting requirements for the loan, including but not limited to appraisal, insurability, and lender required repairs. If Property Approval is not obtained, Buyer may terminate this contract by giving notice to Seller before closing and the earnest money will be refunded to Buyer.

3. Time is of the essence for this paragraph and strict compliance with the time for performance is required.

C. SECURITY: Each note for the financing described above must be secured by vendor's and deed of trust liens.

D. FHA/VA REQUIRED PROVISION: If the financing described above involves FHA insured or VA financing, it is expressly agreed that, notwithstanding any other provision of this contract, the purchaser (Buyer) shall not be obligated to complete the purchase of the Property described herein or to incur any penalty by forfeiture of earnest money deposits or otherwise: (i) unless the Buyer has been given in accordance with HUD/FHA or VA requirements a written statement issued by the Federal Housing Commissioner, Department of Veterans Affairs, or a Direct Endorsement Lender setting forth the appraised value of the Property of not less than \$ _____; or (ii) if the contract purchase price or cost exceeds the reasonable value of the Property established by the Department of Veterans Affairs.

(1) The Buyer shall have the privilege and option of proceeding with consummation of the contract without regard to the amount of the appraised valuation or the reasonable value established by the Department of Veterans Affairs.


(2) If FHA financing is involved, the appraised valuation is arrived at to determine the maximum mortgage the Department of Housing and Urban Development will insure. HUD does not warrant the value or the condition of the Property. The Buyer should satisfy himself/herself that the price and the condition of the Property are acceptable.

(3) If VA financing is involved and if Buyer elects to complete the purchase at an amount in excess of the reasonable value established by the VA, Buyer shall pay such excess amount in cash from a source which Buyer agrees to disclose to the VA and which Buyer represents will not be from borrowed funds except as approved by VA. If VA reasonable value of the Property is less than the Sales Prices, Seller may reduce the Sales Price to an amount equal to the VA reasonable value and the sale will be closed at the lower Sales Price with proportionate adjustments to the down payment and the loan amount.

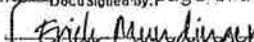
E. AUTHORIZATION TO RELEASE INFORMATION:

(1) Buyer authorizes Buyer's lender to furnish to Seller or Buyer or their representatives information relating to the status of the approval for the financing.

(2) Seller and Buyer authorize Buyer's lender, title company, and escrow agent to disclose and furnish a copy of the closing disclosures provided in relation to the closing of this sale to the parties' respective brokers and sales agents identified on the last page of the contract.


Buyer Herman Ignacio Dobal

08/15/2017 21:08:53


Seller Staunton Street Partners LLC
EAFF5BFC89014AB...

Buyer

Seller

This form has been approved by the Texas Real Estate Commission for use with similarly approved or promulgated contract forms. Such approval relates to this form only. TREC forms are intended for use only by trained real estate license holders. No representation is made as to the legal validity or adequacy of any provision in any specific transactions. It is not intended for complex transactions. Texas Real Estate Commission, P.O. Box 12188, Austin, TX 78711-2188, (512) 936-3000 (<http://www.trec.texas.gov>) TREC No. 40-7. This form replaces TREC No. 40-6.

TAR 1901

TREC NO. 40-7

11-2-2015

DocuSign Envelope ID: FB598174-8E41-49C3-91CE-20F309329F56



PROMULGATED BY THE TEXAS REAL ESTATE COMMISSION (TREC)

08-18-2014

**ADDENDUM FOR PROPERTY SUBJECT TO
MANDATORY MEMBERSHIP IN A PROPERTY
OWNERS ASSOCIATION
(NOT FOR USE WITH CONDOMINIUMS)
ADDENDUM TO CONTRACT CONCERNING THE PROPERTY AT**

11515 Inga Lane

Houston

(Street Address and City)

Turtle Lake

(Name of Property Owners Association, (Association) and Phone Number)

A. SUBDIVISION INFORMATION: "Subdivision Information" means: (i) a current copy of the restrictions applying to the subdivision and bylaws and rules of the Association, and (ii) a resale certificate, all of which are described by Section 207.003 of the Texas Property Code.

(Check only one box):

- 1. Within _____ days after the effective date of the contract, Seller shall obtain, pay for, and deliver the Subdivision Information to the Buyer. If Seller delivers the Subdivision Information, Buyer may terminate the contract within 3 days after Buyer receives the Subdivision Information or prior to closing, whichever occurs first, and the earnest money will be refunded to Buyer. If Buyer does not receive the Subdivision Information, Buyer, as Buyer's sole remedy, may terminate the contract at any time prior to closing and the earnest money will be refunded to Buyer.
- 2. Within 7 days after the effective date of the contract, Buyer shall obtain, pay for, and deliver a copy of the Subdivision Information to the Seller. If Buyer obtains the Subdivision Information within the time required, Buyer may terminate the contract within 3 days after Buyer receives the Subdivision Information or prior to closing, whichever occurs first, and the earnest money will be refunded to Buyer. If Buyer, due to factors beyond Buyer's control, is not able to obtain the Subdivision Information within the time required, Buyer may, as Buyer's sole remedy, terminate the contract within 3 days after the time required or prior to closing, whichever occurs first, and the earnest money will be refunded to Buyer.
- 3. Buyer has received and approved the Subdivision Information before signing the contract. Buyer does does not require an updated resale certificate. If Buyer requires an updated resale certificate, Seller, at Buyer's expense, shall deliver it to Buyer within 10 days after receiving payment for the updated resale certificate from Buyer. Buyer may terminate this contract and the earnest money will be refunded to Buyer if Seller fails to deliver the updated resale certificate within the time required.
- 4. Buyer does not require delivery of the Subdivision Information.

The title company or its agent is authorized to act on behalf of the parties to obtain the Subdivision Information ONLY upon receipt of the required fee for the Subdivision Information from the party obligated to pay.

- B. MATERIAL CHANGES.** If Seller becomes aware of any material changes in the Subdivision Information, Seller shall promptly give notice to Buyer. Buyer may terminate the contract prior to closing by giving written notice to Seller if: (i) any of the Subdivision Information provided was not true; or (ii) any material adverse change in the Subdivision Information occurs prior to closing, and the earnest money will be refunded to Buyer.
- C. FEES:** Except as provided by Paragraphs A, D and E, Buyer shall pay any and all Association fees or other charges associated with the transfer of the Property, not to exceed \$ 200.00 and Seller shall pay any excess.
- D. DEPOSITS FOR RESERVES:** Buyer shall pay any deposits for reserves required at closing by the Association.
- E. AUTHORIZATION:** Seller authorizes the Association to release and provide the Subdivision Information and any updated resale certificate if requested by the Buyer, the Title Company, or any broker to this sale. If Buyer does not require the Subdivision Information or an updated resale certificate, and the Title Company requires information from the Association (such as the status of dues; special assessments; violations of covenants and restrictions; and a waiver of any right of first refusal), Buyer Seller shall pay the Title Company the cost of obtaining the information prior to the Title Company ordering the information.

NOTICE TO BUYER REGARDING REPAIRS BY THE ASSOCIATION: The Association may have the sole responsibility to make certain repairs to the Property. If you are concerned about the condition of any part of the Property which the Association is required to repair, you should not sign the contract unless you are satisfied that the Association will make the desired repairs.

[Signature]
Buyer Herman Ignacio Dobal

08/15/2017 21:08:50

DocuSigned by:
[Signature]
Seller Staunton Street Partners LLC

Buyer

Seller

The form of this addendum has been approved by the Texas Real Estate Commission for use only with similarly approved or promulgated forms of contracts. Such approval relates to this contract form only. TREC forms are intended for use only by trained real estate licensees. No representation is made as to the legal validity or adequacy of any provision in any specific transactions. It is not intended for complex transactions. Texas Real Estate Commission, P.O. Box 12188, Austin, TX 78711-2188; (512) 936-3000 (www.trec.texas.gov) TREC No. 36-8. This form replaces TREC No. 36-7.

(TAR-1922) 08-18-2014

TREC NO. 36-8



PROMULGATED BY THE TEXAS REAL ESTATE COMMISSION (TREC)

11-2-2015

AMENDMENT

TO CONTRACT CONCERNING THE PROPERTY AT

11515 Inga Lane

Houston

(Street Address and City)

Seller and Buyer amend the contract as follows: (check each applicable box)

- (1) The Sales Price in Paragraph 3 of the contract is:
 - A. Cash portion of Sales Price payable by Buyer at closing \$ _____
 - B. Sum of financing described in the contract..... \$ _____
 - C. Sales Price (Sum of A and B)..... \$ _____
- (2) In addition to any repairs and treatments otherwise required by the contract, Seller, at Seller's expense, shall complete the following repairs and treatments:
- (3) The date in Paragraph 9 of the contract is changed to September 25, 2017.
- (4) The amount in Paragraph 12A(1)(b) of the contract is changed to \$ _____.
- (5) The cost of lender required repairs and treatment, as itemized on the attached list, will be paid as follows: \$ _____ by Seller; \$ _____ by Buyer.
- (6) Buyer has paid Seller an additional Option Fee of \$ _____ for an extension of the unrestricted right to terminate the contract on or before 5:00 p.m. on _____, _____. This additional Option Fee will will not be credited to the Sales Price.
- (7) Buyer waives the unrestricted right to terminate the contract for which the Option Fee was paid.
- (8) The date for Buyer to give written notice to Seller that Buyer cannot obtain Buyer Approval as set forth in the Third Party Financing Addendum is changed to _____, _____.
- (9) **Other Modifications:** (Insert only factual statements and business details applicable to this sale.) **Seller may submit offer to the United States Bankruptcy Court as early as Monday August 21, 2017 as Buyer has completed all inspections.**

EXECUTED the _____ day of 8/23/2017, _____. (BROKER: FILL IN THE DATE OF FINAL ACCEPTANCE.)

08/20/2017 2:54:29
Buyer Herman Ignacio Dobal

DocuSigned by:
 Erick Munding
Seller Staunton Street Partners LLC

Buyer

Seller

This form has been approved by the Texas Real Estate Commission for use with similarly approved or promulgated contract forms. Such approval relates to this form only. TREC forms are intended for use only by trained real estate license holders. No representation is made as to the legal validity or adequacy of any provision in any specific transactions. It is not intended for complex transactions. Texas Real Estate Commission, P.O. Box 12188, Austin, TX 78711-2188, 512-936-3000 (<http://www.trec.texas.gov>) TREC No. 39-8. This form replaces TREC No. 39-7.

