

INCOME APPROACH TO VALUE

The income approach presumes that no prudent buyer will pay more for the right to receive the future income stream for the subject property than an amount for which he can obtain the rights to a substitute income stream, assuming there is similar quality, quantity, and durability of the income stream. The income approach is an appraisal technique whereby annual income is capitalized into an estimate of value. There are numerous techniques of capitalization and any number of income estimates can be capitalized. For example, appraisers estimate and capitalize Gross Annual Income, Effective Annual Income, Net Annual Income, and Cash Flow after Taxes. There is generally one appropriate technique for any given property and the correct one can be abstracted from the market.

Researching for rent comparables we emphasized average unit sizes and location as the two most important survey parameters. The comparable rentals used in this analysis are close in proximity to the subject, and they have comparable average units sizes and amenities. To properly perform the income approach, the appraiser researches rents, vacancies, and operating expenses from competing properties and creates an operating statement or pro forma for the subject property. At that point, the appropriate capitalization technique is selected and applied to the subject's income stream. In this report a direct capitalization method was utilized. The following presentation and discussion will demonstrate these procedures as it is applied to the subject property. The comparable rents included within the addenda of this report are the best available data that research revealed to compare and estimate the subject property's "as stabilized" market rental rates and occupancy level.

Researching the subject area, there was a number of facilities comparable to the subject which were available for lease. The rentals used in this report provide a general overview in which the subject property must compete. The subject property has a total of 46-units in three floor plan styles. The following explains each of the subject units and the comparables utilized in projecting market rent for each of the subject's floor plans.

Rent Comparable Analysis

The apartment projects presented are all located in the subject's submarket within the immediate neighborhood. Our research revealed the rent structures of six apartment projects in the market area, with similarly sized units. These apartment projects comprise a total of 499 units, with an average occupancy of ±92.0%.

COMPARABLE RENTALS SUMMARY CHART					
Rent No.	Name	YOC	No. Units	Current Occupancy Rate	Average Effective Rental Rate PSF
1	Spring Hollow	1983/2001	99	91%	\$1.05
2	Sandstone	1986/2001	90	91%	\$1.07
3	Eastside Commons	1964/2005	78	97%	\$0.91
4	Capitol Steps	1978/2007	50	94%	\$1.14
5	Reinli Arms	1974	45	89%	\$0.82
6	Santa Fe & Legacy	1980	137	89%	\$0.86
	Averages		83	92%	\$0.97
	Total		499		
	Subject	1984-1985/2010	46	0%	N/A

INCOME APPROACH - CONTINUED

Location. All of the rent comparables are located in the subject's immediate market area. They are considered to be in direct competition with the subject and all have a similar locations. Therefore, no adjustments were necessary for this factor.

Utilities. All of the subject's floor plans are separately metered for electricity and master metered for water. It is our opinion that any new owner should implement that the tenants will pay all utilities. Most of the rents utilized have the tenants paying utilities; however, Rent 1 includes water, sewer, trash collection, and pest control and was adjusted downward \$30 for this factor. Rent 4 includes cable, water, and gas; therefore, we have adjusted Rent 4 downward \$125 for utilities.

Amenities. The subject property provides one laundry room and open parking. Unit amenities include: mini-blinds, refrigerators, electric stoves and ranges, hood fans, disposals, dishwashers, some pantries, patio/balconies, some extra storage, and carpet and vinyl tile floors. Also, included within this category may be some size trending for larger variances in excess of 100 square feet or the numbers of bedrooms or bathrooms.

If a rental has a generally similar sized unit and bedroom/bathroom count, the adjustment is reflective of only the project. However, in cases where the comparables units size or bedroom/bathroom count vary, the adjustment is combined with the overall project amenities. The adjustments can vary from floor plan size and counts being inferior or superior in combination with the project amenities. Rents 3 and 5 have one swimming pool, unlike the subject, and were adjusted downward \$50 for this factor. Rent 6 has two swimming pools, unlike the subject, and was adjusted downward \$75 for this factor.

Age/Condition. The subject was completed in 1984 and 1985 and is proposed to be renovated. "As complete/as stabilized" it will be in average renovated condition. The rentals were constructed between 1964 and 1986, with Rents 5 and 6 being the only communities that have not recently been renovated. Rent 2 is considered slightly superior compared to the subject and was adjusted downward. All of the other utilized rents are considered inferior compared to the subject and were adjusted upward. The adjustment amounts vary based on perceived effective age and condition variances.

The following is a unit by unit comparison between the subject and the rentals. These properties are considered to be comparable to the subject, except as noted, amenities of the project and the floor plan variances, and age/condition. The subject's market rents have been analyzed as if the property has been completely renovated, remodeled, and repaired ("as complete" or "as stabilized") with the subject property operating at or near a stabilized occupancy level of ±90.0 percent, and the subject's tenants pay all utilities.

Floor Plan A is a one-bedroom, one bathroom unit. The following chart provides the numbers or amount of this unit (supply), and its size.

Subject's Floorplan 1-1 A	
Number of Units	Avg. Size (Square Feet)
16	402

No rent roll is available as the property is effectively vacant. The following chart analyzes the subject's A (one-bedroom / one bathroom) units in comparison with similar units of the comparable rentals.

INCOME APPROACH - CONTINUED

Rent Analysis - Floorplan 1 -1 A Units										
		Size					Age &		Rent /	Adjusted
	Floor Plan	Square Feet	Monthly Rent	Size	Utilittles	Amenities	Condition	Month	Per Square Foot	
Rental 1	1 / 1	403	\$425	\$0	\$0	\$0	\$75	\$500	\$1.24	
Rental 4	1 / 1	500	\$575	\$10	(\$125)	\$0	\$75	\$535	\$1.07	
Rental 6	1 / 1	378	\$479	\$0	\$0	(\$75)	\$100	\$504	\$1.33	
Rental 6	1 / 1	520	\$519	\$10	\$0	(\$75)	\$100	\$554	\$1.07	
High		520	\$575					\$554	\$1.33	
Low		378	\$425					\$500	\$1.07	
Avg/Tot		450	\$500					\$523	\$1.18	
Subject	1 / 1	402						\$525	\$1.31	

The comparable one-bedroom units range in size from 378 to 520 square feet. The one-bedroom units indicate adjusted rental rates that range from \$500 to \$554 per month with an average of \$523 per month, or \$1.07 to \$1.33 per square foot with an average of \$1.18 per square foot per month. Considering the market factors in addition to the amount of these units at the subject property, it is our opinion that \$525 per unit appears to be at market.

Floor Plan B is a one-bedroom, one bathroom unit. The following chart provides the numbers or amount of these units (supply) and their sizes.

Subject's Floorplan 1 -1 B	
Number of Units	Avg. Size (Square Feet)
22	388

No rent roll is available as the property is effectively vacant. The following chart analyzes the subject's B (one-bedroom / one bathroom) units in comparison with similar units of the comparable rentals.

INCOME APPROACH - CONTINUED

Rent Analysis - Floorplan 1 -1 B Units									
		Size					Age &	Rent /	Adjusted
	Floor Plan	Square Feet	Monthly Rent	Size	Utilities	Amenities	Condition	Month	Per Square Foot
Rental 1	1 / 1	403	\$425	\$0	\$0	\$0	\$75	\$500	\$1.24
Rental 4	1 / 1	500	\$575	\$10	(\$125)	\$0	\$75	\$535	\$1.07
Rental 6	1 / 1	378	\$479	\$0	\$0	(\$75)	\$100	\$504	\$1.33
High		500	\$575					\$535	\$1.33
Low		378	\$425					\$500	\$1.07
Avg/Tot		427	\$493					\$513	\$1.21
Subject	1 / 1	388						\$525	\$1.35

The comparable one-bedroom units range in size from 378 to 500 square feet. The one-bedroom units indicate adjusted rental rates that range from \$500 to \$535 per month with an average of \$513 per month, or \$1.07 to \$1.33 per square foot with an average of \$1.21 per square foot per month. Considering the market factors in addition to the amount of these units at the subject property, it is our opinion that \$525 per unit appears to be at market.

Floor Plan C is a two-bedroom, one-bathroom unit. The following chart provides the numbers or amount of this unit (supply) and it's size.

Subject's Floorplan 2 - 1 C	
Number of Units	Avg. Size Square Feet
8	746

No rent roll is available as the property is effectively vacant. The following chart analyzes the subject's C (two-bedroom / one-bathroom) units in comparison with similar units of the comparable rentals.

INCOME APPROACH - CONTINUED

Rent Analysis - Floorplan 2 -1 C Units								Adjusted
		Size	Monthly		Age &			Per Square
	Floor Plan	Square Feet	Rent	Utilities	Amenities	Condition	Rent	Foot
Rental 2	2 / 1	747	\$800	\$0	\$0	(\$25)	\$775	\$1.04
Rental 3	2 / 1	800	\$699	(\$30)	(\$50)	\$75	\$694	\$0.87
Rental 5	2 / 1	760	\$604	\$0	(\$50)	\$100	\$654	\$0.86
Rental 6	2 / 1	755	\$637	\$0	(\$75)	\$100	\$662	\$0.88
High		800	\$800				\$775	\$1.04
Low		747	\$604				\$654	\$0.86
Avg/Tot		766	\$685				\$696	\$0.91
Subject	2 / 1	746					\$750	\$1.01

The comparable units range in size from 747 to 800 square feet, and they indicate adjusted rental rates that range from \$654 to \$775 per month with an average of \$696 per month, or \$0.86 to \$1.04 per square foot with an average of \$0.91 per square foot per month. We have estimated that the subject's 2 / 1 (746 square feet) units should rent for approximately \$750 per unit.

Actual Rent Roll

The subject property is effectively zero percent occupied, and there is no rent roll to analyze. The rental rates quoted for the market surveys are current, and they have been analyzed as effective market rents inclusive of any specials (concessions) or discounts.

Since we have analyzed the subject property "as complete" and "as stabilized" in fee simple estate, which bases all rents and occupancies on market data, the subject's past and current operating history has less relativity in regards to the following stabilized operating pro forma for the subject property. We have estimated market rents based on the subject being completely renovated and repaired, and the subject's tenants paying for all of their own utilities.

Gross Potential Annual Rental Income

Based on the above data and rental analyses, it is our opinion the base market rents the subject property is able to achieve "as complete" and "as stabilized" are as follows:

INCOME APPROACH - CONTINUED

BASE MARKET RENT SCHEDULE

Number of Units	Floor Plan	Size Square Feet	Monthly Rent	Monthly Rent per Square Foot	Total Square Feet	Monthly Gross
16	1 -1 A	402	\$525	\$1.31	6,432	\$8,400
22	1 -1 B	388	\$525	\$1.35	8,536	\$11,550
8	2 -1 C	746	\$750	\$1.01	5,968	\$6,000
1	Office/Community/ Laundry "Room"	782	N/A	N/A	782	N/A
Total Number of Units						46
Average Unit Size						472
Average Monthly Rent Per Square Foot						\$1.195
Average Monthly Rent Per Unit						\$564
Total Square Footage						21,718
Total Monthly Gross						\$25,950

Over a typical investor's holding period of seven to ten years, the subjects management, as well as the rent comparables, will be offering discounts (rental concessions). This is considered a standard marketing tool in the market, and is not indicative of an imbalance of supply and demand. The rent comparables are indicating an average occupancy of $\pm 92\%$, while the overall occupancy rate in the subject's sub-market ("Northeast" as defined by Austin Investor Interests, LLC) is 84.82%; and for Class "C" properties it is 84.59%. Although the overall market is performing slightly lower than the comparable rentals, the subject's estimated stabilized occupancy "as stabilized", or subsequent to the renovations, should enable the subject to perform near the top of the indicated ranges.

The gross potential annual rental income is the total possible rental income that a property could receive if it were 100 percent occupied for the entire year. Based on the market rent schedule, the gross annual rental income is \$311,400, which consists of the monthly market rent on an annualized basis. Considering the market occupancy rate of the market and the rent comparables, concessions in this market are expected to be temporary and have been accounted for in the estimate of stabilized vacancy, which appears to be $\pm 90.0\%$.

Other Income. This category is for the income derived from sources other than monthly rent. Other income sources include: advance rental payments, past due collected, forfeited deposits, application fee income, late fee income, and miscellaneous income. We were not provided with the subject's historical income and expenses statements, therefore, we have estimated other income for the subject property on an annual basis to be \$0.

Vacancy and Collection Allowance:

L.W. Ellwood states, in his Ellwood Tables for Real Estate Appraising and Financing, "A 7% vacancy allowance, for instance, does not mean that exactly 7% of the rent roll will be lost every year by reason of vacancies. A property may enjoy virtually full occupancy for several years, then encounter a period of competition when vacancies amount to 20% or more. Naturally, the net income will be down in such periods, and so will the reversionary value of the property. However, this does not invalidate the projection

INCOME APPROACH - CONTINUED

of the analysis so long as a 7 percent annual allowance for vacancy is sufficient to cover average occupancy for the projected term".

The stabilized occupancy level should correspond to the occupancy levels currently experienced in the general market area. The rent comparables are indicating a weighted average occupancy of 92%. Based upon the occupancy rate in the market area, a stabilized occupancy rate of 90% is reasonable for the subject property.

The vacancy and collection allowance reflects the fact that most income producing properties have a certain amount of vacancy in the leasable area. The vacancy and collection factor is determined by current market conditions and the loss is subtracted from the estimated potential gross rental income. Therefore, the stabilized vacancy and collection amount is estimated to be 10.0% or \$31,140.

Effective Gross Income. The effective gross income is the income before deductions for expenses. The total potential income less the vacancy and collection loss results in the Effective Gross Income.

Gross Base Rental Income	\$311,400
Other Income	\$0
Potential Gross Income	\$311,400
Less General Vacancy and Collection Loss @ 10.0%	(\$31,140)
Effective Gross Income	\$280,260

Explanation of Expenses:

When analyzing an income producing property such as the subject, there are certain expenses which will be incurred by the owner in its operation. Therefore, our expense analysis must consider management, salaries/payroll, utilities, general and administration, repairs and maintenance, insurance, taxes and reserves.

