

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

IN RE:

ROBERT H. STEELHAMMER
Debtor

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Case No. 18-30385-11

DEBTOR’S VERIFIED EMERGENCY MOTION FOR ORDER AUTHORIZING AND APPROVING THE SALE OF ONE CONDOMINIUM FREE AND CLEAR OF LIENS UNDER 11 U.S.C. § 363(F)

[relates to Dkts. 91, 92, and 121]

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.

REPRESENTED PARTIES SHOULD ACT THROUGH THEIR ATTORNEYS.

EMERGENCY RELIEF HAS BEEN REQUESTED. IF THE COURT CONSIDERS THE MOTION ON AN EMERGENCY BASIS, THEN YOU WILL HAVE LESS THAN 21 DAYS TO ANSWER. IF YOU OBJECT TO THE REQUESTED RELIEF OR IF YOU BELIEVE THAT THE EMERGENCY CONSIDERATION IS NOT WARRANTED, YOU SHOULD FILE AN IMMEDIATE RESPONSE.

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

I. Jurisdiction and Venue

1. This Court has jurisdiction over this case pursuant to 28 U.S.C. § § 157, 1334.

2. This is a core proceeding under 28 U.S.C. § 157(b)(2)(N).

3. Venue of the Debtor's Chapter 11 case is proper in this district pursuant to 28 U.S.C. §1409.

II. Overview

4. The above captioned bankruptcy case was filed on January 31, 2018 ("Petition Date") under chapter 11 of title 11 of the Bankruptcy Code, 11 U.S.C. §§101 et seq. (the "Bankruptcy Code"). Debtor continues to manage its property as debtor-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code.

5. No trustee or examiner has been appointed in the Debtor's bankruptcy case and no official committee of unsecured creditors has been established.

6. Debtor is a practicing attorney and businessman who, directly and indirectly, owns interests in multiple businesses and real estate properties. Both pre- and post- petition, the Debtor's estate has generated positive monthly net income, mainly as a result of the regular passive income he receives from his business interests.

7. The Debtor's main assets are: (i) 60% interest in Steelhammer Waste Service, LP ("Steelhammer Waste"), which in turn owns 10% of Delta Waste Services, LP, 15% of Lone Star Disposal Services, LP, and 15% of Tanner Road Facility, LP; (ii) 50% of Gonzales Ranch LLC (his wife, Judith Steelhammer, owns the other 50%), a 1117 acre ranch in Gonzales County, Texas; (iii) 136,980 shares of Prosperity Bancshares; (iv) Consultants International Services, LP, which owns 20% of Advantage Energy Joint Venture ("AEJV") and approximately 18% of Red River Compression LLC ("Red River"); (v) two condominiums in Galveston with combined equity of approximately \$650,000; and (vi) 50% of the law practice known as Steelhammer & Miller, P.C.

8. Debtor filed bankruptcy because he was facing the possibility of multiple judgments against him that in the aggregate that exceeded the value of his non-exempt assets.

Moreover, the obligations underlying these judgments and potential judgments are obligations that are shared by AEJV itself, the other partners of AEJV, and are secured to various degrees by property of AEJV and property of Larry Martin, one of the AEJV partners.

III. The Galvestonian Unit

9. By this motion, Debtor seeks approval for the proposed sale of the smaller of the Debtor's two condominiums in Galveston, Texas. The condominium is located at 1401 E. Beach Drive, Unit 914, Galveston, Texas 77550 (the "Galvestonian Unit"). Debtor maintains the Galvestonian Unit as a rental property, but the costs associated with owning and maintaining the condominium exceed the rentals received.

10. Citi Mortgage has an oversecured mortgage lien against the rental condominium for the balance of the mortgage or approximately \$176,000.¹ Dkt. 61, Schedule D, Part. 1, no. 2.4.

11. On May 5, 2018, Debtor entered a sales contract to sell the Galvestonian Unit for \$340,000. *See* Exhibit 1, Residential Condominium Contract, at § 3. The agreed closing date of the sale is June 1, 2018. The proposed sale is an arm's length and good faith transaction with a non-insider.

12. The sale will generate significant proceeds for the estate as well as reduce the estate's expenses and carrying costs.

