

Official Board Packet



Texas State Affordable Housing Corporation

Board Meeting
To be held at the offices of
Texas State Affordable Housing Corporation
1005 Congress Avenue – Suite B-10 Conference Room
Austin Texas 78701

Friday, September 9, 2005
10:30 a.m.

BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION
To be held at the offices of
Texas State Affordable Housing Corporation
1005 Congress Avenue – Suite B-10 Conference Room
Austin Texas 78701
July 15, 2005 at 10:30 am

AGENDA

**CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM**

Jerry Romero
Chair

The Board of Directors of Texas State Affordable Housing Corporation will meet to consider and possibly act on the following:

PUBLIC COMMENT

REPORTS

- | | |
|--|--------------------|
| ◆ President's Report | David Long |
| ◆ Single Family Lending Report | Cathleen Dean |
| ◆ Multifamily Lending Report | Katherine Closmann |
| ◆ Asset Oversight & Compliance Report | Emily Lah |
| ◆ Compliance Update | |
| ◆ Financial Report | Melinda Smith |
| ◆ Presentation of Financial Statements | |
| ◆ Presentation of Budget Report | |

ACTION ITEMS IN OPEN MEETING

- Tab 1** Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on August 11, 2005.
- Tab 2** Presentation, Discussion and Possible Approval of a Resolution Approving Amendments to the Trust Indenture Executed in Connection with the Corporation's Multifamily Housing Revenue Bonds (American Housing Foundation Portfolio) Series 2002; and Other Matters Related Thereto
- Tab 3** Presentation, Discussion and Possible Approval of a Resolution Authorizing the Issuance, Sale and Delivery of Single Family Mortgage Revenue Bonds (Fire Fighter and Law Enforcement or Security Officer Home Loan Program) Series 2005B; Authorizing a Trust Indenture, an Origination, Sale and Servicing Agreement, Purchase Contract and Continuing Disclosure Agreement, Making Certain Findings and Determinations; Authorizing the Execution of Documents and Instruments Necessary or Convenient to Carry Out a 2005 Texas State Affordable Housing Corporation Fire Fighter and Law Enforcement or Security Officer Home Loan Program; and Containing Other Matters Incident and Related Thereto.
- Tab 4** Presentation, Discussion and Possible Approval for Publication and Comment Proposed Guidelines and Criteria Relating to the 2006 Multifamily Private Activity Bond Program.
- Tab 5** Presentation, Discussion and Possible Approval of Operating Budget for Fiscal Year 2006.
- Tab 6** Presentation, Discussion and Possible Approval of the FY 2006 Business Plan.
- Tab 7** Presentation, Discussion and Possible Approval of Amendments to Articles of Incorporation and/or Bylaws of the Corporation.
- Tab 8** Presentation, Discussion and Possible Approval of a Resolution Appointing Hearing Officers for the Corporation.

CLOSED MEETING

- Consultation with legal counsel on legal matters – Texas Government Code § 551.071
Deliberation regarding purchase, exchange, lease, or value of real property – Texas Government Code § 551.072
Deliberation regarding prospective gift or donation to the state or Texas State Affordable Housing Corporation – Texas Government Code § 551.073
Personnel Matters – Texas Government Code § 551.074
Implementation of security personnel or devices – Texas Government Code § 551.076
Other matters authorized under the Texas Government Code

OPEN MEETING

Action in Open Meeting on Items Discussed in Closed Meeting

ADJOURN

Individuals who require auxiliary aids or services for this meeting should contact Laura Smith, ADA Responsible Employee, at 512-477-3555, x 400 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that the appropriate arrangements can be made.

Texas State Affordable Housing Corporation reserves the right to recess this meeting (without adjourning) and convene at a later stated time, if and to the extent allowed by law. If Texas State Affordable Housing Corporation adjourns this meeting and reconvenes at a later time, the later meeting will be held in the same location as this meeting. Texas State Affordable Housing Corporation also reserves the right to proceed into a closed meeting during the meeting in accordance with the Open Meetings Act, Chapter 551 of the Texas Government Code. If permitted by the Open Meetings Act, Chapter 551 of the Texas Government Code, any item on this Agenda to be discussed in open meeting may also be discussed by the Board (and any other authorized persons) in closed meeting.

President's Report

Discussion

2004 Professional Educators and Homes 4 Heroes Programs
As of March 24, 2004 - Sept 2, 2005

TOTAL 2004B	\$ 38,676,066	Avg Loan Amount	\$ 104,813
Professional Educators			
Loans =	223		
Total =	\$23,819,788		
Fire & Police			
Loans =	146		
Total =	\$14,866,278		
GD Total	\$38,676,066		
Month	# of Loans	Total Originated	% of Total Origination
Mar-04	6	2%	2%
Apr-04	26	8%	8%
May-04	36	10%	11%
Jun-04	38	10%	10%
Jul-04	41	11%	11%
Aug-04	35	9%	9%
Sep-04	21	5%	6%
Oct-04	16	4%	4%
Nov-04	9	2%	3%
Dec-04	8	2%	2%
Jan-05	9	2%	3%
Feb-05	11	3%	3%
Mar-05	24	7%	7%
Apr-05	15	4%	4%
May-05	10	3%	2%
Jun-05	24	7%	7%
Jul-05	11	3%	3%
Aug-05	25	7%	6%
Sep-05	0	0%	0%
Totals	369	100%	\$ 38,676,066
			100%

Originated	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Total	Total %	
American Home Mortg	\$ 770,878	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2%
DHL Mortgage Company	\$ 778,679	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	2%
Chase Manhattan Mortg	\$ 313,262	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1%
Countrywide Home Lns	\$ 3,191,406	0	0	4	3	5	1	1	2	1	0	2	1	0	2	3	3	0	0	35	8%	
CTX Mortg	\$ 2,986,846	0	2	1	3	0	1	2	0	2	1	1	4	1	3	0	0	0	0	26	7%	
First National 1st Com	\$ 838,568	0	1	1	2	3	0	0	0	0	0	0	0	0	0	1	0	1	0	10	3%	
Hammerman Fin	\$ 380,104	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1%
Hibernia North Bank	\$ 65,484	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0%
Home Loan Center	\$ 1,181,534	1	3	0	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4%
National City Mortg	\$ 1,824,008	0	3	2	2	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	4%
KB Homes Mortgage	\$ 573,494	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1%
McAfee Mortg (Plains Cap)	\$ 2,708,683	0	3	1	4	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	3%
Pulaski Mortg	\$ 655,594	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	2%
RBC Mortg (Sterling)	\$ 2,785,756	1	3	1	3	1	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	7%
New South Federal	\$ 193,708	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1%
Residential Home Lending	\$ 2,549,256	2	3	2	1	0	2	0	0	0	0	0	0	0	0	0	1	0	0	0	0	8%
Rocky Mountain Mortg	\$ 1,529,382	0	2	2	1	5	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	4%
SEMC - Service First Mortg	\$ 2,508,872	0	1	3	3	2	1	0	0	0	0	0	0	0	0	0	1	0	0	0	0	5%
Southtrust Mortg	\$ 1,010,053	1	2	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3%
Texas Capital	\$ 69,450	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0%
Universal American Mortg	\$ 1,458,547	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	4%
Well Fargo Home Mortgage	\$ 982,044	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	2%
WR Starkey Mortg	\$ 2,288,531	0	0	3	3	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	5%
Judith O. Smith Mortg	\$ 874,272	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	4	0	0	0	0	2%
Main Street Mortg	\$ 2,378,645	0	0	0	0	4	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0	6%
Summit Mortg	\$ 178,509	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1%
Lending Edge (1st Guar.)	\$ 152,058	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0%
Prime Lending, Inc.	\$ 669,573	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	2%
Bankers Financial Mgt Group	\$ 87,987	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1%
Ft Worth Mortg	\$ 319,080	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0%
Valley Mortg	\$ 571,499	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	2%
Ryland Mortg	\$ 421,070	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1%
Maverick Mortg	\$ 295,514	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	2%
Home Trust	\$ 298,326	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	0	0	0	0	1%
First Horizon Home Loan	\$ 149,798	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0%
Milestone Mtg	\$ 64,660	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0%
Prado Mtg	\$ 72,200	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1%
Realty Mortgage	\$ 570,165	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1%
Totals	\$ 38,676,066	6	28	38	41	9	8	9	11	24	15	10	24	11	25	0	369	100%				

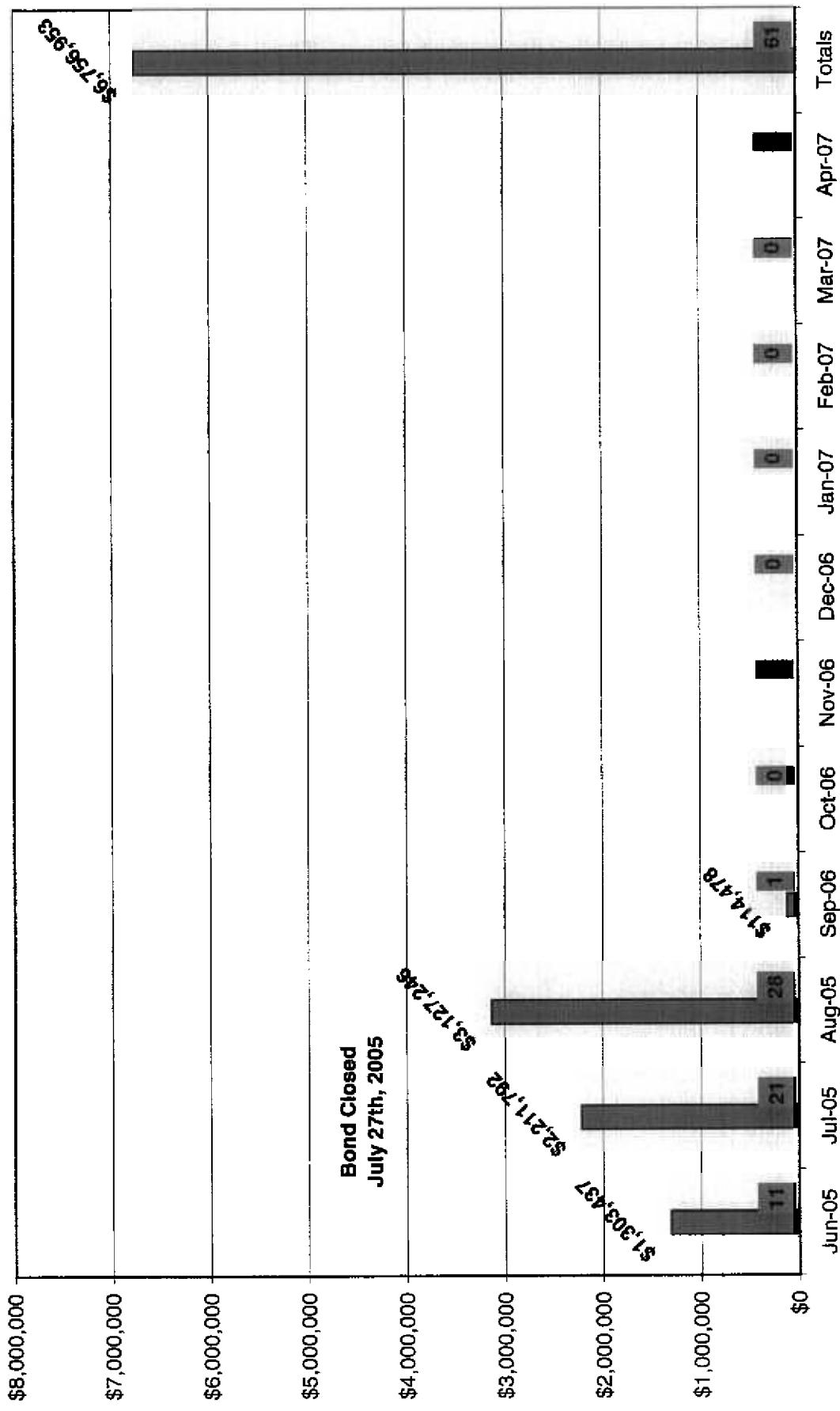
Texas State Affordable Housing Corporation's
2005 Professional Educators
As of July 18, 2005 thru Sept 2, 2005

Month	# of Loans	% of Total Loans	Total Originated	% of Total Origination
Jun-05	11	18%	\$ 1,303,437	19%
Jul-05	21	34%	\$ 2,211,782	33%
Aug-05	28	46%	\$ 3,127,246	46%
Sep-05	1	2%	\$ 114,478	2%
Oct-05	0	0%		0%
Nov-05	0	0%		0%
Dec-05	0	0%		0%
Jan-07	0	0%		0%
Feb-07	0	0%		0%
Mar-07	0	0%		0%
Apr-07	0	0%		0%
Totals	61	98%	\$ 6,756,953	98%
			\$ 0	

Originated	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	Total	Total %
Valley Mortgage Corp	\$ 96,485		1									1	2%
CITX Mortgage Corp	\$ 208,962		1	1								2	3%
Countrywide Funding Corp	\$ 616,324		1	6								7	11%
Ryland Mortgage	\$ 126,150			1								1	2%
Wells Fargo Home Mtg	\$ 625,420		4	2								6	10%
Texas Capital	\$ 127,102		1									1	2%
1st Nari Blk dba 1st Comm	\$ 113,124			1								1	2%
SFMC - Service 1st Mtg	\$ 239,997		1	1								2	3%
Northstar Bank of TX	\$ 100,000			1								1	2%
Home Loan Corp	\$ 398,625		1	1	2							4	7%
Market Street Mortgage	\$ 648,082		1	4								5	8%
Hammertime Financial	\$ 379,950			1	2							3	5%
Rocky Mountain Mortgage	\$ 386,150		3	1								4	7%
Judith O. Smith Mtg	\$ 624,492		5									5	8%
First Horizon Home Loan	\$ 221,694		1	1								2	3%
Chase Manhattan Mtg	\$ 194,425			1	1							2	3%
DHI Mortgage Co	\$ 118,863				1							1	2%
Universal American Mtg	\$ 353,113		1	1		1						3	5%
Wachovia Mtg Corp	\$ 198,245			2								2	3%
Prime Lending Inc	\$ 622,500		1	1	3							5	8%
Residential Home Lending	\$ 367,250			1	1							3	5%
Total Committed	\$ 6,756,953	11	21	28	1	0	0	0	0	0	61	100%	

Un-committed allocation	
Non-Targeted Amount	\$ 12,379,047

2005 PE Loan Chart



2004 Professional Educators and Homes 4 Heroes Programs
As of March 24, 2004 - Sept 2, 2005

TOTAL 2004B	\$ 38,676,066	Avg Loan Amount	\$ 104,813
Professional Educators			
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May-05	10	3%	3%
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			100%

Originated	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Total	Total %	
American Home Mortg	\$ 770,878	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2%
DHI Mortgage Company	\$ 778,679	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	2%
Chase Manhattan Mortg	\$ 313,262	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1%
Countway Home Lns	\$ 3,191,406	0	0	4	3	5	1	1	2	1	0	2	1	0	2	3	3	0	0	35	8%	
CTX Mortg	\$ 2,806,846	0	2	1	3	0	1	2	0	2	1	1	4	1	1	3	0	0	0	26	7%	
First National 1st Com	\$ 838,568	0	1	1	2	3	0	0	0	0	0	0	0	0	0	0	1	0	0	0	10	3%
Hammerman Fin	\$ 310,104	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	1%
Hibernia Natl Bank	\$ 65,484	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0%
Home Loan Center	\$ 1,181,534	1	3	0	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13	4%
National City Mortg	\$ 1,824,008	0	3	2	2	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	16	4%
KB Homes Mortgage	\$ 573,494	0	0	1	0	1	2	0	0	0	0	0	0	0	0	0	0	0	0	0	5	1%
McAfee Mortg (Plains Cap)	\$ 2,708,683	0	3	1	4	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0	29	8%
Pulaski Mortg	\$ 655,594	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0%
RBC Mortg (Sterling)	\$ 2,785,756	1	3	1	3	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25	7%
New South Federal	\$ 193,708	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	1%
Residential Home Lending	\$ 2,549,256	2	3	2	1	0	2	0	0	2	1	0	0	1	0	0	0	2	0	0	23	8%
Rocky Mountain Mortg	\$ 1,529,382	0	2	2	1	5	0	0	0	0	0	0	0	0	1	0	0	2	0	0	16	4%
SEMC - Service First Mortg	\$ 2,508,872	0	1	3	3	2	1	0	0	0	0	0	0	0	0	0	1	0	0	0	23	5%
Southtrust Mortg	\$ 1,010,053	1	2	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10	3%
Texas Capital	\$ 69,450	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0%
Universal American Mortg	\$ 1,458,547	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13	4%
Well Fargo Home Mortgage	\$ 982,044	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9	2%
WR Starkey Mortg	\$ 2,288,531	0	0	3	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	20	5%
Judith O. Smith Mortg	\$ 874,272	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8	2%
Main Street Mortg	\$ 2,378,645	0	0	0	0	4	2	0	2	0	0	0	0	0	0	0	0	0	0	0	23	6%
Summit Mortg	\$ 178,509	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	1%
Lending Edge (1st Guar.)	\$ 152,058	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0%
Prime Lending, Inc.	\$ 669,573	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	1%
Bankers Financial Mgt Group	\$ 87,987	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0%
Ft Worth Mortg	\$ 319,080	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0%
Valley Mortg	\$ 571,499	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	2%
Ryland Mortg	\$ 421,070	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	1%
Maverick Mortgage	\$ 295,514	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	1%
Home Trust	\$ 298,326	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	1%
First Horizon Home Loan	\$ 149,798	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0%
Milestone Mtg	\$ 64,660	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0%
Prado Mtg	\$ 72,200	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0%
Realty Mortgage	\$ 570,165	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5	1%
Totals	\$ 38,676,066	6	28	38	41	9	8	9	11	24	15	10	24	11	25	0	369	100%				