(TAR-1903)

TREC NO. 39-8

20130213793
05/03/2013 ER \$128.00

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Loan No. 55006310

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

**DEED OF TRUST, SECURITY AGREEMENT
AND FINANCING STATEMENT**

THE STATE OF TEXAS §
COUNTY OF HARRIS §
COUNTY OF FORT BEND §

STAUNTON STREET PARTNERS LLC, a Delaware limited liability company (hereinafter called "Grantor"), for and in consideration of the indebtedness hereinafter described, has granted, bargained, sold and conveyed, and by these presents does grant, bargain, sell and convey, in trust, unto CHARLES M. NEFF, JR., Trustee (herein called "Trustee"), and unto Trustee's successors and assigns, forever, all and singular the property hereinafter described, situated in the County of HARRIS and FORT BEND, State of Texas, to-wit: (a)

The 67 tracts of Real Property described in See Exhibit "A" attached hereto and made a part hereof,

(herein sometimes called the "Land"); (b) all rights, titles, interests, estates, reversions and remainders now owned or hereafter acquired by Grantor in and to the Land; (c) all improvements now or hereafter situated on the Land and in and to the properties covered hereby; (d) all lands hereafter acquired by Grantor next or adjacent to the Land; (e) all rights, titles and interests now owned or hereafter acquired by Grantor in and to all easements, streets and rights-of-way of every kind and nature next to or adjoining the Land and all public or private utility connections thereto and all appurtenances, servitudes, rights, ways privileges and prescriptions thereto; (f) all right, title and interest of Grantor in and to any and all Wastewater Capacity Reservations of any kind or character covering the Land or Improvements, issued or which may be issued by any governmental agencies having jurisdiction thereof, and all other rights relating to sewage treatment capacity, water capacity and utilities serving the Land or Improvements (said rights described in this subparagraph (i) being collectively sometimes called "Utilities Rights") permits, licenses, franchises, certificates, and other rights and privileges obtained in connection with the Land or the Improvements; (g) all goods, equipment, fixtures and other personal property (herein called the "Goods") now owned or hereafter acquired by Grantor and now or hereafter affixed to, or located on or within, the Land or improvements, including without limitation, all rights, titles and interests of Grantor now owned or hereafter acquired in and to any of the Goods that may be subject to any title retention or security superior in lien or security interest to the lien or security interest of this Deed of Trust, Security Agreement and Financing Statement (herein called "Deed of Trust"); (h) all rights and interests of Grantor now owned or hereafter acquired in and to all (i) contracts, subcontracts and plans and specifications relating to the improvements and all deposits, funds accounts, contract rights, instruments, documents, general intangibles (including trademarks), tradenames and symbols used in connection therewith), notes or chattel paper arising from or by virtue of any transactions relating to the Land or the improvements; (ii) all permits, licenses, franchises, certificates, and other rights and privileges obtained in connection with the Land and the improvements; (iii) all proceeds arising from or by virtue of the sale, lease or other disposition of any of the real or personal property described herein; (iv) all proceeds (including premium refunds) payable or to be payable under each policy of insurance relating to the Land or the improvements; and (v) all proceeds arising from the taking of, all or any part of the Land or any rights appurtenant thereto, including change of grade of streets, curb cuts or other rights of access, for any public or quasi-public use under any law, or by right of eminent domain, or by private or other purchase in lieu thereof; and (f) without limiting the foregoing, any and all rights, royalties, rents, revenues, benefits, leases, contracts, accounts, general intangibles, money, instruments, insurance proceeds, documents, tenements, hereditaments and appurtenances now owned or hereafter acquired by Grantor and appertaining to, generated from, arising out of or belonging to any of the foregoing (all of the foregoing, (a) through (i) inclusive, being herein called the "Mortgaged Property").

TO HAVE AND TO HOLD the Mortgaged Property unto Trustee, and Trustee's successors in this trust and Trustee's assigns, forever, and Grantor does hereby bind Grantor, and Grantor's respective heirs, personal representatives, successors and assigns, to warrant and forever defend the Mortgaged Property unto Trustee, and Trustee's successors and assigns, forever, against the claim or claims of all persons whomsoever claiming or to claim the same, or any part thereof.

ARTICLE I: INDEBTEDNESS SECURED

1.01. This conveyance is made in trust to secure and enforce the payment and performance of all of the following obligations (herein collectively called the "indebtedness"):

A. All sums due pursuant to one Promissory Note (herein called "Note," whether one or more), of even date herewith, in the original principal amount of \$4,060,000.00, executed by STAUNTON STREET PARTNERS LLC, payable to the order of INTEGRITY BANK, SSB, (said party or any subsequent owner or holder of the Note being herein called "Beneficiary"), whose address is 4040 Washington Avenue, Houston, Texas 77007, said Note finally maturing ON OR BEFORE FIVE (5) YEARS FROM THE DATE HEROF, the Note providing,

Deed of Trust, Security Agreement and
Financing Statement
Page 1



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1EE

EXHIBIT "A"

that if default occurs, the unpaid principal thereof and all accrued unpaid interest thereon may, at Beneficiary's option, be declared due and payable prior to the stated maturity thereof and providing further for the payment of attorneys' fees and other expenses of collection under certain circumstances;

B. All funds advanced by Beneficiary to or for the benefit of Grantor pursuant hereto, pursuant to any other document securing or relating to the Indebtedness, or otherwise and all other debts, obligations and liabilities of Grantor to Beneficiary of whatever kind or character, whether now or existing or hereafter arising, secured or unsecured, direct or indirect, fixed or contingent, primary or secondary, joint or several or both, including, without limitation, all present and future debts, obligations and liabilities of Grantor (i) as principal, surety, endorser, guarantor, accommodation party or otherwise, (ii) arising by operation of law or otherwise, (iii) as a member of any partnership, joint venture, firm trust or other association or (iv) payable to or in favor of third parties and hereafter acquired by Beneficiary with or without the knowledge, consent or insistence of Grantor. The payment of all such debts, obligations and liabilities of Grantor shall not terminate this Deed of Trust unless the lien created hereby is released by Beneficiary, it being contemplated that Grantor will from time to time become additionally indebted to Beneficiary, all of which indebtedness shall be secured by this Deed of Trust until the lien hereof is released by Beneficiary; and

C. All renewals, rearrangements and extensions of any of the foregoing.

1.02. The indebtedness shall be payable at the address specified in the Note or at such other place as Beneficiary may from time to time hereafter designate in writing; and, unless otherwise expressly provided in the instruments evidencing the Indebtedness, all portions of the Indebtedness shall bear interest from the due date thereof until paid at the same rate per annum as provided in the Note for interest accruing on past due amounts.

1.03. All payments received by Beneficiary, whether designated as payments of principal or interest, shall be applied to the principal or interest of the Indebtedness or to expenses provided for herein, or any combination of the foregoing, as directed by Beneficiary at Beneficiary's option, exercised in its sole discretion.

ARTICLE II: COVENANTS OF GRANTOR

2.01. In order to secure payment of the Indebtedness, and performance of Grantor's obligations hereunder, Grantor covenants and agrees with Beneficiary and with Trustee as follows:

A. Grantor shall pay when due all of the Indebtedness, together with the interest and all other charges accruing thereon and thereunder in accordance with the terms of the Note and all other instruments evidencing, securing or otherwise relating to, the indebtedness.

B. Grantor represents and warrants that (i) Grantor has good and indefeasible title in fee simple to the Mortgaged Property, (ii) unless otherwise herein provided, the Mortgaged Property is free from restrictions, easements, outstanding mineral or royalty interests liens and security interests and (iii) Grantor has full right and authority to make this conveyance. Grantor agrees to maintain and preserve Grantor's legal existence and all related rights, franchises and privileges. If Grantor and/or Maker is an entity other than an individual, Grantor shall not amend its Articles of Organization or change its name or identity without Beneficiary's prior written consent. For purposes hereof, the term "Articles of Organization" shall mean (i) Grantor's Articles of Incorporation and By-Laws if Grantor and/or Maker is a corporation, (ii) Grantor's Partnership Agreement or Joint Venture Agreement if Grantor is a general partnership or joint venture, (iii) Grantor's Limited Partnership Agreement and Certificate of Limited Partnership if Grantor is a limited partnership, or (iv) Grantor's Trust Agreement if Grantor is a trust.

C. Grantor shall promptly obtain and deliver to Beneficiary insurance policies with premiums paid providing extended coverage for all buildings and other property covered by this Deed of Trust against damage by fire and lightning and against such other risks as Beneficiary may require, all in amounts approved by Beneficiary not exceeding 100% of full replacement cost of all improvements, such insurance to be written on a replacement cost form promulgated by the Texas State Board of Insurance and with companies approved by Beneficiary, with (i) loss made payable to Beneficiary pursuant to the standard mortgagee clause promulgated by the Texas State Board of Insurance, without contribution; (ii) provision that (a) each of said policies shall not be terminated, reduced or limited regardless of any breach of the representations and agreements set forth therein, and (b) no such policy shall be canceled, endorsed or amended to any extent unless the issuer thereof shall have first given Beneficiary at least 15 days' prior written notice. In case Grantor fails to furnish such policies, Beneficiary, at Beneficiary's option, may procure such insurance at Grantor's expense. All renewal and substitute policies of insurance shall be delivered to the office of Beneficiary, premiums paid at least ten (10) days before expiration of the insurance protection to be replaced by such renewal or substituted policies. In case of loss, Beneficiary, at Beneficiary's option, shall be entitled to receive and retain the proceeds of the insurance policies, applying the same toward payment of the Indebtedness in such manner as Beneficiary may elect, or at Beneficiary's option. Beneficiary may pay the same over wholly or in part to Grantor for the repair of said improvements or for the erection of new improvements in their place, or for any other purpose satisfactory to Beneficiary, but Beneficiary shall not be obligated to see to the proper application of any amounts so paid to Grantor. If Beneficiary elects to allow such payments to Grantor, disbursement shall be on such terms subject to such conditions as Beneficiary may specify. Regardless of whether any insurance proceeds payable to them are sufficient to pay the costs of repair and restoration of the Mortgaged Property, Grantor shall promptly commence and carry out the repair, replacement, restoration and rebuilding of any and all of the improvements damaged or destroyed so as to return same, to the extent practicable, to the same condition as immediately prior to such damage to or destruction thereof. Grantor shall not permit or carry on any activity within or relating to the Mortgaged Property that is prohibited by the terms of any insurance policy covering any part of the Mortgaged Property or which permits cancellation of or increase in the premium payable for any insurance policy covering any part of the Mortgaged Property. In the event of a foreclosure of this Deed of Trust,

the purchaser of the Mortgaged Property shall succeed to all the rights of Grantor, including any right to unearned premiums, in and to all policies of insurance assigned and delivered to Beneficiary pursuant to the provisions of this instrument. Regardless of the type or amounts of insurance required and approved by Beneficiary, Grantor shall assign and deliver to Beneficiary all policies of insurance that insure against any loss or damage to the Mortgaged Property, as collateral and further security for the payment of the Indebtedness. Grantor shall also obtain and maintain in force and effect at Grantor's expense such liability and other insurance policies and protection as Beneficiary may from time to time require.