13. Debtor has engaged real estate broker Texas Coastal Realty, LLC to broker the sale. The broker is responsible for listing and securing the sales contract for the Galvestonian Unit. The Debtor's application to employ Texas Coastal Realty, LLC (Dkt. 92) is still pending without objection. Accordingly, Debtor also asks that the Court also approve his application to employ Texas Coastal Realty, LLC.

¹ On March 22, 2018, Citi Mortgage filed its Proof of Claim listing a secured claim of \$175,7651. *See* Claim No. 7-1.

IV. § 363(b) - Sale Outside the Ordinary Course of Business

14. Section 363(b)(1) of the Bankruptcy Code provides that a debtor-in-possession, “after notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate” A sale of the estate’s property should be authorized pursuant to section 363 if a sound business purpose exists for doing so. *See In re Continental Air Lines, Inc.*, 780 F.2d 1223, 1226 (5th Cir. 1986). A debtor-in-possession’s business decision and judgment “should be approved by the court unless it is shown to be so manifestly unreasonable that it could not be based upon sound business judgment, but only on bad faith, or whim or caprice.” *In re 9 Houston, LLC*, 578 B.R. 600, 619 (Bankr. S.D. Tex. 2017) (quoting *G-I Holdings, Inc.*, 313 B.R. 612, 657 (Bankr. D. N.J. 2004).

15. In the Debtor’s business judgment, the proposed sale of the property will help maximize or realize the full value of the Galvestonian Unit for the benefit of the estate and its creditors. This is demonstrated by the fact that the agreed sale price of \$340,000 is greater than the property’s 2017 appraised value of \$326,150, according to Galveston County.

16. In addition, the proposed sale will also reduce the monthly expenses associated with the condominiums, which include property taxes, insurance, maintenance, homeowner’s association dues, and accruing interest. The proceeds of the sales will be used to pay the balance of the Citi Mortgage loan secured by the property, the broker’s fee, as well as the current year’s real property taxes owed on the property.

17. Debtor has concluded that the sale of the Galvestonian Unit is a sound business decision because it will preserve the value of the estate for the benefit of creditors. Moreover, the proposed sales will generate funds that can be used to fund a plan of reorganization.

V. § 363(f) - Sale Free & Clear of Liens

18. 11 U.S.C. § 363(f) permits a debtor-in-possession to sell property of the estate free and clear of interests in the property if any one of the following five conditions is met:

- (i) applicable nonbankruptcy law permits sale of such property free and clear of such interest;
- (ii) the entity asserting the interest consents;
- (iii) such interest is a lien, and the price at which such property is to be sold is greater than the aggregate value of all liens on such property;
- (iv) such interest is in bona fide dispute; or
- (v) the entity asserting the interest could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

19. Here, Citi Mortgage has a mortgage lien in the condominium at 1401 E. Beach Drive. In total, the sale of the Galvestonian Unit should generate net proceeds of approximately \$120,000 after satisfying the mortgage lien, brokerage fees, and the prior year and current year's property taxes.

20. Debtor's proposed sale of the property is permissible because the amounts at which it will be sold is greater than the aggregate amount of Citi Mortgage's lien against the property. 11 U.S.C. § 363(f)(3).

21. The Debtor proposes that the sale of the Galvestonian Unit be free and clear of all liens and interests in the property, except for ad valorem tax liens in favor of Galveston County for the 2018 tax year, which shall be retained by Galveston County until payment is made to fully satisfy such taxes and any penalties or interest that may ultimately accrues to the 2018 taxes, and from the sales proceeds derived from the sale of the Galvestonian Unit the following be paid at closing:

- (i) normal and customary closing costs charged to the seller;

- (ii) real estate commissions pursuant to the listing agreements submitted to the court with the Application to Approve Employment of Professional Real Estate Broker;
- (iii) real estate taxes due and owing on the property, as well as Debtor's pro-rata share of 2018 property taxes;
- (iv) all amounts due and owing under the mortgage loan to Citi Mortgage; and
- (v) all amounts due and owing to the applicable condominium association for fees and/or assessments.

22. Any and all other liens or charges against the property shall attach to the net proceeds after the above obligations are paid. The net proceeds will be segregated and not used absent a court order.

CONCLUSION

The Debtor's proposed sales of the Galvestonian Unit will maximize and preserve the estate's property for the benefit of the creditors of the estate.