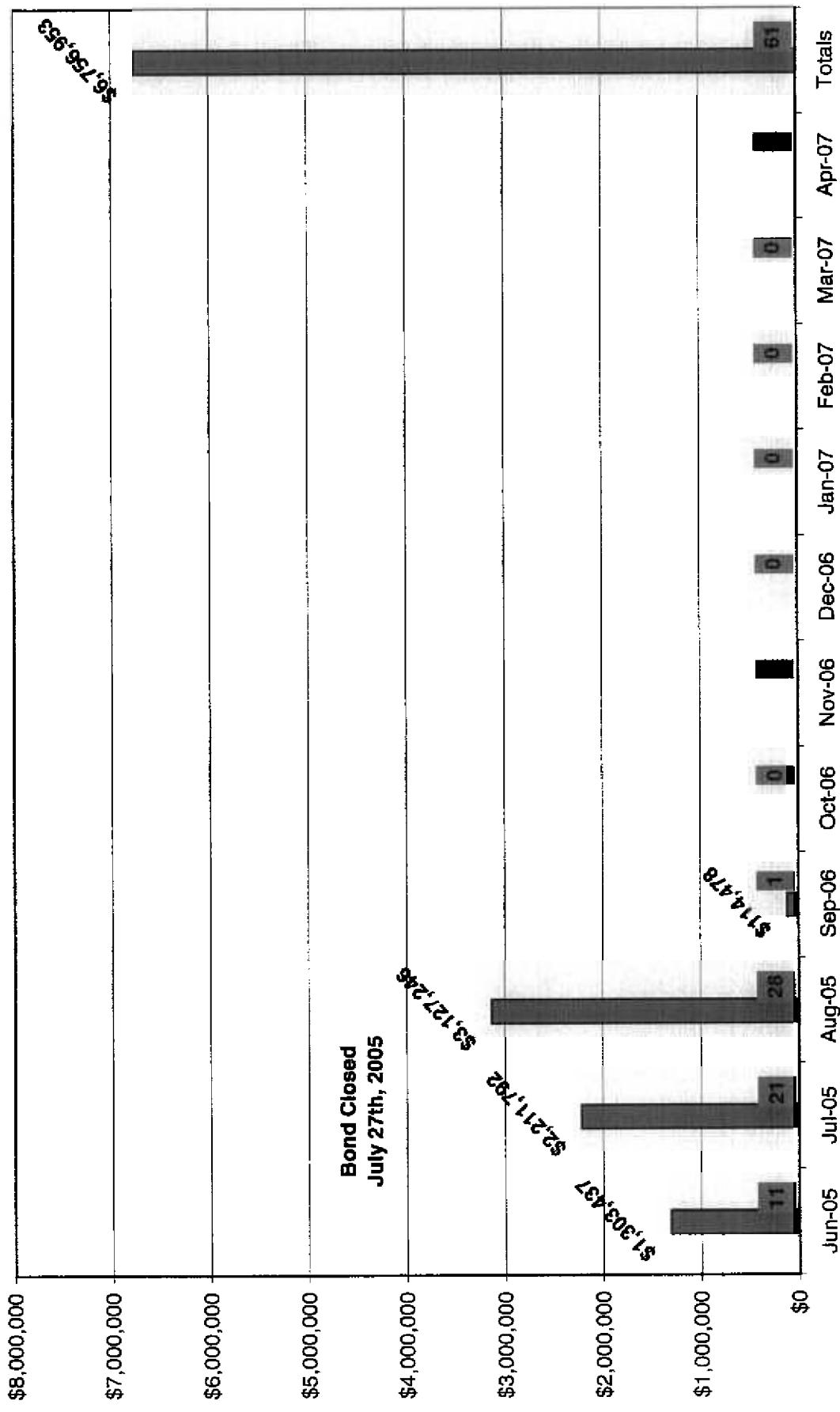
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Jan-07	0	0%		0%
Feb-07	0	0%		0%
Mar-07	0	0%		0%
Apr-07	0	0%		0%
Totals	61	98%	\$ 6,756,953	98%
			\$ 0	

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CITX Mortgage Corp	\$ 208,982		1	1								2	3%
Countrywide Funding Corp	\$ 616,324		1	6								7	11%
Ryland Mortgage	\$ 126,150			1								1	2%
Wells Fargo Home Mtg	\$ 625,420		4	2								6	10%
Texas Capital	\$ 127,102		1									1	2%
1st Nari Blk dba 1st Comm	\$ 113,124			1								1	2%
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Wachovia Mtg Corp	\$ 198,245			2								2	3%
Prime Lending Inc	\$ 622,500		1	1	3							5	8%
Residential Home Lending	\$ 367,250			1	1							3	5%
Total Committed	\$ 6,756,953	11	21	28	1	0	0	0	0	0	61	100%	

Un-committed allocation	
Non-Targeted Amount	\$ 12,379,047

2005 PE Loan Chart



Multifamily Report

Discussion

Asset Oversight & Compliance Report

Discussion

TEXAS STATE AFFORDABLE HOUSING CORPORATION
COMPARISON OF BUDGETED TO ACTUAL OPERATING ACTIVITY
ACCRUAL BASIS

(For the Eleven Month Period Ending July 31, 2005)

	Budget	FY 2005 Actual	% of Annual Budget	Projected Through 8/31/05	% of Annual Budget
Revenues					
Servicing Revenue, Net of Subservicer Fees	699,000	547,705	78%	585,000	84%
Multifamily Revenue	1,035,000	957,356	92%	1,038,000	100%
TDRCA Asset Oversight Revenue	498,000	432,383	87%	460,000	92%
Grant Income	500,000	500,000	100%	500,000	100%
Investment Revenue	60,000	103,225	172%	105,000	175%
Single Family, Net of Interest Expense & FMV Gains/Losses	179,000	(148,045)	-83%	20,000	11%
TOTAL REVENUES	2,974,000	2,992,624	80%	2,708,000	91%
Expenditures					
Salaries & Payroll Related Expenditures	846,000	688,401	81%	749,000	89%
Professional Services - Legal, Audit, Compliance & IT	413,000	201,220	49%	207,000	50%
Amortization & Depreciation	320,000	380,026	119%	450,000	141%
Bad Debt Expense	460,000	293,503	64%	500,000	109%
Office & Equipment Lease	111,000	108,614	98%	119,000	107%
Travel & Meals	77,500	60,575	78%	66,000	85%
Interest on FHLB Notes	67,400	56,165	83%	62,000	92%
Insurance	23,000	21,076	92%	23,000	100%
Professional Dues & Education	13,500	12,100	90%	13,500	100%
Communication	13,300	10,709	81%	11,700	88%
Bank Fees & Charges	12,000	6,795	57%	7,300	61%
Marketing & Sponsorships	29,000	19,354	67%	20,000	69%
Office Supplies	8,000	7,466	93%	7,900	99%
Publications, Subscriptions, Office Maintenance	7,000	4,927	70%	5,300	76%
Freight, Delivery & Postage	7,000	6,140	88%	6,300	90%
Furniture, Equipment & Software	3,000	1,893	63%	2,100	70%
Printing	2,000	1,634	82%	1,800	90%
Program and Loan Administration	4,000	7,933	198%	11,000	275%
TOTAL EXPENDITURES	2,416,700	1,988,531	78%	2,262,900	94%
NET INCOME	557,300	504,093	90%	445,100	80%

BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION
Held at the
Barton Creek Resort and Spa
8212 Barton Club Drive
Rayburn Room
Austin, Texas 78735
August 11, 2005 at 9:00 am

Summary of Minutes

Call to Order, Roll Call
Certification of Quorum

The Board Meeting of the Texas State Affordable Housing Corporation (the “Corporation”) was called to order by Jerry Romero, Chair, at 9:00 a.m., on August 11, 2005, at the Barton Creek Resort and Spa, 8212 Barton Club Drive, Rayburn Room, Austin, Texas 78735. Roll Call certified that a quorum was present.

Members Present

Jerry Romero, Chair
Thomas A. Leeper, Vice Chair
Charles G. Rencher, Member
Jo Van Hovel, Member

Staff Present

David Long, President
Melinda Smith, Chief Financial Officer
Katherine Closmann, Executive Vice President
Cari Garcia, Manager of Multifamily Finance
Cathleen Dean, Single Family Programs Manager
Emily Lah, Asset Oversight and Compliance Manager
Julie Cantu, Asset Oversight and Compliance Specialist
Nick Lawrence, Accountant
Cynthia Gonzales, Loan Servicing
Laura Smith, Corporate Secretary

Public Comment

Special Guests

Monica Aleman, Texas Department of Housing and Urban Affairs
Steve Coma, B B & T
Glenda David, American Housing Foundation
Robert Dransfield, Fulbright & Jaworski
Robert Johnson, First Southwest Company
Mary Koelling, First Southwest Company
Gary Machak, RBC Dain Rauscher

Tim Nelson, RBC Dain Rauscher
Susan Sallenberger, Chapman Cutler
Greg Shields, Andrews Kurth
Steve Sterquell, American Housing Foundation
Barton Withrow, RBC Dain Rauscher

Reports

President Report

Mr. Long began by making the Board aware of all the professionals and advisors present at the meeting today to speak to the Board about the Corporation's programs.

Single Family Report

Ms. Dean began by referring the Board's attention to an updated report on the status of the Professional Educators and 'Homes for Heroes' Home Loan Programs. Ms. Dean proceeded to explain the information in further detail.

Ms. Dean informed the Board that Lender Training had been completed, and that an updated lender list could be found on the Corporation's website.

Ms. Dean informed the Board that there was a Realtor Convention in September that she would be attending. Ms. Dean also stated that the Texas Department of Criminal Justice had invited her to visit all of their different units during the month of September.

Mr. Long introduced Mr. Machak with RBC Dain Rauscher and reminded the Board of RBC Dain Rauscher's status as lead underwriter for the Single Family Bond Programs. Mr. Machak distributed a pricing overview of the Single Family Bond Program (Professional Educators Home Loan Program) transaction to the Board. Mr. Machak then proceeded to explain the bond closing in detail.

General Multifamily Lending Report

Ms. Closmann began by introducing Ms. Garcia as the new Manager of Multifamily Finance for the Corporation. Ms. Closmann gave the Board a brief description of Ms. Garcia's experience with multifamily housing and finance. Mr. Romero welcomed Ms. Garcia to the Corporation.

Ms. Closmann then informed the Board that the Northside Manor Apartments transaction in Corpus Christi would not be moving forward. Ms. Closmann stated that due to a significant gap in financing, the transaction was not financially feasible. Ms. Closmann stated that she would continue to pursue this project during next year's private activity bond program.

Asset Oversight and Compliance Report

Ms. Lah began by turning the Board's attention to the Compliance report for the second quarter found in the board packet. Ms. Lah explained the report, pointing out those who were not meeting their Safe Harbor set-aside requirements. Ms. Lah clarified that the set aside requirement for the properties was 75%.

Ms. Lah then referred the Board to the Resident Services summary for the second quarter. Ms. Lah stated that other than American Opportunity for Housing (AOH) who was not reporting any services, the portfolios were doing a great job providing services to their residents.

Mr. Romero inquired whether AOH was not providing services or just not reporting, and Ms. Lah explained that they were not reporting their resident services. Ms. Closmann added that it was stated in the bond documents that AOH must provide resident services as a part of compliance, so currently they were out of compliance. Ms. Closmann stated that proof of resident services must be found or the default process would begin.

Ms. Closmann stated the first step in the default process would be to send a letter of default that they would have 60 days to cure. Ms. Closmann stated that if proof was not provided for this in 60 days, then staff would go on-site to audit their resident services. Ms. Closmann stated that staff would then decide whether or not to go on with the default process from there.

Mr. Romero inquired how resident services were determined and Ms. Lah stated that it was based on the needs of the community. Ms. Lah further stated that when the owners apply for the bonds, they tell the Bond Review Board what they are proposing to do. Ms. Closmann followed up by stating that resident surveys also help to determine what resident services are provided, and that Ms. Lah had sent a list of approved resident services to the properties to give them options and ideas.

Mr. Rencher inquired if there was a way to inform the property managers about successful resident service programs, and Ms. Lah stated that a property was highlighted each month for their resident services in the quarterly newsletter. Ms. Lah further informed the Board of things she had done to help the properties have better resident services.

Mr. Romero suggested putting information on the website regarding resident services, so that the properties have access to materials that would help in starting up their resident services program.

Financial Report

Following discussion of Tab 6, Ms. Smith turned the Board's attention to the year-to-date profit-and-loss of budgeted-to-actual operating revenues and expenditures included in the Board Book. Ms. Smith noted that the numbers were thru June 30th of this year. Ms. Smith pointed out the \$350,000 profit and what was projected to be the profit amount thru the end of the year. Ms. Smith explained the line items and how they related to the budgeted amounts.

Mr. Romero inquired about the salaries line item and if with two new employees that item would still be under budget. Ms. Smith confirmed that it would. Ms. Van Hovel inquired about the bad debt expense line item and Ms. Smith said that it had been conservatively estimated. Ms. Closmann state that a portion of fees had been recovered from American Housing Foundation and would be reflected in the August financial statements. Ms. Closmann stated that because the refinancing of AHF wasn't definite she and Ms. Smith had been conservative in the bad debt line item so as not to count on receiving that amount.

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on July 15, 2005.

Ms. Van Hovel made a motion to approve the Minutes of the Board Meeting held on July 15, 2005. Mr. Leeper seconded the motion. Motion passed.

Tab 2 Presentation, Discussion and Possible Approval regarding the 2004 Firefighters, Law Enforcement or Security Officers Home Loan Program

Ms. Dean began by stating that discussion under Tab 2 is in regard to re-marketing outstanding funds remaining in the 2004 Fire Fighters and Law Enforcement or Security Officer Home Loan Program (Homes for Heroes Program).

Mr. Long introduced Mr. Dransfield with Fulbright and Jaworski; Mr. Nelson, Mr. Withrow and Mr. Machak with RBC Dain Rauscher; and Ms. Koelling and Mr. Johnson with First Southwest Company. Mr. Long gave a brief overview to the Board Members reviewing the 2004 bond structure under the Fannie Mae forward transaction. Mr. Long explained the short-term commitment from Fannie Mae expired on December 1, 2005 and Fannie Mae had elected not to extend the commitment. Mr. Long stated that the Corporation was seeking approval from the Board to move forward with the restructuring of any remaining funds left available in the 2004 Homes for Heroes Program.

Mr. Nelson with RBC Dain Rauscher introduced himself to the Board. Mr. Nelson turned the Board's attention to a handout that discussed structuring alternatives for the Program. Mr. Nelson proceeded to discuss those alternatives and answer questions from the Board. Discussion followed.

Ms. Van Hovel made a motion to give authority to move forward with refunding the 2004 Homes for Heroes Program. Mr. Leeper seconded the motion. Motion passed unanimously.

Tab 3 Presentation, Discussion and Possible Approval of an Inducement Resolution regarding the 2005 Firefighters, Law Enforcement or Security Officers Home Loan Program.

Mr. Leeper made a motion to approve an inducement resolution regarding the 2005 Firefighters, Law Enforcement, or Security Officers Home Loan Program. Ms. Van Hovel seconded the motion. Motion passed unanimously.

Tab 4 Presentation, Discussion and Possible Approval of an Inducement Resolution regarding the 2005 Nursing Educators Home Loan Program

Ms. Dean began by stating that one of the reasons there is a shortage of nurses in the State of Texas is from having a shortage of nursing facilities, professors and faculty members. Ms. Dean stated that this program was created in an effort to recruit and retain teachers and faculty members for the nursing facilities. Ms. Dean stated that the Corporation would like to go forward with an application to the Bond Review Board for the allocation of \$5 million so that it can be paired with monies for one of the other programs to get it out there as soon as possible.

Mr. Romero inquired if it was from an economic standpoint that it would be better to combine this program with another. Mr. Dransfield stated that it was more economically feasible to combine the program with one of the others. Mr. Dransfield also stated that in order to feel comfortable from a tax perspective regarding the tax exempt status of the bonds, the Corporation

would need to look at the program and make sure it serves a population available to the general public.

Mr. Romero inquired as to who exactly would be targeted with the Program. Ms. Dean informed the Board that the Professional Nursing Program Faculty Members Home Loan Program targeted faculty members enrolled in the fall 2005 to 2015 that would be teaching in any given nursing school facility.

Ms. Dean clarified that the \$5 million would come from the lottery and the Corporation would have another allocation of \$5 million for the 2006 program. Ms. Dean stated that the money would be used to do loan originations for the teachers of nurses, as well as faculty members of nursing teaching facilities throughout the State of Texas. Ms. Dean stated that the program would be used to recruit new people to Texas.

Mr. Rencher inquired about the language as to who exactly could take advantage of the program, and Mr. Dransfield stated that the legislation was broad only specifying educators in the nursing facilities. Mr. Romero clarified that it would not matter the specific type of nurse that was being educated, the teacher or faculty member would still qualify for the program.

Mr. Rencher asked if it was a long-term goal to include nurses in this program, and Ms. Dean confirmed that.

Mr. Rencher made a motion to approve the inducement resolution regarding the 2005 Nursing Educators Program Faculty Members Home Loan Program. Mr. Leeper seconded the motion. Motion passed unanimously.