There are no actual subject income and expense statements to analyze within this expense pro forma estimate. Therefore, we have analyzed the best available expense comparable data, which consists of three comparable Austin area apartment expense comparables, in addition to using the survey published by the Institute of Real Estate Management, I.R.E.M. (2009).

The I.R.E.M. survey contains expense information on over 10,000 apartment properties nationwide. It also provides a statistical comparison of expenses for Austin area apartment projects. For comparison purposes, the following expense table lists the expense comparables, the I.R.E.M. report and the estimated "as stabilized" expenses for the subject property's stabilized pro forma operating statement. Some of the expense categories on the form were not considered to be applicable for the subject and were not included. When the expense comparables were analyzed, several of the expense categories were combined so that the expenses would be consistent with the subject's expenses. The expense item numbers in the left column correspond with the Fannie Mae format of categorizing expenses.

INCOME APPROACH - CONTINUED

EXPENSE SUMMARY CHART							
Year of Construction	Pro Forma	Expense Comparables			I.R.E.M. Survey		
	1984-1985/2010	1970-1971	1974	1978/1982	Median	Low	High
Units	46	44	102	294			
Square Feet (NRA)	21,718	23,775	86,394	198,782			
Expense Year	2010	2009	2009	2009	2009	2009	2009
Fixed Expenses							
1 Real Estate Taxes	\$0.99	\$1.50	\$0.78	\$1.07	\$1.45	\$1.14	\$1.68
2 Insurance	\$0.40	\$0.48	\$0.28	\$0.30	\$0.24	\$0.20	\$0.27
Operational Expenses							
3 Utilities	\$1.10	\$1.93	\$1.57	\$0.91	\$1.10	\$0.73	\$0.76
4 Pest control	\$0.00	\$0.00	\$0.00	\$0.00	N/A	N/A	N/A
5 Maintenance & repairs	\$0.75	\$0.72	\$0.52	\$0.59	\$0.53	\$0.37	\$0.76
6 Gardening	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
7 Nonresident management	\$0.40	\$0.38	\$0.42	\$0.30	\$0.40	\$0.36	\$0.53
8 Employee apt. allowance	\$0.00	\$0.00	\$0.00	\$0.00	N/A	N/A	N/A
9 Security	\$0.00	\$0.00	\$0.00	\$0.00	\$0.03	\$0.02	\$0.06
10 Salaries	\$0.75	\$0.76	\$1.48	\$1.26	\$0.67	\$0.54	\$1.04
11 Advertising	\$0.05	\$0.01	\$0.01	\$0.05	N/A	N/A	N/A
12 Administration	\$0.10	\$0.05	\$0.18	\$0.15	\$1.16	\$1.06	\$1.32
13 Other/(HOA Fees)	\$0.00	\$0.00	\$0.00	\$0.00	N/A	N/A	N/A
Total Operating Expenses	\$4.54	\$5.83	\$5.24	\$4.63	\$5.78	\$4.89	\$6.25
Replacement Reserves	\$0.30	\$0.46	\$0.30	\$0.37	N/A	N/A	N/A
Total Expenses & Replacement Reserves	\$4.84	\$6.29	\$5.54	\$5.00	\$5.78	\$4.89	\$6.25

*I.R.E.M. totals do not equal 100%.

INCOME APPROACH - CONTINUED

Total Operating Expenses

The total operating expenses not including reserves are estimated to be $\pm\$98,663$ which equates to $\$4.54$ per square foot or $\pm\$2,145$ per unit. The I.R.E.M. survey has total operating expenses ranging from $\$4.89$ to $\$6.25$ per square foot, with a median of $\$5.78$ per square foot. The expense comparable's total operating expenses (exclusive of reserves) range from $\$4.63$ to $\$5.83$ per square foot with a mean of $\$5.23$ per square foot. The subject's expenses are slightly below the range of the IREM comparables and the expense comparables. However, overall, the subject's expenses are within these comparables on a line item basis and are considered reasonable.

Other Expenses. In addition to the above operating expenses it is common for the owner to incur other related expenses that are not normally categorized as operating expenses per se, but are necessary in the operation of an income producing property such as the subject apartment.

Reserves for Replacement. It is typical for a prudent investor to allow an annual sum for a reserve to replace short-lived items on a project. These items include maintenance of the roof, appliances, paving, and mechanical systems. The subject's expense statement included this category as capital expenditures. The expense comparables reported reserves for replacement expenses of $\$0.30$ to $\$0.46$ per square foot. Based on the subject's age, condition, and quality of construction, and in consideration to the proposed renovations or "As Complete/As Stabilized", we have estimated a reserve for replacement allowance of $\pm\$142$ per unit, $\$0.30$ per square foot or $\$6,515$ in our analysis.

Total Expenses. The total expenses for the subject property are calculated to be $\pm\$105,178$ in the analysis which equates to $\$4.84$ per square foot or $\pm\$2,286$ per unit.

Expense Ratio Analysis. As a point of reference, the chart below presents a comparison of the expense ratio indicated for the subject property, and the expense ratios indicated by the sales data in the Sales Comparison Approach.

Sale No.	Expense Ratio
1	47.52%
2	42.88%
3	45.99%
4	47.01%
5	42.90%
Subject	37.53%

The subject's overall expense ratio is slightly below the range of the comparable sales. However, based on the expense analysis of each line item expense the expenses are in line on a per square foot basis of the expense comparables.

Net Operating Income. The net operating income for the subject is that amount of the annual income remaining after applying all expenses incurred in the operation of the building. This net income affords the owner revenue with which to satisfy all capital debt service and equity requirements. In this instance, the appraisers have estimated the net operating income to be $\$175,082$.

INCOME APPROACH - CONTINUED

Subject			
"As Complete / As Stabilized"			
	Appraiser's Forecast	Per Square Foot	Per Unit
Gross Potential Rental Income	\$311,400	\$14.34	\$6,770
Other Income	\$0	\$0.00	\$0
Total Gross Potential	\$311,400	\$14.34	\$6,770
Vacancy (10.0%)	(\$31,140)	(\$1.43)	(\$677)
Effective Gross Income	\$280,260	\$12.90	\$6,093
Fixed Expenses			
1 Real Estate Taxes	\$21,563	\$0.99	\$469
2 Insurance	\$8,687	\$0.40	\$189
Operational Expenses			
3 Utilities	\$23,890	\$1.10	\$519
4 Pest control	\$0	\$0.00	\$0
5 Building maintenance & repairs	\$16,289	\$0.75	\$354
6 Gardening	\$0	\$0.00	\$0
7 Nonresident management	\$8,687	\$0.40	\$189
8 Employee apt. allowance	\$0	\$0.00	\$0
9 Security	\$0	\$0.00	\$0
10 Salaries	\$16,289	\$0.75	\$354
11 Advertising	\$1,086	\$0.05	\$24
12 Administration	\$2,172	\$0.10	\$47
13 Other (HOA Fees)	\$0	\$0.00	\$0
Total Operating Expenses	\$98,663	\$4.54	\$2,145
15 Replacement Reserves	\$6,515	\$0.30	\$142
Total Expenses & Replacement Reserves	\$105,178	\$4.84	\$2,286
Net Operating Income	\$175,082	\$8.06	\$3,806

Direct Capitalization

This technique provides an estimate of value based upon the direct inference between income and value, using the formula $I/R = V$, where I is the net operating income, R is the overall capitalization rate and V equals value. This technique is based on an accrual accounting model, which addresses the initial year's operating statement stabilized after achieving an ±90% occupancy level.

INCOME APPROACH - CONTINUED

Capitalization Rate Analysis

The estimation of the overall capitalization rate was approached through analysis of data from three primary sources; i.e., Improved Sales, a Debt Service Coverage analysis, and a Mortgage-Equity analysis based upon typical third party financing currently available in the market place.

The overall capitalization rate (R_o) of the comparable improved sales utilized in the Sales Comparison Approach ranged from 6.89% to 8.36% with an average of 7.60%. The subject's overall capitalization rate should be towards the average of this range.

For purposes of this report, we have also used the band of investment technique and the debt coverage ratio techniques to estimate the appropriate overall rate (OAR). Both investment techniques presume that financing plays a major role in determining the OAR. In the band of investment technique, the OAR consists of two components. The components are the mortgage contribution and the equity contribution.

After considering the age, condition, design and location of the subject, we have estimated an equity dividend rate of 7.75% is considered reasonable for the subject.

INCOME APPROACH - CONTINUED

Band of Investments

It is our opinion that a prudent purchaser would attempt to buy the subject property by means of institutional financing. The typical financing for projects such as the subject have terms such as an interest rate of 6.25 percent loan for a 30-year term with a balloon payment at the end of 10-years. A typical down payment for a property such as the subject would be 25 percent. As discussed above, it is estimated that an investor would require a 7.75 percent cash flow rate (equity dividend rate) on properties such as the subject and depending upon future appreciation to increase this yield. As shown below, utilizing the previous mortgage requirements, the indicated overall capitalization rate (RO) is 7.48%.

Band of Investments Analysis			
Term			30
Interest Rate			6.25%
Loan Ratio			75%
Equity Ratio			25%
Amortization			Level
Monthly Constant			0.006157
Annual Constant			0.073886
Equity Dividend			7.75%
Loan Ratio	x	Mortgage Constant	= Mortgage Contribution
Equity Ratio	x	Equity Dividend	= Equity Contribution
0.75	x	0.07389	= 0.05541
0.25	x	0.07750	= 0.01938
Total			0.0748
Rounded:			0.0748

INCOME APPROACH - CONTINUED

Debt Coverage Analysis

As stated, the most probable situation would be a 6.25 percent loan for a 30-year term with a balloon payment at the end of 10-years. Additionally, we have utilized a debt service coverage ratio of 1.35, which indicates the NOI should exceed the annual debt service by 35 percent. A typical down payment for a property such as the subject would be 25 percent. As shown below, utilizing the previous mortgage requirements, the indicated overall capitalization rate (RO) is 7.50%.

Debt Coverage Analysis		
Term		30
Interest Rate		6.25%
Loan Ratio		75%
Equity Ratio		25%
Amortization		Level
Monthly Constant		0.006157
Annual Constant		0.073886
Debt Service Coverage Ratio		1.35
Debt Service Coverage Ratio		1.35
Mortgage Constant	x	0.073886
Loan to Value Ratio	x	0.75
Indicated Overall Rate		0.07481
Rounded:		0.0750

Therefore, based on the age, condition, design, and location of the improvements, and blending the indicated rates from the improved sales, debt coverage analysis and band of investments analysis, we have estimated the subject's overall capitalization rate (OAR) to be 7.50%. Approximately equal consideration has been given to the improved sales and the secondary supporting techniques. Our estimated rate is appropriate for properties of this class and quality having typical lease structures.

The "Korpacz Real Estate Investor Survey: First Quarter 2010", also supports our selection of the capitalization rate. This survey of several companies actively involved in the investment of apartment complexes included major insurance companies, investment advisors, real estate investment trusts, real estate advisors, pension fund managers, and real estate syndicators. The results of the survey indicated a range of "going-in" capitalization rates for institutional grade apartment complexes from 5.00 to 11.00 percent with an average of 7.85 percent. For non-institutional grade apartment complexes the same survey indicated a range from 0 to 400 basis point spread with an average of 184 basis points spread.

Our rate, 7.50 percent is within the previously discussed ranges and considered reasonable. Utilizing the indicated (OAR) of 7.50%, an indication of value can be derived through the formula $NOI/R_o = V$.

INCOME APPROACH - CONTINUED

DIRECT CAPITALIZATION SUMMARY "AS COMPLETE / AS STABILIZED"	
NET OPERATING INCOME / OVERALL RATE = VALUE	
Net Operating Income	\$175,082
Overall Capitalization Rate	7.50%
Value Estimate - "As Complete / As Stabilized"	\$2,334,427
	(Rounded) \$2,330,000
Units of Comparison	
Price Per Unit	\$50,652
Price Per Square Foot	\$107.28

The indicated "As Complete/As Stabilized" market value in fee simple estate for the subject property, via the direct capitalization technique, as of March 23, 2011, is as follows:

"As Complete/As Stabilized" Market Value By Direct Capitalization

\$2,330,000

CORRELATION AND FINAL VALUE ESTIMATE - "AS STABILIZED"

The most applicable two of the three approaches to value were utilized to form an opinion of the subject property's market value in fee simple estate, subject to short term leases. The various approaches replicate alternative ways of viewing market phenomena. A final estimate of value is selected as the dominant tendency of most probable outcome from a range of possible outcomes. The income and sales comparison approaches to market value indicate an "as stabilized" market value range of \$2,250,000 to \$2,330,000. The following discussion summarizes the conclusions of each approach.

Cost Approach. In this approach, the cost to replace improvements is estimated. Deductions are made for accrued depreciation, and the result is combined with the estimated value of the underlying land. This approach is applicable when the improvements reflect the highest and best use development and do not exhibit excessive accrued depreciation. The subject property was originally constructed in 1984 to 1985, and is proposed to be renovated. Therefore, the property has an actual age of 26-years and an "as is" estimated effective age of ±26-years.

Subsequent to the completion of all deferred maintenance and renovations, which is a significant amount of cost, the subject property's estimated effective age will be approximately ±10-years. Estimating an "as complete" economic life of ±50-years the remaining economic life will be ±40-years. The subject property has an actual age of 26-years, and an "as is" effective age of 26-years. "As Complete" the property will continue to have a large amount of incurable depreciation due to the actual age of the subject property. Due to the extensive amounts of deferred maintenance and the subject's estimated effective ages "as is" and "as complete", which are highly subjective, the cost approach is not applicable. Since the cost approach would have little meaning, and it is the least applicable approach, we have not performed the cost approach. The cost approach is not necessary to form a credible opinion of the subject property's market value.