Therefore, Debtor respectfully requests that the Court enter an order authorizing and approving the sale of the Debtor's condominium located at 1401 E. Beach Drive, Unit 914, Galveston, Texas 77550, free and clear of liens, claims, interests, charges and encumbrances, and authorizing the disbursement of proceeds at closing referenced above. Debtor requests all other relief to which he is entitled.

DATED: May 9, 2018

Respectfully submitted,

Hawash Cicack & Gaston LLP

/s/ Walter J. Cicack
WALTER J. CICACK
State Bar No. 04250535
3401 Allen Parkway, Suite 200
Houston, Texas 77019
Tel/fax: 713-658-9015

Counsel for Debtor

VERIFICATION


Before me, the undersigned authority, on this day personally appeared the undersigned Affiant, who being duly sworn upon oath, testified as follows:

“My name is Robert H. Steelhammer, and I am the Debtor in this Chapter 11 Bankruptcy. I am qualified and authorized in all respects to make this verification. I have read the above and foregoing Debtor’s Verified Emergency Motion for Order Authorizing and Approving the Sale of One Condominium Free and Clear of Liens Under 11 U.S.C. § 363(f), and every statement contained therein is within my knowledge and is true and correct.”


Robert H. Steelhammer

Subscribed and sworn to before me, the undersigned authority, on **May 8, 2018**, to certify which witness my hand and official seal.




Notary Public in and for the State of Texas

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was served through the Court's ECF noticing system in this case on May 9, 2018.

/s/ Walter J. Cicack _____

Walter J. Cicack



PROMULGATED BY THE TEXAS REAL ESTATE COMMISSION (TREC)

2-12-18

NOTICE: Not For Use Where Seller Owns Fee Simple Title To Land Beneath Unit

RESIDENTIAL CONDOMINIUM CONTRACT (RESALE)



Robert H. Steelhammer, Judith Steelhammer

1. PARTIES: The parties to this contract are Dale A. Walley, Kathryn K. Walley (Seller) and Dale A. Walley, Kathryn K. Walley (Buyer). Seller agrees to sell and convey to Buyer and Buyer agrees to buy from Seller the Property defined below.

2. PROPERTY AND CONDOMINIUM DOCUMENTS:

A. The Condominium Unit, improvements and accessories described below are collectively referred to as the "Property".

(1) CONDOMINIUM UNIT: Unit 914, in Building Galvestonian, of Galvestonian, a condominium project, located at 1401 E. Beach Drive 77550 (address/zip code), City of Galveston, County of Galveston

Texas, described in the Condominium Declaration and Plat and any amendments thereto of record in said County; together with such Unit's undivided interest in the Common Elements designated by the Declaration, including those areas reserved as Limited Common Elements appurtenant to the Unit and such other rights to use the Common Elements which have been specifically assigned to the Unit in any other manner. Parking areas assigned to the Unit are: not assigned

(2) IMPROVEMENTS: All 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, shrubbery, landscaping, outdoor cooking equipment, and all other property owned by Seller and attached to the above described Condominium Unit.

(3) 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.

(4) EXCLUSIONS: The following improvements and accessories will be retained by Seller and must be removed prior to delivery of possession:

B. The Declaration, Bylaws and any Rules of the Association are called "Documents". (Check one box only):

(1) Buyer has received a copy of the Documents. Buyer is advised to read the Documents before signing the contract.

(2) Buyer has not received a copy of the Documents. Seller, at Seller's expense shall deliver the Documents to Buyer within 5 days after the Effective Date of the contract. Buyer may cancel the contract before the sixth day after Buyer receives the Documents by hand-delivering or mailing written notice of cancellation to Seller by certified United States mail, return receipt requested. If Buyer cancels the contract pursuant to this paragraph, the contract will terminate and the earnest money will be refunded to Buyer.

C. The Resale Certificate from the condominium owners association (the Association) is called the "Certificate". The Certificate must be in a form promulgated by TREC or required by the parties. The Certificate must have been prepared, at Seller's expense, no more than 3 months before the date it is delivered to Buyer and must contain at a minimum the information required by Section 82.157, Texas Property Code.

(Check one box only):

(1) Buyer has received the Certificate.