Tab 5 Presentation, Discussion and Possible Approval of an Inducement Resolution Declaring Intent to issue One or More Series of Multifamily Housing Mortgage Revenue Bonds in an Amount Not to Exceed \$15,000,000 to Provide Financing for the Rehabilitation of One Multifamily Housing Development known as the North Side Manor Apartments, located in Corpus Christi, Texas and Authorizing Filing of the Related Application for the Allocation of Private Activity Bonds with the Texas Bond Review Board for Program Year 2005.

Withdrawn

Tab 6 Presentation and Discussion on the Proposed Restructuring of the Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (MBIA Insured – American Housing Foundation Portfolio) Series 2002A.

Ms. Closmann refreshed the Board's memory that American Housing Foundation had come to the Corporation with the idea of restructuring the 2002A bonds. Ms. Closmann stated that this would be further discussed today, but that she wasn't asking for action on behalf of the Board. Ms. Closmann referred to the overview provided in the Board packet and stated that Ms. Shallenberger with Chapman & Cutler was present to talk about the legal issues surrounding the restructuring and Mr. Coma with BB&T was there to talk about the mechanism of the trust. Ms. Closmann proceeded to describe what would happen when the transaction took place and what the resulting funds would be used for. Ms. Closmann stated that as a gesture of good will, American Housing Foundation had paid the overdue asset oversight, compliance and issuer

administration fees. Ms. Closmann stated that an amendment to the indenture would allow for the bifurcation of the interest on the 2002A bonds and would also allow for a purchase in lieu of redemption on the 2002A Bonds.

Mr. Romero inquired as to the obligation of the Corporation, and Ms. Closmann stated that the Corporation was under no obligation to do this at all, but that it would be a positive thing for both the property and the Corporation.

Mr. Coma stated that the transaction would not disturb the original bonds, other than the narrow amendment requirements so the original bonds would stay outstanding at the given interest rate. Mr. Coma further explained the transaction. Mr. Sterquell with American Housing Foundation introduced himself to the Board. Mr. Sterquell added that it would mean an adjustment to a lower interest rate which would then funnel the saved money back into the properties.

Ms. Shallenberger briefly went over the legal perspective of the transaction.

A short recess was called at 11:00 am. The meeting resumed at 11:10 am.. Closmann refreshed the Board's memory that American Housing Foundation had

Tab 7 Presentation, Discussion and Possible Approval of Operating Budget for Fiscal Year 2006.

Following presentation of the Financial Report, Ms. Smith turned the Board's attention to an updated Budget previously handed to the Board. Ms. Smith explained that the Budget format had been changed to a cash basis. Ms. Smith further explained that this meant the restricted funds which the Board wouldn't have any access to, including the Single Family Program funds, were completely taken out of the budget.

Mr. Romero inquired where the TDHCA note was and Ms. Closmann referred Mr. Romero to the program expenditures page. Ms. Closmann and Mr. Long confirmed that all expenses that aren't fixed operating expenditures would be taken out of the unrestricted funds. Ms. Closmann and Mr. Long explained programming costs. Mr. Romero inquired about grant and fund-raising monies and Ms. Closmann stated that the budgeted numbers for that were conservative but that that would be a topic for discussion during the retreat.

Mr. Romero inquired about the furniture, equipment and software line item. Ms. Smith explained that the Corporation's computer equipment was old and all related warranties had expired. Ms. Smith stated that due to the recent need to replace 2 computers, it was thought that it would be a good idea to include monies to replace all of them in case the remaining ones develop the same type of problems. Mr. Long further stated that the money was set aside to be available on an "as needed" basis. Mr. Romero suggested creating a reserve account for equipment replacement to avoid sudden emergencies and financial impact.

Ms. Smith stated further that it was thought that only desktops would be purchased except for those who travel extensively. Ms. Smith stated that also included in the item was money for a new phone system due to the age of the current system and recent problems that have occurred.

Mr. Romero inquired what would happen to the equipment that was being replaced, and Ms. Smith stated it was suggested the Corporation try to sell it and recover some of the cost. Mr.

Romero suggested donating the equipment. Mr. Rencher inquired how many computers would be replaced and Mr. Long stated that it would be about 14 computers. Ms. Smith stated that it was their desire to get on a rotational basis with replacement of the computers.

Mr. Romero stated that he believed the Corporation should have the best equipment available to ensure efficiency and productivity, and suggested that the numbers for that line item might be too conservative so the staff should research that further. Mr. Leeper stated that his employer kept a schedule for replacing computers and it might be a good idea for the Corporation to do the same.

Ms. Smith stated that she had tried to be as detailed as possible with the budget, but if the Board wanted further detail she could provide it. Mr. Romero suggested that if that was the case, the Board members could let her know directly.

Mr. Long stated that the formal proposed budget would be ready to present to the Board at the September meeting so the Corporation could start off the new year with an approved budget.

Ms. Smith clarified for the Board that the Bad Debt Expense was listed net of the revenue that it related to in the new budget, which was different from past budgets. This item was discussed further.

Tab 8 Presentation, Discussion and Possible Approval of Audit Committee Membership.

Mr. Romero stated that he had asked Mr. Rencher to serve on the Audit Committee and Mr. Rencher had accepted. Mr. Romero made a motion to approve the Audit Committee structured with Mr. Leeper and Mr. Rencher as members. Ms. Van Hovel seconded the motion. Motion passed unanimously.

Tab 9 Presentation, Discussion and Possible Approval of Granting the Audit Committee Authority to Review and Make Recommendations regarding Corporate Policies, Procedures and Structure.

Mr. Leeper refreshed the Board's memory of the original purpose of the Audit Committee, which was to be the liaison with the Board, staff and auditor regarding the annual financial report. Mr. Leeper stated that due to events that had occurred in recent months, the question had risen of the audit committee having the ability to look at and inquire into policies etc. and recommend changes for the full Board to consider and possibly act on. Mr. Leeper stated that the Committee would not have the authority of the Board but would have the ability to look into things other than financial matters relating directly to the audit.

Mr. Romero made a motion to approve the ability for the Audit Committee to look into issues regarding the corporation's policies, procedures, and structures, acting as a committee of the Board but without the authority to conduct any business on behalf of the Board. Ms. Van Hovel seconded the motion. Motion passed unanimously.

Closed Meeting

Board Chair Mr. Jerry Romero, called the Board into Executive Session at 11:37 a.m.

Mr. Romero resumed the Board Meeting at 11:46 a.m.

Adjournment

Mr. Rencher made a motion to adjourn the meeting. Ms. Van Hovel seconded the motion. Motion passed unanimously.

The Texas State Affordable Housing Corporation Board Meeting was officially adjourned at 11:47 a.m.

Respectfully submitted by _____
Laura Smith, Corporate Secretary

RESOLUTION 05—

**RESOLUTION APPROVING AMENDMENTS TO THE TRUST
INDENTURE EXECUTED IN CONNECTION WITH THE
CORPORATION'S MULTIFAMILY HOUSING REVENUE BONDS
(AMERICAN HOUSING FOUNDATION PORTFOLIO) SERIES 2002;
AND OTHER MATTERS RELATED THERETO**

WHEREAS, the Texas State Affordable Housing Corporation (the “*Corporation*”) has entered into a Trust Indenture dated as of March 1, 2002 between the Corporation and Wells Fargo Bank Texas, N.A., as trustee (the “*Trustee*”) and amended pursuant to the First Amendment to Trust Indenture, dated as of May 2, 2002 (as amended, the “*Trust Indenture*”), relating to the Corporation’s Multifamily Housing Revenue Bonds (MBIA Insured--American Housing Foundation Portfolio) Series 2002A issued in the aggregate principal amount of \$114,040,000 (the “*Series A Bonds*”), the Corporation’s Multifamily Housing Revenue Bonds (MBIA Insured--American Housing Foundation Portfolio) Taxable Series 2002A-T issued in the aggregate principal amount of \$460,000 (the “*Series A-T Bonds*”) and the Corporation’s Multifamily Housing Revenue Bonds (American Housing Foundation Portfolio) Junior Series 2002B issued in the aggregate principal amount of \$14,105,000 (the “*Series B Bonds*”); and, together with the Series A Bonds and the Series A-T Bonds, the “*Bonds*”);

WHEREAS, the proceeds of the Bonds were used to make a loan in the aggregate principal amount of \$128,605,000 (the “*Loan*”) to AHF Community Development LLC, a Texas limited liability company (the “*Borrower*”), to provide financing for the acquisition and rehabilitation, of thirteen multifamily residential housing facilities (collectively, the “*Projects*”) located within Dallas County, Harris County, Wichita County, Jefferson County and Montgomery County, Texas and to pay certain costs associated with the issuance of the Bonds all pursuant to that certain Loan Agreement dated as of March 1, 2002 (the “*Agreement*”) among the Corporation, the Trustee and Borrower; and

WHEREAS, contemporaneous with the issuance of the Bonds, MBIA Insurance Corporation (the “*Bond Insurer*”) issued its financial guaranty insurance policies with respect to the Series A Bonds and the Series A-T Bonds; and

WHEREAS, Section 10.2(5) of the Indenture allows the amendment thereof by the Corporation and the Trustee, with the prior written consent of the Bond Insurer, to make any changes which do not have a material adverse affect on the Owners of the Bonds, based on receipt of written confirmation from Standard & Poor’s Ratings Services (the “*Rating Agency*”) that such amendment will not result in a downgrade, qualification or withdrawal of the then-current rating on any of the Bonds (the “*Rating Confirmation*”); and

WHEREAS, Section 10.7 of the Indenture requires the Trustee to obtain an opinion of Bond Counsel in connection with any amendment to the Indenture stating that such amendment is authorized or permitted by the Act (as defined in the Indenture) and will not adversely affect the exclusion of interest on the Tax-Exempt Bonds from the gross income of the recipients thereof for Federal income tax purposes; and

WHEREAS, each of the Corporation and Trustee, in reliance upon the Rating Confirmation as required pursuant to Section 10.2(5) of the Indenture and the opinion of Bond Counsel as required by Section 10.7, has evidenced its consent to the amendment of the Indenture as set forth in such amendment (the “*Second Amendment*”) by the signature of an authorized signatory hereto; and

WHEREAS, the Bond Insurer will evidence its consent to the amendment of the Indenture as set forth in the Second Amendment by the signature of an authorized signatory of the Bond Insurer thereto; and

WHEREAS, the Rating Agency will provide written confirmation that the Second Amendment will not result in a downgrade, qualification or withdrawal of the current rating on any of the Bonds; and

WHEREAS, in connection with the Second Amendment, the Corporation will execute a Distribution Agreement among the Borrower, the Corporation, the Bond Insurer and Wells Fargo Bank, National Association, as paying agent, as it may be amended from time to time in accordance with the terms thereof (the “*Distribution Agreement*”); and

WHEREAS, in connection with the Second Amendment, the Corporation will execute a Tax Exemption Certificate and Agreement between the Borrower and the Corporation, as it may be amended from time to time in accordance with the terms thereof (the “*Tax Agreement*”); and

WHEREAS, the Board has determined that the amendment should be approved;

NOW, THEREFORE, BE IT RESOLVED BY THE TEXAS STATE AFFORDABLE HOUSING CORPORATION THAT:

Section 1. The recitals to this Resolution are hereby approved by the Board and incorporated into and made a part of this Resolution.

Section 2. Terms used herein and not otherwise defined have the meanings given in the Trust Indenture.

Section 3. The Second Amendment to Trust Indenture, attached hereto as Exhibit A, is hereby approved, and the officers of the Corporation are hereby authorized and directed to execute such Second Amendment to Trust Indenture and to deliver such Second Amendment to Trust Indenture to the Trustee.

Section 4. The Distribution Agreement, attached hereto as Exhibit B, is hereby approved, and the officers of the Corporation are hereby authorized and directed to execute such Distribution Agreement and to deliver such Distribution Agreement to the appropriate parties.

Section 5. The Tax Agreement, attached hereto as Exhibit C, is hereby approved, and the officers of the Corporation are hereby authorized and directed to execute such Tax Agreement and to deliver such Tax Agreement to the appropriate parties.

Section 6. The officers of the Corporation are hereby authorized, jointly and severally, to take any and all steps necessary, do any and all things required, and execute and deliver such endorsements, instruments, certificates, documents or papers as may be necessary, advisable or appropriate to carry out the intent and purposes of this Resolution.

Section 7. The Resolution shall be in full force and effect from and upon its adoption.

Section 8. The Board hereby directs this Resolution to be made a part of the Corporation's books and records that are available for inspection by the general public.

Section 9. It is hereby officially found and determined that the meeting at which this Resolution was adopted was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended.

Section 10. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

Section 11. All orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistency.

[The remainder of this page intentionally left blank.]

PASSED AND ADOPTED this _____, 2005.

**TEXAS STATE AFFORDABLE HOUSING
CORPORATION**

Jerry Romero
Chair, Board of Directors

ATTEST:

Secretary to the Board

EXHIBIT A

EXHIBIT B

EXHIBIT C

SECOND AMENDMENT TO TRUST INDENTURE

THIS SECOND AMENDMENT TO TRUST INDENTURE dated as of September 1, 2005 (this "Second Amendment") is made by and between TEXAS STATE AFFORDABLE HOUSING CORPORATION, a Texas public, nonprofit corporation duly organized and existing under the laws of the State of Texas pursuant to Subchapter Y of Chapter 2306, Texas Government Code (together with any successor to its rights, powers, duties and obligations hereunder, the "Issuer") and WELLS FARGO BANK, NATIONAL ASSOCIATION (as successor-in-interest to Wells Fargo Bank Texas, N.A., together with any successor trustee hereunder, the "Trustee"), a national banking association organized under the laws of the United States of America, and amends and supplements the Trust Indenture, dated as of March 1, 2002 between the Issuer and the Trustee and amended pursuant to the First Amendment to Trust Indenture, dated as of May 1, 2002 (as amended, the "Indenture") relating to the Issuer's Multifamily Housing Revenue Bonds (MBIA Insured--American Housing Foundation Portfolio) Series 2002A issued in the aggregate principal amount of \$114,040,000 (the "Series A Bonds"), the Issuer's Multifamily Housing Revenue Bonds (MBIA Insured--American Housing Foundation Portfolio) Taxable Series 2002A-T issued in the aggregate principal amount of \$460,000 (the "Series A-T Bonds") and the Issuer's Multifamily Housing Revenue Bonds (American Housing Foundation Portfolio) Junior Series 2002B issued in the aggregate principal amount of \$14,105,000 (the "Series B Bonds" and, together with the Series A Bonds and the Series A-T Bonds (the "Bonds").

RECITALS:

WHEREAS, the proceeds of the Bonds were used to make a loan in the aggregate principal amount of \$128,605,000 (the "Loan") to AHF Community Development, LLC, a Texas limited liability company (the "Borrower"), to provide financing for the acquisition and rehabilitation of thirteen multifamily residential housing facilities (collectively, the "Properties") located within Dallas County, Harris County, Wichita County, Jefferson County and Montgomery County, Texas and to pay certain costs associated with the issuance of the Bonds all pursuant to that certain Loan Agreement dated as of March 1, 2002 (the "Agreement") among the Issuer, the Trustee and Borrower; and

Whereas, contemporaneous with the issuance of the Bonds, MBIA Insurance Corporation (the "Bond Insurer") issued its financial guaranty insurance policies with respect to the Series A Bonds and the Series A-T Bonds; and

WHEREAS, Section 10.2(5) of the Indenture allows the amendment thereof by the Issuer and the Trustee, with the prior written consent of the Bond Insurer, to make any changes which do not have a material adverse affect on the Owners of the Bonds, based on receipt of written confirmation from Standard & Poor's Ratings Services (the "Rating Agency") that such amendment will not result in a downgrade, qualification or withdrawal of the then-current rating on any of the Bonds (the "Rating Confirmation"); and

WHEREAS, Section 10.7 of the Indenture requires the Trustee to obtain an opinion of Bond Counsel in connection with any amendment to the Indenture stating that such amendment

is authorized or permitted by the Act (as defined in the Indenture) and will not adversely affect the exclusion of interest on the Tax-Exempt Bonds from the gross income of the recipients thereof for Federal income tax purposes; and

WHEREAS, each of the Issuer and Trustee, in reliance upon the Rating Confirmation as required pursuant to Section 10.2(5) of the Indenture and the opinion of Bond Counsel as required by Section 10.7, evidences its consent to the amendment of the Indenture as set forth in this Second Amendment by the signature of an authorized signatory hereto; and

WHEREAS, the Bond Insurer evidences its consent to this amendment of the Indenture as set forth in this Second Amendment by the signature of an authorized signatory of the Bond Insurer hereto; and

WHEREAS, the Rating Agency has provided written confirmation, attached hereto as Exhibit A, that this Second Amendment will not result in a downgrade, qualification or withdrawal of the current rating on any of the Bonds.

NOW, THEREFORE, in consideration of the premises and for other valuable consideration the receipt of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Recitals. The foregoing recitals are hereby agreed to and acknowledged. All capitalized terms used in this Second Amendment and not otherwise defined have the meanings assigned in the Indenture.

Section 2. Definitions. Section 1.1 is hereby amended to add the following definitions:

“*Distribution Agreement*” means, that certain Distribution Agreement among the Bond Insurer, the Issuer, the Borrower and Wells Fargo Bank, National Association, as paying agent, dated as of the date of the Second Amendment, as it may be amended from time to time in accordance with the terms thereof.

“*Remarketing Agent*” means, initially BB&T Capital Markets, a Division of Scott & Stringfellow, Inc. and any other party approved by the Borrower.