In this case it is our opinion that the cost approach has limited applicability at best, and it is not necessary to develop a credible opinion of the subject's market value. Since the cost approach would be the least meaningful approach, and it is not necessary to develop a credible opinion of the subject's market value, we have elected to not perform this approach. The cost approach has been considered, but due to the lack of applicability, the cost approach has not been included in this appraisal analysis.

Income Approach. This approach is based on the estimation of value by an analysis of the potential net income a property will generate. Since most income producing properties are purchased for their potential income stream, this approach is most applicable in the evaluation of the income producing properties. The direct capitalization technique was employed in the income approach. The income approach reflects the present value which an investor would be willing to pay for the anticipated benefits to be derived from the ownership of the property. Since the measurement of investment performance is the primary concern of market participants dealing with this type of property, these methods of valuation were given significant weight in the final value estimate.

The economic rent levels were well supported by market data. Estimated expense levels were compared to budgeted expenses of the subject and other Austin area apartment complexes, as well as, expense levels of statistics published by I.R.E.M. in the *Income & Expense Analysis*, 2009. The overall capitalization rate (R_o) was abstracted from the market and reinforced by mortgage-equity and band of investment analysis. Therefore, an overall indication of value by the Direct Capitalization Approach of \$2,330,000 was deemed appropriate and reasonable. This approach indicates an "as stabilized" market value estimate as follows:

\$2,330,000

CORRELATION AND FINAL VALUE CONCLUSION - "AS STABILIZED" – CONTINUED

Market Approach. This approach provides a direct comparison between the subject and similar properties which have been sold. The strength of this approach is that it directly measures the actions of buyers and sellers in the marketplace. The weakness of this approach is that no two properties are ever exactly alike. Amenities in purchase considerations and intangible qualities are sometimes difficult to compare. Also, the exact condition of each sale is sometimes unknown. This approach produced several reliable sales of both vacant land tracts and improved apartment communities. Two units of comparison were utilized in this analysis: the price per square foot of rentable area; and the price per unit. Both were considered to be good indicators of value for the subject property. Therefore, the indicated "as stabilized" market value via the market approach is as follows:

\$2,250,000

Final "As Complete/As Stabilized" Market Value. Two of the three approaches to value were utilized, and the final estimate of value must be based upon that confirmation of the available market data and analysis which is most appropriate. In this instance, it is our opinion the market approach and income approaches are considered to be the most reliable in valuing the subject property.

Based on discussions with a representative of Capital One, there is a waiting list for eligible tenants to lease the subject property and our client was confident the subject would be stabilized upon completion. Therefore, in our analysis, the subject's "As Complete" valuation scenario is synonymous with the subject's "As Stabilized" valuation scenario. Based on the provided information, we have estimated the subject property should be completed within 12-months.

According to the "Korpacz Real Estate Investor Survey, 1st Quarter 2010," the average exposure period for apartments within the nation is 1 to 18-months with an average of 8.06-months. Due to the quality and location, it is our opinion the subject property, if properly marketed, could be sold within a 12-month exposure period. Therefore, the "as complete/as stabilized" market value for the subject property, based on a 12-month exposure time, as of **March 23, 2011**, is as follows:

\$2,300,000

“AS IS” OPINION OF MARKET VALUE

According to the provided Settlement Statement, there is a “Capital One-future rehabilitation” line-item totaled at \$699,574.01, which the City of Austin has funded toward the rehabilitation. Additionally, we were provided with two renovation cost bids totaling ±\$1,625,044 (\$35,327 per unit or \$74.82 per square foot) and ±\$1,764,082 (\$38,350 per unit or \$81.23 per square foot). The renovations will include: gutting the interior; converting five of the existing units to meet accessible standards (for handicapped persons); converting two units into an office/community and laundry room; repainting and residing the exterior; replace stairs and railings; replace windows; repair the concrete; replace gutters; repair the attics; repair the roofs; replace the HVAC; replace the doors; repair mailboxes; replace electrical; add tile; add window treatments; and update landscaping. It appears that the majority of the proposed renovations are prudent management of the property with some amenities being added so that rent levels can justifiably be increased.

Based on the provided bids we have estimated the renovations will cost approximately \$1,700,000 (\$39,957 per unit or \$78.28 per square foot). Additionally, we have allocated a profit of 10%, which results in an adjusted cost of \$1,870,000. We have estimated the renovations and repairs to take approximately twelve months to complete. This amount has been deducted from the “as complete/as stabilized” opinion of market value for an indication of the subject property’s “as is” market value.

The subject's "as is" market value is as follows:

Prospective Future Value Upon Completion/Stabilization = \$2,300,000

LESS: Renovation Cost = \$1,870,000

"As Is" Market Value = \$430,000

ROUNDED, SAY: \$430,000

Therefore, the “as is” market value for the subject property, based on a 12-month exposure time, as of **March 23, 2010**, is as follows:

\$430,000

ADDENDA

QUALIFICATIONS

QUALIFICATIONS OF

Jim W. Sheppard, MAI

www.aagtexas.com

Business Addresses:

Houston Office

Advanced Appraisal Group
3711 Briarpark, Suite 350
Houston, Texas 77042
Telephone: (713) 629-4211
Fax: (713) 554-7722

Austin / San Antonio Office

Advanced Appraisal Group
222 East Hutchison, Suite 101
San Marcos, TX 78666
Austin: (512) 646-3211
San Antonio: (210) 651-2211

Dallas / Fort Worth Office

Advanced Appraisal Group
7952 Davis Boulevard, Suite 100
North Richland Hills, TX 76182
Telephone: (214) 446-8711
Fax: (214) 446-8724

Experience:

Jim W. Sheppard is a real estate appraiser, consultant and analyst who has been active in all forms of real estate appraisals since 1991. He has been an appraiser responsible for appraisals of retail, multi-family, self-storage, office, industrial and commercial properties throughout Texas for clients including various banks, insurance companies, corporations, and individuals. He received the MAI designation from the Appraisal Institute in 2001.

Education:

Graduated from Texas A & M University, College Station, Texas in May, 1992, with a Master's Degree in Land Economics and Real Estate.

Graduated from Abilene Christian University, Abilene, Texas in May, 1990, with a Bachelor of Business Administration in the field of finance.

Certification:

Texas State Certified General Real Estate Appraiser #TX-1323601-G
Texas Real Estate Brokers License #0436717
U.S. Department of Homeland Security - Chemical Terrorism Vulnerability Information
Authorized User Certificate CVI-20091202-1043314

Affiliations:

Member Appraisal Institute (MAI) #11836 Appraisal Institute
Regional Representative from the Houston Chapter of the Appraisal Institute (2008-present)
Education Chair of the Houston Chapter of the Appraisal Institute (2009)
Associate Guidance Chair of the Houston Chapter of the Appraisal Institute (2007- 2008)
Admissions Chair of the Houston Chapter of the Appraisal Institute (2004-2006)
Appraisal Journal Review Panel (2003-2004)
Member of the 1995 & 1998 Young Advisory Council, Appraisal Institute
Board Member of the Houston Chapter of the Appraisal Institute (2008 - present)

QUALIFICATIONS, JIM W. SHEPPARD - CONTINUED

Specialized Training in Real Estate Appraisal:

Appraisal Institute

Valuation of Conservation Easements 12/07/2007
Current Outlook on Houston Area Homebuilding 10/23/2007
Major Recent Downtown Development 08/29/2007
7-Hour National USPAP Update Course 06/17/2006
Introduction to Income Capitalization 06/16/2006
What Clients Would Like Their Appraisers to Know 06/16/2006
Market Analysis and the Site to Do Business (7 Hour) 06/15/2006
Business Practices and Ethics 03/28/2006
7-Hour National USPAP Update Course 03/20/2004
28-Hour Re-Certification Seminar (Day 2) 03/19/2004
28-Hour Re-Certification Seminar (Day 1) 03/18/2004
Appraising Manufactured Housing 02/07/2004
How to Appraise a Golf Course 09/18/2003
2003 Real Estate Seminar 08/01/2003
A Unique Overview of Houston's Retail, Industrial and Office 03/26/2003
28 Hour Re-Certification Seminar (Day 3) 08/17/2002
28 Hour Re-Certification Seminar (Day 2) 08/16/2002
28 Hour Re-Certification Seminar (Day 1) 08/15/2002
Real Estate Appraisal Principles, 1990, 1992
Demonstration Report Writing, Seminar, 1991
Basic Valuation Procedures, 1992
Standards of Professional Practice, Part A, 1992
Standards of Professional Practice, Part B, 1993
Capitalization Theory & Techniques, Part A, 1992
Capitalization Theory & Techniques, Part B, 1992
Case Studies in Real Estate Valuation, 1992
Report Writing and Valuation Analysis, 1992

Resolution Trust Corporation

Affordable Housing Disposition Program Appraisal Seminar, 1991

U.S. Department of Housing and Urban Development

MAP Training Seminar (Philadelphia Hub - February 14 & 15, 2002)
Valuation Analysis for Home Mortgage Insurance, 1994, Chum #6247

Recertification of the Appraisal Institute

As of the date of this report, Jim Sheppard has completed the requirements of the continuing education program of the Appraisal Institute.

Partial List of Types of Real Estate Appraisal and Consulting Assignments:

Airports	Leasehold Valuations
Appraisal Review	Live Show Theater
Aquatic Agricultural Facility	Manufacturing
Assisted Living Facility	Marinas
Athletic Clubs	Martial Arts Facility
Automobile Dealerships	Meat Packing Plant
Banquet Halls	Medical Office Buildings
Batting Cage Facility	Mid Rise Apartments
Boat Storage Facilities	Motocross Track
Campgrounds	Movie Theaters
Car Washes - Full Services	Music Recording Studio
Car Washes - Manual	Office Buildings - Multi-Tenant
Chemical Plant	Office Buildings - Single Tenant
Churches	Office Buildings (High Rise)
Community Centers	Office Warehouses
Condemnation	Oil Change Facilities
Conference Centers	Pet Resorts
Conservation Easements	Recreation Facilities
Convenience Stores	Recreational Vehicle Parks
Dance Studios	Resort and Recreational Developments
Daycares	Restaurants/Bars
Distress and Problem Properties	Rodeo Arena
Dormitory	Sand Pit
Duplexes	Schools
Easements	Self Storage
Flea Market	Service Stations
Flex Office/Warehouses	Shopping Centers
Funeral Homes	Single Family Residences
Garden Apartments	Skilled Nursing Facility
Golf Courses	Skydiving Facility
Greenhouses	Subdivisions
Hangers	Time Share Projects
High-rise Condominiums	Townhouse Developments
Horse Boarding	Truck Washes
Hotels	Union Halls
Industrial	Vacant Land
Kennels	Veterinary Clinics
Kitchen & Pantry Facility (Non Profit)	Wedding Chapel
Laundry Mats	Youth Camps

Various Types of Studies:

Environmental Impact Studies
Feasibility Studies
Market Studies
Highest and Best Use Studies
Investment Analysis

QUALIFICATIONS, JIM W. SHEPPARD - CONTINUED

Partial List of Clients

Allegiance Bank
Ameegy Bank
American Momentum Bank
Banco Popular
BOK Financial
Bank of America
Bank of Oklahoma, N.A.
Bank of Texas, N.A.
Business First Bank
Capital One
Capmark Financing
Central Bank
Citibank
Citizens 1st Bank
City Bank Texas
Columbus State Bank
Commerce National Bank - Lubbock
Commercial State Bank
Compass Bank
Cooley Manion Jones, LLP
Eagle Lake Bank
Enterprise Bank
First Ag Credit
First Bank
First Community Bank, N.A.
First National Bank
First Victoria National Bank
First Lockhart National Bank
Founders Bank
Frost National Bank
Grand Bank
Griffin Capital Funding
Holliday, Fenoglio, Fowler
IBC Bank
Icon Bank
Independence Bank
Inland Bank & Trust
Integrity Bank
BBVA
Lone Star Bank
Lubbock National Bank
MetroBank, N.A.
Midland Loan Services
NewFirst National Bank
North Dallas Bank & Trust
Northstar Bank of Texas
Omni Bank
Pacific Capital Bank
Park Cities Bank
Patriot Bank
Pilgrim Bank
Placer Sierra Bank
Preferred Bank
Premier Bank
Prosperity Bank
Q10 Kinghorn Drive
Small Business Loan Source
Spirit Finance
Southwestern National Bank
State Farm Bank
Staubach Co.
Sterling Bank
Texas Capital Bank
Texas Community Bank, N.A.
Texas First Bank
The Bank of River Oaks
Tradition Bank
Trustmark National Bank
U.S. Trust, Bank of America Private Wealth
Unity National Bank
Wallis State Bank
Wells Fargo Bank, N.A.
Westbound Bank
Whitney Bank
Wood Forest National Bank



TEXAS APPRAISER LICENSING AND CERTIFICATION BOARD

BE IT KNOWN THAT

JIM WILSON SHEPPARD

HAVING PROVIDED SATISFACTORY EVIDENCE OF THE QUALIFICATIONS REQUIRED
BY THE TEXAS APPRAISER LICENSING AND CERTIFICATION ACT,
TEXAS OCCUPATIONS CODE, CHAPTER 1103,
IS AUTHORIZED TO USE THE TITLE

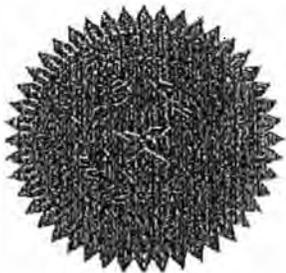
**STATE CERTIFIED
GENERAL REAL ESTATE APPRAISER**

Number: TX-1323601-G

Date of Issue: August 15, 2008

Date of Expiration: September 30, 2010

In Witness Whereof



Clinton P. Sayers, Chair
Malcolm J. Deason
Dona S. Scurry

James D. Ratliff, Vice-Chair
William A. Faulk, Jr.
Shirley J. Ward



Clinton P. Sayers, Chair



Timothy K. Irvine, Commissioner

Mark A. McAnally, Secretary
Lurry D. Kotel

QUALIFICATIONS OF
Candice K. Reyes

Business Address:

Advanced Appraisal Group
3711 Briarpark Drive, Suite 350
Houston, Texas 77042

Telephone (713) 692-4211
Fax (713) 554-7728

Experience:

Candice K. Reyes has been employed with Advanced Appraisal Group since May, 2005. Since July 2007, she has been a real estate appraiser in training under the sponsorship of Jim W. Sheppard. She is an appraiser in training offering significant help in appraisals of commercial properties throughout the Houston area.