(2) Buyer has not received the Certificate. Seller shall deliver the Certificate to Buyer within 15 days after the Effective Date of the contract. Buyer may cancel the contract before the sixth day after the date Buyer receives the Certificate by hand-delivering or mailing written notice of cancellation to Seller by certified United States mail, return receipt requested. If Buyer cancels the contract pursuant to this paragraph, the contract will terminate and the earnest money will be refunded to Buyer.

(3) Buyer has received Seller's affidavit that Seller requested information from the Association concerning its financial condition as required by the Texas Property Code, and that the Association did not provide a Certificate or information required in the Certificate. Buyer and Seller agree to waive the requirement to furnish the Certificate.

D. If the Documents reveal that the Property is subject to a right of refusal under which the Association or a member of the Association may purchase the Property, the Effective Date shall be amended to the date that Buyer receives a copy of the Association's certification that: (i) Seller has complied with the requirements under the right of refusal; and (ii) all persons who may exercise the right of refusal have not exercised or have waived the right to buy the Property. If Buyer does not receive the Association's certification within 15 days after the Effective Date or if the right terminate and the earnest money shall be refunded to Buyer.

TAR 1605 Initialed for identification by Buyer DAW KKW and Seller

Handwritten initials RWS and JS with dates 05/05/18

TREC NO. 30-13

Contract Concerning 1491 E. Beach Drive IS-214 Galveston, TX 77550 Page 2 of 9 2-12-18
 (Address of Property)

3. SALES PRICE:
 A. Cash portion of Sales Price payable by Buyer at closing \$ 68,000.00
 B. Sum of all financing described in the attached: Third Party Financing Addendum,
 Loan Assumption Addendum, Seller Financing Addendum..... \$ 272,000.00
 C. Sales Price (Sum of A and B) \$ 340,000.00

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 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: Within 3 days after the Effective Date, Buyer must deliver \$ 2,500.00 as earnest money to Chicago Title - Patti Zellars - pattf.zellars@cct.com as escrow agent, at: 713-659-1411 Buffalo Speedway, Houston, TX (address). Buyer shall deposit additional earnest money of \$ _____ to escrow agent within _____ days after the effective date of this contract. If Buyer fails to deliver the earnest money within the time required, Seller may terminate this contract or exercise Seller's remedies under Paragraph 15, or both, by providing notice to Buyer before Buyer delivers the earnest money. If the last day to deliver the earnest money falls on a Saturday, Sunday, or legal holiday, the time to deliver the earnest money is extended until the end of the next day that is not a Saturday, Sunday, or legal holiday. **Time is of the essence for this paragraph.**

6. TITLE POLICY:
 A. TITLE POLICY. Seller shall furnish to Buyer at Seller's Buyer's expense an owner policy of title insurance (Title Policy) issued by Chicago Title Company (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) Terms and provisions of the Documents including the assessments and platted easements.
 (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.
 (9) The exception or exclusion regarding minerals approved by the Texas Department of Insurance.
 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 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. OBJECTIONS: Buyer may object in writing to defects, exceptions, or encumbrances to title disclosed in the Commitment other than items 6A(1) through (9) above; or which prohibit the following use or activity: residential, short and long term rental

Buyer must object the earlier of (i) the Closing Date or (ii) 3 days after Buyer receives the Commitment and Exception Documents. 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 any timely objections of Buyer or any third party lender within 15 days after Seller receives the objections (Cure Period) and the Closing Date will be extended as necessary. If objections are not cured within the Cure Period, Buyer may, by delivering notice to Seller within 5 days after the end of the Cure Period: (i) terminate this contract and the earnest money will be refunded to Buyer; or (ii) waive the objections. If Buyer does not terminate within the time required, Buyer shall be deemed to have waived the objections. If the Commitment or Survey is revised or any new Exception Document(s) is delivered, Buyer may object to any new matter revealed in the revised Commitment or Survey or new Exception Document(s) within the same time stated in this paragraph to make objections beginning when the revised Commitment, RHS IS n Document(s) is delivered to Buyer. 05/05/18 05/05/18

TAR 1605 Initialed for identification by Buyer [Signature] and Seller [Signature] 05/05/18 05/05/18 TREC NO. 30-13
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D. 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) 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.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) 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 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 _____ 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 Texas Property Code does not require this Seller to furnish the Notice.
- 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

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Initialed for identification by Buyer DAW KKW and Seller RHS JS

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Date and Kathryn

Contract Concerning 1401 E. Beach Drive ^{19M} Galveston, TX 77550 Page 4 of 9 2-12-18
 (Address of Property)

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 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 \$ 375.00. 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.