“*Remarketing Agreement*” means, that certain Remarketing Agreement between the Borrower and the Remarketing Agent, dated as of the date of the Second Amendment, as it may be amended from time to time in accordance with the terms thereof.

Section 3. Amendment to Section 2.2 of the Indenture. Section 2.2 is hereby amended to add a new subparagraph (9) to read as follows:

“(9) The Trustee shall distribute any interest payable on each Interest Payment Date as follows: first, to the Person in whose name the Bonds are registered the amount determined by

the Remarketing Agent in accordance with the Remarketing Agreement, and second to Wells Fargo Bank, National Association, as paying agent under the Distribution Agreement.”

Section 4. Addition of Section 11.12 of the Indenture. Article XI, Section 11.12 is hereby added to the Indenture and will read as follows:

“Section 11.12. Purchase in Lieu of Redemption on Date of Acceleration. If the maturity of the Series A Bonds or the Series A-T Bonds shall be accelerated pursuant to Section 8.2 of this Indenture, the Bond Insurer or its designee shall have the option of purchasing or causing to be purchased all of the Series A Bonds or the Series A-T Bonds then Outstanding in lieu of redemption or payment on the date of such acceleration at a purchase price equal to the principal amount of the Series A Bonds or the Series A-T Bonds, plus accrued interest to the date of acceleration. The Bond Insurer shall give written notice to the Trustee and the Issuer of its election to effect such a purchase concurrently with its direction to the Trustee to accelerate such Bonds. On the date established for payment of the Series A Bonds or the Series A-T Bonds upon acceleration, the Trustee shall use moneys deposited by or on behalf of the Bond Insurer to effect a purchase of such Bonds in lieu of redemption upon acceleration. On the payment date, the Trustee shall make such arrangements with DTC as necessary to effect the transfer of the beneficial ownership of the purchased Series A Bonds or the Series A-T Bonds to the Bond Insurer or its designee, as appropriate. The Series A Bonds or the Series A-T Bonds purchased in lieu of redemption or payment upon acceleration shall remain Outstanding under this Indenture and shall continue to be subject to all terms and conditions hereof unless and to the extent the Bond Insurer directs the Trustee to redeem and prepay such Bonds.

Following the purchase of any such Bonds in lieu of redemption or payment upon acceleration pursuant to this Section 11.12, the consequences of such acceleration shall be immediately annulled (although the related Events of Default shall not be deemed waived or otherwise cured) and the provisions of this Indenture shall be applied and interpreted as though such acceleration had not occurred (unless the Bond Insurer otherwise directs the Trustee in writing).”

Section 5. Amendment to Section 11.1 of the Indenture. Section 11.1 is hereby replaced in its entirety by the following:

“Section 11.1. Series A Bonds or the Series A-T Bonds Remain Outstanding. In the event that the principal and/or interest due on any Series A Bonds or the Series A-T Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy or the Series A Bonds or the Series A-T Bonds shall be purchased by the Bond Insurer or its designee pursuant to Section 11.12 hereof, such Bonds shall remain Outstanding for all purposes of this Indenture, and the assignment and pledge of this Indenture and all covenants, agreements and other obligations of the Issuer to the holders of the Series A Bonds and the Series A-T Bonds shall continue to exist and shall run to the benefit of the Bond Insurer or its designee, as applicable, and the Bond Insurer or its designee, as

applicable, shall be subrogated to the rights of such holders of Series A Bonds and the Series A-T Bonds.”

Section 6. Ratification. Except as amended and supplemented hereby, all provisions of the Indenture remain in full force and effect and unamended hereby, and the Indenture, as amended and supplemented by this Second Amendment, is hereby ratified. No references to this Second Amendment need be made in any instrument or document at any time referring to the Indenture. Any such reference to the Indenture in any such instrument or document is deemed to be a reference to the Indenture as amended hereby.

Section 7. Counterparts. This Second Amendment may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed, all as of the date set forth above.

TEXAS STATE AFFORDABLE HOUSING
CORPORATION, Issuer

By
Name:
Title:

[SIGNATURE PAGE OF ISSUER FOR
SECOND AMENDMENT TO TRUST INDENTURE]

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

By

Title _____

[SIGNATURE PAGE OF TRUSTEE FOR
SECOND AMENDMENT TO TRUST INDENTURE]

MBIA INSURANCE CORPORATION, as Bond
Insurer

By _____
Title _____

[SIGNATURE PAGE OF BOND INSURER FOR
SECOND AMENDMENT TO TRUST INDENTURE]

EXHIBIT A

RATING LETTER

DISTRIBUTION AGREEMENT

Among

MBIA INSURANCE CORPORATION,
as Bond Insurer,

TEXAS STATE AFFORDABLE HOUSING CORPORATION,
as Issuer,

AHF COMMUNITY DEVELOPMENT, LLC,
as Borrower

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Paying Agent

Dated as of September 1, 2005

**TEXAS STATE AFFORDABLE HOUSING CORPORATION
MULTIFAMILY HOUSING REVENUE BONDS
(MBIA INSURED—AMERICAN HOUSING FOUNDATION PORTFOLIO), SERIES 2002A**

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DISTRIBUTION AGREEMENT

THIS DISTRIBUTION AGREEMENT, dated as of September 1, 2005 (this “*Distribution Agreement*”), is among MBIA INSURANCE CORPORATION, a New York stock insurance corporation (the “*Bond Insurer*”), TEXAS STATE AFFORDABLE HOUSING CORPORATION, a Texas public, nonprofit corporation duly organized and existing under the laws of the State of Texas pursuant to Subchapter Y of Chapter 2306, Texas Government Code (together with any successor to its rights, powers, duties and obligations hereunder, the “*Issuer*”), AHF COMMUNITY DEVELOPMENT, LLC, a Texas limited liability company (the “*Borrower*”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as paying agent hereunder (the “*Paying Agent*”).

WITNESSETH:

WHEREAS, pursuant to that certain Trust Indenture dated as of March 1, 2002, between Texas State Affordable Housing Corporation (the “*Issuer*”) and Wells Fargo Bank, National Association (the “*Bond Trustee*”) as amended pursuant to the First Amendment to Trust Indenture, dated as of May 1, 2002 (collectively, the “*Original Indenture*”), the Issuer issued certain multifamily revenue bonds, including its Multifamily Housing Revenue Bonds (MBIA Insured—American Housing Foundation Portfolio), Series 2002A (the “*Bonds*”);

WHEREAS, the proceeds of the Bonds were used to make a loan to the Borrower to provide for financing for the acquisition and rehabilitation of thirteen multifamily residential housing facilities (collectively, the “*Properties*”) located within Dallas County, Harris County, Wichita County, Jefferson County and Montgomery County, Texas and to pay certain costs associated with the issuance of the Bonds;

WHEREAS, the Issuer and the Bond Trustee are entering into that certain Second Amendment to Trust Indenture, dated as of September 1, 2005, to the Original Indenture (the “*Second Amendment*” and, together with the Original Indenture, the “*Indenture*”);

WHEREAS, among other things, the Second Amendment provides that Section 2.2 of the Original Indenture is amended to provide that the Bond Trustee is required to distribute any interest payable on each Interest Payment Date (as such term is defined in the Indenture) first, to the Person in whose name the Bonds are registered, the amount determined by the Remarketing Agent (as such term is defined in the Indenture), and second, to Wells Fargo Bank, National Association, as paying agent under this Distribution Agreement; and

WHEREAS, the Issuer has selected the Paying Agent to serve as Paying Agent under this Distribution Agreement and the Paying Agent has agreed to serve in such capacity and has full power and authority to perform and serve as Paying Agent under this Distribution Agreement.

NOW, THEREFORE, in consideration of the premises and in order to provide for the distribution of funds received by the Paying Agent pursuant to Section 2.2 of the Indenture and

for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Defined Terms. In addition to the terms defined elsewhere in this Distribution Agreement, the following words and terms used in this Distribution Agreement shall have the following meanings:

“*Asset Oversight Agent’s Fee*” shall mean the annual amount of \$25 per unit in the Properties (to be increased annually based on any corresponding increase in the Consumer Price Index or as otherwise adjusted pursuant to the Asset Oversight Agreement) per year payable semi-annually on each March 1 and September 1.

“*Available Commitment*” shall mean the available commitment under the terms of the Liquidity Agreement.

“*Hedge Payments*” shall mean for any Hedge Transaction, the amount payable to the Hedge Provider.

“*Hedge Provider*” shall mean any entity that enters into a Hedge Transaction with the Borrower.

“*Hedge Transaction*” shall mean each interest rate hedge transaction between the Borrower and a Hedge Provider implemented on behalf of one or more Interested Parties.

“*Interested Parties*” shall mean the Bond Insurer, the Issuer, the Bond Trustee, the Paying Agent, the Borrower and the Placement Agent.

“*Issuer Administration Fee*” shall mean the Issuer’s annual fee, in the greater amount of (a) 0.10% of the aggregate principal amount of the Bonds outstanding or (b) \$5,000, payable semi-annually on March 1 and September 1 of each year.

“*Issuer Compliance Fee*” shall mean the amount of \$20 per unit in the Properties (to be increased annually based on any corresponding increase in the Consumer Price Index or as otherwise adjusted pursuant to the Compliance Agreement) per year payable semi-annually on each March 1 and September 1.

“*Liquidity Agreement*” shall mean the standby bond purchase agreement, among the Borrower, the Liquidity Provider, the Trustee and Wells Fargo Bank, National Association, as certificate trustee.

“*Liquidity Fee*” shall mean, collectively (i) the Liquidity Provider’s fee accruing at a rate of [.375%] per annum on the Available Commitment, payable in advance semi-annually on March 1 and September 1 of each year and shall be calculated on the basis of the Available Commitment (without giving effect to any temporary reductions in the amount thereof) and on the basis of the actual number of days elapsed in a year of 360 days plus (ii) any fees associated

with a draw plus (iii) any fee increase due to an event of default under the terms of the Liquidity Agreement.

“Liquidity Provider” shall mean Branch Banking and Trust Company, a North Carolina banking corporation and any other party approved by the Borrower.

“Placement Agent” shall mean BB&T Capital Markets, a Division of Scott & Stingfellow, Inc.

“Remarketing Agent” shall mean BB&T Capital Markets, a Division of Scott & Stingfellow, Inc. and any other party approved by the Borrower

“Remarketing Fee” shall mean the Remarketing Agent’s fee, payable in advance semi-annually on March 1 and September 1 of each year at a rate of [.25%] per annum based on the aggregate principal amount of Bonds outstanding on the date such fee is due.

Terms not otherwise defined in this Distribution Agreement shall have the meanings given to them in the Indenture.

The singular form of any word used herein shall include the plural, and vice versa, if applicable. The use of a word of any gender shall include all genders, if applicable. This Agreement and all of the terms and provisions hereof shall be construed so as to effectuate the purposes contemplated hereby and to sustain the validity hereof. All references to any person or entity shall be deemed to include any person or entity succeeding to the rights, duties and obligations of such person or entity.

Section 2. Appointment of Paying Agent. The Issuer hereby appoints the Paying Agent, and the Paying Agent hereby agrees to act, as exclusive paying agent in connection with the distribution of any amounts received by the Bond Trustee pursuant to Section 2.2 of the Indenture.

Section 3. Responsibilities of Paying Agent.

(a) *Distribution.* Upon receipt of any funds from the Bond Trustee pursuant to Section 2.2 of the Indenture, the Paying Agent shall distribute amounts as follows:

- (i) First, on a pari passu basis, to make Hedge Payments, if any, to the Hedge Provider, to pay Liquidity Fees to the Liquidity Provider and to pay Remarketing Fees to the Remarketing Agent;
- (ii) Second, to pay fees associated with the implementation of this Distribution Agreement, including but not limited to fees of counsel of the Interested Parties, all as set forth in Exhibit A attached hereto;
- (iii) Third, upon receipt of written direction from the Bond Insurer, to replenish any fund or account held under the Indenture relating to the

Senior Bonds, including but not limited to the Senior Debt Service Reserve Fund under the Indenture;

- (iv) Fourth, to fund any accrued and unpaid deposit to the Bond Insurance Premium Fund under the Indenture and to pay the Bond Insurer a structuring fee equal to \$250,000;
- (v) Fifth, to pay to the Issuer or any successor Asset Oversight Agent, the Asset Oversight Agent's Fee and to pay to the Issuer any Issuer Compliance Fee;
- (vi) Sixth, to fund any accrued and unpaid deposit to the Capital Replacement Fund under the Indenture;
- (vii) Seventh, upon written approval of the Bond Insurer, to pay additional capital costs of the Properties;
- (viii) Eighth, to pay any Rebate Amount due and owing and to pay any accrued and due Rebate Analyst Fees;
- (ix) Ninth, to pay to the Issuer any Issuer Administrative Fee accrued and owing;
- (x) Tenth, to reimburse the Borrower in the amount of \$280,650.79 for fees paid directly to the Issuer; and
- (xi) Eleventh, any remaining amounts shall be distributed as follows:
 - (a) [50%] of such amounts shall be distributed to the Bond Insurer; and
 - (b) [50%] of such amounts shall be deposited in the Residual Fund under the Indenture.

(b) *Books and Records.* The Paying Agent shall keep and maintain such books and records as are consistent with prudent industry practice. The Paying Agent shall supply, upon each distribution or on written request of the Bond Insurer, the Issuer or the Borrower, a record of amounts received from the Bond Trustee and distributions made pursuant to this Distribution Agreement.

Section 4. Duty of Care. The Paying Agent shall exercise the same care with respect to the funds held by it hereunder as the Paying Agent exercises with respect to funds held on behalf of other entities held in a similar capacity. No provision of this Distribution Agreement shall be construed to relieve the Paying Agent from liability for any loss occasioned by the negligence or willful misconduct of, or the conversion, misappropriation or theft by the employees of the Paying Agent.

Section 5. Termination. This Distribution Agreement shall terminate upon the earlier of (i) payment in full of the Bonds or (ii) the mutual agreement of the parties hereto.

Section 6. Making of Distributions. All distributions by the Paying Agent pursuant to this Distribution Agreement shall be made in immediately available funds at the address specified in Section 9 hereof or such other office of the relevant parties as they may designate to the Paying Agent in writing from time to time.

Section 7. No Waiver; Cumulative Remedies. The parties hereunder shall not by any act, delay, omission or otherwise be deemed to have waived any of their rights or remedies hereunder, and no waiver shall be valid unless in writing, signed by any such party, and then only to the extent therein set forth. A waiver by any party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which such party would otherwise have on any further occasion. No failure to exercise nor any delay in exercising by the any of the parties hereunder of any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

Section 8. Waivers, Amendments. None of the terms or provisions of this Distribution Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by the Bond Insurer, the Issuer, the Borrower and the Paying Agent. The Bond Insurer, the Issuer, the Borrower and the Paying Agent shall not agree to any waiver, alteration, modification or amendment that has an effect on any Interested Party unless the consent of such Interested Party has been given.

Section 9. Notices. Unless otherwise provided for in this Distribution Agreement, any notice required or permitted to be given under this Distribution Agreement shall identify the Bonds by appropriate caption and may be given by certified or registered mail, return receipt requested, or by facsimile or telecopy, charges prepaid, or by commercial overnight delivery service, prepaid, addressed:

To the Bond Insurer as follows:	MBIA Insurance Corporation 113 King Street Armonk, New York 10504 Attention: Don Simon Telephone: 914-765-3801 Telecopy: 914-765-3810
To the Issuer as follows:	Texas State Affordable Housing Corporation 1005 Congress Avenue, Suite 500 Austin, Texas 78701 Attention: Katherine Closmann Telephone: 512-477-3555 Telecopy: 512-477-3557

To the Borrower as follows:

AHF Community Development LLC
1800 S. Washington, Suite 311
Amarillo, Texas 79102
Attention: Steve Sterquell
Telephone: 806-372-7500
Telecopy: 806-372-7508

To the Paying Agent as follows:

Wells Fargo Bank, National Association
6th Street & Marquette Avenue
MAC N9303-120
Minneapolis, Minnesota 55479
Attention: Susan Jacobsen
Telephone: 612-667-3253
Telecopy: 612-667-9825

Any notice sent by mail shall be deemed given five (5) days after it is deposited in the mails. Any notice sent by facsimile shall be deemed given when confirmed by facsimile answer back or sent, respectively. Any notice sent by commercial overnight delivery service shall be deemed given one (1) Business Day after it is deposited for delivery.

Section 10. Change of Address. Each party may change the address for service of notice upon it by a notice in writing to the others.

Section 11. Governing Law. The obligations of the parties under this Distribution Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

Section 12. Headings. Section headings in this Distribution Agreement are for convenience of reference only and shall not govern, or be used in, the interpretation of any of the provisions of this Distribution Agreement.

Section 13. Severability. If any provision of this Distribution Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 14. Execution in Counterparts. This Distribution Agreement may be executed in multiple counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Distribution Agreement as of the date first above written.