D. Grantor shall pay all taxes and assessments against the Property as the same become due and payable, and prior to delinquency. Grantor shall furnish proof, satisfactory in form and substance to Beneficiary, of such payment. Grantor shall not authorize any person or entity to pay current or delinquent ad valorem taxes due or to become due on the Property if such person or entity is entitled to receive a transfer of tax lien under Section 32.06 of the Texas Tax Code (as it may be amended or modified). In the event any transfer of a tax lien is executed by a tax collector pursuant to Section 32.06 of the Texas Tax Code (as it may be amended or modified) with respect to the Property, Grantor shall, within ten (10) days of the date written notice is sent from Beneficiary to Grantor, fully and finally pay the transferee of said tax lien the entirety of all principal, interest and expenses (whether or not then due and payable, or to become due and payable) owing to said transferee with respect to said transferred tax lien, and deliver proof, satisfactory in form and substance to Beneficiary, of such payment, along with a signed and notarized release of said tax lien executed by said transferee. Grantor shall not defer the collection of taxes on the Property, in the event deferral of such taxes is permitted under applicable law. In the event of the passage of any law, ordinance, or regulation, deducting from the Property for the purposes of taxation any lien thereon, or changing in any way the laws now in force for the taxation of mortgages, deeds of trust, or indebtedness secured thereby, or the manner of the operation of any such taxes so as to affect the interest of Beneficiary, then and in such event, Grantor shall bear and pay the full amount of such taxes, unless the payment thereof by Grantor would be unlawful or if the payment thereof would constitute usury or render the indebtedness due Beneficiary wholly or partially usurious; provided, however, that if for any reason payment by Grantor or by Beneficiary of any such new or additional taxes would be unlawful or if the payment thereof would constitute usury or render the indebtedness due Beneficiary wholly or partially usurious, Beneficiary may, at Beneficiary's option, declare said unpaid indebtedness with all accrued interest thereon to be immediately due and payable, or Beneficiary may, at Beneficiary's option, pay the amount or portion of such taxes which would otherwise render said indebtedness unlawful or usurious, in which event Grantor shall concurrently therewith pay the remaining lawful and nonusurious portion or balance of said taxes. If Grantor fails to pay any taxes and assessments (including interest, penalties, costs and expenses) against the Property, enters into a tax lien loan to any person or entity, allows any person or entity to receive a transfer of an ad valorem tax lien, or defers the payment of taxes or assessments, Beneficiary may in Beneficiary's sole discretion, in addition to Beneficiary's other rights as provided in the loan documents, elect to advance and pay the same at Grantor's expense.

E. All judgments, decrees, recoveries and awards or payment for injury or damage to the Mortgaged Property or any part thereof, including, without limitation, interest thereon, all awards pursuant to proceedings or threatened proceedings for condemnation thereof are hereby assigned in their entirety to Beneficiary and shall be paid to Beneficiary and Beneficiary shall apply the same first to reimbursement of all costs and expenses incurred by Beneficiary in connection therewith and the balance shall be applied to the Indebtedness in such manner as Beneficiary may elect, or, at Beneficiary's option, may be applied to restoration of the Mortgaged Property or the remaining part thereof. Beneficiary is hereby authorized, in the name of Grantor, to execute and deliver valid satisfactions of, and to appeal from, any such award, judgment, decree or other matter. If Beneficiary elects to allow a portion of the proceeds to be paid to Grantor to be used in rebuilding, restoration or repair of the Mortgaged Property, then the disbursement of such proceeds shall be on such terms and subject to such conditions as Beneficiary may specify. Grantor shall promptly notify Beneficiary of the institution or threatened institution of any proceeding relating to injury, damage or condemnation of any of the Mortgaged Property. Beneficiary shall have the right to participate in any such proceeding. If the event beneficiary, as a result of any such judgment, decree or award, determines that the payment of the debt or performance of any obligations under this Deed of Trust is impaired, Beneficiary may, without notice, declare all of the Indebtedness immediately due and payable.

F. Grantor shall keep every part of the Mortgaged Property in first-class condition and presenting a first-class appearance, make promptly all repairs, renewals and replacements necessary to such end, prevent waste to any part of the Mortgaged Property, and do promptly all else necessary to such end; and Grantor shall promptly discharge all claims for labor performed and material furnished therefor, and shall not suffer any lien of mechanics or materialmen therefor to attach to any part of the Mortgaged Property. Grantor shall guard every part of the Mortgaged Property from removal, destruction and damage, and shall not do or suffer to be done any act whereby the value of any part of the Mortgaged Property may be lessened. No building or other property now or hereafter covered by the lien or security interest of this Deed of Trust shall be removed, demolished or materially altered or enlarged, nor shall any new building be constructed, without the prior written consent of Beneficiary. Grantor shall not initiate, join in, or consent to any change in any private restrictive covenants, zoning ordinances or other public or private restrictions limiting or defining the uses that may be made of the Mortgaged Property or any part thereof without the prior express written consent of Beneficiary. Grantor shall at all times comply with and perform all obligations under any applicable laws, statutes, regulations, ordinances or restrictive covenants relating to the Mortgaged Property and the use and operation thereof. Beneficiary and Beneficiary's agents or representatives shall have access to the Mortgaged Property at all reasonable times in order to inspect same and verify Grantor's compliance with Grantor's duties and obligations under this document. Grantor shall not, without the prior written consent of Beneficiary, engage in or permit any mining or drilling activities on the land.

G. If, without prior written consent of Beneficiary, which consent may be given or withheld by Beneficiary in the exercise of its sole and absolute discretion, (a) all or any part of the Mortgaged Property, or any interest therein, or any beneficial interest in Grantor (if Grantor is not a natural person or persons but is a corporation,

partnership, trust or other legal entity) is sold, transferred or otherwise conveyed, or (b) Grantor enters into any contract agreeing to sell, transfer or otherwise convey the Mortgaged Property, or any interest therein, or (c) there is a sale or exchange of the majority of the stock of Grantor (if Grantor is not a natural person or persons but is a corporation) or (d) Grantor creates any lien or encumbrance subordinate to this Deed of Trust, or (e) Grantor grants any easement, right-of-way or any other right whatsoever with respect to the Mortgaged Property, or (f) Grantor conveys any leasehold interest for any purpose whatsoever covering all or any portion of the Mortgaged Property, including without limitation, one or more oil, gas or other mineral leases covering the Land or any portion thereof, for a period longer than one (1) year (all and any of the above being hereinafter collectively called "Transfers"), and irrespective of whether any such Transfers are evidenced by written instruments, irrespective if such a written instrument is filed for record, then Beneficiary may, at its option, declare all or part of the Indebtedness immediately due and payable, and Beneficiary shall be entitled to exercise any and all remedies provided under this Deed of Trust. Beneficiary, in the exercise of its sole and absolute discretion and without any duty or obligation to do so, may waive such option to accelerate, if, prior to any Transfers, the proposed transferee has executed a written assumption agreement in writing by Beneficiary, containing such terms as Beneficiary, in its sole discretion may require, including without limitation, an increase in the rate of interest payable on the Indebtedness and/or a modification of the maturity of the Indebtedness.

H. In the event the ownership of the Mortgaged Property or any part thereof becomes vested in a person other than Grantor, Beneficiary may, at Beneficiary's option, deal with such successor or successors in interest with reference to this Deed of Trust and to the Indebtedness in the same manner as with Grantor, without in any way vitiating or discharging Grantor's liability hereunder or upon the Indebtedness. No sale of the Mortgaged Property and no forbearance on the part of Beneficiary, or extension of the time for the payment of the Indebtedness, shall operate to release, discharge, modify, change or affect, either in whole or in part, any liability of Grantor or the liability of the guarantors or sureties of Grantor or of any other party liable for payment of the Indebtedness.

I. Grantor hereby authorizes Beneficiary if, and whenever Beneficiary shall desire, to demand and receive, in Grantor's right, all sums that may become due under any and all leases, including without limitation oil, gas and mineral leases, rental contracts or easements pertaining to all or any part of the Mortgaged Property, and when received to apply the same on the Indebtedness in accordance with Section 1.03 of this Deed of Trust. No demand for, no receipt or application of, any such sum shall be deemed to minimize, subordinate or affect in any way the lien, security interest or rights hereunder of Beneficiary, or any rights of a purchaser of the Mortgaged Property at a trustee's or foreclosure sale hereunder.

J. In the event any portion of the Indebtedness is not, for any reason whatsoever, secured by this Deed of Trust, the full amount of all payments made on the Indebtedness shall first be applied to such unsecured portion of the Indebtedness until the same has been fully paid.

K. This paragraph is intentionally omitted and replaced by paragraph 7.12 hereof.

L. To the extent that any advance of funds by Beneficiary is used to pay any indebtedness secured by an outstanding lien, security interest, charge or encumbrance against the Mortgaged Property, such funds have been advanced by Beneficiary at Grantor's request; and Beneficiary shall be subrogated to any and all rights, powers, equities, liens and security interests owned or granted by an owner or holder of such indebtedness, irrespective of whether said security interests, liens, charges or encumbrances are released or record.

M. Grantor agrees that Grantor shall execute and deliver such other and further documents and do and perform such other acts as may be reasonably necessary and proper in Beneficiary's judgment to carry out the intention of the parties as herein expressed and to effect the purposes of this document and the loan transaction referred to herein. Without limitation of the foregoing, Grantor agrees to execute and deliver such documents as may be necessary to cause the liens and security interests granted hereby to cover and apply to any property placed in, on or about the Mortgaged Property in addition to, or replacement or substitute for, any of the Mortgaged Property.