9. CLOSING:

A. The closing of the sale will be on or before June 1, 2018, or within 7 days after objections to matters disclosed in the Commitment have been cured, 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 8 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. Buyers 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 contracts 7 days after the Effective Date of the contract.

Contract Concerning 1401 E. Beach Drive #914 Galveston, TX, 77660 Page 5 of 9 2-12-18
 (Address of Property)

11. **SPECIAL PROVISIONS:** (Insert only factual statements and business details applicable to the sale. TREC rules prohibit license holders from adding factual statements or business details for which a contract addendum, lease or other form has been promulgated by TREC for mandatory use.)

Buyer has done their own independent due diligence and are aware of and responsible for all potential and pending assessments and disputes of any nature whatsoever related to the Galvestonian.

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; lender, FHA, or VA completion requirements; 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 \$ 1,500.00 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 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.

(3) Except as provided by 12(A)(4) below, Buyer shall pay any and all Association fees or other charges resulting from the transfer of the Property not to exceed \$ 400.00 and Seller shall pay any excess.

(4) Buyer shall pay any deposits for reserves required at closing by the Association.

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, regular condominium 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. Cash reserves from regular condominium assessments for deferred maintenance or capital improvements established by the Association will not be credited to Seller. Any special condominium assessment due and unpaid at closing will be the obligation of Seller.

14. **CASUALTY LOSS:** If any part of the Unit which Seller is solely obligated to maintain and repair under the terms of the Declaration is damaged or destroyed by fire or other casualty, Seller shall restore the same 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. If any part of the Common Elements or Limited Common Elements appurtenant to the Unit is damaged or destroyed by fire or other casualty loss, Buyer will have 7 days from receipt of notice of such casualty loss within which to notify Seller in writing that the contract will be terminated unless Buyer receives written confirmation from the Association that the damaged condition will be restored to its previous condition within a reasonable time at no cost to Buyer. Unless Buyer gives such notice within such time, Buyer will be deemed to have accepted the Property without confirmation of such restoration. Seller will have 7 days from the date of receipt of Buyer's notice within which to cause to be delivered to Buyer such confirmation. If written confirmation is not delivered to Buyer as required above, Buyer may terminate this contract and the earnest money will be refunded to Buyer. Seller's obligations under this paragraph are independent of any other obligations of Seller under this contract.

TAR 1605 Initialed for identification by Buyer NAW and Seller RHS JS

05/05/18 05/05/18
 12:44 PM EDT

TREC NO. 30-13

Contract Concerning 1401 E. Beach Drive Gaiveston, TX 77550 Page 6 of 9 2-12-18
(Address of Property)

- 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 for any other reason, 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.
 - 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 Internal Revenue Code and its regulations, or if Seller fails to deliver an affidavit or a certificate of non-foreign status 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: 18710 Rosebud Lane
Tomball, TX . 77377
Phone: (713)854-7329
Fax: _____
E-mail: _____

To Seller
at: 14 Pinewold Circle
Houston, TX 77056
Phone: _____
Fax: _____
E-mail: _____

Contract Concerning 1401 E. Beach Drive Galveston, TX 77550 Page 7 of 9 2-12-18
(Address of Property)

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):

- Third Party Financing Addendum
- Loan Assumption Addendum
- Buyer's Temporary Residential Lease
- Seller's Temporary Residential Lease
- Addendum for Sale of Other Property by Buyer
- Addendum for "Back-Up" Contract
- Seller Financing Addendum
- Addendum for Coastal Area Property
- Short Sale Addendum
- Addendum for Seller's Disclosure of Information on Lead-based Paint and Lead-based Paint Hazards as Required by Federal Law
- Addendum for Authorizing Hydrostatic Testing
- Addendum Concerning Right to Terminate Due to Lender's Appraisal
- Environmental Assessment, Threatened or Endangered Species and Wetlands Addendum
- Addendum for Property Located Seaward of the Gulf Intracoastal Waterway
- Addendum for Release of Liability on Assumption of FHA, VA, or Conventional Loan Restoration of Seller's Entitlement for VA Guaranteed Loan
- Addendum for Property in a Propane Gas System Service Area
- Other (list): Non Realty

23. TERMINATION OPTION: For nominal consideration, the receipt of which is hereby acknowledged by Seller, and Buyer's agreement to pay Seller \$ 100.00 (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 10 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 _____, _____ (Effective Date).
(BROKER: FILL IN THE DATE OF FINAL ACCEPTANCE.)