Education:

Appraisal Education:

General Appraiser Report Writing and Case Studies - Appraisal Institute - 3/8/10 to 3/11/10
Advanced Sales Comparison & Cost Approaches - Appraisal Institute - 1/18/10 to 1/23/10
Business Practices and Ethics - Appraisal Institute - 12/4/09
General Appraiser Site Valuation & Cost Approach - Appraisal Institute - 11/9/09 to 11/12/09
General Appraisal Income Approach (Part II) - Appraisal Institute - 10/9/09 to 10/13/09
15-Hour National USPAP Course (Update) - Appraisal Institute - 6/26/09
Real Estate Finance Statistics and Valuation Modeling - Appraisal Institute - 6/12/09 to 6/13/09
General Appraiser Income Approach (Part I) - Appraisal Institute - 5/12/08 to 5/15/08
General Appraiser Sales Comparison Approach - Appraisal Institute - 4/7/08 to 4/10/08
General Market Analysis and Highest & Best Use - Appraisal Institute - 3/3/08 to 3/6/08
15-Hour National USPAP Course - Appraisal Institute - 6/13/07 to 6/14/07
Basic Appraisal Procedures - Appraisal Institute - 6/8/07 to 6/12/07
Basic Appraisal Principles - Appraisal Institute - 6/4/07 to 6/7/07

General Education:

Graduated from the University of Houston-Clear Lake, Houston, Texas in December, 2007, with a Double Bachelor's of Business Administration in the fields of Management and Marketing.

Certification:

Texas State Certified General Real Estate Appraiser Trainee #TX-1337135-TRAINEE

QUALIFICATIONS, CANDICE K. REYES - CONTINUED

Partial List of Types of Real Estate Appraisal Assignments:

Apartment Complexes	Medical Offices
Auto Service Facilities	Offices
Auto Repair Facilities	Restaurants
Car Washes	Retail Facilities
Churches	Schools
Convenience Stores	Shopping Centers
Daycare Facilities	Subdivisions
Ground Leases	Vacant Land
Industrial Facilities	

Partial List of Representative Clients:

Financial Institutions:

Allegiance Bank of Texas
Amegy Bank of Texas
The Bank of River Oaks
Bank of Texas, N.A.
Capital One, N.A.
Citibank, N.A.
Commercial State Bank
Compass Bank
First Community Bank, N.A.
First National Bank of Arizona
First Victoria National Bank
Founders Bank
Grand Bank
Integrity Bank
Lone Star Bank
Omni Bank
Southwestern National Bank
Spirit of Texas Bank
Sterling Bank
Texas First Bank
Tradition Bank
Trustmark National Bank
Wells Fargo Bank, N.A.
Westbound Bank
Woodforest National Bank



Texas Appraiser Licensing and Certification Board
 P.O. Box 10188
 Austin, Texas 78711-2188
 (512) 457-5222

APPRAISER TRAINEE

APPRAISER TRAINEE

The Texas Appraiser Licensing and Certification Board authorizes the named person to act as an Appraiser Trainee under the sponsorship of the state certified appraiser named at the right, pursuant to the Texas Appraiser Licensing and Certification Act (Article 5072a, Vernon's Texas Civil Statutes) and the Rules of the Texas Appraiser Licensing and Certification Board (26 Tex Chapters 101, 103 and 105).

All Appraiser Trainees submitted by the Board can perform appraisals only under the direction and direct supervision of the appraiser trainee's sponsoring certified appraiser(s). The appraiser(s) shall sign the reports and be responsible to the public and to the Board for the conduct of the appraiser trainee.

All Appraiser Trainees may be sponsored by one or more state certified appraisers.

CANDICE KUERN REYES

Authorization # 851327016
 I.D. Number

Issue Date July 20, 2007
 Expiration Date July 21, 2010

JIM WILSON SHEPPARD
 SPONSOR

Certification # 1323601
 I.D. Number 581141379

CANDICE KUERN REYES
 3711 BRAIRPARK DR STE 350
 HOUSTON TX 77042

FLOOD ZONE MAP

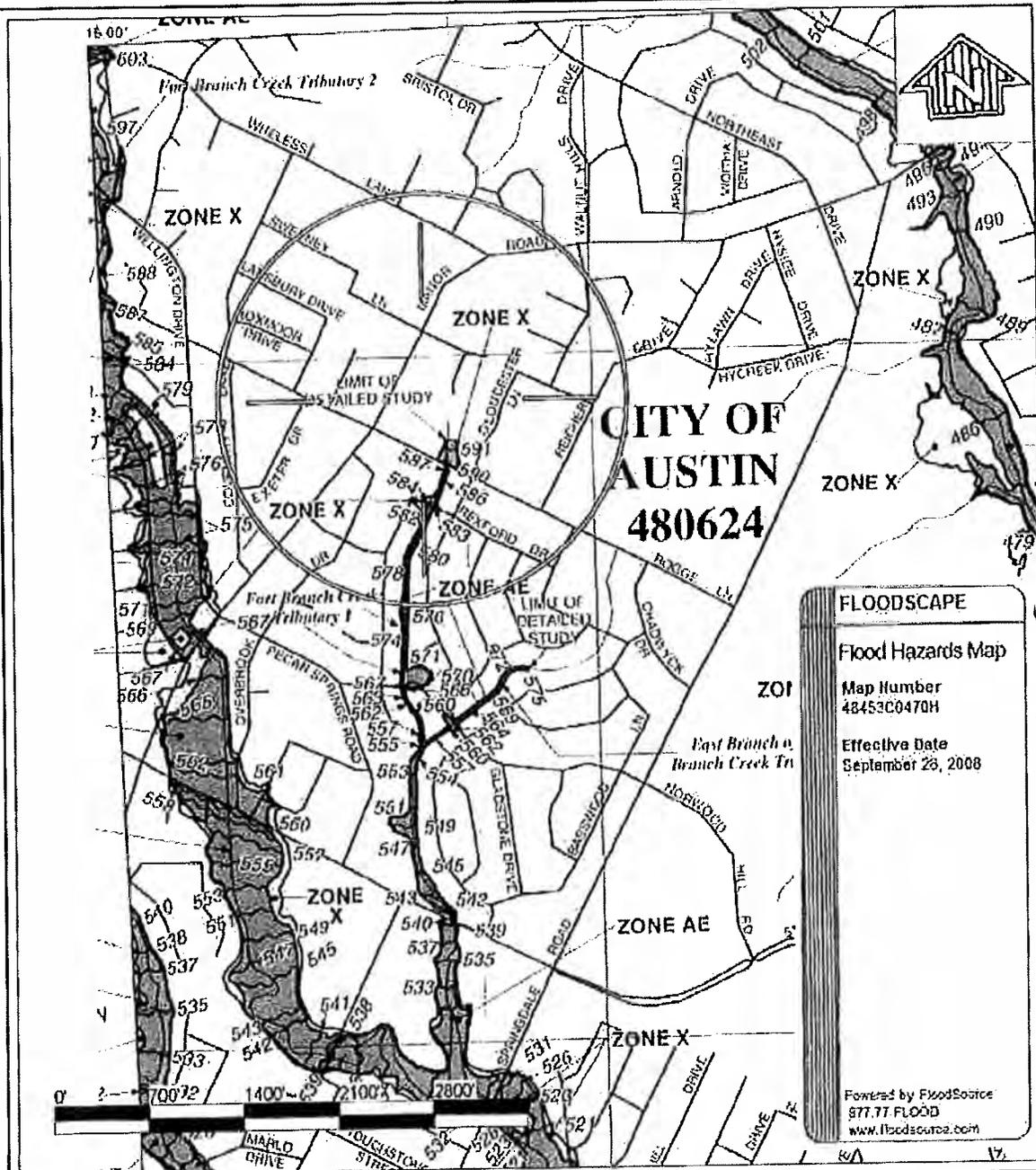
InterFlood



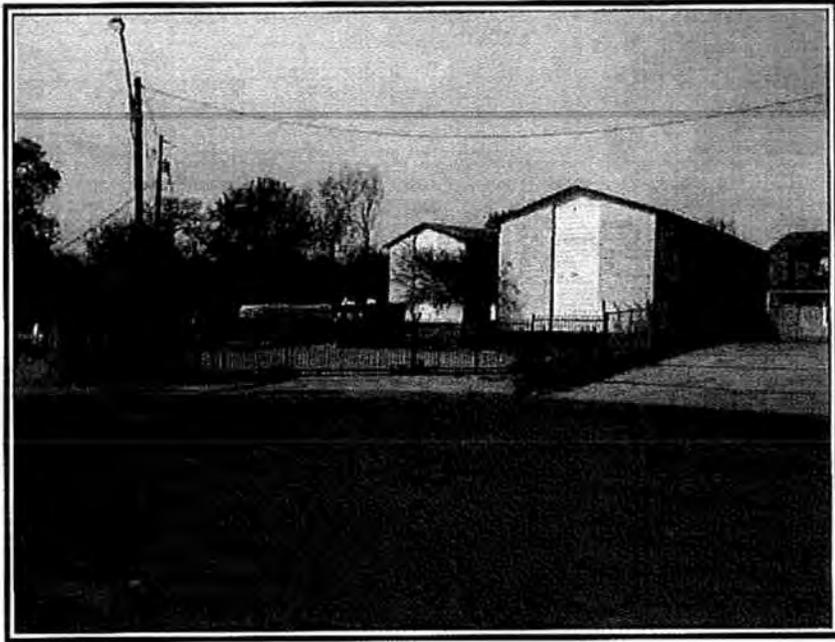
www.interflood.com • 1-800-252-6633

Prepared for:
Advanced Appraisal Group

5800 Sweeney Cir
Austin, TX 78723-3687



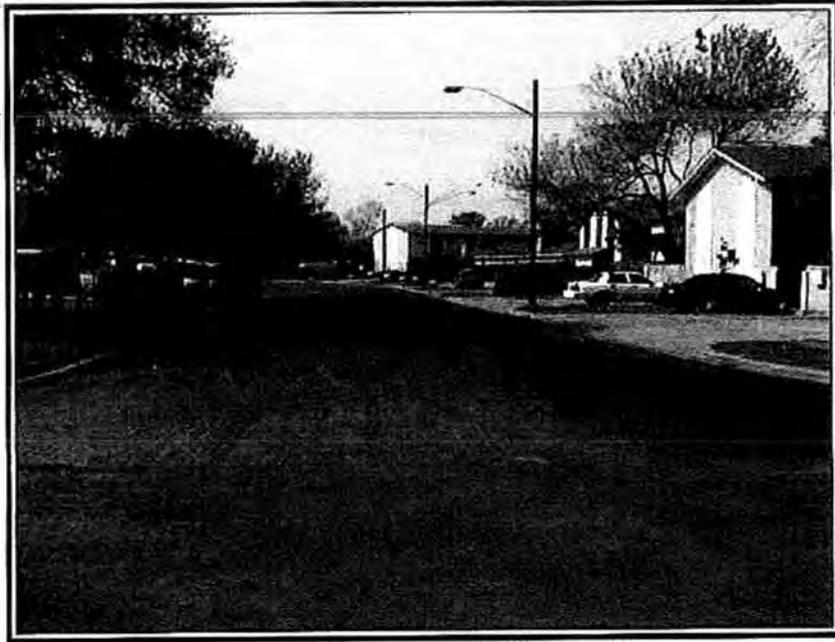
SUBJECT PHOTOGRAPHS



Subject From Sweeney Circle



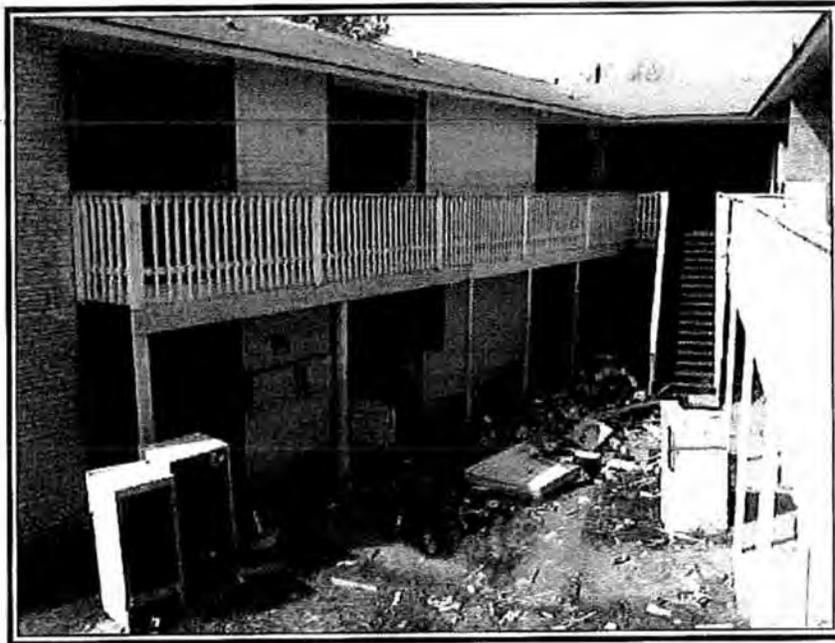
Subject From Manor Road



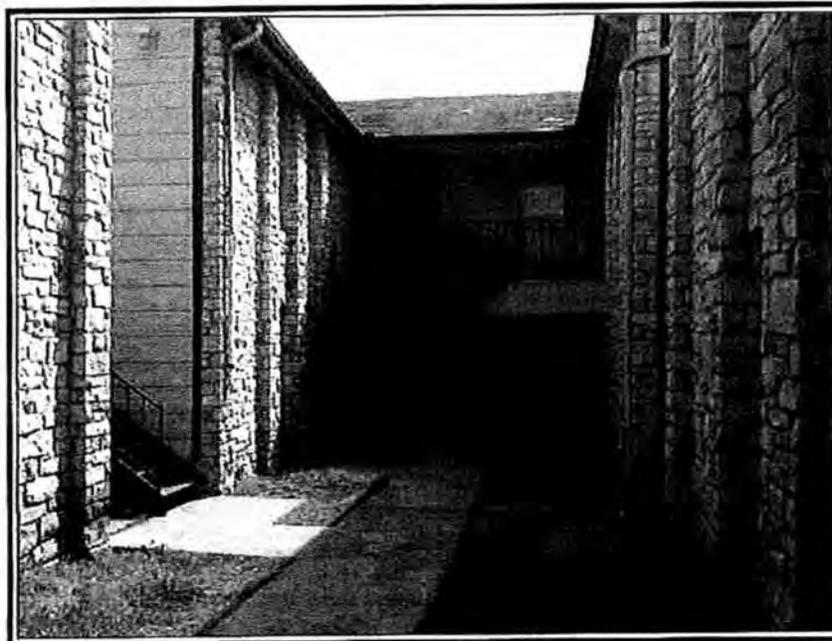
Looking South on Sweeney Circle - Subject on the Right at the cul-de-sac