MBIA INSURANCE CORPORATION

By: _____

Name: _____

Title: _____

**TEXAS STATE AFFORDABLE HOUSING
CORPORATION**

By: _____
Name: _____
Title: _____

AHF COMMUNITY DEVELOPMENT, LLC

By: _____
Name: _____
Title: _____

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Paying Agent

By: _____
Name: _____
Title: _____

EXHIBIT A**FEES***

Texas State Affordable Housing Corporation (Asset Oversight Fees, Compliance Fees and Issuer Administrative Fees)	\$250,674.28
Texas State Affordable Housing Corporation (Restructuring Fee)	\$10,000
Chapman and Cutler LLP	\$220,000
Kutak Rock	\$20,000
Sprouse Shrader Smith, P.C.	\$15,000
Andrews Kurth LLP	\$50,000
BB&T Capital Markets	\$250,000
First Southwest Company	\$75,000
Wells Fargo Bank, National Association, as paying agent and certificate trustee	\$14,500 for the first year and \$8,500 each September 1 beginning September 1, 2006
Wells Fargo Bank, National Association, as Bond Trustee	Ordinary Trustee Fee and Expenses (as defined in the Indenture)
Naman, Howell, Smith & Lee L.L.P.	\$7,500

*Estimated

TAX EXEMPTION CERTIFICATE AND AGREEMENT

between

TEXAS STATE AFFORDABLE HOUSING CORPORATION

and

AHF COMMUNITY DEVELOPMENT, LLC

\$114,040,000
Texas State Affordable Housing Corporation
Multifamily Housing Revenue Bonds
(MBIA Insured — American Housing Foundation Portfolio)
Series 2005

September __, 2005

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TAX EXEMPTION CERTIFICATE AND AGREEMENT

The undersigned are respectively, duly qualified officers of Texas State Affordable Housing Corporation (the “*Issuer*”) and AHF Community Development, LLC (the “*Borrower*”). The undersigned officer of the Issuer is charged, with others, with the responsibility for executing and delivering the obligations described on the cover page of this Tax Agreement (the “*2005 Bonds*”) on the date hereof. The 2005 Bonds were authorized pursuant to a duly authorized Resolution of the Issuer and are being deemed a reissuance of the Series 2002A Bonds (as hereinafter defined) pursuant to that certain Trust Indenture (the “*Trust Indenture*”) dated as of March 1, 2002 between the Issuer and Wells Fargo Bank Texas, N.A., as amended pursuant to the First Amendment to Trust Indenture, dated as of May 1, 2002, and the Second Amendment to Trust Indenture dated as of September 1, 2005 between the Issuer and Wells Fargo Bank, N.A. (the “*Trustee*”) as successor-in-interest to Wells Fargo Bank Texas, N.A. (the Trust Indenture, as amended, is defined as the “*Indenture*”). Sale proceeds of the Series 2002A Bonds and the 2005 Bonds were and are provided to the Borrower pursuant to that certain Loan Agreement dated as of March 1, 2002 (the “*Loan Agreement*”). Certain terms are defined in Article I hereof. Terms used herein and not defined in Article I shall have the meanings given to them in the Indenture.

On March 26, 2002, the Issuer issued its Multifamily Housing Revenue Bonds (MBIA Insured — American Housing Foundation Portfolio) Series 2002A in the aggregate principal amount of \$114,040,000 (the “*Series 2002A Bonds*”), Multifamily Housing Revenue Bonds (MBIA Insured — American Housing Portfolio) Taxable Series 2002A-T in the aggregate principal amount of \$460,000 (the “*Series A-T Bonds*”) and its Multifamily Housing Revenue Bonds (American Housing Portfolio) Junior Series 2002B in the aggregate principal amount of \$14,105,000 (the “*Series 2002B Bonds*”) to finance the Projects. As of the date hereof, the rates at which the Series 2002A Bonds will bear interest are being modified and, as a result of the amended debt service provisions, the Series 2002A Bonds will be deemed reissued as of the date hereof for federal tax purposes. Accordingly, the Series 2002A Bonds will be deemed reissued as the 2005 Bonds on the date hereof and the Series 2002A Bonds will be deemed to be currently refunded on the date hereof by the 2005 Bonds.

One purpose of executing this Tax Agreement is to set forth various facts regarding the 2005 Bonds and to establish the expectations of the Issuer and the Borrower as to future events regarding the 2005 Bonds and the use of 2005 Bond proceeds. To the extent such facts do not relate directly to the Issuer, the Issuer is relying upon the certifications of the Borrower, which it believes is reasonable and prudent. The certifications, covenants and representations contained herein are made on behalf of the Issuer and the Borrower for the benefit of the owners from time to time of the 2005 Bonds. The Issuer and the Borrower hereby covenant that they will not take any action, omit to take any action or permit the taking or omission of any action within their control (including, without limitation, making or permitting any use of the proceeds of the 2005 Bonds) if taking, permitting or omitting to take such action would cause any of the 2005 Bonds to be an arbitrage bond within the meaning of the Code or would otherwise cause the interest on the 2005 Bonds to be included in the gross income of the recipients thereof for federal income tax purposes. The Issuer acknowledges that, in the event of an examination by

the Internal Revenue Service of the exemption from federal income taxation of interest on the 2005 Bonds, under present rules, the Issuer is treated as the “taxpayer” in such examination. The Borrower agrees that it will direct the Issuer to respond in a commercially reasonable manner to any inquiries from the Internal Revenue Service in connection with such an examination and the Issuer agrees that it will reasonably cooperate with the Borrower (at the expense of the Borrower) in this regard.

ARTICLE I

DEFINITIONS

In addition to such other words and terms used and defined in this Tax Agreement, the following words and terms used in this Tax Agreement shall have the following meanings unless, in either case, the context or use clearly indicates another or different meaning is intended:

“*Administrative Fee Fund*” means the fund of that name established pursuant to Section 4.1 of the Indenture.

“*Affiliated Person*” means any Person that (a) at any time during the six months prior to the execution and delivery of the 2005 Bonds, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or, (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the execution and delivery of the 2005 Bonds, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

“*Bond Counsel*” means Chapman and Cutler LLP or any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America or the District of Columbia.

“*Bond Fund*” means the Series A Account of the Senior Bond Fund paying principal of and interest on the 2005 Bonds.

“*Bond Insurance Premium Fund*” means the fund of that name established pursuant to Section 4.1 of the Indenture.

“Capital Replacement Fund” means the fund of that name established pursuant to Section 4.1 of the Indenture.

“Certificates” means the certificates of participation representing undivided interests of the holders of the certificates of participation in the principal of and interest on the 2005 Bonds held by the [securitization vehicle].

“Closing” means the date of this Tax Agreement, which is the date on which the Series 2002A Bonds are being deemed reissued as the 2005 Bonds for federal tax purposes.

“Code” means the Internal Revenue Code of 1986.

“Commingled Fund” means any fund or account containing both Gross Proceeds and an amount in excess of \$25,000 that are not Gross Proceeds if the amounts in the fund or account are invested and accounted for, collectively, without regard to the source of funds deposited in the fund or account. An open-ended regulated investment company under Section 851 of the Code is not a commingled fund.

“Control” means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity:

- (a) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity; or
- (b) to require the use of funds or assets of a Controlled Entity for any purpose.

“Controlled Entity” means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

“Controlling Entity” means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

“Controlled Group” means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

“Costs of Issuance Fund” means the portion of the Tax-Exempt Bonds Account of the Costs of Issuance Fund (established pursuant to Section 4.1 of the Indenture) allocable to the Series 2002A Bonds.

“Credit Facility” means the financial guaranty insurance policy issued by the Credit Facility Provider with respect to the 2005 Bonds.

“Credit Facility Provider” means MBIA Insurance Corporation.

“De minimis Amount of Original Issue Discount or Premium” means (a) any original issue discount or premium that does not exceed two percent of the stated redemption price at maturity of the 2005 Bonds plus (b) any original issue premium that is attributable exclusively to reasonable placement agent’s compensation.

“Debt Service Reserve Fund” means the portion of the Senior Debt Service Reserve Fund allocable to the 2005 Bonds and established pursuant to Section 4.1 of the Indenture.

“External Commingled Fund” means a Commingled Fund in which the Issuer, the Borrower and all Related Persons to the Issuer and the Borrower, own, in the aggregate, not more than ten percent of the beneficial interests.

“GIC” means (a) any investment that has specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate and (b) any agreement to supply investments on two or more future dates (*e.g.*, a forward supply contract).

“Gross Proceeds” means amounts in the funds listed on *Exhibit C* hereto.

“Indenture” means that certain trust indenture, as amended, pursuant to which the Series 2002A Bonds are being deemed reissued as the 2005 Bonds for federal tax purposes and identified in the preamble to this Tax Agreement.

“Issuer” is defined in the preamble to this Tax Agreement.

“Loan Agreement” means the loan agreement identified in the preamble to this Tax Agreement.

“MBIA” means MBIA Insurance Corporation, as purchaser of the 2005 Bonds.

“Mortgage” means the First Deed of Trust (as defined in the Indenture).

“Net Proceeds Fund” means the fund of that name established pursuant to Section 4.1 of the Indenture.

“Person” means any entity with standing to be sued or to sue, including any natural person, corporation, body politic, governmental unit, agency, authority, partnership, trust, estate, association, company or group of any of the above.

“Placed-In-Service” means the date on which, based on all the facts and circumstances (a) a facility has reached a degree of completion that would permit its operation at substantially its design level and (b) the facility is, in fact, in operation at such level.

“Project Certificates” means the Borrower’s Project Certificates dated the date hereof and executed in connection with the deemed issuance of the 2005 Bonds for federal tax purposes.

“Project Fund” means the fund of that name established pursuant to Section 4.1 of the Indenture.

“Projects” means the acquisition, rehabilitation and equipping of thirteen multifamily rental residential housing facilities known as the Settlers Cove Apartments, the Cimarron Park Apartments, the Pine Creek Village Apartments, the Stony Creek Apartments, the Bent Creek Apartments, the Creekwood Village Apartments, the Shadowridge Village Apartments, the Aston Brook Apartments, the Northwoods Apartments, the One Willow Chase Apartments, the One Willow Park Apartments, the Woodedge Apartments and the Fountaingate Apartments, located in Dallas County, Harris County, Wichita County, Jefferson County, and Montgomery County, Texas, including the real property, together with buildings, improvements, equipment and related facilities located thereon. Each of the Projects is defined herein as a “*Project*. ”

“Qualified Tax Exempt Obligations” means (a) any obligation described in Section 103(a) of the Code, the interest on which is excludable from gross income of the owner thereof for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed by Section 55 of the Code; (b) an interest in a regulated investment company to the extent that at least ninety-five percent of the income to the holder of the interest is interest which is excludable from gross income under Section 103 of the Code of any owner thereof for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed by Section 55 of the Code; and (c) certificates of indebtedness issued by the United States Treasury pursuant to the Demand Deposit State and Local Government Series program described in 31 C.F.R. part 344.

“Rebate Fund” means the fund of that name established pursuant to Section 4.1 of the Indenture.

“Rebate Provisions” means the rebate requirements contained in Section 148(f) of the Code and in the Regulations.

“Regulations” means United States Treasury Regulations dealing with the tax-exempt bond provisions of the Code.

“Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of March 1, 2002, among the Issuer, the Trustee and the Borrower.

“Related Person” means (i) in the case of the Issuer, any member of the same Controlled Group as the Issuer or (ii), in the case of the Borrower and the Credit Facility Provider, any person related to the Borrower or the Credit Facility Provider within the meaning of Section 144(a)(3) of the Code.

“Remarketing Agent” means BB&T Capital Markets.

“Residual Fund” means the fund of that name established pursuant to Section 4.1 of the Indenture.

“Resolution” means that certain resolution authorizing the deemed issuance of the 2005 Bonds and adopted by the Issuer on _____, 2005.

“Revenue Fund” means the fund of that name established pursuant to Section 4.1 of the Indenture.

“Sale Proceeds” means amounts actually or constructively received from the deemed issuance of the 2005 Bonds, including (a) amounts used to pay placement agent’s discount or compensation and accrued interest, other than accrued interest for a period not greater than one year before Closing but only if it is to be paid within one year after Closing and (b) amounts derived from the sale of any right that is part of the terms of a 2005 Bond or is otherwise associated with a 2005 Bond (*e.g.*, a redemption right).

“Series 2002A Bond Fund” means the fund or account or funds or accounts established with respect to the Series 2002A Bonds from which current debt service on the Series 2002A Bonds has been paid excluding any interest paid on the Series 2002A Bonds from Series 2002A Bond Proceeds.

“Series 2002A Bond Proceeds” means amounts actually or constructively received from the sale of the Series 2002A Bonds and all other amounts properly treated as gross proceeds of the Series 2002A Bonds under the Regulations, including (a) amounts used to pay underwriters’ discount or compensation and accrued interest, other than accrued interest for a period not greater than one year before the Series 2002A Bonds were issued but only if it is to be paid within one year after the Series 2002A Bonds were issued and (b) amounts derived from the sale of any right that is part of the terms of a Series 2002A Bond or is otherwise associated with a Series 2002A Bond (*e.g.*, a redemption right).

“Series 2002A Bonds” means obligations of the Issuer defined in the preamble to this Tax Agreement.

“Series 2002A Project Certifications” means the Borrower’s certifications concerning the Projects as set forth in the Borrower’s Tax Certificate dated March 26, 2002 and executed by the Borrower in connection with the issuance of the Series 2002A Bonds.

“Series 2002A Tax Agreement” means, collectively, the No-Arbitrage Certificate of the Issuer dated March 26, 2002 and the Borrower’s Tax Certificate dated March 26, 2002, both executed in connection with the issuance of the Series 2002A Bonds.

“Tax Agreement” means this Tax Exemption Certificate and Agreement.

“Tax and Insurance Fund” means the fund of that name established pursuant to Section 4.1 of the Indenture.

“Tenant Services Fund” means the fund of that name established pursuant to Section 4.1 of the Indenture.

“2005 Bonds” means the obligations of the Issuer defined in the preamble to this Tax Agreement.

“Yield” or *“Bond Yield”* means that discount rate which when used in computing the present value of all payments of principal and interest paid and to be paid on an obligation (using semiannual compounding on the basis of a 360 day year) produces an amount equal to the obligation’s purchase price (or in the case of the 2005 Bonds, the issue price as established in Section 5.1), including accrued interest. For purposes of computing the Yield on the 2005 Bonds and on investments, the same compounding interval (which must be an interval of not more than one year) and standard financial conventions (such as a 360-day year) must be used.

“Yield Reduction Payment” means a rebate payment or any other amount paid to the United States in the same manner as rebate amounts are required to be paid or at such other time or in such manner as the Internal Revenue Service may prescribe that will be treated as a reduction in Yield of an investment under the Regulations.

ARTICLE II

DESCRIPTION OF PROJECTS AND PURPOSE OF THE 2005 BONDS

Section 2.1. Purpose of the 2005 Bonds. The Series 2002A Bonds were issued on March 26, 2002 to finance the Projects in a prudent manner consistent with the needs of the Borrower. In addition, the Issuer issued the taxable Series A-T Bonds and the Series 2002B Bonds on March 26, 2002 to finance additional costs of the Projects. The Series 2002A Bonds are deemed reissued as the 2005 Bonds on the date hereof for federal tax purposes and the 2005 Bonds are being deemed as currently refunding the Series 2002A Bonds for federal tax purposes on the date hereof. There are no Sale Proceeds of the 2005 Bonds in that no money or other property (except for the 2005 Bonds) is being created as a result of the issuance of the 2005 Bonds.

Section 2.2. The Projects. The Borrower incurred, within six months of the issue date of the Series 2002A Bonds, a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party to expend at least five percent of the sale proceeds of the Series 2002A Bonds (less sale proceeds of the Series 2002A Bonds deposited in the Debt Service Reserve Fund) on the Projects. As of the date hereof the Projects have been completed and all the Series 2002A Bond Proceeds, including investment earnings thereon, except for amounts in the Debt Service Reserve Fund, have been spent, except as set forth in Section 3.1.

Section 2.3. Hedges. Neither the Borrower, the Issuer nor any Related Person to either of them has entered into or expects to enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the 2005 Bonds or the Series 2002A Bonds. The Borrower and the Issuer acknowledge that any such hedge could affect the calculation of Bond Yield under the Regulations, and that the Internal Revenue Service

could recalculate Bond Yield if the failure to account for the hedge fails to clearly reflect the economic substance of the transaction.

The Borrower and the Issuer also acknowledge that if they acquire a hedging contract with an investment element (including *e.g.* an off-market swap agreement or any cap agreement for which all or a portion of the premium is paid at, or before the effective date of the cap agreement), then a portion of such hedging contract may be treated as an investment of Gross Proceeds of the 2005 Bonds and be subject to the fair market purchase price rules, rebate and yield restriction. The Borrower and the Issuer agree not to use proceeds of the 2005 Bonds to pay for any such hedging contract in whole or in part. The Borrower and the Issuer also agree that they will not give any assurances to any holder of the 2005 Bonds, the Credit Facility Provider or any other credit or liquidity enhancer with respect to the 2005 Bonds that any such hedging contract will be entered into or maintained. The Borrower and the Issuer recognize that if a portion of a hedging contract is determined to be an investment of gross proceeds, such portion may not be fairly priced although the hedging contract as a whole is fairly priced.

Section 2.4. Payments to Related Persons. None of the Sale Proceeds of the Series 2002A Bonds or investment earnings thereon were paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for reimbursements to the Borrower for amounts paid to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower and except for the Issuer's fee described in Section 5.5 hereof.

Section 2.5. Internal Revenue Service Audits. The Issuer represents that the Internal Revenue Service has not contacted the Issuer regarding the Series 2002A Bonds or any other obligations issued by or on behalf of the Issuer. The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were lent to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Issuer and the Borrower, no such obligations of the Issuer or for the benefit of the Borrower are currently under examination by the Internal Revenue Service.

Section 2.6. Reasonable Expectation Regarding Payment. The Issuer and the Borrower reasonably expect that the principal of and interest on the 2005 Bonds will be paid in full and on time.