Dale A. Walley
Buyer Dale A. Walley

04/27/2018 11:38:34

Robert H Steelhammer
Seller Robert H. Steelhammer

dotloop verified
05/05/18 12:10PM
EDT
7WFU-JIBH-CGIP-JY5L

Kathryn K. Walley
Buyer Kathryn K. Walley

04/27/2018 11:43:29

Judith Steelhammer
Seller Judith Steelhammer

dotloop verified
05/05/18 12:14PM
EDT
4KNR-2L7V-FDB4-LY10



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. 30-13. This form replaces TREC NO. 30-12.

Contract Concerning 1401 E. Beach Drive Galveston, TX 77550 Page 8 of 9 2-12-18
(Address of Property)

BROKER INFORMATION

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

Ingrid Gonzalez

404682

TECR01/Texas Coastal Realty

Other Broker Firm

License No.

Listing Broker Firm

License No.

represents

Buyer only as Buyer's agent

represents

Seller and Buyer as an intermediary

Seller as Listing Broker's subagent

Seller only as Seller's agent

same as above

Associate's Name

License No.

Somfish/Sommer Fisher

Listing Associate's Name

License No.

Associate's Email Address

Phone

SommerF@tcr.us.com

(409)777-8636-

Listing Associate's Email Address

Phone

Licensed Supervisor of Associate

License No.

709 University Blvd

Melaine Anderson

Licensed Supervisor of Listing Associate

License No.

Other Broker's Address

(409)256-3838

Phone

1616 S.Voss # 420,

Listing Broker's Office Address

Phone

Galveston

TX 77550

City

State

Zip

Houston TX

City

State

77057
Zip

Selling Associate's Name

License No.

Selling Associate's Email Address

Phone

Licensed Supervisor of Selling Associate

License No.

Selling Associate's Office Address

City

State

Zip

Listing Broker has agreed to pay Other Broker 2.75% 3% 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.

Contract Concerning 1401 E. Beach Drive Galveston, TX 77550 Page 9 of 9 2-12-18
(Address of Property)

OPTION FEE RECEIPT

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

Seller or Listing Broker Date

EARNEST MONEY RECEIPT

Receipt of \$ _____ Earnest Money in the form of _____
is acknowledged.

Escrow Agent Received by Email Address Date/Time

Address Phone

City State Zip Fax

CONTRACT RECEIPT

Receipt of the Contract is acknowledged.

Escrow Agent Received by Email Address Date

Address Phone

City State Zip Fax

ADDITIONAL EARNEST MONEY RECEIPT

Receipt of \$ _____ additional Earnest Money in the form of _____
is acknowledged.

Escrow Agent Received by Email Address Date/Time

Address Phone

City State Zip Fax



APPROVED BY THE TEXAS REAL ESTATE COMMISSION (TREC)
FOR VOLUNTARY USE

10-10-11

NON-REALTY ITEMS ADDENDUM

TO CONTRACT CONCERNING THE PROPERTY AT

1401 E. Beach Drive, Galveston, TX 77550

(Address of Property)

A. For an additional sum of \$ **zero dollars** and other and good valuable consideration, Seller shall convey to Buyer at closing the following personal property (specify each item carefully, include description, model numbers, serial numbers, location, and other information):

all furniture, all appliances, all kitchen items, all decor as seen on April 25, 2018

B. Seller represents and warrants that Seller owns the personal property described in Paragraph A free and clear of all encumbrances.

C. Seller does not warrant or guarantee the condition or future performance of the personal property conveyed by this document.