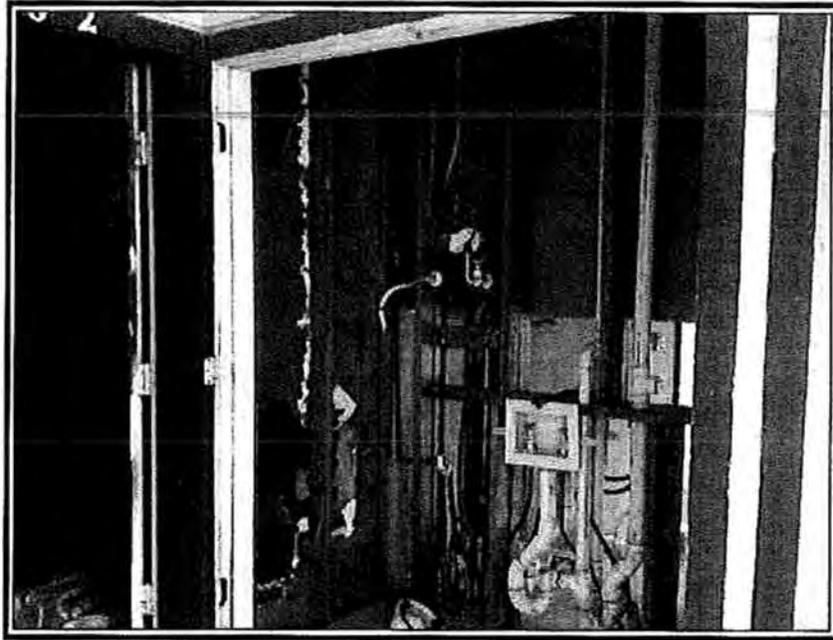
Looking Southwest on Manor Road - Subject on the Left



Typical View of Subject



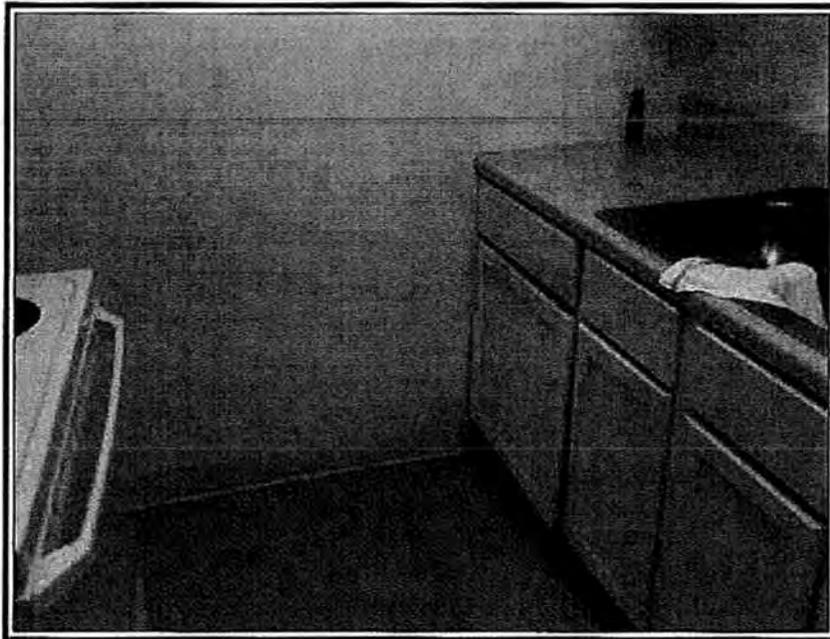
Typical View of Subject



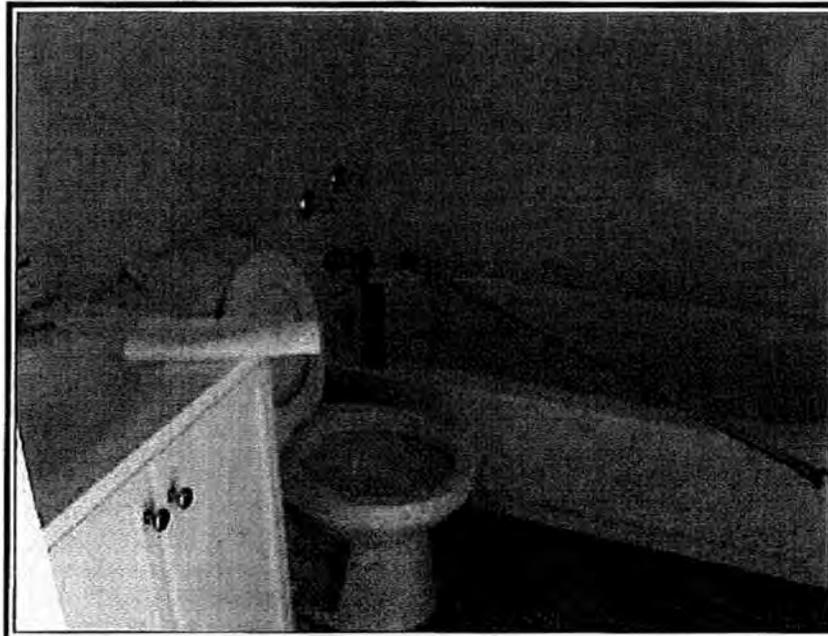
Typical Interior View



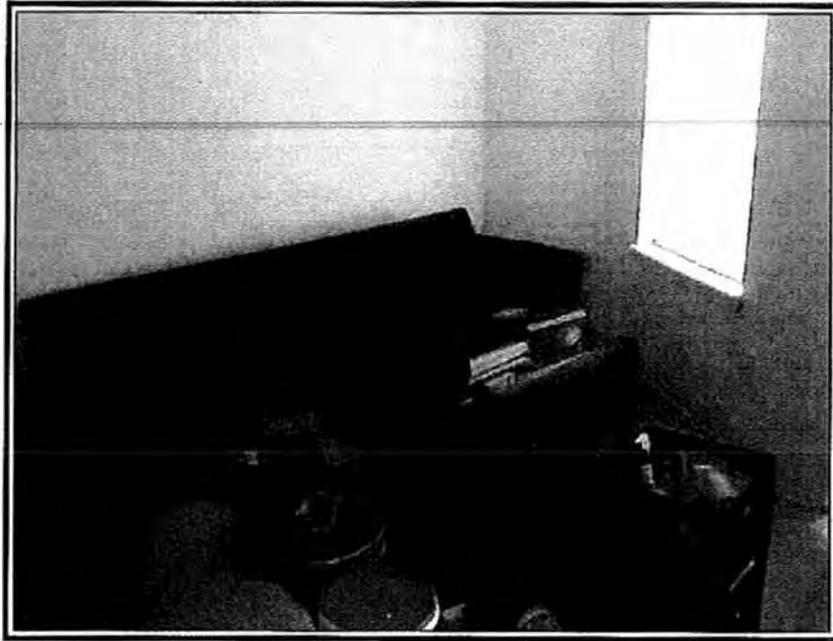
Typical Interior View



Typical Interior View



Typical Interior View



Typical Interior View

APARTMENT SALES DATA & MAP

Multi-Family Sale No. 1



Property Identification

Record ID	667
Property Type	Garden
Property Name	Southwood Apartments
Address	1801 Fortview Road, Austin, Travis County, Texas 78704
Location	NWC Russell Dr. and Ben White Blvd., with frontage along Fortview Rd.
Tax ID	509272
Legal	Abs 8 Sur 20 Decker 1 Acr 1.031
Assessed Value	2009 - \$60.00/SF (Based on TCAD's NRA)

Sale Data

Grantor	Unknown
Grantee	Fortwood Apartments, LLC
Sale Date	December 10, 2009
Property Rights	Leased Fee
Conditions of Sale	Arm's Length
Financing	Cash to Seller
Verification	LoopNet ID: 2427671; Hendricks & Partners, Other sources: TCAD

Sale Price	\$1,975,000
Cash Equivalent	\$1,975,000

Land Data

Land Size	1.031 Acres or 44,910 SF
Front Footage	Ben White Blvd.;Russell Dr.;Fortview Rd.
Utilities	All available

<u>Unit Type</u>	<u>Unit Mix</u>			<u>No. Rent/SF</u>
	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	
1/1	41	525	\$595	\$1.13
2/1	3	750	\$725	\$0.97

Total Units	44
Avg. Unit Size	540
Avg. Rent/Unit	\$604
Avg. Rent/SF	\$1.12

Net SF 23,775

General Physical Data

No. of Buildings	2
Construction Type	Brick veneer/cedar siding
Stories	2
Project Amenities	Outdoor Pool, Laundry
Year Built	1970

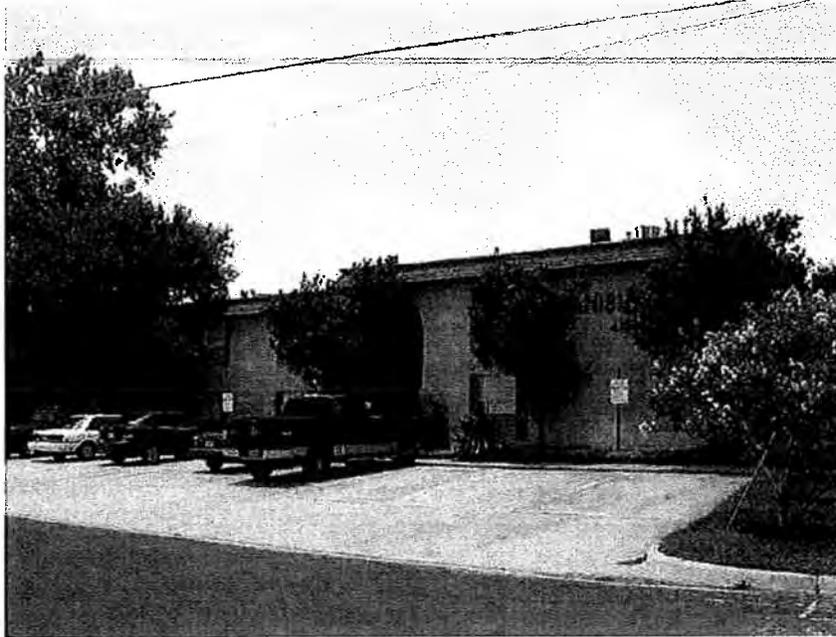
Income Analysis

Potential Gross Income	\$330,647
Vacancy	\$15,903
Effective Gross Income	\$314,744
Expenses	\$149,576
Net Operating Income	\$165,168
Sale Price/Net Rentable SF	\$83.07
Sale Price/Unit	\$44,886
Occupancy at Sale	93%
PGIM	5.97
EGIM	6.27
Expenses/SF	\$6.29 Net Rentable
Expenses/Unit	\$3,399
Expenses as % of PGI	45.24%
Expenses as % of EGI	47.52%
Overall or Cap Rate	8.36%
NOI/SF	\$6.95 Net Rentable
NOI/Unit	\$3,754

Remarks

The property was originally built in 1970-1971; however, has been extensively renovated. The renovations include: roof replaced (2004), parking resurfaced (2009), gas boilers replaced (2008) exterior repainted (2008). The proforma information utilized is from the actual January - June 2009 annualized income & expenses.