N. Grantor shall pay in addition to the payments of the Indebtedness, such sums as Beneficiary determines, in its sole and absolute discretion, as are necessary to pay the estimated annual taxes, assessments and insurance premiums (as estimated by beneficiary), next due on the Mortgaged Property. Such payment shall be made in such amounts and at such time as Beneficiary may determine and Beneficiary shall not be required to pay interest to Grantor with respect to any such payment. If the payment so paid is not sufficient to pay such taxes, assessments and insurance premiums when due, then grantor shall deposit immediately with Beneficiary an amount sufficient to pay such taxes, assessments and insurance premiums. If there is a default under any of the provisions of this Deed of Trust resulting in a sale of the Mortgaged Property on foreclosure, or if Beneficiary acquires the Mortgaged Property otherwise after default, any amounts held by beneficiary pursuant to this provision shall become, at the time of commencement of such proceedings or at the time the Mortgaged Property is otherwise acquired, the property solely of the Beneficiary to be applied in payment of taxes, assessments or insurance premiums, or, at the election of Beneficiary, as a credit against the amount then remaining unpaid under the Note. In the event of a default resulting in foreclosure, such conversion of such amounts so deposited with Beneficiary to the exclusive and sole ownership of Beneficiary shall be automatic without the necessity of any action on the part of the Beneficiary.

O. Grantor shall keep proper books of record and account in accordance with generally accepted accounting principles and set aside on Grantor's books from its earnings for each fiscal year reserves for depreciation, depletion, obsolescence and amortization of Grantor's properties during such fiscal year determined in accordance with generally accepted accounting principles consistently applied and all other proper reserves, similarly determined, which should be set aside from such earnings in connection with Grantor's business; that Beneficiary shall have the right to examine the books of account of the Grantor and to discuss the affairs,

finances and accounts of the Grantor and also the Mortgaged Property and Grantor's operation thereof, and to be informed as to the same by Grantor's officers, all at such times designated by Beneficiary, and Grantor shall further furnish from time to time to Beneficiary upon request copies of balance sheets of Grantor and copies of statements of income and retained earnings of the Grantor, covering such periods of time and containing such reasonable detail as Beneficiary shall from time to time request, and stating changes in the financial position of Grantor for the same periods and prepared and certified by a person acceptable to Beneficiary.

P. With respect to each Grantor who is an individual, such Grantor warrants that no part of the Mortgaged Property constitutes any part of his business, residential, urban, or rural homestead.

Q. Grantor shall, at any time and from time to time, furnish promptly, upon request, a written statement or affidavit, in such form as may be required by Beneficiary, stating the unpaid balance of the Note, and that there are no offsets or defenses against full payment of the Note and performance of the terms hereof, or if there are any such offsets and defenses specifying them.

R. Grantor shall comply with all laws, ordinances, rules and regulations of all federal or state governmental agencies relating to the Mortgaged Property or any part thereof and shall secure and maintain all contracts, franchises, permits and licenses necessary or desirable for the construction and/or the efficient operation of the improvements and/or business conducted on the Mortgaged Property.

S. Grantor hereby agrees that Beneficiary shall be entitled to obtain, at any time, and from time to time, when deemed appropriate by Beneficiary, (but no more frequently than annually if there is no default) a current appraisal of the Mortgaged Property from an appraiser, or appraisers, chosen by Grantor from a list of appraisers approved by Beneficiary. If Grantor does not choose an appraiser from such list within ten (10) days of request, then Beneficiary shall have the right to choose the appraiser from such list in its sole discretion. The costs and expenses of such appraisals shall be paid by Grantor herein within ten (10) days of the date an invoice therefor is mailed to Grantor at the address of Grantor as provided in Section 6.01G hereof. In the event Grantor fails to fully pay such invoice within such ten (10) days, Beneficiary may (i) pay the same, at Grantor's expense, in which case the amount thereof shall be advanced and included as a portion of the Indebtedness pursuant to Section 1.01B hereof, and or (ii) Beneficiary may declare the same to be a Default pursuant to Section 3.01B hereof.

2.02. If, while this trust is in force, the title of Trustee to the Mortgaged Property, or any part thereof, shall be endangered or shall be attacked directly or indirectly, Grantor hereby authorizes Beneficiary, at Grantor's cost and expense, to take all necessary and proper steps for the defense of said title, including the employment of counsel, the prosecution or defense of litigation, and the compromise or discharge of claims made against said title.

2.03. All costs, expenses, and attorney's fees incurred in performing and complying with Grantor's covenants herein shall be borne solely by Grantor. If, in pursuance of any covenant herein contained, Beneficiary shall pay out any money chargeable to Grantor, or subject to reimbursement by Grantor under the terms hereof, Grantor shall repay the same to Beneficiary immediately at the place where the Note is payable, together with interest thereon at the maximum lawful rate of interest permitted by applicable law, now or hereafter enacted, to be charged to and paid by Grantor from and after the date of Beneficiary's making such payment. The sum of each such payment shall be added to the Indebtedness and thereafter shall form a part of the same and shall be secured by this Deed of Trust and by subrogation of Beneficiary to all the rights of the person, corporation, or body politic receiving such payment.

2.04. Grantor, or Grantor's heirs, personal representatives, successors or assigns, shall not have or assert, and do hereby waive to the full extent permitted by law, any right, under and statute or rule of law pertaining to the marshalling of assets, as sale in inverse order of alienation, the exemption of homestead, the administration of estates of decedents, or other matter whatever, to defeat, reduce or affect the lien, security interest and rights of Beneficiary under the terms hereof to a sale of the Mortgaged Property for the collection of the indebtedness (without any prior or different resort for collection), or the right of Beneficiary, under the terms hereof, to the payment of the Indebtedness out of the proceeds of sale of the Mortgaged Property in preference to every other person and claimant, whatever (only reasonable expenses being first deducted.)

2.05. In the event that there by a trustee's sale hereunder, and, if at the time of such sale, Grantor, or Grantor's heirs, personal representatives, successors or assigns, is occupying the Mortgaged Property so sold, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either tenant or landlord, at a reasonable rental per day based upon the value of said property, such rental to be due daily to the purchaser. An action of forcible entry and detainer and any other legal proceedings may be brought if the tenant holds over after a demand in writing for possession of any of the Mortgaged Property; and this Deed of Trust and trustee's deed shall constitute the lease and agreement under which the tenant's possession arose and continued.

2.06. The covenants herein contained shall inure to the benefit of Beneficiary and Trustee, their respective heirs, personal representatives, successors and assigns, and shall be binding upon the respective heirs, personal representatives, successors and assigns of Grantor, but nothing in this paragraph shall constitute an authorization for Grantor to sell, transfer, lease or in any way dispose of the Mortgaged Property or any part thereof if otherwise prohibited by any of the terms hereof.

ARTICLE III: DEFAULT AND REMEDIES

3.01. The term "Default" or "Event of Default" as used in this Deed of Trust shall mean the occurrence of one or more of the following:

- A. Grantor shall default in the prompt payment when due, of the Indebtedness, or any part thereof;
- B. Grantor shall fail to keep and perform (or shall fail to furnish evidence of the performance of) any of the covenants or agreements contained herein or in any other document evidencing or securing payment of, or otherwise relating to, the Indebtedness;
- C. Grantor, or any other person liable for the Indebtedness, or any portion thereof, files a voluntary petition in bankruptcy or for corporate reorganization, makes an assignment for the benefit of any creditor, or is the subject of an Order of Relief entered in any bankruptcy, insolvency, reorganization or rehabilitation proceeding;
- D. The Mortgaged Property or any property owned by a person liable for payment of the Indebtedness, or any portion thereof, is placed under control or in the custody of any court or receiver;
- E. Grantor abandons any of the Mortgaged Property;
- F. Beneficiary discovers that any statement, representation, or warranty in the Note, this Deed of Trust or in any other document or instrument delivered to Beneficiary in connection with the Indebtedness is false, misleading or erroneous in any respect;
- G. Grantor admits in writing its inability to pay its debts generally as they become due;
- H. Grantor applies for or consents to the appointment of a custodian, trustee, or liquidator of Grantor (of any of them) or of any guarantor or surety for the performance of any obligation hereunder or of all or a substantial part of its assets;
- I. Grantor takes any action or permits any action to be taken under any bankruptcy, insolvency, reorganization or rehabilitation law or proceeding or files an answer admitting the material allegations of or consenting to, or defaulting in, a petition against Grantor (or any of them) or any such guarantor or surety, in any bankruptcy, insolvency, reorganization or other insolvency proceedings;
- J. Guarantor institutes or voluntarily is or becomes a party to any other judicial proceedings intended to effect a discharge of the debts of Grantor (or any of them) or of any guarantor or surety, in whole or in part, or to effect a postponement of the maturity or the collection thereof, or to effect a suspension of any of the rights or powers of Beneficiary granted in the Note, this Deed of Trust or in any other document or instrument evidencing and/or securing the Indebtedness.
- K. An order, judgment or decree shall be entered by any court of competent jurisdiction appointing a trustee, custodian or liquidator of Grantor (or any of them) or of any guarantor or surety or of all or any substantial part of the assets of Grantor (or any of them) or any such guarantor or surety, or if Grantor (or any of them) or any guarantor or surety shall fail to pay any money judgment against it at least ten (10) days prior to the date on which the assets of Grantor (or any of them) or any such guarantor or surety may be sold to satisfy such judgment;
- L. If Grantor (or any of them) or any such guarantor or surety shall fail to have discharged within a period of ten (10) days after the commencement thereof any attachment, sequestration, or similar proceedings against any assets of Grantor (or any of them) or of any guarantor or surety; and
- M. Beneficiary, at any time, deems itself insecure.

Upon the occurrence of any Event of Default, Beneficiary, at Beneficiary's option, and without notice of intention to accelerate, notice of acceleration or notice of any kind or nature whatsoever, demand or presentment all of which are hereby expressly waived by Grantor, may, to the extent permitted by the documents executed by Grantor or by law, declare the entire unpaid Indebtedness immediately due and payable, whereupon it shall be so due and payable, and may exercise all rights and remedies granted hereunder or in any other instrument securing payment of the Indebtedness.

3.02. In addition, upon the occurrence of an Event of Default, Beneficiary shall have the option, without declaring the entire Indebtedness due, to proceed with foreclosure in satisfaction of such Default either through the courts or by directing Trustee or Trustee's successors in trust to proceed as if under a full foreclosure, conducting the sale as hereinafter provided. Such sale may be made subject to the unmatured part of the Note or other Indebtedness without any effect on the unmatured portion of the Indebtedness, but as to such unmatured portion of the Indebtedness, this Deed of Trust shall remain in full force and effect just as though no sale had been made under the provisions of this paragraph. In addition, several sales may be made hereunder without exhausting the right of sale for any unmatured portion of the Indebtedness, it being the intention of the parties hereto to provide for a foreclosure and sale of the security for any matured portion of the Indebtedness without exhausting the power to foreclose and to sell the security for any other portion of the Indebtedness whether matured at the time or subsequently maturing. An assignee holding any installment or part of any installment of the Note or other portion of the Indebtedness shall have the same powers as are hereby conferred on the Beneficiary to proceed with foreclosure on a matured installment or installments, and also to request Trustee or successors in trust to sell the Mortgaged Property or any part thereof; but if said assignee forecloses or causes a sale to be made to satisfy any installment, part of an installment, or installments, then such foreclosure or sale shall be made subject to all of the terms and provisions hereof with respect to the unmatured part of the Note and other portions of the Indebtedness owned by Beneficiary.