Dale A. Walley

04/27/2018 11:38:28

Buyer

Dale A. Walley

Kathryn K. Walley

04/27/2018 11:43:21

Buyer

Kathryn K. Walley

Robert H Steelhammer

dotloop verified
05/06/18 4:11PM EDT
OCUO-B30Y-FEPC-IUDN

Seller

Robert H. Steelhammer

Judith Steelhammer

dotloop verified
05/06/18 4:13PM EDT
NKOM-HVZS-UTAS-ML4M

Seller

Judith Steelhammer

This form has been approved by the Texas Real Estate Commission for voluntary use by its licensees. Copies of TREC rules governing real estate brokers, salesperson and real estate inspectors are available at nominal cost from TREC. Texas Real Estate Commission, P.O. Box 12188, Austin, TX 78711-2188, 512-936-3000 (<http://www.trec.texas.gov>)

(TAR-1924) 10-10-11

TREC NO. OP-M



PROMULGATED BY THE TEXAS REAL ESTATE COMMISSION (TREC)

12-05-2011

**ADDENDUM FOR
COASTAL AREA PROPERTY**
(SECTION 33.135, TEXAS NATURAL RESOURCES CODE)
TO CONTRACT CONCERNING THE PROPERTY AT

1401 E. Beach Drive, Galveston, TX 77550
(Address of Property)

NOTICE REGARDING COASTAL AREA PROPERTY

1. The real property described in and subject to this contract adjoins and shares a common boundary with the tidally influenced submerged lands of the state. The boundary is subject to change and can be determined accurately only by a survey on the ground made by a licensed state land surveyor in accordance with the original grant from the sovereign. The owner of the property described in this contract may gain or lose portions of the tract because of changes in the boundary.
2. The seller, transferor, or grantor has no knowledge of any prior fill as it relates to the property described in and subject to this contract except: _____

_____.
3. State law prohibits the use, encumbrance, construction, or placing of any structure in, on, or over state-owned submerged lands below the applicable tide line, without proper permission.
4. The purchaser or grantee is hereby advised to seek the advice of an attorney or other qualified person as to the legal nature and effect of the facts set forth in this notice on the property described in and subject to this contract. Information regarding the location of the applicable tide line as to the property described in and subject to this contract may be obtained from the surveying division of the General Land Office in Austin.

04/27/2018 11:38:30
Buyer
Dale A. Walley

04/27/2018 11:43:25
Buyer
Kathryn K. Walley

Robert H Steelhammer
dotloop verified
05/06/18 4:11PM EDT
ZEOE-5X2J-9Q38-82K2

Seller
Robert H. Steelhammer

Judith Steelhammer
dotloop verified
05/06/18 4:13PM EDT
7UP4-VBUB-JDMU-RVK6

Seller
Judith Steelhammer

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(TAR-1915) 12-05-2011

TREC No. 33-2



PROMULGATED BY THE TEXAS REAL ESTATE COMMISSION (TREC)

12-05-2011

**ADDENDUM FOR
PROPERTY LOCATED SEAWARD OF THE
GULF INTRACOASTAL WATERWAY
(SECTION 61.025, TEXAS NATURAL RESOURCES CODE)
TO CONTRACT CONCERNING THE PROPERTY AT**

1401 E. Beach Drive, Galveston, TX 77550

(Address of Property)

**DISCLOSURE NOTICE CONCERNING LEGAL AND ECONOMIC RISKS OF PURCHASING
COASTAL REAL PROPERTY NEAR A BEACH**

WARNING: THE FOLLOWING NOTICE OF POTENTIAL RISKS OF ECONOMIC LOSS TO YOU AS THE PURCHASER OF COASTAL REAL PROPERTY IS REQUIRED BY STATE LAW.

- READ THIS NOTICE CAREFULLY. DO NOT SIGN THIS CONTRACT UNTIL YOU FULLY UNDERSTAND THE RISKS YOU ARE ASSUMING.
- BY PURCHASING THIS PROPERTY, YOU MAY BE ASSUMING ECONOMIC RISKS OVER AND ABOVE THE RISKS INVOLVED IN PURCHASING INLAND REAL PROPERTY.
- IF YOU OWN A STRUCTURE LOCATED ON COASTAL REAL PROPERTY NEAR A GULF COAST BEACH, IT MAY COME TO BE LOCATED ON THE PUBLIC BEACH BECAUSE OF COASTAL EROSION AND STORM EVENTS.
- AS THE OWNER OF A STRUCTURE LOCATED ON THE PUBLIC BEACH, YOU COULD BE SUED BY THE STATE OF TEXAS AND ORDERED TO REMOVE THE STRUCTURE.
- THE COSTS OF REMOVING A STRUCTURE FROM THE PUBLIC BEACH AND ANY OTHER ECONOMIC LOSS INCURRED BECAUSE OF A REMOVAL ORDER WOULD BE SOLELY YOUR RESPONSIBILITY.