Multi-Family Sale No. 2



Property Identification

Record ID 629
Property Name Spanish Trails
Address 4520 Bennett Avenue, Austin, Travis County, Texas 78751
Location East of E. 45th St. and West of Airport Blvd.
Tax ID 216396
Legal Lot 14-19&20A*Resub of Lot 20-22 Less E5ft of Blk 16 olt 17 div c ridgetop

Sale Data

Grantor Christopher & Celeste May
Grantee MeWare Properties, LLC
Sale Date December 31, 2008
Deed Book/Page 2008206441
Conditions of Sale Arm's Length
Financing Cash to Seller
Verification CoStar ID: 1652608; Other sources: Travis CAD

Sale Price \$2,275,000
Cash Equivalent \$2,275,000

Land Data

Land Size 0.861 Acres or 37,505 SF
Front Footage Bennett Ave.
Zoning MF-4 Austin
Utilities All available

<u>Unit Type</u>	<u>Unit Mix</u>			<u>Mo. Rent/SF</u>
	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	
1/1	34	525	\$680	\$1.30
2/1	6	725	\$895	\$1.23

Total Units	40
Avg. Unit Size	555
Avg. Rent/Unit	\$712
Avg. Rent/SF	\$1.28

Net SF 22,200

General Physical Data

Project Amenities Outdoor Pool, Laundry
Year Built 1971

Income Analysis

Potential Gross Income \$336,000
Vacancy \$33,600
Effective Gross Income \$302,400
Expenses \$129,654
Net Operating Income \$172,746

Indicators

Sale Price/Net Rentable SF \$102.48
PGIM 6.77
EGIM 7.52
Expenses/SF \$5.84 Net Rentable
Expenses/Unit \$3,241
Expenses as % of PGI 38.59%
Expenses as % of EGI 42.88%
Overall or Cap Rate 7.59%
NOI/SF \$7.78 Net Rentable
NOI/Unit \$4,319

Remarks

Rental rates ranged from \$625 to \$735 on the 1/1 units.

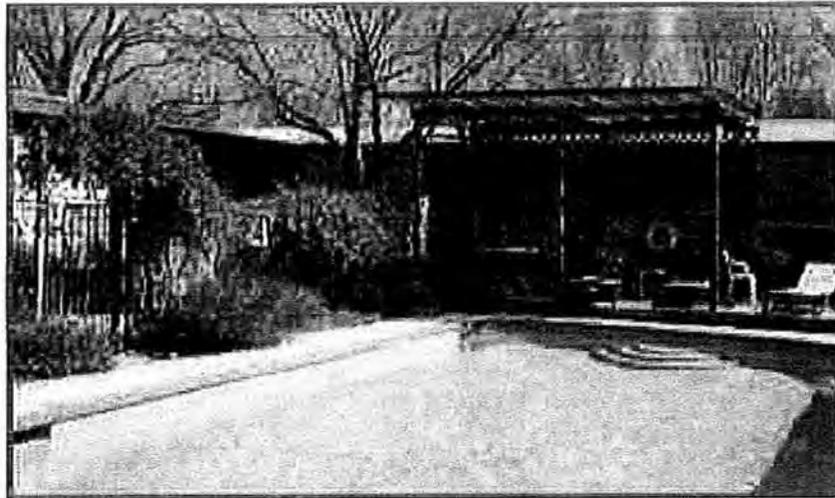
The information in this report was reported and confirmed by a party deemed reliable.

Seller was a long-term owner who had no specific motivation for selling the property. The buyer purchased the property strictly as an investment opportunity.

This property was previously held under a partnership. The partnership transferred title prior to this transaction to allow ownership to be transferred from single entity.

Proforma data was estimated by the appraiser based on market data at the time of sale.

Multi-Family Sale No. 3



Property Identification

Record ID 631
Property Name Bull Creek Apartments
Address 5001 Bull Creek Road, Austin, Travis County, Texas 78731
Location East line of Bull Creek Rd., south of Hancock Dr.
Tax ID 227403
Legal Lot 2A*Resub of Lt 2 Stasswender Addition

Sale Data

Grantor Bull Creek Apartments, Ltd.
Grantee Michel Issa & Jimmy Nassour
Sale Date July 31, 2008
Marketing Time 111 Days
Conditions of Sale Arm's Length
Financing Cash to Seller
Verification CoStar ID: 1564502; Other sources: Travis CAD

Sale Price \$1,675,000
Cash Equivalent \$1,675,000

Land Data

Land Size 0.831 Acres or 36,185 SF
Front Footage Bull Creek Rd.
Zoning MF-3 Austin
Utilities All available

Unit Mix

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
1/1	15	650	\$725	\$1.12
2/1	9	850	\$810	\$0.95

Total Units	24
Avg. Unit Size	725
Avg. Rent/Unit	\$757
Avg. Rent/SF	\$1.04
Net SF	17,400

General Physical Data

Unit Amenities	Patios/Balconies
Project Amenities	Outdoor Pool, Laundry
Year Built	1965

Income Analysis

Potential Gross Income	\$224,980
Vacancy	\$11,249
Effective Gross Income	\$213,731
Expenses	\$98,300
Net Operating Income	\$115,431

Indicators

Sale Price/Net Rentable SF	\$96.26
PGIM	7.45
EGIM	7.84
Expenses/SF	\$5.65 Net Rentable
Expenses/Unit	\$4,096
Expenses as % of PGI	43.69%
Expenses as % of EGI	45.99%
Overall or Cap Rate	6.89%
NOI/SF	\$6.63 Net Rentable
NOI/Unit	\$4,810

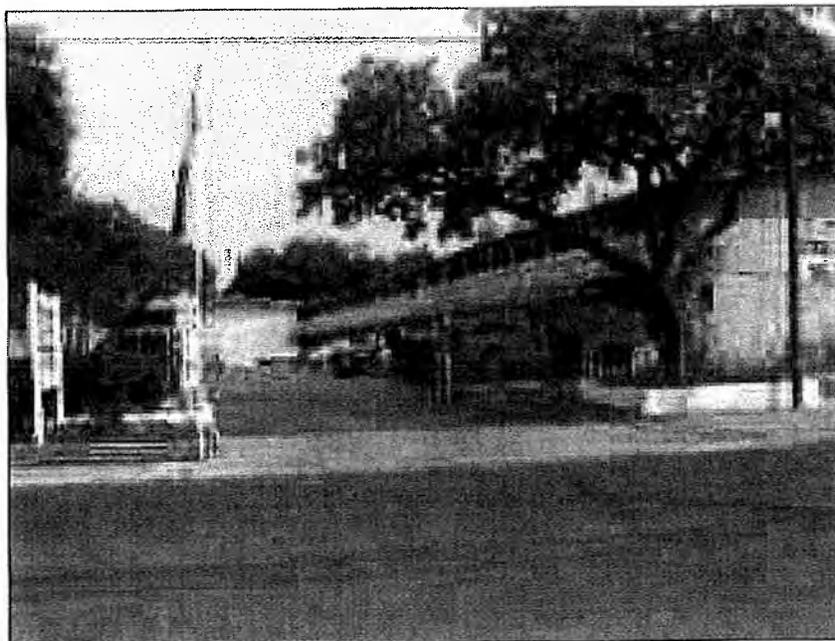
Remarks

Listing Agent reported that the property had two vacancies at the time of sale. Escrow time was about sixty days. Property sold "as-is" with no sale conditions. Reportedly, at the time of sale there was no deferred maintenance.

The original loan for the seller was due to mature in September and he/she wanted to sell the property.

Proforma information is listed as reported by CoStar and Investor Alliance, Inc. 2008 estimated operating expenses were \$5.65/SF. The subject was renovated in 2005.

Multi-Family Sale No. 4



Property Identification

Record ID	668
Property Type	Garden
Property Name	Montecito
Address	4719 Harmon Avenue, Austin, Travis County, Texas 78751
Location	Southeast line of Harmon Ave., across from 48th St.
Tax ID	216495
Legal	Lot 10, Blk V Ridgetop Fourth Add.

Sale Data

Grantor	S M N Sabaru, LLC
Grantee	Austin Invest, LLC
Sale Date	July 24, 2008
Property Rights	Leased Fee
Conditions of Sale	Arm's Length
Financing	Cash to Seller
Verification	LoopNet ID: 1943014; Other sources: TCAD

Sale Price	\$1,825,000
Cash Equivalent	\$1,825,000

Land Data

Land Size	0.990 Acres or 43,124 SF
Front Footage	Harmon Ave.
Utilities	All available

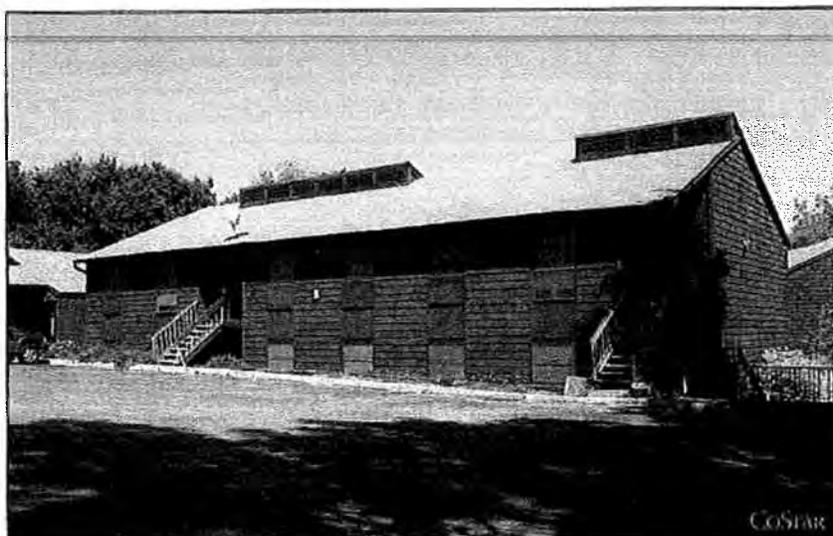
Unit Mix

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
1/1	20			
2/1	28			
Total Units	48			
Avg. Unit Size	621			
Net SF	29,784			
<u>General Physical Data</u>				
No. of Buildings	1			
Stories	2			
Year Built	1962			
<u>Income Analysis</u>				
Potential Gross Income	\$316,800			
Vacancy	\$31,680			
Effective Gross Income	\$285,120			
Expenses	\$134,028			
Net Operating Income	\$151,092			
<u>Indicators</u>				
Sale Price/Net Rentable SF	\$61.27			
PGIM	5.76			
EGIM	6.4			
Expenses/SF	\$4.50 Net Rentable			
Expenses/Unit	\$2,792			
Expenses as % of PGI	42.31%			
Expenses as % of EGI	47.01%			
Overall or Cap Rate	8.28%			
NOI/SF	\$5.07 Net Rentable			
NOI/Unit	\$3,148			

Remarks

This property was renovated in 2005 including: roof, decking, siding, access gates, gutters, breaker box replacement, doors, and all interiors. The proforma was estimated by the appraiser based on market data at the time of sale.

Multi-Family Sale No. 5



Property Identification

Record ID 632
Property Name Oak Grove
Address 3625 South 1st Street, Austin, Travis County, Texas 78704
Tax ID 310983
Legal 3.550 Ac of Blk 3 Fortview Addition

Sale Data

Grantor Ui rivera, Rivers Ina.
Grantee Spearhead Oak Grove Ltd., Chris Wallin
Sale Date May 01, 2008
Conditions of Sale Arm's Length
Financing Cash to Seller
Verification Austin Investor Interests, LLC; CoStar, Other sources: Travis CAD

Sale Price \$4,100,000
Cash Equivalent \$4,100,000

Land Data

Land Size 3.550 Acres or 154,638 SF
Front Footage South 1st St.
Utilities All available

Unit Mix

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
1/1	20	623	\$663	\$1.06
1/1	20	727	\$713	\$0.98
2/1	22	975	\$888	\$0.91
Total Units	62			

Avg. Unit Size	781
Avg. Rent/Unit	\$759
Avg. Rent/SF	\$0.97

Net SF	48,450
--------	--------

General Physical Data

No. of Buildings	10
Stories	2
Unit Amenities	Patios/Balconies
Project Amenities	Outdoor Pool, Laundry
Year Built	1978

Income Analysis

Potential Gross Income	\$564,696
Vacancy	\$56,470
Effective Gross Income	\$508,226
Expenses	\$218,025
Net Operating Income	\$290,201

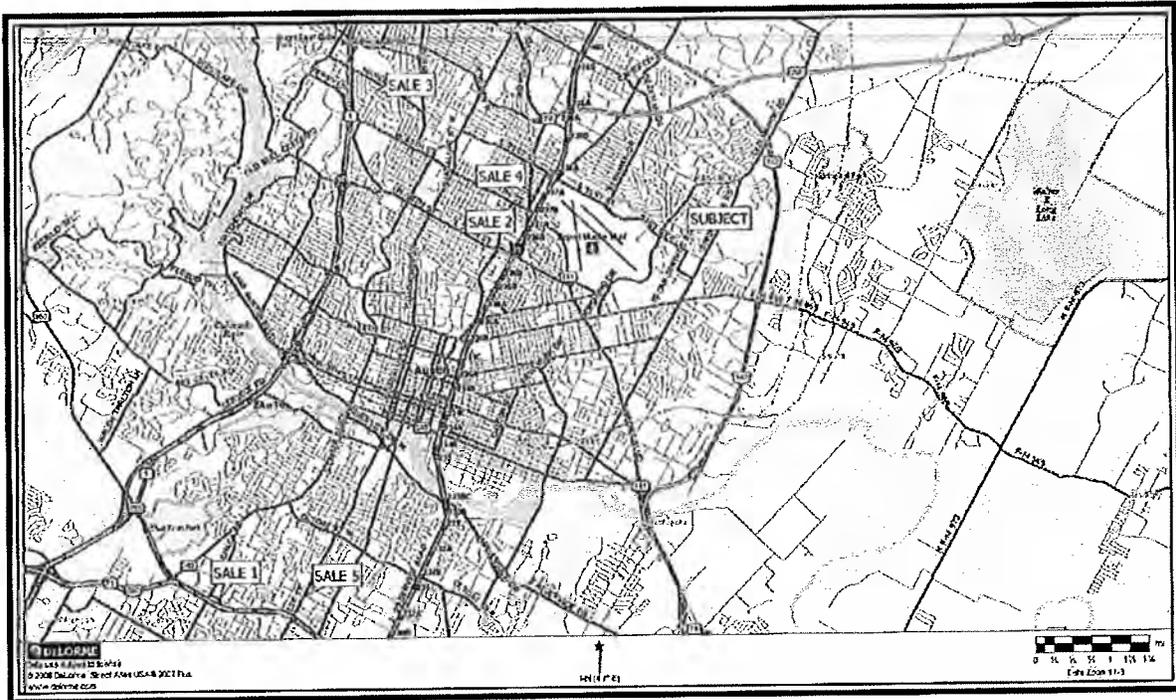
Indicators

Sale Price/Net Rentable SF	\$84.62
PGIM	7.26
EGIM	8.07
Expenses/SF	\$4.50 Net Rentable
Expenses/Unit	\$3,517
Expenses as % of PGI	38.61%
Expenses as % of EGI	42.90%
Overall or Cap Rate	7.08%
NOI/SF	\$5.99 Net Rentable
NOI/Unit	\$4,681

Remarks

Proforma was based on market data at the time of sale.
Rental rates range from \$650 - \$675 for the 623 SF 1/1 units, \$700 - \$725 for the 727 SF 1/1 units, and \$875 - \$900 for the 975 SF 1/1 units. We have utilized the average of these ranges in our unit mix.