3.03. Upon the occurrence of an Event of Default, Grantor hereby authorizes and empowers Trustee, and each and all of Trustee's successors in this trust, at any time thereafter, at the request of Beneficiary (which request is

hereby conclusively presumed), to sell at public vendue the Mortgaged Property or any part thereof, or any interest therein, to the highest bidder, for cash, at the location designated for such purpose by the Commissioner's Court for such County in the County Courthouse of the county in Texas in which the property to be sold or any part thereof is situated, between the hours of 10:00 A.M. and 4:00 P.M. of the first Tuesday of any month, after advertising the time, place and terms of said sale, and the property to be sold (in this Article 3.03 called the "Posted Mortgaged Property"), by posting (or by having any person acting for Trustee post), for at least twenty-one (21) days preceding the date of the sale, written notice of the proposed sale at the Courthouse door of said county in which the Posted Mortgaged Property is situated and by filing a copy of the written notice in the office of the county clerk in the county in which the sale is to be made at least twenty-one (21) days preceding the date of the sale. If the Posted Mortgaged Property is in more than one county, one such notice of sale shall be posted at the Courthouse door and filed with the county clerk of each county in which part of the Posted Mortgaged Property is situated and the Posted Mortgaged Property may be sold at the courthouse door of any one of such counties, and the notice so posted and filed shall designate in which county the Posted Mortgaged Property shall be sold; in addition to giving such notices, Beneficiary (or any person acting for Beneficiary) shall at least twenty-one (21) days preceding the date of the sale serve written notice of the proposed sale by certified mail on each debtor obligated to pay the Indebtedness according to records of Beneficiary. Service of such notice shall be completed upon deposit of the notice, enclosed in a postpaid wrapper, properly addressed to such debtor at said debtor's most recent address as shown by the records of Beneficiary, in a post office or official depository under the care and custody of the United States Postal Service. The affidavit of any person having knowledge of the facts to the effect that such service was completed shall be prima facie evidence of the fact of service. If the sale takes place, the sale must begin at the time stated in the notice of sale or not later than three (3) hours after such time. Notwithstanding any contrary provision herein, if the Mortgaged Property is used as the residence of any debtor obligated to pay the Note hereby secured, Beneficiary shall serve written notice of any default under this Deed of Trust upon such debtor by certified mail, such notice stating that such debtor is in default hereunder, and Beneficiary shall give such debtor at least twenty (20) days from the date of service of such notice to cure the default before declaring the principal indebtedness, interest and all other sums hereby secured immediately due and payable, and requesting Trustee to issue the above referenced notice of the proposed sale. Grantor agrees that no notice of any sale other than as set out in this paragraph need be given by Trustee, Beneficiary or any other person. Grantor designated as Grantor's address for the purpose of such notice, the address set out below opposite Grantor's signature, and each other debtor, if any obligated to pay the Indebtedness agrees that such address shall likewise constitute such other debtor's address for such notice, unless a different address is designated by such other debtor; no change of such address or designation of a different address shall be binding on Beneficiary until thirty (30) days after Beneficiary has received notice of such change sent to Beneficiary by certified mail postage prepaid, return receipt requested, addressed to Beneficiary at the address for Beneficiary set out herein (or to such other address as Beneficiary may have designated by notice given as above provided to Grantor and such other debtors). Any change of address of Beneficiary shall be effective three (3) business days after written notice thereof addressed to Grantor and sent by regular United States mail, postage prepaid has been deposited in the care and custody of the United States Postal Service. Grantor authorizes and empowers Trustee, and each and all of Trustee's successors in this trust, to sell the Posted Mortgaged Property, or any part thereof (which partial sale shall be governed by Article 3.08 hereof) or any interest therein, as an entirety or in parcels, by one sale or by several sales held at one time or at different times as the Trustee shall deem advisable at the time of sale, and to execute and deliver to the purchaser or purchasers thereof good and sufficient deed or deeds of conveyance thereof and bills of sale with covenants of general warranty binding on Grantor and Grantor's heirs, personal representatives, successors and assigns. Trustee making such sale shall receive the proceeds thereof and shall apply the same as follows: (i) Trustee shall pay, in addition to the attorneys' fees authorized in the Note, the reasonable expense of executing this trust, including a commission to Trustee of five percent (5%) of the gross proceeds of the sale; (ii) after paying such expenses, Trustee shall pay so far as may be possible the Indebtedness, discharging first that portion of the Indebtedness arising under the covenants or agreements herein contained and not evidenced by the Note; (iii) Trustee shall pay the residue, if any, to Grantor, Grantor's respective heirs, personal representatives, successors or assigns. Payment of the purchase price to Trustee shall satisfy the obligation of the purchaser at such sale therefor, and such purchaser shall not be bound to look after the application thereof.

3.04. Grantor hereby ratifies and confirms any and all acts that Trustee, or Trustee's successor or successors in this trust, shall do lawfully by virtue hereof, Grantor hereby agrees, on behalf of Grantor and of Grantor's respective heirs, personal representatives, successors and assigns, that the recitals contained in any deed or deeds or other instrument executed in due form by any Trustee or substitute Trustee, acting under the provisions of this instrument, shall be prima facie evidence of the facts recited, and that it shall not be necessary to prove in any court, otherwise than by such recitals, the existence of the facts essential to authorize the execution and delivery of such deed or deeds or other instrument and the passing of the title hereby, and all prerequisites and requirements of any sale or sales shall be conclusively presumed to have been performed, and all persons subsequently dealing with the Mortgaged Property purported to be conveyed by such deed or deeds or other instrument, including without limitation, the purchaser or purchasers thereof, shall be fully protected in relying upon the truthfulness of such recitals. Trustee or any successor Trustee acting in accordance with the terms hereof shall not be personally liable for any action taken pursuant hereto.

3.05. Beneficiary may bid and being the highest bidder therefor, become the purchaser of any or all of the Mortgaged Property at any Trustee's or foreclosure sale hereunder and shall have the right to credit the amount of the bid upon the amount of the Indebtedness, in lieu of cash payment.

3.06. The purchaser at any Trustee's or foreclosure sale hereunder may disaffirm any easement granted, or lease, or agreement made, in violation of any provision of this Deed of Trust, and may take immediate possession of the Mortgaged Property free from, and despite the terms of, such grant of easement and lease or agreement.

3.07. In the event of default by Grantor as set out in Article 3.01, Beneficiary may, at Beneficiary's option, enter upon and take exclusive possession of the Mortgaged Property and thereafter manage, use, lease and otherwise

operate same in such manner and by and through such persons, objects or employees as it may deem proper and necessary. Beneficiary shall be likewise entitled to possession of all books and records of Grantor that relate to the Mortgaged Property. The rights of Beneficiary under this paragraph may be enforced through an action for forcible entry and detainer or any other means authorized by law.

3.08. The sale or sales by the Trustee of less than the whole of the Mortgaged Property shall not exhaust the power of sale herein granted, and the Trustee is specifically empowered to make successive sale or sales under such power until the whole of the Mortgaged Property shall be sold; and if the proceeds of such sale or sales of less than the whole of such Mortgaged Property shall be less than the aggregate of the Indebtedness and the expense of executing this trust, this Deed of Trust and the lien, security interest and assignment hereof shall remain in full force and effect as to the unsold portion of the Mortgaged Property just as though no sale or sales had been made; provided, however, that Grantor shall never have the right to require sale or sales of less than the whole of the Mortgaged Property, but Beneficiary shall have the right, at its sole election, to request the Trustee to sell less than the whole of the Mortgaged Property. If default is made hereunder, the holder of the Indebtedness or any part thereof on which the payment is delinquent shall have the option to proceed with foreclosure in satisfaction of such item either through judicial proceedings or by directing the Trustee to proceed as if under a full foreclosure, conducting the sale as herein provided without declaring the entire Indebtedness due, and if sale is made because of default of an installment, or a part of an installment, such sale may be made subject to the unmatured part of the Indebtedness; and it is agreed that such sale, if so made, shall not in any manner affect the unmatured part, but as to such unmatured part, this Deed of Trust shall remain in full force and effect as though no sale had been made hereunder. Several sales may be made hereunder without exhausting the right of sale for any unmatured part of the Indebtedness.

3.09. **WAIVER OF DEFICIENCY STATUTE PROTECTIONS/FAIR MARKET VALUE FOR CALCULATING DEFICIENCIES.** Notwithstanding the provisions of Sections 51.003, 51.004 and 51.005 of the Texas Property Code (as the same may be amended from time to time), and to the extent permitted by law; Grantors agree that Beneficiary shall be entitled to seek a deficiency judgment from Grantors and any other party obligated on the Note equal to the difference between the amount owing on the Note and the amount for which the Premises was sold pursuant to a judicial or non-judicial foreclosure sale. Grantors expressly recognize that this section constitutes a waiver of the above-cited provisions of the Texas Property Code which would otherwise permit Grantors and other persons against whom recovery of deficiencies is sought or guarantors independently (even absent the initiation of deficiency proceedings against them) to present competent evidence of the fair market value of the Premises as of the date of foreclosure and offset the fair market value of the premises as of the date of foreclosure against any deficiency the amount by which the foreclosure sale price is determined to be less than such fair market value. Grantors further recognize and agree that this waiver creates an irrebuttable presumption that the foreclosure sale price is equal to the fair market value of the Premises for purposes of calculating deficiencies owed by Grantors, other borrowers on the Note, guarantors, and others against whom recovery of a deficiency is sought.