The real property described in this contract is located seaward of the Gulf Intracoastal Waterway to its southernmost point and then seaward of the longitudinal line also known as 97 degrees, 12', 19" which runs southerly to the international boundary from the intersection of the centerline of the Gulf Intracoastal Waterway and the Brownsville Ship Channel. If the property is in close proximity to a beach fronting the Gulf of Mexico, the purchaser is hereby advised that the public has acquired a right of use or easement to or over the area of any public beach by prescription, dedication, or presumption, or has retained a right by virtue of continuous right in the public since time immemorial, as recognized in law and custom.

The extreme seaward boundary of natural vegetation that spreads continuously inland customarily marks the landward boundary of the public easement. If there is no clearly marked natural vegetation line, the landward boundary of the easement is as provided by Sections 61.016 and 61.017, Natural Resources Code.

Much of the Gulf of Mexico coastline is eroding at rates of more than five feet per year. Erosion rates for all Texas Gulf property subject to the open beaches act are available from the Texas General Land Office.

State law prohibits any obstruction, barrier, restraint, or interference with the use of the public easement, including the placement of structures seaward of the landward boundary of the easement. OWNERS OF STRUCTURES ERECTED SEAWARD OF THE VEGETATION LINE (OR OTHER APPLICABLE EASEMENT BOUNDARY) OR THAT BECOME SEAWARD OF THE VEGETATION LINE AS A RESULT OF PROCESSES SUCH AS SHORELINE EROSION ARE SUBJECT TO A LAWSUIT BY THE STATE OF TEXAS TO REMOVE THE STRUCTURES.

The purchaser is hereby notified that the purchaser should: (1) determine the rate of shoreline erosion in the vicinity of the real property; and (2) seek the advice of an attorney or other qualified person before executing this contract or instrument of conveyance as to the relevance of these statutes and facts to the value of the property the purchaser is hereby purchasing or contracting to purchase.

04/27/2018 11:38:33

Buyer **Dale A. Walley**

Robert H Steelhammer

dotloop verified
05/06/18 4:11PM EDT
RPYC-XZAV-FUVP-YXMB

Seller **Robert H Steelhammer**

04/27/2018 11:43:27

Buyer **Kathryn K. Walley**

Judith Steelhammer

dotloop verified
05/06/18 4:13PM EDT
ZYYF-ZUAP-OJBT-P9F3

Seller **Judith Steelhammer**

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 licensees. No representation is made as to the legal validity or adequacy of any provision in any specific transactions. It is not suitable 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. 34-4. This form replaces TREC No. 34-3.

(TAR-1916) 12-05-2011

TREC No. 34-4



PROMULGATED BY THE TEXAS REAL ESTATE COMMISSION (TREC)

11-2-2015

THIRD PARTY FINANCING ADDENDUM

TO CONTRACT CONCERNING THE PROPERTY AT

1401 E. Beach Drive #914 Galveston
(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 \$ 272,000.00 (excluding any financed PMI premium), due in full in 30 year(s), with interest not to exceed 6.000 % 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 % 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 and Seller

Handwritten initials and dates: RHB, JB, 05/06/18, 05/06/18

TREC NO. 40-7 11-2-2015

1401 E. Beach Drive, Galveston, TX 77558

Produced with zipForm® by zipLogix 18070 Fifteen Mile Road, Fraser, Michigan 48028 www.zip.com

Phone 482263838 Fax 4877033840

Date and Initials

1401 E. Beach Drive, Galveston, TX 77550

(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 20 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. FHAVA 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 \$ n/a; 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 id

Dale A. Walley

04/27/2018 11:38:27

Buyer Dale A. Walley
Kathryn K. Walley

04/27/2018 11:43:19

Buyer Kathryn K. Walley

Robert H Steelhammer

dotloop verified
05/06/18 4:11PM EDT
A4DO-NPH5-4MEG-X9AS

Judith Steelhammer

dotloop verified
05/06/18 4:13PM EDT
P9HO-FRNJ-PSW3-CKMG

Seller JUDITH STEINHAMMER

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