APARTMENT DATA MAP



APARTMENT RENTAL DATA & MAP

Multi-Family Lease No. 1



Property Identification

Record ID 3869
Property Name Spring Hollow
Address 4803 Loyola, Austin, Travis County, Texas 78723
Tax ID 217295
Key Map 557-S
Legal Lot 1C, Bluffs of Univ Hills Resub of Lt 1, Blk B
Assessed Value 2009 - \$8,258/unit or \$40.75/SF (Based on TCAD's NRA)

Management Co. American Realty Advisors, Inc.
Verification Diana - Leasing Agent; 512.929.3704, March 30, 2010; ALN; CoStar ID: 592766, Other sources: TCAD

Unit Mix

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
1/1	99	403	\$425	\$1.05
Occupancy	91%			
Total Units	99			
Unit Size Range	0 - 403			
Avg. Unit Size	403			
Avg. Rent/Unit	\$425			
Avg. Rent/SF	\$1.05			
Net SF	39,897			

Physical Data

No. of Buildings 2
Stories 2
Utilities with Rent Trash Collection
Project Amenities Laundry
Year Built 1983 (Renovated in 2001)

Remarks

The effective rent as quoted by ALN and/or the leasing agent was utilized in this report.
 Resident pays electric, water, and waste/water.
 Income restricted property.

Multi-Family Lease No. 2



Property Identification

Record ID 3868
Property Name Sandstone
Address 2408 Manor Road, Austin, Travis County, Texas 78722
Tax ID 205401
Key Map 585-M
Legal Acr 1.278 * of Olt 33 Division C
Assessed Value 2009 - \$22,317/unit or \$63.41/SF (Based on TCAD's NRA)

Management Co. Lynz Property Service
Verification Joe - Leasing Agent; 512.478.0955, March 30, 2010; ALN, Other sources: CoStar ID: 592749; TCAD

<u>Unit Type</u>	<u>Unit Mix</u>			<u>Mo.</u>	
	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	<u>Rent/SF</u>	
1/1	24	562	\$625	\$1.11	
1/1	46	610	\$647	\$1.06	
1/1	4	690	\$671	\$0.97	
2/1	4	906	\$911	\$1.01	
2/1	4	807	\$863	\$1.07	
2/1	8	747	\$800	\$1.07	

Occupancy 91%
Total Units 90
Unit Size Range 562 - 906
Avg. Unit Size 635
Avg. Rent/Unit \$677
Avg. Rent/SF \$1.07

Net SF 57,136

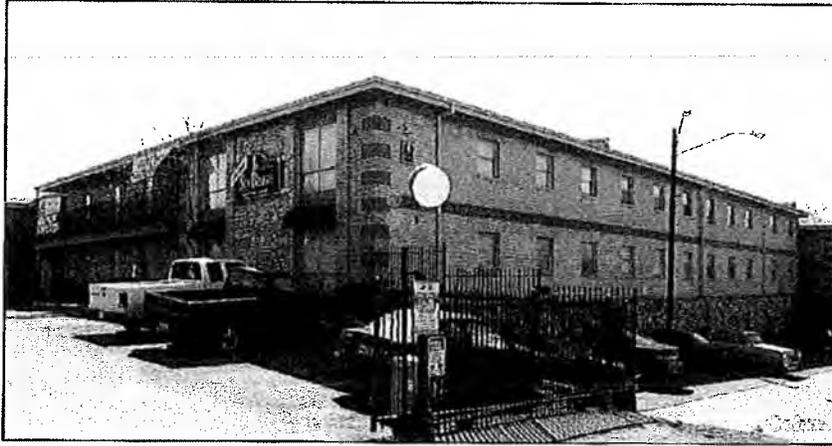
Physical Data

No. of Buildings	6
Construction Type	Cedar siding with limestone trim
Stories	3
Unit Amenities	Ceiling Fans, Microwaves
Project Amenities	Clubhouse, Laundry, Exercise/Fitness
Year Built	1986 (Renovated in 2001)

Remarks

The effective rent as quoted by ALN and/or the leasing agent was utilized in this report. Near Highland Mall, UT, & Concrodia. Income must be 3x amount of rent.

Multi-Family Lease No. 3



Property Identification

Record ID 3867
Property Name Eastside Commons
Address 2401 Manor Road, Austin, Travis County, Texas 78722
Tax ID 204045
Key Map 585-M
Legal Lot 1 Avent R G Subd No. 3 & .7 ac of land of olt 47 Div B Resub
Assessed Value 2009 - \$42,326/unit or \$57.00/SF (Based on TCAD's NRA)

Management Co. Lighthouse Group
Verification Leasing Agent; 512.478.5353, March 30, 2010; ALN, Other sources: CoStar ID: 592752; TCAD

Unit Mix

<u>Unit Type</u>	<u>No. of</u>		<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
	<u>Units</u>	<u>Size SF</u>		
1/1	26	600	\$599	\$1.00
2/1	52	800	\$699	\$0.87

Occupancy 97%
Total Units 78
Unit Size Range 600 - 800
Avg. Unit Size 733
Avg. Rent/Unit \$666
Avg. Rent/SF \$0.91

Net SF 57,200

Physical Data

Construction Type Brick/Rock Veneer and wood frame
Stories 2
Utilities with Rent Water, Sewer, Trash Collection, Pest Control
Unit Amenities Ceiling Fans, Ice makers
Project Amenities Outdoor Pool, Laundry, Whirlpool/Jacuzzi, Exercise/Fitness
Year Built 1964 (Renovated in 2005)

Remarks

Expenses: 2009 Tax @ \$1.54/SF; 2009 Ops @ \$4.13/SF

The effective rent as quoted by ALN and/or the leasing agent was utilized in this report.

Multi-Family Lease No. 4



Property Identification

Record ID 3866
Property Name Capitol Steps
Address 5211 Cameron Road, Austin, Travis County, Texas 78723
Tax ID 220631
Legal Tr 2, Bradford D C Subdiv. Resub No. 1
Assessed Value 2009 - \$29,179/unit or \$39.37/SF (Based on TCAD's NRA)

Management Co. Independent
Verification Leasing Agent; 512.323.5676, March 30, 2010; ALN, Other sources: Travis CAD

<u>Unit Type</u>	<u>Unit Mix</u>		<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
	<u>No. of Units</u>	<u>Size SF</u>		
1/1	25	500	\$575	\$1.15
2/1.5	25	600	\$675	\$1.13

Occupancy 94%
Total Units 50
Unit Size Range 500 - 600
Avg. Unit Size 550
Avg. Rent/Unit \$625
Avg. Rent/SF \$1.14

Net SF 27,500

Physical Data

Stories 2
Utilities wth Rent Water, Cable, Gas
Unit Amenities Patios/Balconies, Ceiling Fans
Project Amenities Laundry, Volleyball

Year Built

1969 (Renovated in 2007)

Remarks

The apartment itself turns on utilities including: cable, water, and gas. Therefore, these are included in the rent. The effective rent as quoted by ALN and/or the leasing agent was utilized in this report.

Multi-Family Lease No. 5



Property Identification

Record ID	3835
Property Name	Reinli Arms
Address	1008 Reinli Street, Austin, Travis County, Texas 78723
Location	North line of Reinli St., west of Sheridan Ave.
Tax ID	225465
Legal	Lot 26B, Davis Kenneth E. Subdivision
Assessed Value	2009 - \$26,906/unit or \$35.00/SF (Based on Travis CAD NRA)
Management Co.	Always There Property Mgmt.
Verification	April 30, 2009; ALN, Other sources: Travis CAD

<u>Unit Type</u>	<u>Unit Mix</u>			<u>Mo. Rent/SF</u>
	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	
1/1	36	600	\$512	\$0.85
2/1	6	760	\$604	\$0.79
2/1.5 Townhome	3	1,000	\$649	\$0.65

Occupancy	89%
Total Units	45
Unit Size Range	600 - 1000
Avg. Unit Size	648
Avg. Rent/Unit	\$533
Avg. Rent/SF	\$0.82
Net SF	29,160

Physical Data

Stories	3
Unit Amenities	Ceiling Fans
Project Amenities	Outdoor Pool, Laundry
Parking	Open
Year Built	1974

Remarks

The effective rent as quoted by ALN and/or the leasing agent was utilized in this report.

Specials: \$99 1st Months Rent

Application Fee: \$35 - \$45

Electric: Residential

Multi-Family Lease No. 6



Property Identification

Record ID	3843
Property Name	Santa Fe & Legacy
Address	1100 Reinli Street, Austin, Travis County, Texas 78723
Location	Wraps the east corner of Reinli St. and Sheridan Ave.
Tax ID	223344; 223341
Key Map	556-J
Legal	Lots 3 & 4 Sheridan Park Subd.
Assessed Value	2009 - \$31,826/unit or \$43.76/SF (Based on Travis CAD's NRA)

Management Co.	Arbor Property Mgmt.
Verification	ALN; Lensing Agent Bull, 512.452.3202, March 30, 2010; Other sources: Travis CAD

Unit Mix

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size SF</u>	<u>Rent/Mo.</u>	<u>Mo. Rent/SF</u>
1/1	10	520	\$519	\$1.00
1/1	8	620	\$547	\$0.88
1/1	23	658	\$556	\$0.84
2/1	44	717	\$637	\$0.89
2/1	14	755	\$637	\$0.84
2/2	8	921	\$738	\$0.80
2/2.5 Townhome	22	967	\$738	\$0.76
Efficiency	8	378	\$479	\$1.27

Occupancy	89%
Total Units	137
Unit Size Range	378 - 967
Avg. Unit Size	723
Avg. Rent/Unit	\$622
Avg. Rent/SF	\$0.86
Net SF	99,078

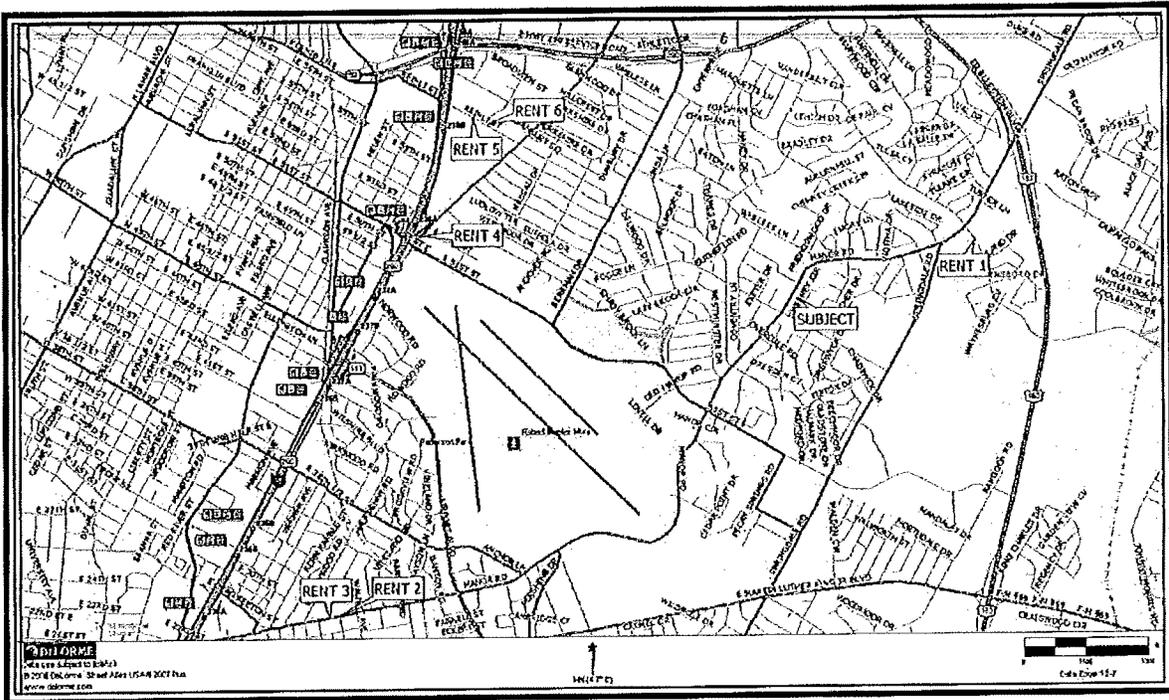
Physical Data

Stories	3
Unit Amenities	Patios/Balconies, Ceiling Fans
Project Amenities	2 Outdoor Pools, Laundry, Exercise/Fitness
Parking	Open
Year Built	1980

Remarks

The effective rent as quoted by ALN and/or the leasing agent was utilized in this report.
Electric: Residential
Income must be 3x amount of rent.

RENTAL LOCATION MAP



SETTLEMENT STATEMENT

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.a.)" were paid payable the closing; they are shown here for informational purposes and are not included in the total.