Alternatively, in the event this waiver is determined by a court of competent jurisdiction to be unenforceable, the following shall be the basis for the finder of fact's determination of the fair market value of the Premises as of the date of the foreclosure sale in proceedings governed by Sections 51.003, 51.004, and 51.005 of the Texas Property Code (as amended from time to time);

- a. The premises shall be valued in an "as is" condition as of the date of the foreclosure sale, without any assumption or expectation that the Premises will be repaired or improved in any manner before a resale of the Premises after foreclosure;
- b. The valuation shall be based upon an assumption that the foreclosure purchaser desires a prompt resale of the Premises for cash promptly (but no later than twelve months) following the foreclosures sale;
- c. All reasonable closing costs customarily borne by the seller in a commercial real estate transaction should be deducted from the gross fair market value of the Premises, including without limitation, brokerage commissions, title insurance, a survey of the Premises, tax prorations, attorney's fees, and marketing costs;
- d. The gross fair market value of the Premises shall be further discounted to account for any estimated holding costs associated with maintaining the Premises pending sale, including, without limitation, utilities expenses, property management fees, taxes and assessments (to the extent not accounted for in paragraph c above) and other maintenance expenses; and
- e. Any expert opinion testimony given or considered in connection with a determination of the fair market value of the Premises must be given by persons having at least five years experience in appraising property similar to the Premises and who have conducted and prepared a complete written appraisal of the Premises taking into consideration of the factors set forth above.

ARTICLE IV: SUBSTITUTE AND SUCCESSOR TRUSTEE

4.01. If the Trustee shall die or become disqualified from acting in the execution of this trust, or shall fail or refuse to execute the same when requested by Beneficiary so to do, or if, for any reason, Beneficiary shall prefer to appoint a substitute Trustee to act instead of the herein named Trustee, Beneficiary shall have full power to

appoint, at any time by written instrument, a substitute Trustee, and, if necessary, several substitute Trustees in succession, who shall succeed to all the estate, rights, powers and duties of Trustee named herein, and no notice of such appointment need be given to Grantor or to any other person or filed for record in any public office. Such appointment may be executed by any agent of Beneficiary and, if Beneficiary is a corporation, such appointment shall be conclusively presumed to be executed with authority and shall be valid and sufficient without proof of any action by the board of directors or any executive officer of the corporation.

ARTICLE V: DEFEASANCE

5.01. All of the covenants and agreements of Grantor herein shall survive the execution and delivery of this document and shall continue in force until the Indebtedness is paid in full and a written release hereof is executed by Beneficiary. Accordingly, if Grantor shall perform faithfully each and all of the covenants and agreements herein contained, then, and then only, this conveyance shall become null and void and shall be released in due form, upon Grantor's written request and at Grantor's expense. No release of this conveyance or the lien thereof shall be valid unless executed by Beneficiary.

ARTICLE VI: SECURITY AGREEMENT

6.01. To further secure the Indebtedness, Grantor hereby grants a security interest to Beneficiary in and to all the Goods (all of the Goods and the proceeds thereof being herein called the "Collateral," provided, however, (a) the mention of proceeds of collateral herein shall not be construed as an authorization for the sale or surrender by Grantor of Collateral and (b) Collateral as used in this Deed of Trust shall be included in the term "Mortgaged Property" when used herein). This document shall constitute a security agreement as well as a mortgage and deed of trust. The following applies with respect to Collateral:

A. In addition to and cumulative of any other remedies granted in this Deed of Trust to Beneficiary, Beneficiary may, upon default hereunder, proceed under Chapter 9 of the Texas Business and Commerce Code as now adopted and existing and as it may hereafter be amended or succeeded (hereinafter called "Uniform Commercial Code") as to all or any part of the Collateral and shall have and may exercise with respect to all or any part of the Collateral all of the rights, remedies and powers of a secured party under the Uniform Commercial Code, including, without limitation, the right and power to repossess, retain and to sell, at public sale or sales, or otherwise dispose of, lease or utilize the Collateral or any part thereof and to dispose of the proceeds in any manner authorized or permitted under the applicable provisions of the Uniform Commercial Code, and to apply the proceeds thereof toward payment of Beneficiary's attorneys' fees and other expenses and costs of pursuing, searching for, receiving, taking, keeping, storing, advertising, and selling the Collateral thereby incurred by Beneficiary, and toward payment of the Indebtedness in such order and manner as Beneficiary may elect consistent with the provisions of the Uniform Commercial Code. Nothing in this Article VI shall be construed to impair or limit any other right or power to which Beneficiary may be entitled at law or in equity.

B. Among the rights of Beneficiary upon default of the Indebtedness pursuant to the provisions hereof, and without limitation, Beneficiary shall have the right (but not the obligation), without being deemed guilty of trespass and without liability for damages thereby occasioned (i) to enter upon any premises where the Collateral may be situated and take possession of the Collateral, or render it unusable, or dispose of the Collateral or Grantor's premises, and Grantor agrees not to resist or to interfere, and (ii) to take any action necessary or appropriate or desirable by Beneficiary at Beneficiary's option and in Beneficiary's discretion, to repair, refurbish or otherwise prepare the Collateral for sale, lease or other use or disposition as herein authorized. Beneficiary may, at Beneficiary's discretion, require Grantor to assemble the Collateral and make it available to Beneficiary at a place designated by Beneficiary that is reasonably convenient to both parties.

C. Beneficiary shall give Grantor notice, by certified mail, postage prepaid, of the time and place of any public sale of any of the Collateral or of the time after which any private sale or other intended disposition thereof is to be made by sending notice to Grantor at the address of Grantor as specified below at least five (5) days before the time of the sale or other disposition, when provisions for notice Grantor and Beneficiary agree are reasonable, provided, however, that nothing herein shall preclude Beneficiary from proceeding as to both real and personal property in accordance with Beneficiary's rights and remedies in respect to real property as provided in the Uniform Commercial Code, and without any notice to Grantor except for the notices provided for in Article 3.03 hereof.

D. To the extent such may now or hereafter be permitted under Texas law, Beneficiary is authorized to execute and file financing statements and continuation statements under the Uniform Commercial Code with respect to the Collateral without joinder of Grantor in such execution or filing. Grantor shall execute and deliver to Beneficiary such financing statements, continuation statements and other documents relating to the Collateral or any portion thereof as Beneficiary may reasonably request from time to time to preserve and maintain the priority of the security interest created by this Deed of Trust and shall pay to Beneficiary on demand any expenses and attorney's fees incurred by Beneficiary in connection with the preparation, execution, filing and perfection and continuation of the liens and security interest of this Deed of Trust and of any financing statements, continuation statements, partial releases, termination statements or other documents necessary or desirable to continue to confirm Beneficiary's security interest, or any modification thereof and in connection with any Uniform Commercial Code searches performed by Beneficiary. This document, and any carbon, photographic or other reproduction of this document may be filed by Beneficiary and shall be sufficient as a financing statement. All or part of the Collateral is or is to become fixtures on the real estate constituting a portion of the Mortgaged Property, but this statement shall not impair or limit the effectiveness of this document as a security agreement or financing statement for other purposes, and, without limitation of any other provision hereof, this Deed of Trust shall constitute a fixture financing statement and, as such, shall be filed for record in the real estate records of the county in which the Land is located. Grantor shall not change Grantor's name

without the prior express written consent of Beneficiary. The name of the record owner of the Land is the party or parties defined herein as Grantor.

E. Grantor agrees that, except for the security interest granted hereby in the Collateral, Grantor is the owner of the Collateral free of any adverse claim, security interest or encumbrance, and Grantor shall defend the Collateral against all claims and demands of any person at any time claiming the same or any interest therein. Grantor has not heretofore signed any financing statement and no financing statement signed by Grantor is now on file in any public office except those statements, true and correct copies of which have been delivered to Beneficiary. So long as any amount remains unpaid on the Indebtedness, Grantor shall not execute and there shall not be filed in any public office any such financing statement or statements affecting the Collateral other than financing statements in favor of Beneficiary hereunder.

F. The security interest granted herein shall not be construed or deemed to constitute Beneficiary or Trustee as a trustee or mortgagee in possession of the Mortgaged Property so as to obligate Beneficiary or Trustee to lease the Mortgaged Property or attempt to do the same, or to take any action, incur any expenses or perform or discharge any obligation, duty or liability with respect to the Mortgaged Property or any part thereof or otherwise.

G. Grantor's address is as hereinbelow set forth and Beneficiary's address is as hereinabove set forth. Either party may notify the other of a new address in the manner specified in Article 3.03 above.

ARTICLE VII: MISCELLANEOUS

7.01. In the event Beneficiary shall elect to invoke any of the rights or remedies provided for herein, but shall thereafter determine to withdraw or discontinue same for any reason, Beneficiary shall have the unqualified right to do so, whereupon all parties shall be automatically restored and returned to their respective positions regarding the Indebtedness and this document as shall have existed prior to the invocation of Beneficiary's rights hereunder and the rights, powers and remedies of Beneficiary hereunder shall be and remain in full force and effect.

7.02. Any part of the Mortgaged Property may be released by Beneficiary without affecting Beneficiary's liens, security interests and rights against the remainder of the Mortgaged Property. The Lien, security interest and rights hereby granted shall not affect or be affected by any other security taken or acquired by the Beneficiary for the Indebtedness or any part thereof. The taking of additional security, or the extension or renewal of the Indebtedness or any part thereof, shall at no time release or impair the lien, security interest and rights granted hereby, or affect the liability of any endorser, guarantor or surety, or improve the right of any junior lien holder, and this Deed of Trust, as well as any instrument given to secure any renewal or extension of the Indebtedness, or any part thereof, shall be and remain a first and prior lien and security interest on all of the Mortgaged Property not expressly released, until the Indebtedness is completely paid.

7.03. The invalidity, or unenforceability in particular circumstances, of any provision of this Deed of Trust shall not extend beyond such provision or such circumstances and no other provision of this instrument shall be affected thereby. It is the intention of the parties hereto to comply with the applicable usury laws; accordingly, it is agreed that notwithstanding any provisions to the contrary in the Note or any instruments evidencing the Indebtedness, in this Deed of Trust or in any of the documents or instrument or instruments securing payment of the Indebtedness or otherwise related thereto, in no event shall the Note or such documents require the payment or permit the collection of interest in excess of the maximum amount permitted by such laws. If any such excess of interests is contracted for, charged or received, under the Note or any instrument evidencing the Indebtedness, under this Deed of Trust or under the terms of any of the other documents securing payment of the Indebtedness or otherwise relating thereto, or in the event the maturity of any of the Indebtedness is accelerated in whole or in part, or in the event that all or part of the principal or interest of the Indebtedness shall be prepaid, so that under any of such circumstances, the amount of interest contracted for, charged or received, under the Note or any instrument or instruments evidencing the Indebtedness, under this Deed of Trust or under any of the instrument or instruments securing payment of the Indebtedness or otherwise relating thereto, on the amount of principal actually outstanding from time to time under the Note and other instrument or instruments evidencing the Indebtedness, shall exceed the maximum amount of interest permitted by the applicable usury laws, now or hereafter enacted, then in any such event (a) the provisions of this paragraph shall govern and control, (b) neither Grantor nor any other person or entity now or hereafter liable for the payment of the Note or any instrument evidencing the Indebtedness shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum amount of interest permitted by the applicable usury laws, now or hereafter enacted, (c) any such excess that may have been collected shall be either applied as a credit against the then unpaid principal amount hereof or refunded to Grantor, at the Beneficiary's option, and (d) the effective rate of interest shall be automatically reduced to the maximum lawful contract rate allowed under the applicable usury laws, now or hereafter enacted. It is further agreed that without limitation of the foregoing, all calculations of the rate of interest calculated for, charged or received under the Note, or any instrument evidencing the Indebtedness, under this Deed of Trust or under such other documents that are made for the purpose of determining whether such rate exceeds the maximum lawful contract rate, shall be made, to the extent permitted by the applicable usury laws, now or hereafter enacted, by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loans evidenced by the Note or the instrument or instruments evidencing the Indebtedness, all interest at any time contracted for, charged or received from grantor or otherwise by Beneficiary in connection with such loans.