ARTICLE III

USE OF PROCEEDS; DESCRIPTION OF FUNDS

Section 3.1. Use of Proceeds. (a) There are no Sale Proceeds of the 2005 Bonds in that no money or other property (except for the 2005 Bonds) is being created as a result of the issuance of the 2005 Bonds. No Series 2002A Bond Proceeds have been used to prepay for goods or services to be received over a period of years prior to the date such goods or services were to be received, except for payment to the Credit Facility Provider. No Series 2002A Bond Proceeds or any investment earnings thereon have been used to pay for or otherwise acquire

goods or services from an Affiliated Person. Except for amounts set forth in Section 3.1, as of the date hereof, there are no amounts on deposit in any fund of account with respect to the Series 2002A Bonds.

(b) The following funds and accounts pertaining to the 2005 Bonds are created under the Indenture: the Project Fund (including of a Project Account and a Working Capital Account therein), the Bond Fund, the Debt Service Reserve Fund, the Revenue Fund, the Capital Replacement Fund (including the Bond Proceeds Account therein), the Costs of Issuance Fund, the Rebate Fund, the Tax and Insurance Fund (including the Bond Proceeds Account therein), the Administrative Fee Fund, the Residual Fund (including of the Borrower's Account and the Tenant Services Account therein), the Net Proceeds Account, the Bond Insurance Premium Fund and the Tenant Services Fund (including the Bond Proceeds Account therein). No Sale Proceeds of the 2005 Bonds are being deposited into these funds and accounts at Closing.

(c) The 2005 Bonds will be purchased by MBIA at Closing.

(d) Costs incurred in connection with the deemed reissuance of the Series 2002A Bonds as the 2005 Bonds for federal tax purposes will be paid by the Borrower from moneys other than proceeds of the Series 2002A Bonds or the 2005 Bonds.

(e) The costs of the Projects were paid from the Project Fund and no other moneys were deposited therein.

(f) Principal of and interest on the 2005 Bonds will be paid from the Bond Fund.

(g) The Costs of Issuance Fund was used to pay the costs of issuance of the Series 2002A Bonds.

(h) Amounts in the Borrower's Account of the Residual Fund will be used to remedy any shortfall in the Bond Fund pursuant to Section 4.12 of the Indenture.

(i) All income attributable to money deposited in the Rebate Fund will be credited to the Rebate Fund. Earnings on all other funds will be credited to the Revenue Fund, except that earnings on amounts in the Capital Replacement Fund and in the Net Proceeds Fund will be retained in such funds (or deposited in the Revenue Fund as directed by the Credit Facility Provider).

(j) All amounts required to be paid to the Trustee under the Loan Agreement, and certain other amounts, will be deposited in the Revenue Fund and transferred to other funds, as set forth in Section 4.4 of the Indenture.

(k) All 2002A Bond Proceeds have been spent except for amounts in the Debt Service Reserve Fund.

Section 3.2. Purpose of Bond Fund. The Bond Fund will be used primarily to achieve a proper matching of revenues and earnings with principal and interest payments on the

2005 Bonds in each bond year. It is expected that the Bond Fund will be depleted at least once a year, except for a reasonable carry over amount not to exceed the greater of (a) the earnings on the investment of moneys in the Bond Fund for the immediately preceding bond year or (b) 1/12th of the principal and interest payments on the 2005 Bonds for the immediately preceding bond year.

Section 3.3. Purpose of Debt Service Reserve Fund. (a) The Issuer and the Borrower represent that the Debt Service Reserve Fund created by the Indenture is required in connection with the deemed issuance of the 2005 Bonds, based on the Certificate of MBIA set forth as or referenced in *Exhibit A* attached hereto and the Certificate of Credit Facility Provider set forth as or referenced in *Exhibit F* attached hereto. The Issuer and the Borrower have no reason to believe that such representations are untrue or incorrect.

Section 3.4. Other Funds. The Capital Replacement Fund, the Bond Insurance Premium Fund, the Administrative Fee Fund, the Tax and Insurance Fund, the Net Proceeds Fund and the Tenant Services Fund have not and will not contain any sale proceeds of the Series 2002A Bonds (except for amounts in the Bond Proceeds Account of the Capital Replacement Fund, amounts in the Bond Proceeds Account of the Tax and Insurance Fund and amounts in the Bond Proceeds Account of the Tenant Services Fund) or Sale Proceeds of the 2005 Bonds or any investment earnings thereon. No amounts in such funds or accounts have been used or are expected to be used to pay debt service on either the Series 2002A Bonds or the 2005 Bonds. Because amounts in such funds or accounts are available for uses other than the payment of debt service on the 2005 Bonds, there are no assurances that such amounts would be available to pay principal or interest on the 2005 Bonds or obligations under the Credit Facility or any other credit enhancement or liquidity device with respect to the 2005 Bonds, even if the Issuer, the Borrower or any Related Person to either of them encounters financial difficulties.

Section 3.5. The Series 2002A Bonds. (a) The Series 2002A Bonds were issued on March 26, 2002 by the Issuer for the purpose of financing the Projects. As of the date three years after the Series 2002A Bonds were issued, all Series 2002A Bond Proceeds, including investment earnings thereon, were completely spent except as set forth in Section 3.1(k) hereof.

(b) As of the date hereof, no Series 2002A Bond Proceeds or money or property of any kind (including cash) is on deposit in any fund or account, except as set forth in Section 3.1 hereof, regardless of where held or the source thereof, with respect to the Series 2002A Bonds or any credit enhancement or liquidity device relating to the foregoing, or is otherwise restricted to pay the Issuer's obligations.

(c) The Series 2002A Bond Fund established in connection with the issuance of the Series 2002A Bonds was used primarily to achieve a proper matching of revenues and earnings with principal and interest payments on the Series 2002A Bonds in each bond year. The Series 2002A Bond Fund was depleted at least once a year, except for a reasonable carry over amount not to exceed the greater of (i) the earnings on the investment of moneys in such account for the immediately preceding bond year or (ii) one-twelfth (1/12th) of the principal and interest payments on the Series 2002A Bonds.

(d) Neither the Capital Replacement Fund, the Bond Insurance Premium Fund, the Administrative Fee Fund, the Tax and Insurance Fund, the Net Proceeds Fund and the Tenant Services Fund for the Series 2002A Bonds contained any series 2002A Bond Proceeds (except for amounts in the Bond Proceeds Account of the Capital Replacement Fund, amounts in the Bond Proceeds Account of the Tax and Insurance Fund and amount in the Bond Proceeds Account of the Tenant Services Fund). Amounts in such funds or accounts were not used to pay debt service on the Series 2002A Bonds. Because amounts in such funds or accounts were available for uses other than the payment of debt service on the Series 2002A Bonds, there were no assurances that such amounts would be available to pay principal or interest on the Series 2002A Bonds or the credit facility with respect to the Series 2002A Bonds if the Issuer or the Borrower or any Related Person to either entity encountered financial difficulties.

(e) At the time the Series 2002A Bonds were issued, the Issuer and the Borrower reasonably expected to spend at least 85% of the proceeds (including investment earnings) of the Series 2002A Bonds within three years of the date the Series 2002A Bonds were issued and such proceeds were so spent. Not more than 50% of the proceeds of the Series 2002A Bonds was invested in investments having a Yield that was substantially guaranteed for four years or more.

(f) The Series 2002A Bonds will be deemed reissued as the 2005 Bonds for federal tax purposes on the date hereof.

(g) The parties to this Tax Agreement acknowledge that (i) the final rebate payment, if any, with respect to the Series 2002A Bonds will be required to be made sooner than if the refunding had not occurred and (ii) the final rebate is due 60 days after the Series 2002A Bonds are paid in full.

Section 3.6. No Other Gross Proceeds. (a) Except as identified on *Exhibit C* hereto, and except for the Credit Facility, after the issuance of the 2005 Bonds, neither the Issuer, the Borrower nor any Related Person to either of them has or will have any property, including cash or securities or any other property held as a passive vehicle for the production of income for investment purposes, that constitutes:

(i) Sale Proceeds;

(ii) amounts in any fund or account with respect to the 2005 Bonds (other than the Rebate Fund and amounts in the funds described in Section 3.4 hereof);

(iii) amounts that have a sufficiently direct nexus to the 2005 Bonds or to the governmental purpose of the 2005 Bonds to conclude that the amounts would have been used for that governmental purpose if the 2005 Bonds were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(iv) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the 2005 Bonds or any amounts for

which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the 2005 Bonds or obligations under the Credit Facility or any other credit enhancement or liquidity device with respect to the 2005 Bonds, even if the Issuer, the Borrower or any Related Person to either of them encounters financial difficulties;

(v) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the 2005 Bonds, the Credit Facility Provider or any other credit enhancement provider, including any liquidity device or negative pledge (any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the 2005 Bonds or a guarantor of the 2005 Bonds); or

(vi) amounts actually or constructively received from the investment and reinvestment of the amounts described in (i) or (ii) above.

(b) No compensating balance, liquidity account, negative pledge of property held for investment purposes or similar arrangement exists with respect to, in any way, the 2005 Bonds, the Loan Agreement, the Credit Facility or any other credit enhancement or liquidity device related to the 2005 Bonds.

(c) The term of the 2005 Bonds is not longer than is reasonably necessary for the governmental purposes of the 2005 Bonds because the weighted average maturity of the 2005 Bonds does not exceed 120 percent of the average reasonably expected economic life of the Projects as evidenced in the Project Certificates.

(d) All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business, and none of such property consists of securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income.

ARTICLE IV

ARBITRAGE REBATE; RECORD KEEPING; INVESTMENT DIRECTION

Section 4.1. Compliance with Rebate Provisions. The Issuer and the Borrower covenant to take such actions and make, or cause to be made, all calculations, transfers and payments that may be necessary to comply with the Rebate Provisions applicable to the 2005 Bonds. The Issuer and the Borrower will make, or cause to be made, rebate payments with respect to the 2005 Bonds in accordance with law. The Issuer shall be obligated to make such payments only out of amounts available under the Indenture or otherwise provided by the Borrower. Bond Counsel has provided a memorandum attached hereto as *Exhibit B* concerning the principles set forth in the Regulations regarding rebate.

Section 4.2. Rebate Fund. The Indenture creates a special fund to be known as the Rebate Fund (the “*Rebate Fund*”), which shall be continuously held, invested, expended and accounted for in accordance with the Indenture and this Tax Agreement. Moneys in the Rebate Fund shall not be considered moneys held for the benefit of the holders of the 2005 Bonds. Except as provided in the Regulations, moneys in the Rebate Fund (including earnings and deposits therein) shall be held in trust for payment to the United States as required by the Rebate Provisions and by the Regulations and as contemplated under the provisions of this Tax Agreement.

In addition to the amounts provided in this Tax Agreement, the Borrower hereby agrees to pay to the Trustee for deposit in the Rebate Fund for payment to the United States any amount which under the Regulations must be deposited in the Rebate Fund for payment to the United States with respect to the 2005 Bonds, but which is not available under the Indenture for transfer to the Rebate Fund for payment to the United States.

Section 4.3. Records. The Trustee (with respect to amounts held under the Indenture) and the Borrower agree to keep and retain or cause to be kept and retained until six years after the 2005 Bonds are paid in full adequate records with respect to the investment of all Gross Proceeds and amounts in the Rebate Fund (three years for the records required by Section 4.4(c)). Such records shall include:

- (a) purchase price;
- (b) purchase date;
- (c) type of investment;
- (d) accrued interest paid;
- (e) interest rate;
- (f) principal amount;
- (g) maturity date;
- (h) interest payment date;
- (i) date of liquidation;
- (j) receipt upon liquidation; and
- (k) the information described in Section 4.4(c).

If any investment becomes Gross Proceeds on a date other than the date such investment is purchased, the records required to be kept shall include the fair market value of such investment on the date it becomes Gross Proceeds. The Issuer or the Borrower shall notify the Trustee of

such event and the date of the occurrence thereof. In absence of such notice, the Trustee may presume that no such event has occurred. If any investment is retained after the date the last 2005 Bond is retired, the records required to be kept shall include the fair market value of such investment on the date the last 2005 Bond is retired. Amounts or investments will be segregated whenever necessary to maintain these records.

Section 4.4. Prohibited Payments; Certificates of Deposit and Investment Agreements. The Borrower will direct the Trustee to continuously invest all amounts on deposit in the Rebate Fund, together with the amounts, if any, to be transferred to the Rebate Fund, in any investment permitted under this Tax Agreement and the Indenture. In directing the Trustee with respect to such investments, the Borrower shall take into account prudent investment standards and the date on which such moneys may be needed. Except as provided in the next sentence, all amounts that constitute Gross Proceeds and all amounts in the Rebate Fund shall be invested at all times to the greatest extent practicable, and no amounts may be held as cash or be invested in zero yield investments other than obligations of the United States purchased directly from the United States. In the event moneys cannot be invested, other than as provided in this sentence due to the denomination, price or availability of investments, the amounts shall be invested in an interest bearing deposit of a bank with a yield not less than that paid to the general public or held uninvested to the minimum extent necessary.

Gross Proceeds and any amounts in the Rebate Fund that are invested in certificates of deposit or in guaranteed investment contracts (“GICs”) shall be invested only in accordance with the following provisions:

(a) Investments in certificates of deposit of banks or savings and loan associations that have a fixed interest rate, fixed payment schedules and substantial penalties for early withdrawal shall be made only if either (i) the Yield on the certificate of deposit (A) is not less than the Yield on reasonably comparable direct obligations of the United States and (B) is not less than the highest Yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public or (ii) the investment is an investment in a GIC and qualifies under paragraph (b) below.

(b) Investments in GICs shall be made only if:

(i) the bid specifications are in writing, include all material terms of the bid and are timely forwarded to potential providers (a term is material if it may directly or indirectly affect the yield on the GIC);

(ii) the terms of the bid specifications are commercially reasonable (a term is commercially reasonable if there is a legitimate business purpose for the term other than to reduce the yield on the GIC);

(iii) all bidders for the GIC have equal opportunity to bid so that, for example, no bidder is given the opportunity to review other's bids (a last look) before bidding;

- (iv) any agent used to conduct the bidding for the GIC does not bid to provide the GIC;
- (v) at least three of the providers solicited for bids for the GIC are reasonably competitive providers of investments of the type purchased (i.e., providers that have established industry reputations as competitive providers of the type of investments being purchased);
- (vi) at least three of the entities that submit a bid do not have a financial interest in the 2005 Bonds;
- (vii) at least one of the entities that provided a bid is a reasonably competitive provider that does not have a financial interest in the 2005 Bonds;
- (viii) the bid specifications include a statement notifying potential providers that submission of a bid is a representation that the potential provider did not consult with any other provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the Issuer or the Borrower or any other person (whether or not in connection with the 2005 Bonds) and that the bid is not being submitted solely as a courtesy to the Issuer or the Borrower or any other person for purposes of satisfying the federal income tax requirements relating to the bidding for the GIC;
- (ix) the determination of the terms of the GIC takes into account the reasonably expected deposit and drawdown schedule for the amounts to be invested;
- (x) the highest-yielding GIC for which a qualifying bid is made (determined net of broker's fees) is in fact purchased; and
- (xi) the obligor on the GIC certifies the administrative costs that it is paying or expects to pay to third parties in connection with the GIC.

- (c) If a GIC is purchased, the Borrower will retain the following records with its bond documents until three years after the 2005 Bonds are redeemed in their entirety:
 - (i) a copy of the GIC;
 - (ii) the receipt or other record of the amount actually paid for the GIC, including a record of any administrative costs paid, and the certification under paragraph (b)(xi) of this section;
 - (iii) for each bid that is submitted, the name of the person and entity submitting the bid, the time and date of the bid, and the bid results; and

- (iv) the bid solicitation form and, if the terms of the GIC deviated from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose for the deviation.

Moneys to be rebated to the United States shall be invested to mature on or prior to the anticipated rebate payment date. All investments made with Gross Proceeds or amounts in the Rebate Fund shall be bought and sold at fair market value. The fair market value of an investment is the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction. Except for investments specifically described in this section and United States Treasury obligations that are purchased directly from the United States Treasury, only investments that are traded on an established securities market, within the meaning of regulations promulgated under Section 1273 of the Code, will be purchased with Gross Proceeds. In general, an "established securities market" includes: (i) property that is listed on a national securities exchange, an interdealer quotation system or certain foreign exchanges; (ii) property that is traded on a Commodities Futures Trading Commission designated board of trade or an interbank market; (iii) property that appears on a quotation medium; and (iv) property for which price quotations are readily available from dealers and brokers. A debt instrument is not treated as traded on an established market solely because it is convertible into property which is so traded.

The Borrower agrees that an investment of Gross Proceeds in an External Commingled Fund shall be made only to the extent that such investment is made without an intent to reduce the amount to be rebated to the United States Government or to create a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the rebate or Yield restriction requirements not been relevant. An investment of Gross Proceeds shall be made in a Commingled Fund other than an External Commingled Fund only if the investments made by such Commingled Fund satisfy the provisions of this Section 4.4.

A single investment or multiple investments awarded to a provider based on a single bid may not be used for funds subject to different rules relating to rebate or yield restriction.

The foregoing provisions of this Section 4.4 satisfy various safe harbors set forth in the Regulations relating to the valuation of certain types of investments. The safe harbor provisions of this Section 4.4 are contained herein for the protection of the Borrower, who has covenanted not to take any action to adversely affect the tax-exempt status of the interest on the 2005 Bonds. The Borrower will contact Bond Counsel if it does not wish to comply with the provisions of this Section 4.4 and forego the protection provided by the safe harbors provided herein. Modifications to this Tax Agreement can be made in accordance with Section 6.7 hereof.

Section 4.5. Arbitrage Elections. Attached hereto as *Exhibit E* is a schedule of elections regarding certain matters with respect to arbitrage executed by the Issuer on the date hereof. The elections made by the Issuer on *Exhibit E* are incorporated by reference as if made herein.