D. Name & Address of Borrower Community Homeownership Mortgage Corp., Inc. 1503 B 11335 Austin, TX 78721	E. Name & Address of Seller Raley Properties Acuity L.L.C. PO Box 675735 Rancho Santa Fe, CA 92067	F. Name & Address of Lender Austin Housing Finance Corporation 1006 East Riverch Street-Suite 208 Austin, TX 78702
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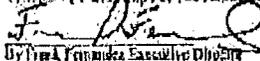
G. Property Location Lot 14 and Lot 15, Manor Estates 3868 Sweeney Circle 5713 Kinross Head Austin, TX 78721	H. Settlement Agent Name Prudent Title, LLC 3101 Bee Cove Road Suite 309 Austin, TX 78746. Tel: 512-308-9101 ext	I. Settlement Date 12/19/2009 Prod: 12/29/2009
--	--	--

J. Summary of Borrower's Transactions		K. Summary of Seller's Transactions	
100. Gross Amount Due From Borrower		400. Gross Amount Due to Seller	
101. Current Loan Fees	\$1,071,000.00	401. Buyer Sales Price	\$1,200,000.00
102. Personal Property		402. Personal Property	
103. Settlement Charges to Borrower	\$1,044.95	403.	
104. Credit Counseling Rehabilitation	\$499,574.01	404.	
105.		405.	
Adjustments for items paid by seller in advance		Adjustments for items paid by seller in advance	
106. City Property Taxes		406. City Property Taxes	
107. County Property Taxes 12/31/09 thru 12/31/09	\$108.79	407. County Property Taxes 12/31/09 thru 12/31/09	\$108.79
108. Assessment Taxes		408. Assessment Taxes	
109. School Property Taxes		409. School Property Taxes	
110. HOA Dues		410. HOA Dues	
111. HOA Dues		411. HOA Dues	
112. Rent for October	\$3,313.00	412. Rent for October	\$3,313.00
113. Rent for November	\$3,317.00	413. Rent for November	\$3,317.00
114. Rent for December	\$1,842.25	414. Rent for December	\$1,842.25
115.		415.	
116.		416.	
117. Gross Amount Due From Borrower	\$2,077,242.00	417. Gross Amount Due to Seller	\$1,763,581.04
L. Amounts Paid By Or in Behalf Of Borrower		M. Retentions in Amount Due to Seller	
201. Deposit of earnest money	\$10,000.00	501. Escrow Disposit	
202. Principal amount of raw loan(s) - ALLD	\$1,500,000.00	502. Settlement Charges to Seller (line 1400)	\$39,765.14
203. Existing loan(s) taken subject to		503. Existing Loan(s) Taken Subject to	
204. Loan Amount and Lien		504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206. Capital Gax		506. 1st Lien Payoff- California Bank	\$1,164,713.91
207.		507. Judgment Payoff	\$867.10
208.		508. 2009 Property Taxes-Subd Property	\$5,833.88
209.		509. 2009 Property Taxes-5711 Kinross Head	\$71,090.23
Adjustments for items unpaid by seller		Adjustments for items unpaid by seller	
210. City Property Taxes		510. City Property Taxes	
211. County Property Taxes		511. County Property Taxes	
212. Assessment Taxes		512. Assessment Taxes	
213. School Property Taxes		513. School Property Taxes	
214. HOA Dues		514. HOA Dues	
215. HOA Dues		515. HOA Dues	
216. Deposits-6 months	\$1,200.00	516. Deposits-6 months	\$1,200.00
217.		517.	
218.		518.	
219.		519.	
220. Total Paid By/for Borrower	\$2,007,242.00	520. Total Retention Amount Due Seller	\$1,239,519.23
N. Cash At Settlement From/To Borrower		O. Cash At Settlement To/From Seller	
300. Cash At Settlement From/To Borrower		600. Cash At Settlement To/From Seller	
301. Gross Amount Due from borrower (line 120)	\$2,007,242.00	601. Gross Amount due to seller (line 420)	\$1,203,581.04
302. Less amount paid by/for borrower (line 220)	\$2,007,242.00	602. Less retentions to seller due seller (line 520)	\$1,239,519.23
303. Cash To Borrower	\$0.00	603. Cash To Seller	\$79,241.81

Section 5 of the Real Estate Settlement Procedures Act (RESPA) requires the borrower to receive a HUD-1 Settlement Statement. HUD-1 is a form that provides a breakdown of all charges imposed upon the borrower and seller. These are third party disclosures that are designed to provide the borrower with pertinent information during the settlement process in order to be a better shopper. Each lender must provide the HUD-1 to all applicants from whom it receives or for whom it purchases a written application to borrow money to finance the purchase of residential real estate. Lenders must ensure all disclosures with

Section 4(a) of RESPA mandates that HUD develop and prescribe the standard form to be used at the time of loan settlement to provide full disclosure of all charges imposed upon the borrower and seller. These are third party disclosures that are designed to provide the borrower with pertinent information during the settlement process in order to be a better shopper. The Public Reporting Burden for this collection of information is estimated to average 15 minutes per response, including the time for reviewing instructions.

		Settlement	Settlement
702.	to		
703. Commission Paid at Settlement		\$0.00	\$0.00
800. Items Payable in Connection with Loan			
801. Loan Origination Fee	to		
802. Loan Discount	to		
803. Appraisal Fee	to		
804. Credit Report	to		
805. Lender's Inspection Fee	to		
806. Mortgage Insurance Application	to		
807. Assumption Fee	to		
808. Items Required by Lender To Be Paid in Advance			
901. Interest from 12/30/2009 to 1/1/2010 @ 80/day			
902. Mortgage Insurance Premium for months	to		
903. Hazard Insurance Premium for year	to		
1000. Reserves Imposed With Lender			
1001. Hazard Insurance	months @ per month		
1002. Mortgage Insurance	months @ per month		
1003. City Property Taxes	months @ per month		
1004. County Property Taxes	months @ per month		
1005. Assessment Taxes	months @ per month		
1006. School Property Taxes	months @ per month		
1007. HOA Dues	months @ per month		
1008. HOA Fees	months @ per month		
1011. Aggregate Adjustments			
1104. Title Charges			
1101. Settlement in Closing fee	to		
1102. Abstract of the Search	to		
1103. Title Examination	to		
1104. Title Insurance Binder	to		
1105. Documents preparation	to		
1106. Notary Fee	to		
1107. Attorney's Fees Subject to Daily 2 Release	to Henry & McGrath, L.L.P.		\$275.00
Includes above items numbers:			
1108. Title Insurance	to Prudential Title, L.L.C.	\$3,743.95	\$6,948.00
(Includes above items numbers: Tax 103, 1316, 1318)			
1109. Lender's coverage	\$2,000,000.00/3,743.95		
1110. Owner's coverage	\$1,250,000.00/3,743.95		
1111. Survey Fee	to Prudential Title, L.L.C.		
1112	to		
1113. State of Texas Policy (Locality Fee)	to Prudential Title, L.L.C.	\$3.00	\$3.00
1114. Double-Overnight Fee	to Prudential Title, L.L.C.	\$28.00	\$28.00
1200. Government Recording and Transfer Charges			
1201. Recording Fee	Open #1201: \$52.00 / Fed #1201: to Prudential Title, L.L.C.	\$24.00	\$42.00
1202. City/County Tax/Intangibles	Deed / Mortgage		
1203. State tax stamps	Deed / Mortgage		
1204. Tax Certificates	to TitleTrust		\$35.75
1205. Recording of Affidavit of Completion	to Prudential Title, L.L.C.	\$28.00	
1206. Recording of Judgment Release	to Prudential Title, L.L.C.		\$65.00
1300. Additional Settlement Charges			
1301. Survey	to Harris Grant Surveying, Inc.	\$150.00	
1302. Post Inspection	to		
1303. Payoff Judgment	to Penco Construction		\$3,362.50
1304. Payoff Judgment	to Austin Thermal		\$4,815.00
1305. Payoff Judgment	to Austin Thermal		\$20,180.00
1400. Total Settlement Charge (enter on lines 103, Section J and 302, Section H)		\$4,948.95	\$38,765.14

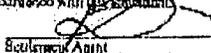
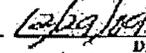

By: Timothy Foxey, Executive Director

Foley Processors Assets LLC

By: _____
Timothy Foxey, Manager

(SETTLEMENT AGENT CERTIFICATION)

The HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have advised the funds to be disbursed in accordance with the agreement.

 _____ 
Settlement Agent Date

Warning: It is a crime to knowingly make false statements to the United States on this or any other similar form. Penalties upon conviction can include a fine and imprisonment. For details see Title 18 (U.S. Code Section 1001) and Section 1010.

Previous Editions are Obsolete

Page 2

Form HUD-1 (3/04)
Hudbook 4105.2

RENOVATION/CONSTRUCTION COST BIDS

Pecan Springs Commons Phase II	
Totals	

Sweeney	
Interiors	\$405,778.08
Wood Landing	\$44,491.57
Siding & Paint	\$76,040.68
Windows	\$38,474.31
Concrete	\$26,430.00
Gutters	\$4,418.80
Attic	\$17,001.72
Roofing	\$15,645.76
Manor	
Interiors	\$318,628.35
Siding & Paint	\$48,947.24
Stairs & Railing	\$29,234.44
Decor Stone	\$2,255.00
Windows	\$53,680.23
Concrete	\$11,306.00
Gutters	\$5,162.50
Attic	\$20,078.04
Roofing	\$19,208.80
Sweeney & Manor	
HVAC	\$158,404.50
Doors	\$64,856.00
Mailboxes	\$5,263.60
Electrical	\$271,895.24
Tile	\$118,490.00
Window Treatments	\$9,618.58
Landscaping	\$5,000.00
Total Bid	\$1,764,081.82
Steel Post Alternate	\$11,987.42

612220-4280 P28
 7-27-75 FEDERAL B-440

ACDDC
 02-01-1E 11-44 FERRIS-565 CONTRACTORS, INC. SUPERVISOR

DIV 3 ADA COMPLIANT	N/A	
DIV 4 STITCHED FLOOR	N/A	
DIV 4 MASONRY	N/A	ADDITIONAL NOTES
SPECIAL INSPECTIONS	N/A	
DIV 5 PAINTS	\$20,000	
DIV 5 METAL/STRUCTURAL STEEL WELD	N/A	
DIV 6 MBLTWORK	\$129,035	
DIV 6 MBLTWORK CAPABILITY	N/A	
DIV 7 ROOFING	\$48,347	
DIV 7 REMOVE BLOCK TOP SUPPORTS and Systems Design	N/A	
DIV 7 REMOVE EXISTING GLASS AT CANOPY AND REINSTALL 1ST	N/A	
DIV 8 DEMO EXISTING WINDOWS	N/A	
DIV 8 WINDOWS TO LABS/OPERATOR	\$58,820	
DIV 8 DOOR & FRAMES --	\$49,000	
DIV 8 DOOR HARDWARE -- INSTALLATION (INCL)	N/A	
DIV 8 DOOR HARDWARE -- MATERIAL ONLY	\$31,669	
DIV 8 DOOR & FRAMES -- INSTALLATION	N/A	
DIV 8 ELECTRIC OVERHEAD DOOR OPERATOR OVERHEAD DOORS	N/A	
DIV 8 OVERHEAD DOORS -- INSTALLATION	N/A	
DIV 8 ACCORDIAN DOORS	N/A	
DIV 8 BREATHING	N/A	
DIV 9 RESINOLS	N/A	
DIV 9 MESH/FLAT/STAMP MIXTURE	\$79,000	
DIV 9 FIRE RATED RESISTANT GYM BOARDS	N/A	
DIV 9 FIRE CHASING/FIRE STOPPERS/WATER PROOFING	N/A	
DIV 9 ACoustical CEILING	N/A	
DIV 9 FRAMING	\$125,953	
DIV 9 CERAMIC FLOOR & WALL TILES	\$108,000	
DIV 9 RESILIENT FLOORING	\$15,800	
DIV 9 PAINT	\$48,000	
DIV 9 INTERIOR/EXTERIOR SEALS	N/A	
DIV 10 TOILET ACCESSORIES -- MATERIAL ONLY	\$10,427	

INSURABLE VALUE

INSURABLE REPLACEMENT COST ESTIMATE

PROPERTY: A 46-unit apartment complex

LOCATION: 5800 Sweeney Circle & 5711 Manor Road
Austin TX 78723

PROPERTY DESCRIPTION: Built from 1984-1985 and is proposed to be renovated

INSURABLE REPLACEMENT COST CALCULATIONS:

Building	A				
Building Size (SF)	24,054	-			
Structure Class:	D				
Marshall Valuation Service Reference: (or source referenced)	Sec 12, Pg 16 (08/08)				
Base Cost PSF:	\$ 76.00	\$ -			
Plus (PSF)					
>					
>					
>					
>					
Subtotal:	\$ 76.00	\$ -	\$ -	\$ -	\$ -
Multipliers					
Number of Stories:	1.00	1.00			
Height Per Story:	1.00	1.00			
Perimeter:	1.00	1.00			
Calculator Cost:	0.87	1.00			
Loss:	0.86	1.00			
Non-Perishable Items:	0.90	0.90	0.90	0.90	0.90
Adjusted Cost PSF:	\$ 68.56	\$ -	\$ -	\$ -	\$ -
Estimated Insurable Replacement Cost:	\$1,330,000	\$ -	\$ -	\$ -	\$ -

Insurable Replacement Costs (IRC) are the current replacement cost of EACH INDIVIDUAL structure, either as proposed in plans and specifications or as existing when physically inspected. Only PERSONAL PROPERTY necessary to the operation, management or marketing of the property is included.

IRCs INCLUDE: repair engineering and design fees; permit fees; and contractor's overhead and profit.

IRCs EXCLUDE: costs associated with land acquisition and development; professional fees not directly related to repairs; taxes; financing costs; owner's overhead and profit; loss of income during repairs; chattels not included above; and all other costs not relevant to the repair of insured damages.

DIRECTIONS:

1. Each individual, unattached structure being appraised requires a separate IRC estimate.
2. Shaded areas of the IRC document automatically calculate.
3. Non-Perishable Items fields are always calculated at .90.
4. Use additional IRC forms should the number of buildings exceed the columns available.