7.04. It is expressly agreed that (i) no waiver of any default on the part of Grantor or breach of any of the provisions of this Deed of Trust shall be considered a waiver of any other or subsequent default or breach, and no delay or omission in exercising or enforcing the rights and powers herein granted shall be construed as a waiver of such rights and powers, and likewise no exercise or enforcement of any rights or powers hereunder shall be held to exhaust such rights and powers, and every such right and power may be exercised from time to time; (ii)

any failure by Beneficiary to insist upon the strict performance by Grantor of any of the terms and provisions hereof shall not be deemed to be a waiver of any of the terms and provisions hereof, and Beneficiary, notwithstanding any such failure, shall have the right thereafter to insist upon the strict performance by Grantor of any and all of the terms and provisions of this Deed of Trust; (iii) neither Grantor nor any other person now or hereafter obligated for the payment of the whole or any part of said Indebtedness shall be relieved of such obligation by reason of the failure of Beneficiary or Trustee to comply with any request of Grantor, or of any other person so obligated, to take action to foreclose this Deed of Trust or otherwise enforce any of the provisions of this Deed of Trust or of any obligations secured by this Deed of Trust, or by reason of the release, regardless of consideration, of the whole or any part of the security held for the Indebtedness, or by reason of the subordination in whole or in part by Beneficiary of the lien, security interest or rights evidenced hereby, or by reason of any agreement or stipulation with any subsequent owner or owners of the Mortgaged Property extending the time of payment or modifying the terms of the Indebtedness or this Deed of Trust without first having obtained the consent of Grantor or such other person, and in the latter event, Grantor and all such other persons shall continue liable to make such payments according to the terms of any such agreement of extension or modification unless expressly released and discharged in writing by Beneficiary; (iv) regardless of consideration, and without the necessity for any notice to or consent by the holder of any subordinate lien or security interest on the Mortgaged Property. Beneficiary may release the obligation of anyone at any time liable for any of the Indebtedness or any part of the security held for the Indebtedness and may extend the time of payment or otherwise modify the terms of the Indebtedness and/or this Deed of Trust without, as to the security or the remainder thereof, in anywise impairing or affecting the lien or security interest of this Deed of Trust or the priority of such lien or security interest, as security for the payment of the Indebtedness as it may be so extended or modified, over any subordinate lien or security interest; (v) the holder of any subordinate lien or security interest shall have no right to terminate any lease affecting the Mortgaged Property whether or not such lease by subordinate to this Deed of Trust; and (vi) Beneficiary may resort for the payment of the Indebtedness to any security therefor held by Beneficiary in such order and manner as Beneficiary may elect.

7.05. Wherever used in this document, unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, the words "Deed of Trust" shall mean this "Deed of Trust, Security Agreement and Financing Statement and any supplement or supplements hereto," the word "Grantor" shall mean "Grantor, Grantor's heirs, personal representatives, successors and assigns, and/or any subsequent owner or owners of the Mortgaged Property" the word "Note" shall mean "Note secured by this Deed of Trust and any renewals, extensions and rearrangements thereof," the word "person" shall mean "an individual corporation, trust, partnership or unincorporated association," and the pronouns of any gender shall include the other genders, and either the singular or plural shall include the other.

7.06. Notwithstanding anything to the contrary contained in this agreement, if any person executing this agreement is a "consumer" as defined in Regulation AA of the Board of Governors of the Federal Reserve System, 12 C.F.R. Part 227, or the Federal Trade Commission Credit Practices Rule, 16 C.F.R. Part 444, as applicable, no lien or security interest created or evidenced by this agreement shall extend to or cover a nonpossessory lien or security interest in "household goods," other than a purchase money lien or security interest, in accordance with such regulations as applicable.

7.07 Upon request by Beneficiary, Grantor, at Grantor's expense, agrees to furnish to Beneficiary an updated appraisal on the value of the Mortgaged Property. Furthermore, Grantor agrees that in the event an independent appraisal is required by any governmental agency, Grantor will pay the cost of such appraisal and will pay such sums and perform such acts as may be required by such agency to make the loan a conforming loan under existing governmental regulations governing the Beneficiary.

7.08 In consideration for Beneficiary accepting and agreeing to this Deed of Trust, the Grantor, upon demand by Beneficiary, shall deliver to Beneficiary current Financial Statements. The term "Financial Statements" shall mean such balance sheets, profit and loss statements, reconciliations of capital and surplus, changes in financial conditions, schedule of sources and applications of funds, operating statements with respect to the Grantors, each guarantor of the indebtedness, the Mortgaged Property and any other financial information which Beneficiary may require.

7.09 On or before January 31 of each calendar year, Grantor agrees to furnish to Beneficiary copies of paid tax receipts from all taxing authorities which levy real estate taxes against the Mortgaged Property and evidence that the maintenance assessment against the Mortgaged Property has been paid current.

7.10 "Goods" shall include but not be limited to the following: All personal property and fixtures of every kind and nature whatsoever now owned or hereafter acquired by Grantor and which are in or may hereafter be placed in, or are or may become used or useful in connection with the real estate described herein, and any building or other structure or improvements now or hereafter constructed or placed upon the Land; all of Grantor's interest in accounts receivable, chattel paper, general intangibles and all tenant leases, bonds, construction, insurance or other contracts and condemnation and insurance proceeds related to the Land and/or improvements; all furnishings, fixtures, materials, equipment, apparatus and other property, real and personal, now or hereafter affixed, located, installed and/or used on the Land or improvements thereon, including but not limited to, all heating, lighting, refrigeration, plumbing, ventilating, incineration, water heating, cooking and air conditioning equipment, fixtures and appurtenances and other chattels and personal property; all plans, specifications, drawings, studies and analyses relating to the Land or improvements and any proposed or contemplated improvements thereon which have or may be prepared by an architect, engineer or design professional; all licenses, permits, utility commitments and/or reservations issued by any person or entity relating directly and/or indirectly to the Land or improvements thereon now or hereafter existing, and all renewals, products, proceeds, accessions, replacements and/or substitutions thereof or thereto to any of the above.

7.11 It is further agreed and stipulated that Grantor shall not use, generate, treat, store, dispose of or otherwise introduce any hazardous waste or solid waste or hazardous substances into, on, from, or under the property and Mortgaged Property herein described and shall not cause, suffer or permit anyone else to do so. Grantor does hereby indemnify and agree to defend and hold Beneficiary harmless from and against any and all liability and expense, including without limitation of the generality of the foregoing, reasonable attorney's fees, technical consultants' fees (in the event that Grantor has not retained a technical consultant satisfactory to Beneficiary, in its sole discretion), environmental cleanup costs, natural resources damages and/or damages to persons, personal property and/or real property now or in the future arising out of or related to the condition of the property and the Mortgaged Property herein described, existence of any environmental hazard or other condition on the property and Mortgaged Property herein described and/or any release or threat of release of a hazardous substance, pollutant or other contaminant from the property and Mortgaged Property herein described.

7.12 ASSIGNMENT OF RENTS AND LEASES.

A. Assignment of Rents, Profits, Etc. All of the Rents (as hereinafter defined) derived from the Premises or arising from the use or enjoyment of any portion thereof or from any lease or agreement pertaining thereto, are hereby absolutely and unconditionally assigned to Beneficiary, to be applied by Beneficiary in payment of the Indebtedness. "Rents" means all of the rents, revenue, income, profits and proceeds derived and to be derived from the Premises or arising from the use or enjoyment of any portion thereof or from any Lease (as hereinafter defined), including but not limited to liquidated damages following default under any such Lease, or payments applicable to a termination of a Lease, all proceeds payable under any policy of insurance covering loss of rents resulting from damage to any part of the Premises, all rights that Grantor may have against any tenant under any Lease or any subtenants or occupants of any part of the Premises, all of Grantors' rights to recover monetary amounts from any tenant in bankruptcy including, without limitation, rights of recovery for use and occupancy and damage claims arising out of Lease defaults, including rejections, under any applicable debtor relief law, together with any sums of money that may now or at any time hereafter be or become due and payable to Grantors by virtue of any and all royalties, overriding royalties, bonuses, delay rentals and any other amount of any kind or character arising under any and all present and all future oil, gas, mineral and mining leases covering the Premises, or any part thereof, and all proceeds and other amounts paid or owing to Grantors under or pursuant to any and all contracts, and bonds relating to the construction or renovation of the Premises. Notwithstanding any provision of this Deed of Trust or any other Loan Document which might be construed to the contrary, the assignment in this Section is an absolute assignment and not merely a security interest; however, Beneficiary's rights as to the assignment shall be exercised only upon the occurrence of an Event of Default (as hereinafter defined). Prior to an Event of Default, Grantors shall have a license to collect and receive all Rents as trustee for the benefit, of Beneficiary and Grantors, and Grantors shall apply the funds so collected first to the payment of the Indebtedness in such manner as Beneficiary elects and thereafter to the account of Grantors. Upon the occurrence of an Event of Default, such license in favor of Grantors shall automatically and immediately terminate without any action or notice, or the necessity thereof, by Beneficiary or any other party, and Beneficiary shall be entitled to immediate possession of all Rents regardless of the value of the security for the Indebtedness and regardless of whether Beneficiary has initiated any action to take possession of any portion of the Premises. An "Event of Default" is any one of the following:

- i) default in the payment of any part of the indebtedness secured by this Deed of Trust; or,
- ii) default in the performance of any of the covenants and agreements contained in this Deed of Trust or the Note; or,
- iii) default under any other loan document executed in connection with the Note.