ARTICLE V

YIELD AND INVESTMENT LIMITATIONS

Section 5.1. Issue Price. MBIA has certified, *inter alia*, in the Certificate of MBIA attached hereto as *Exhibit A*, that it has purchased the 2005 Bonds at par and that the first price at which MBIA will sell at least ten percent of each maturity of the 2005 Bonds is as shown on the Certificate of MBIA. The Remarketing Agent has certified in the Certificate of Remarketing Agent, attached hereto as *Exhibit G*, that the initial interest rate for the 2005 Bonds, as evidenced by the Certificates, was the lowest rate necessary to sell the 2005 Bonds at par at Closing, as evidenced by the Certificates.

Section 5.2. Yield Limits. (a) Except as provided in paragraph (b), (c) or (d), all Gross Proceeds shall be invested at market prices and at a Yield (after taking into account any Yield Reduction Payments) not in excess of the Yield on the 2005 Bonds.

(b) The following may be invested without Yield restriction:

(i) amounts invested in Qualified Tax Exempt Obligations (to the extent permitted by the Indenture);

(ii) amounts in the Rebate Fund;

(iii) amounts on deposit in the Bond Fund that have not been on deposit under the Indenture for more than 13 months, so long as the Bond Fund continues to qualify as a bona fide debt service fund as described in Section 3.2 hereof, and amounts on deposit in the Revenue Fund that have not been on deposit under the Indenture for more than 30 days to the extent such amounts are to be used to pay principal of and interest on the 2005 Bonds;

(iv) all amounts other than Sale Proceeds of the 2005 Bonds for the first 30 days after they become Gross Proceeds; and

(v) all amounts derived from the investment of Sale Proceeds of the 2005 Bonds and investment earnings thereon for a period of one year after the date received.

(c) an amount not to exceed the lesser of \$100,000 or five percent of the Sales Proceeds of the 2005 Bonds may be invested without regard to Yield restriction.

(d) The amount on deposit in the Debt Service Reserve Fund that is allocable to the 2005 Bonds under the Regulations may be invested without regard to Yield restriction to the extent it does not exceed \$_____, which is the least of the amounts computed pursuant to (i), (ii), (iii) or (iv) below:

(i) 100% of the maximum annual debt service on the 2005 Bonds;

- (ii) 125% of the average annual debt service on the 2005 Bonds;
- (iii) Ten percent of the stated principal amount of the 2005 Bonds (because the 2005 Bonds overall have a De minimis Amount of Original Issue Discount or Premium); or
- (iv) the amount required to be held in the Debt Service Reserve Fund by the Indenture, which is the amount required by the Credit Facility Provider to issue the Credit Facility as certified in *Exhibit F*.

Section 5.3. Continuing Nature of Yield Limits. Except as provided in Section 6.7, once moneys are subject to the Yield limits of Section 5.2 hereof, such moneys remain Yield restricted until they cease to be Gross Proceeds.

Section 5.4. Yield on the Loan Agreement. Payments of repayment installments under the Loan Agreement will be due on not later than the day and in the same amount as payments are due on the 2005 Bonds. The earnings and profits of any temporary investments of amounts held under the Indenture, if any, will accrue to the Borrower, not to the Issuer. The Yield on the Loan Agreement, taking into account the Issuer's fee described in Section 5.5, does not exceed the Yield on the 2005 Bonds by more than 150 basis points per annum.

Section 5.5. Other Payments Relating to the 2005 Bonds. Except for (a) the payments under the Loan Agreement as described above, (b) fees and expenses of the Trustee, (c) fees for the Credit Facility Provider (including the Surveillance Fee (as defined in the Indenture), (d) the Asset Oversight Agent's Fee (as defined in the Indenture), (e) the fees of the Remarketing Agent (as defined in the Indenture), (f) the Issuer's annual administrative fee in the amount greater of 0.10% of the aggregate principal amount of the Bonds Outstanding (as defined in the Indenture) and \$5,000 and (g) the Issuer's annual compliance fee in the amount of \$20 per unit in the Projects (to be increased annually as provided in the Indenture), no consideration, in cash or in kind, is being or will be paid by any person to any person in connection with or relating to issuing, carrying or redeeming the 2005 Bonds or issuing, carrying or repaying the Borrower's obligations under the Loan Agreement.

Section 5.6. Federal Guarantees. Except for investments meeting the requirements of Sections 5.2(b)(iii), 5.2(b)(iv) and 5.2(d) hereof, investments of Gross Proceeds shall not be made in federally insured deposits or accounts (as defined in Section 149(b)(4)(B) of the Code).

Section 5.7. Treatment of Certain Credit Facility Fees. Based upon representations made in the Certificate of the Purchaser set forth as or referenced in *Exhibit A* attached hereto, and based upon representations made in the Certificate of Credit Facility Provider set forth as or referenced in *Exhibit F* attached hereto, which the Issuer and the Borrower have no reason to believe are untrue, and the representations contained in this Tax Agreement, the fees to be paid to the Credit Facility Provider with respect to the Credit Facility may be treated as interest in computing Bond Yield.

Neither the Issuer, the Borrower nor any Related Person to either entity is a Related Person to the Credit Facility Provider. Neither the Credit Facility Provider nor any Related Person to the Credit Facility Provider will use any Sale Proceeds or investment earnings thereon. The fee paid for the Credit Facility does not exceed a reasonable, arm's length charge for the transfer of credit risk. The fee does not include any payment for any direct or indirect services other than the transfer of credit risk.

Section 5.8. Program Covenants. The Series 2005 Bonds are part of the Issuer's program to finance multifamily residential rental developments (the "Program"). In carrying out its Program, the Issuer acquires obligations of non-profit borrowers that are organizations described in Section 501(c)(3) of the Code ("501(c)(3) Organizations") and are exempt from federal income taxation under Section 501(a) of the Code, which organizations are engaged in trades or businesses that are related to their exempt purposes ("Acquired Program Obligations") to carry out the governmental purposes of bonds issued by the Issuer. At least 95% of all Acquired Program Obligations acquired under the Program, by amount of cost, are evidences of loans to 501(c)(3) Organizations. At least 95% of all amounts received by the Issuer with respect to Acquired Program Obligations will be used for one or more of the following purposes: to pay principal, interest or redemption premium on obligations issued by the Issuer in pursuance of the Program; to pay, or reimburse the Issuer for payment of, administrative costs of obligations issued pursuant to the Program or of the Program and anticipated future losses directly related to the Program; to make additional loans for the same general purposes of the Program; or to redeem and retire Issuer obligations at the next earliest possible date of redemption. Neither the Borrower nor any related person shall acquire any 2005 Bonds in any amount. In addition, neither the Borrower nor any Related Person thereto will purchase the Issuer's obligations in any amount related to the amount of the loan made under the Loan Agreement and there is no arrangement, formal or informal, to such effect.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Project Certificates. (a) The Borrower covenants that it will take all actions within its control that may be necessary to cause all representations and covenants in the Series 2002A Project Certifications and the Project Certificates with respect to future events to be true.

(b) The Borrower acknowledges that, because interest on the 2005 Bonds is excludable from gross income for federal income tax purposes, certain consequences and special rules may result to the Borrower with respect to federal income taxation of the Borrower. These consequences may include the required use of the alternative depreciation system for tax-exempt bond financed property under Section 168(g)(5) of the Code and the loss of the deductibility of interest paid with respect to the 2005 Bonds upon a "change in use" under Section 150(b) of the Code. The Borrower acknowledges that Chapman and Cutler LLP was not retained to advise and has no responsibility to advise the Borrower with respect to any of such consequences. The Borrower will consult with its own tax advisors with respect to such matters.

(c) The Issuer represents that, during the normal course of its business, it has reviewed the records of the Borrower pertaining to the compliance of the Projects with the income limits of the tenants of the Projects as set forth in Section 142(d) of the Code and the Regulatory Agreement and the Issuer represents that it has not discovered anything that would lead the Issuer to believe that the Projects were not in compliance with such limits.

Section 6.2. Termination; Interest of Issuer in Rebate Fund. This Tax Agreement shall terminate at the later of (a) 75 days after the 2005 Bonds have been fully paid and retired or (b) the date on which all amounts remaining on deposit in the Rebate Fund, if any, shall have been paid to or upon the order of the United States and any other payments required to satisfy the Rebate Provisions of the Code have been made to the United States. Notwithstanding the foregoing, the provisions of Section 4.3 hereof shall not terminate until the sixth anniversary of the date the 2005 Bonds are fully paid and retired and the provisions of Section 4.4(c) and Section 6.12 hereof shall not terminate until three years after the date the 2005 Bonds are fully paid and retired.

Section 6.3. I.R.S. Form 8038. The information contained in the Information Return for Tax-Exempt Private Activity Bond Issues, Form 8038 attached hereto as *Exhibit D*, is true and complete. The Issuer will file Form 8038 (and all other required information reporting forms) in a timely manner.

Section 6.4. Separate Issue. Since _____, 2005, neither the Issuer, the Borrower nor any Related Person to either of them has sold any obligations other than the 2005 Bonds that are reasonably expected to be paid out of substantially the same source of funds as the 2005 Bonds. Neither the Issuer, the Borrower nor any Related person to either of them will sell within 15 days after the date upon which the bonds were sold any obligations other than the 2005 Bonds that are reasonably expected to be paid out of substantially the same source of funds as the 2005 Bonds. The 2005 Bonds are not secured by a pledge of the Issuer's full faith and credit (or substantially similar pledges).

Section 6.5. No Sale of the Projects. Neither the Projects nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the 2005 Bonds.

Section 6.6. Future Events. The Issuer and the Borrower acknowledge that any changes in facts or expectations from those set forth herein may result in different Yield restrictions or rebate requirements from those set forth herein and in the memorandum of Bond Counsel attached hereto as *Exhibit B* and agree to promptly contact Bond Counsel if such changes do occur.

Section 6.7. Permitted Changes; Opinion of Bond Counsel. The Yield restrictions contained in Section 5.2 or any other restriction or covenant contained herein need not be observed or may be changed if the Issuer, the Trustee and the Borrower receive an opinion of Bond Counsel to the effect that such nonobservance or change will not result in the loss of any exemption for the purpose of federal income taxation to which interest on the 2005 Bonds is otherwise entitled. Unless the Borrower otherwise directs, such opinion shall be in such form

and contain such disclosures and disclaimers as may be required so that such opinion will not be treated as a covered opinion or a state or local bond opinion for purposes of Treasury Department regulations governing practice before the Internal Revenue Service (Circular 230) 31 CFR Part 10.

Section 6.8. Purchase of 2005 Bonds by Issuer. The Issuer will not purchase any of the 2005 Bonds except to cancel such 2005 Bonds.

Section 6.9. First Call Date Limitation. The period between the date of Closing and the first call date of the 2005 Bonds is not more than 10-1/2 years.

Section 6.10. Registered Form. Each of the Issuer and the Borrower recognizes that Section 149(a) of the Code requires the 2005 Bonds to be issued and to remain in fully registered form in order that interest thereon be exempt from federal income taxation under laws in force at the time the 2005 Bonds are delivered. In this connection, each of the Issuer and the Borrower agrees that it will not take any action to permit the 2005 Bonds to be issued in, or converted into, bearer or coupon form.

Section 6.11. First Amendment. Each of the Issuer and the Borrower acknowledges and agrees that it will not use, or allow the Projects to be used, in a manner that is prohibited by the Establishment of Religion Clause of the First Amendment to the Constitution of the United States of America or by any comparable provisions of the Constitution of the State of Texas.

Section 6.12. Records. The Issuer and the Borrower will each maintain sufficient records to demonstrate compliance with all covenants set forth herein. Such records will be maintained at least until the third anniversary of the payment in full of the 2005 Bonds, except for such longer period that may be required by this Tax Agreement.

Section 6.13. Severability. If any clause, provision or section of this Tax Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

Section 6.14. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 6.15. Notices. All notices, demands, communications and requests which may or are required to be given hereunder or by any party hereto shall be deemed given on the date on which the same shall have been mailed to the addresses and by the methods set forth in the Indenture.

Section 6.16. Successors and Assigns. The terms, provisions, covenants and conditions of this Tax Agreement shall bind and inure to the benefit of the respective successors and assigns of the parties to this Tax Agreement.

Section 6.17. Headings. The headings of this Tax Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Tax Agreement.

Section 6.18. Governing Law. This Tax Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

Section 6.19. Expectations. The undersigned have reviewed the facts, estimates and circumstances presented by the Borrower and other persons in existence on the date of the deemed reissuance of the Series 2002A Bonds as the 2005 Bonds for federal tax purposes. Such facts, estimates and circumstances, together with the expectations of the Issuer and the Borrower as to future events, are set forth in summary form in this Tax Agreement. Such facts and estimates are true and are not incomplete in any material respect. On the basis of the facts and estimates contained herein and in the Project Certificates, the undersigned have adopted the expectations contained herein. On the basis of such facts, estimates, circumstances and expectations, it is not expected that Sale Proceeds of the 2005 Bonds, investment earnings thereon or any other moneys or property will be used in a manner that will cause the 2005 Bonds to be arbitrage bonds within the meaning of the Rebate Provisions and the Regulations. Such expectations are reasonable and there are no other facts, estimates and circumstances that would materially change such expectations. To the extent the Issuer is relying on the representations, expectations and covenants of the Borrower, it is reasonable and prudent for the Issuer to do so.

DATED: September __, 2005

TEXAS STATE AFFORDABLE HOUSING
CORPORATION

By: _____
Authorized Officer

[Signature Page to Tax Agreement]

DATED: September __, 2005

AHF COMMUNITY DEVELOPMENT, LLC, a
Texas limited liability company

By: AMERICAN HOUSING FOUNDATION, a Texas
nonprofit corporation, its Sole Member

By: _____
Name: _____
Title: _____

[Signature Page to Tax Agreement]

EXHIBIT A

CERTIFICATE OF MBIA

The undersigned is an officer of MBIA Insurance Corporation ("MBIA"), and as such officer I hereby certify as follows:

1. MBIA is acquiring the Capital Area Housing Finance Corporation Multifamily Housing Revenue Bonds (Stone Brook Seniors Community Apartments) deemed reissued at par on the date hereof for federal tax purposes (the "2005 Bonds") in exchange for the Series 2002A Bonds.
2. MBIA hereby confirms that the first price at which all of the 2005 Bonds have been sold to [Securitization Vehicle] (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) is equal to par, there being no accrued interest.
3. Based upon our assessment of then prevailing market conditions, par was not greater than the fair market value of the 2005 Bonds as of the date of sale of the 2005 Bonds at Closing.
4. The present value of the fees to be paid for the Credit Facility over the term of the 2005 Bonds (using as a discount rate the expected Yield on the 2005 Bonds treating the fee paid as interest on the 2005 Bonds) is less than the present value of the interest reasonably expected to be saved on the 2005 Bonds over the term of the 2005 Bonds as a result of the Credit Facility. The fees to be paid for the Credit Facility does not exceed a reasonable, arm's-length charge for the transfer of credit risk. The fees do not include any payment for any direct or indirect services other than the transfer of credit risk.
5. The absence of the Credit Facility would have materially affected in an adverse manner the interest rates or Yields at which the 2005 Bonds were sold. The Credit Facility Provider has stated that it would not have issued the Credit Facility in the absence of the Debt Service Reserve Fund in the amount required by the Indenture. Such a requirement by credit enhancers is reasonable and customary in transactions similar to the issuance of the 2005 Bonds.
6. MBIA hereby confirms that the weighted average maturity of the 2005 Bonds is not greater than _____ years.

7. No amounts are being paid or will be paid to MBIA from the proceeds of the deemed sale of the 2005 Bonds.

[Remainder of Page Intentionally Left Blank]

All terms not defined herein shall have the same meanings as in the Tax Exemption Certificate and Agreement, to which this Certificate of MBIA is attached.

Dated: September __, 2005

Very truly yours,

MBIA INSURANCE CORPORATION

By _____
Its _____

[Signature Page to Certificate of MBIA]

MEMORANDUM

EXHIBIT B

To: Texas State Affordable Housing Corporation
AHF Community Development, LLC
Wells Fargo Bank, N.A.

DATE: September __, 2005

Re: Multifamily Housing Revenue Bonds
(MBIA Insured — American Housing Foundation Portfolio) Series 2005

We have acted as Bond Counsel in connection with the deemed reissuance on this date of the 2005 Bonds for federal tax purposes. In a Tax Exemption Certificate and Agreement delivered by you on this date (the "Tax Agreement"), you have agreed to comply with the arbitrage rebate requirements (or, in the case of Wells Fargo Bank, N.A., certain of such requirements) of Section 148 of the Internal Revenue Code of 1986. The purpose of this memorandum is to set out generally the rules that you must follow to comply with the Tax Agreement. This letter does not describe how to compute the amount to be rebated to the United States, and due to the complexity involved, the computation will, in all likelihood, require consultation with an expert.

The Internal Revenue Service has issued regulations relating to arbitrage and rebate matters. This memorandum is based upon these regulations, which are subject to change in the future. Such changes may require future recalculation of rebate amounts. For these reasons, it is very important for you and your tax advisors to keep abreast of developments in this area.

The following advice is based on factual information contained in the Tax Agreement. Please note that the rules governing permissible Yield on investments set forth in the Tax Agreement are in addition to the rebate rules and, although you might be allowed to earn a Yield in excess of Bond Yield under the Yield rules, such excess may still be required to be rebated. In some cases, the payment of rebate may assist in compliance with the Yield restriction requirements. Thus, rebate compliance and Yield restriction compliance may operate together rather than independently. In any case, rebate compliance is essential to the maintenance of tax exemption of the 2005 Bonds even if no amounts are subject to Yield restriction. Terms not defined herein shall have the meanings set forth in the Tax Agreement.