B. Assignment of Leases. Grantors hereby assign to Beneficiary all of Grantors' rights, but none of its obligations, under all Leases (as hereinafter defined). "Lease" and "Leases" means each and all existing or future leases, subleases (to the extent of Grantors' rights thereunder) or other agreements under the terms of which any person has or acquires any right to occupy or use any part of or interest in the Premises, and each and all existing or future guaranties of payment or performance thereunder, and all extensions, renewals, modifications, supplements and replacements of each such lease, sublease, agreement or guaranty upon any part of the Premises. Grantors hereby further assign to Beneficiary all guaranties of tenants' performance under the Leases. Prior to an Event of Default, Grantors shall have the right, without joinder of Beneficiary, to enforce the Leases, unless Beneficiary directs otherwise.

C. Warranties Concerning Leases and Rents. Grantors represent and warrant that:

- (1) Grantors have good title to the Leases and Rents hereby assigned and authority to assign them, and no other person or entity has any right, title or interest therein;
- (2) all existing Leases are valid, unmodified and in full force and effect, except as indicated herein, and no default exists thereunder;
- (3) unless otherwise provided herein, no Rents have been or will be assigned, mortgaged or pledged;
- (4) no Rents have been or will be anticipated, waived, released, discounted, set off or compromised;
- (5) except as indicated in the Leases, Grantors have not received any funds or deposits from any tenant for which credit has not already been made on account of accrued Rents.

D. Grantors' Covenants of Performance. Grantors covenant to:

(1) perform all of Grantors' obligations under the Leases and give prompt notice to Beneficiary of any failure to do so;

(2) give immediate notice to Beneficiary of any notice Grantors receive from any tenant or subtenant under any Leases, specifying any claimed default by any party under such Leases, excluding, however, notices of default under residential leases;

(3) enforce the tenants' obligations under the Leases;

(4) defend, at Grantors' expense, any proceeding pertaining to the Leases, including, if Beneficiary so requests, any such proceeding to which Beneficiary is a party; and

(5) neither create nor permit any encumbrance upon Grantors' interest as lessor of the Leases, except this Deed of Trust and any other encumbrances permitted by this Deed of Trust.

E. Prior Approval for Actions Affecting Leases. Grantors shall not, without the prior written consent of Beneficiary:

(1) receive or collect Rents more than one month in advance, except security deposits obtained in advance in the ordinary course of business;

(2) encumber or assign future Rents;

(3) waive or release any obligation of any tenant under the Leases unless (1) in Grantors' good faith, and prudent business judgment, it would be in the best interest of the Premises, to do so, and (2) the obligation waived or released is not a material obligation under the Lease in question;

(4) amend, cancel, terminate or surrender any of the Leases, cause, permit or accept any amendment cancellation, termination or surrender of any of the Leases, or commence any proceedings for dispossession of any tenant under any of the Leases, except in good faith where the tenant is in material default thereunder;

(5) renew or extend any of the Leases, except pursuant to terms in existing Leases unless (i) in Grantors' good faith and prudent business judgment, it would be in the best interest of the Premises to do so, and (2) such renewal or extension is made at then prevailing market terms;

(6) permit any assignment of the Leases; or

(7) enter into any Lease except a Lease on the form previously approved by Beneficiary.

F. Settlement for Termination. Grantors agree that no settlement for damages for termination of any of the Leases under the Federal Bankruptcy Code, or under any other federal, state, or local statute, shall be made without the prior written consent of Beneficiary, and any check in payment of such damages shall be made payable to both Grantors and Beneficiary. Grantors hereby assign any such payment to Beneficiary, to be applied to the Indebtedness as Beneficiary may elect, and agree to endorse any check for such payment to the order of Beneficiary.

G. Beneficiary in Possession. Beneficiary's acceptance of this assignment shall not, prior to entry upon and taking possession of the Premises by Beneficiary, be deemed to constitute Beneficiary a "mortgagee in possession," nor obligate Beneficiary to appear in or defend any proceeding relating to any of the Leases or to the Premises, take any action hereunder, expend any money, incur any expenses, or perform any obligation or liability under the Leases, or assume any obligation for any deposits delivered to Grantors by any lessee and not delivered to Beneficiary. Beneficiary shall not be liable for any injury or damage to person or property in or about the Premises. Beneficiary neither has nor assumes any obligations as lessor or landlord with respect to any Lease.

H. Appointment of Attorney. Grantors hereby appoint Beneficiary its attorney-in-fact, coupled with an interest empowering Beneficiary to subordinate any Leases to this Deed of Trust.

I. Indemnification; Hold Harmless. Grantors hereby indemnify and hold Beneficiary harmless from all liability, damage or expense incurred by Beneficiary from any claims under the Leases, including, without limitation, any claims by Grantors with respect to Rents paid directly to Beneficiary after an Event of Default and claims by tenants for security deposits or for rental payments more than one (1) month in advance and not delivered to Beneficiary. All amounts indemnified against hereunder, including attorneys' fees and expenses, if paid by Beneficiary, shall bear interest at the maximum lawful rate and shall be payable by Grantors immediately without demand and shall be secured hereby.

J. Records. Upon request by Beneficiary, Grantors shall deliver to Beneficiary executed originals of all Leases and copies of all records relating thereto.

K. Merger. There shall be no merger of the leasehold estates, created by the Leases, with the fee estate of the Land without the prior written consent of Beneficiary.

L. Right to Rely. Grantors hereby authorize and direct the tenants under the Leases to pay Rents to Beneficiary upon written demand by Beneficiary, without further consent of Grantors and regardless of whether Beneficiary has taken possession of any other portion of the Premises, and the tenants may rely upon any written statement delivered by Beneficiary to the tenants. Any such payment to Beneficiary shall constitute payment to Grantors under the Leases, and Grantors hereby appoints Beneficiary as Grantors' lawful attorney-in-fact for giving, and is hereby empowered to give, acquittances to any tenants for such Payments to Beneficiary after an Event of Default.

M. Rents. It is the intention of Beneficiary and Grantors that the assignment effectuated by this Deed of Trust with respect to the Rents shall be a direct and currently effective assignment and shall not constitute merely the granting of a lien, security interest or pledge for the purpose of securing the Indebtedness. In the event that a court of competent jurisdiction determines that, notwithstanding such expressed intent of the parties, Beneficiary's interest in the Rents constitutes a lien on or security interest in or pledge of the Rents, it is agreed and understood that the forwarding of a notice to Grantors after the occurrence of an Event of Default, advising Grantors of the revocation of Grantors' license to collect such Rents, shall be sufficient action by Beneficiary to (i) perfect such lien on or security interest in or pledge of the Rents, (ii) take possession thereof and (iii) entitle Beneficiary to immediate and direct payment of the Rents, for application as provided in this Deed of Trust, all without the necessity of any further action by Beneficiary, including, without limitation, any action to obtain possession of the Land, Improvements or any other portion of the Premises.

N. Unilateral Subordination and Merger; Approval of Leases. There shall be no merger of the leasehold estates created by the Leases with the fee estate of the Premises, without the prior written consent of Beneficiary. Beneficiary may at any time and from time to time by specific written instrument intended for the purpose, unilaterally subordinate the lien of this Deed of Trust to any Lease, without joinder or consent of, or notice to, Grantors, any tenant or any other person, and notice is hereby given to each tenant under a Lease of such right to subordinate. No such subordination shall constitute a subordination to any lien or other encumbrance, whenever arising, or improve the right of any junior lienholder. Nothing herein shall be construed as subordinating this Deed of Trust to any Lease.

7.13 Federal Trade Commission Rule. Notwithstanding anything contained herein or in any other separate security agreement or other document executed heretofore, herewith or hereafter in connection with or related to this credit obligation, if this is a consumer credit obligation (as defined or described in 16 C.F.R. 444, promulgated by the Federal Trade Commission), the security for this credit obligation shall not extend to any non-possessory security interest in household goods (as defined in said 16. C.F.R. 444) other than a purchase money security interest, and no waiver of any notice contained herein or therein shall be construed under any circumstances to extend to any waiver of notice prohibited by 16 C.F.R. 444.

7.14 Waiver of Jury Trial. In the event any dispute arises in connection with this indebtedness or any documents related thereto and litigation is commenced, the undersigned expressly and unequivocally waives and relinquishes any and all rights to a trial by jury; it being expressly agreed and understood that all matters of fact and law in any litigation shall be tried to a judge who shall decide all matters of fact and law.

7.15 If Improvements. Texas Finance Code Section 307.052 Collateral Protection Notice: (A) Borrower is required to: (i) keep the property insured against damage in the amount Lender specifies; (ii) purchase the insurance from an insurer that is authorized to do business in the State of Texas or an eligible surplus lines insurer; and (iii) Name Lender as the person to be paid under the policy in the event of a loss; (B) Borrower must, if required by Lender, deliver to Lender a copy of the policy and proof of the payment of premiums; and (C) If Borrower fails to meet any requirement listed in Paragraph (A) or (B) Lender may obtain Collateral Protection Insurance on behalf of Borrower at Borrower's expense.

7.16 The indebtedness, the payment of which is hereby secured, is in part payment of the purchase price of the real property, and is also secured by a vendor's lien thereon retained in deed of even date herewith to the undersigned, and this Deed of Trust is given as additional security for the payment of said indebtedness.

Executed this 1st day of MAY, 2013.

STAUNTON STREET PARTNERS LLC

By:


JEFFERY M. FISHER, Managing Member

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on the 1st day of May, 2013, by JEFFERY M. FISHER, Managing Member of STAUNTON STREET PARTNERS LLC, on behalf of said entity in the capacity therein stated.

Elizabeth T Meyers
Notary Public, State of Texas

After recording return to:

Integrity Bank, SSB
4040 Washington Avenue
Houston, Texas 77007
G:\e\wp\docs\INTEGRITY BANK\2013\STAUNTON-LLC.PUR.DT.doc



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e-Filed & e-Recorded in the
Official Public Records of
HARRIS COUNTY
STAN STANART
COUNTY CLERK
Fees 128.00

RECORDERS MEMORANDUM
This instrument was received and recorded electronically
and any blackouts, additions or changes were present
at the time the instrument was filed and recorded.

Any provision herein which restricts the sale, rental, or
use of the described real property because of color or
race is invalid and unenforceable under federal law.

THE STATE OF TEXAS
COUNTY OF HARRIS
I hereby certify that this instrument was FILED in
File Number Sequence on the date and at the time stamped
hereon by me; and was duly RECORDED in the Official
Public Records of Real Property of Harris County, Texas.

 *Stan Stanart*
COUNTY CLERK
HARRIS COUNTY, TEXAS

UNOFFICIAL
FILED