General Rule. Except in the case of certain exceptions and elections as summarized below, every five years and at the final retirement of all of the 2005 Bonds you must compute and pay (as described below) to the United States the difference (the "Excess Earnings") between the amount earned on all investments and reinvestments of "Gross Proceeds" (as defined in the Tax Agreement and listed on *Exhibit C* to the Tax Agreement) of the 2005 Bonds

(“*Actual Earnings*”) and the amount that would have been earned if Gross Proceeds had been invested at Bond Yield (the “*Allowable Earnings*”). Earnings to be taken into account are *not* determined under normal tax accounting principles. In addition to taking into account earnings received (either actually or constructively), receipts with respect to investments that have not been liquidated are computed by assuming that such investments are, in essence, converted to cash as of each computation date (as such dates are described below). The “cash value” of investments determined in this manner is subject to many special rules. Under many circumstances, the “market value” of an investment may be used. The application of these rules is complex and requires a comprehensive understanding of the rebate regulations.

To properly plan for the eventual payment of rebate to the United States, we suggest that you make annual calculations estimating rebate liability. The Tax Agreement refers to a “rebate fund” into which you may also wish to deposit annual estimates of rebate liability so that the payment to the United States may be made from amounts set aside. Federal tax law does *not*, however, require such set asides. In any event, we strongly encourage you to make an annual estimate of the rebate liability. The calculations can be lengthy and often produce surprising results. Experience in operating our rebate calculation service indicates that the calculation is far more difficult as the period of time for which the calculation is being performed increases.

Phantom Income. With certain exceptions, amounts paid for administrative costs are not treated as increasing earnings for purposes of rebate calculations. Administrative costs that do not increase earnings are reasonable, direct administrative costs, other than carrying costs, and generally include brokerage commissions for the purchase of investment agreements and separately stated brokerage or selling commissions, but not legal and accounting fees, record keeping, custody, and similar costs and expenses. The Regulations provide a safe harbor for determining that a broker’s fee for the purchase of an investment agreement is reasonable.

Computation Dates. Each calculation of Excess Earnings should be made as of a “Computation Date.” The Computation Date should be the same date in each calendar year (except that the final Computation Date should be the date on which all of the 2005 Bonds are actually retired). As indicated above, a Computation Date is required at least every five years. The first Computation Date must be on or before the fifth anniversary of the issuance of the 2005 Bonds. Each Computation Date, other than the final Computation Date, is the end of a bond year. A bond year ends on any date within one year of the issuance of the 2005 Bonds that you choose. If you do not choose an ending date for a bond year, it will be the anniversary date of the issuance of the 2005 Bonds.

Excess Earnings on a fixed Yield issue are determined by comparing Actual Earnings as of a Computation Date with Allowable Earnings as of the same date. Allowable Earnings are based on the Bond Yield as of such Computation Date. Bond Yield may change, but for reasons described below under “Bond Yield” it is unlikely to change over the life of the 2005 Bonds. If Bond Yield decreases as of a particular Computation Date, rebate (or additional rebate) may be due with respect to investments that have previously matured and the proceeds thereof spent.

Except as provided below, on a variable Yield issue, Excess Earnings are computed for the period of time between Computation Dates (or from the date of issue of the 2005 Bonds in

the case of the first Computation Date) by calculating Allowable Earnings based on Bond Yield for that period of time and comparing it with Actual Earnings for the same period. Once calculated for each such period, rebate for that period cannot change—*i.e.*, a snapshot for that period is taken and it never changes. Prior to the first date on which a rebate payment is required, you may choose to treat the end of any bond year as a Computation Date for purposes of the snapshot approach.

Bond Yield. For fixed Yield issues, generally Bond Yield is calculated based upon expected payments of principal of and interest on the 2005 Bonds (including amounts treated as interest). Bond Yield on a fixed Yield issue is generally not required to be recalculated after the date of issuance except under certain limited circumstances. Generally, recomputation is required upon changes in hedging transactions (*e.g.*, purchase or termination of a swap or cap agreement associated with the 2005 Bonds) or the transfer of rights associated with the 2005 Bonds (*e.g.*, sale of a call option). The actual rules for computing Bond Yield are quite complex, and if Bond Yield must be calculated or recalculated, an expert should be consulted.

For variable Yield issues, as discussed above, Bond Yield is computed as of each Computation Date for the period from the prior Computation Date (or from the date of issue of the 2005 Bonds in the case of the first Computation Date) to the current Computation Date, and it is based upon (a) the actual payments of principal and interest on the 2005 Bonds (including amounts treated as interest) and (b) the assumed receipt on such date of an amount equal to the value of the outstanding 2005 Bonds. As with the calculation of Yield on a fixed Yield issue, the actual rules for computing Bond Yield are quite complex and an expert should be consulted.

Generally, upon conversion of a variable Yield issue to a fixed Yield issue the Yield on the issue after the conversion date will be calculated under the fixed Yield rules discussed above. Certain special rules and elections apply upon such a conversion and an expert should be consulted.

For variable Yield issues, you may select the Computation Dates, using all information available, so as to minimize rebate liability. Such selection may be made up to the first required payment date (generally five years after the date of issue). Periods as short as one year or as long as five years may be selected. Following the selection, all subsequent periods must be one-year or five-year periods. Use of shorter periods does not accelerate rebate liability.

Gross Proceeds. Based upon the facts and expectations presented in the Tax Agreement, the Gross Proceeds are all moneys and investments in the funds and accounts (regardless of where held) listed on *Exhibit C* to the Tax Agreement. If, contrary to the expectations described in the Tax Agreement, moneys or investments are pledged or otherwise set aside for payment of principal of or interest on the 2005 Bonds, such amounts may also constitute Gross Proceeds.

Universal Cap. Gross Proceeds will cease to be allocated to the 2005 Bonds (and will therefore be treated as if spent) to the extent that the amount of Gross Proceeds exceeds the outstanding amount of the 2005 Bonds (the “*Universal Cap*”). Although special rules are applicable in the case of discount bonds, the outstanding amount of bonds is roughly equal to the outstanding principal amount. Generally, but not always, the market value of investments is

used to test the amount of Gross Proceeds. The Universal Cap may cause allocations on the second anniversary of the issue date and as of the first day of each bond year thereafter.

Commingled Funds. Funds allocated to two or more issues, or containing amounts that are not gross proceeds of the 2005 Bonds and amounts that are gross proceeds of the 2005 Bonds (including, for example, parity reserve funds) in which amounts are invested collectively without regard to source of funds must be treated as commingled funds. Investment earnings on commingled funds must be allocated to the Gross Proceeds of the 2005 Bonds according to a consistently applied reasonable ratable allocation method. Such method, for example, may be based on average daily balances. Investments in commingled funds must be valued annually to properly allocate unrealized gain or loss to the Gross Proceeds of the 2005 Bonds. This mark to market requirement will not apply if the weighted average maturity of all investments held in the commingled fund during a particular fiscal year does not exceed 18 months and does not apply to commingled debt service and debt service reserve funds.

Bona Fide Debt Service Fund Exception to the General Rule. Based upon the information in the Tax Agreement, the Bond Fund is a bona fide debt service fund. If earnings in the Bond Fund in a bond year (as described above under "Computation Dates") are less than \$100,000, they will not be subject to the rebate requirement and you may keep such earnings for that year. If during such period earnings in the Bond Fund are \$100,000 or greater, all such earnings will be subject to rebate. However, if the average annual debt service on the 2005 Bonds is no more than \$2,500,000, then you may treat the Bond Fund as satisfying the \$100,000 limitation in each bond year. In addition, the Bond Fund will be exempt from rebate if it qualifies as a bona fide debt service fund and one of the spending exceptions described below is satisfied. To the extent that the Bond Fund ceases to be a "bona fide debt service fund" as described in Section 3.2 of the Tax Agreement, some Bond Fund moneys may be subject to the rebate requirement.

Six-Month Exception to the General Rule. If all Gross Proceeds (including earnings thereon) are spent within six months of the date the 2005 Bonds are issued, other than amounts deposited in a reasonably required reserve fund or a bona fide debt service fund, no rebate is required except as described below in the case of an issue secured by a reasonably required reserve fund or in the case of unexpected Gross Proceeds arising after the date of Closing. If the 2005 Bonds are secured by a reasonably required reserve fund, rebate is required on the reserve fund from the date the 2005 Bonds are issued, but not on other funds. To qualify for the six-month exception, there must be no other amounts that are treated as Gross Proceeds of the 2005 Bonds other than a reasonably required reserve or replacement fund or a bona fide debt service fund. Even if you qualify for this exception, you may have to rebate with respect to any amounts that arise or are pledged to the payment of the 2005 Bonds at a later date.

Eighteen-Month Exception to the General Rule. If all Gross Proceeds of the 2005 Bonds, other than those in a reasonably required reserve or replacement fund, or a bona fide debt service fund, are expended in accordance with the spend-down requirements set forth below, then rebate will only be required with respect to a reasonably required reserve or replacement fund or unexpected gross proceeds arising after the date of Closing, if any.

PERIOD	SPEND-DOWN REQUIREMENT
6 months	15%
12 months	60%
18 months	100%
	(except for reasonable retainages up to 5%)
30 months	all reasonable retainages must be spent

To test these percentages for the six-month and 12-month periods, earnings reasonably expected at closing are used to calculate the total to which the percentages are applied. Actual earnings are used for the 18-month period test. If you exercise due diligence to complete the financed projects and an amount not exceeding the lesser of three percent of the issue price of the 2005 Bonds or \$250,000 remains unspent as of the end of the 18th month, you will be treated as satisfying the final expenditure requirement. If the issue is secured by a reasonably required reserve fund, rebate is required on the reserve fund from the date the 2005 Bonds are issued, but not on the other funds. To qualify for the 18-month exception, there must be no other amounts that are treated as Gross Proceeds of the 2005 Bonds other than a reasonably required reserve or replacement fund or a bona fide debt service fund. Even if you qualify for this exception, you may have to rebate with respect to any amounts that arise or are pledged to the payment of the 2005 Bonds at a later date.

Qualified Tax-Exempt Obligation Exception to the General Rule. To the extent that any Gross Proceeds are invested in Qualified Tax Exempt Obligations (as defined in Article I of the Tax Agreement), the earnings thereon would not be considered when calculating Excess Earnings. To the extent that 100% of gross proceeds are continually invested in Qualified Tax Exempt Obligations, there would be no rebate requirement.

Investment of Rebate Fund and Other Funds. Investments of moneys in the Rebate Fund and any other fund must be made in arm's-length transactions in a manner that does not reduce the amount to be rebated to the United States. Investment decisions (other than the decision to invest in Qualified Tax Exempt Obligations to avoid rebate) must be made on the basis of normal investment criteria of safety, Yield, and when the money will be needed. All interest rates and Yields must be market rates and Yields. Money must not be allowed to remain uninvested except for small amounts or for short periods of time, as provided in Section 4.4 of the Tax Agreement. Specific rules exist for certificates of deposit and investment agreements (including repurchase agreements) as set forth in Section 4.4 of the Tax Agreement.

Rebate Payments. Within 60 days after the Computation Date that is the end of the fifth bond year and every fifth bond year thereafter, at least 90% of the Excess Earnings and all earnings on the Excess Earnings (net of an appropriate credit depending on whether unexpended Gross Proceeds continue to exist) must be paid to the United States. Within 60 days of final payment of principal and interest on the 2005 Bonds to the holders of the 2005 Bonds, all Excess Earnings and all earnings on the Excess Earnings (net of the credit) must be paid to the United States.

EXHIBIT C

GROSS PROCEEDS*

Debt Service Reserve Fund

Revenue Fund (to the extent used to pay principal of or interest on the 2005 Bonds and amounts
to be transferred to the Debt Service Reserve Fund)

Capital Replacement Fund (to the extent 2005 Bond proceeds are held therein)

Tax and Insurance Fund (to the extent 2005 Bond proceeds are held therein)

Tenant Services Fund (to the extent 2005 Bond proceeds are held therein)

Residual Fund

Project Fund

Bond Fund

Costs of Issuance Fund

* If, contrary to the expectations described in the Tax Agreement, moneys or investments are pledged or otherwise set aside for payment of principal of or interest on the 2005 Bonds, any amounts are derived from the sale of any right that is part of the terms of a 2005 Bond or is otherwise associated with a 2005 Bond (*e.g.*, a redemption right), or the Issuer enters into any agreement to maintain certain levels of types of assets for the benefit of a holder of a bond or any credit enhancement with respect to the 2005 Bonds, such amounts may also constitute gross proceeds. Further, if any 2005 Bond-financed property is sold or otherwise disposed of, contrary to the expectations described in the Tax Agreement, any amounts received from such sale or other disposition may also constitute gross proceeds.

EXHIBIT D

— FORM 8038 —

[TO BE ATTACHED]

EXHIBIT E
SCHEDULE OF ELECTIONS

With regard to the 2005 Bonds, the Issuer hereby makes the elections indicated below with an "X". Any election below that has not been marked with an "X" has *not* been made:

A. Waiver of Program Investment Treatment

The Issuer hereby waives under Treas. Reg. Section 1.148-1(b) the characterization of its purpose investment as a qualified program investment. *This waiver may be made at any time.*

B. Election to Waive Temporary Periods or Reasonably Required Reserve or Replacement Fund

The Issuer hereby waives under Treas. Reg. Section 1.148-2(h) or Treas. Reg. Section 1.148-9(g) its right to invest amounts in the following funds or accounts in higher yielding investments:

This waiver applies to any exceptions to Yield restriction that might otherwise apply to such amounts for a temporary period or as part of a reasonably required reserve fund. *This election is being made on or before the issue date of the 2005 Bonds.*

C. Waiver of Minor Portion

The Issuer hereby waives under Treas. Reg. Section 1.148-2(h) or Treas. Reg. Section 1.148-9(g) described below its right to invest amounts in the funds or accounts described below in higher yielding investments as a result of any available minor portion.

This waiver may be made at any time.

D. Election to Treat Portions of the Issue Separately

The Issuer hereby elects under Section 148(f)(4)(C)(v) of the Internal Revenue Code of 1986 (the “*Code*”), and Treas. Reg. Section 1.148-7(j)(1) to treat a portion of the issue (the “*Construction Portion*”) with an issue price of \$ _____ (which portion contains 100 percent of the 2005 Bonds to be used for construction expenditures, plus an amount for non-construction expenditures, not to exceed 25 percent of the entire construction portion, with respect to property owned by a governmental unit or a Section 501(c)(3) organization and the entire remaining portion of the 2005 Bonds (other than any portion of the 2005 Bonds being used for refunding purposes) as separate issues for purposes of Section 148(f)(4)(C) of the Code and Treas. Reg. Section 1.148-7(e). The Issuer reasonably expects, as of this date, that the construction portion will finance all of the construction expenditures to be financed by the 2005 Bonds. *This election is being made on or before the issue date of the 2005 Bonds.*

E. Election to Rebate on Earnings on Reserve

The Issuer hereby elects under Section 148(f)(4)(C)(vi)(IV) of the Internal Revenue Code of 1986 (the “*Code*”), and Treas. Reg. Section 1.148-7(i)(2) to exclude from available construction proceeds earnings on the _____ (a reasonably required reserve or replacement fund) and apply the rebate requirements of Section 148(f)(2) of the Code to such earnings. *This election is being made on or before the issue date of the 2005 Bonds.*

F. Election-Out of Reasonable Expectations

The Issuer hereby elects under Treas. Reg. Section 1.148-7(f)(2) to apply the provisions of Treas. Reg. Sections 1.148-7(e) through 1.148-7(m), relating to the two-year construction expenditure rule based on actual facts rather than based on the Issuer’s reasonable expenditures. *This election is being made on or before the issue date of the 2005 Bonds (except in the case of certain in pooled financings).*

G. Election to Pay Penalty Instead of Rebate (the “1.5 Percent Penalty”)

The Issuer hereby irrevocably elects under Section 148(f)(4)(C)(vii) of the Internal Revenue Code of 1986, and Treas. Reg. Section 1.148-7(k) to pay a 1.5 Percent Penalty in lieu of rebate. *This election is being made on or before the issue date of the 2005 Bonds (except in the case of certain pooled financings).*

H. Election to Terminate 1.5 Percent Penalty After the End of the Initial Temporary Period

Under Section 148(f)(4)(C)(viii) of the Internal Revenue Code of 1986 (the “*Code*”), and Treas. Reg. Section 1.148-7(l)(1), the Issuer hereby irrevocably elects to terminate (and pay a three percent penalty in lieu thereof) the 1.5 Percent Penalty previously elected under Section 148(f)(4)(C)(vii) of the Code and Treas. Reg. Section 1.148-7(k). *This election is being made not later than 90 days after the earlier of the end of the initial temporary period or the date on which construction is substantially completed.*

I. Election to Terminate the 1.5 Percent Penalty Before the End of the Initial Temporary Period

Under Section 148(f)(4)(C)(ix) of the Internal Revenue Code of 1986 (the "Code"), and Treas. Reg. Section 1.148-7(l)(2), the Issuer hereby irrevocably elects to terminate (and pay the three percent penalty in lieu thereof) the 1.5 Percent Penalty previously elected under Section 148(f)(4)(C)(vii) of the Code and Treas. Reg. Section 1.148-7(k). The amount of available construction proceeds that will not be spent for the governmental purposes of the issue is equal to \$_____. *This election is being made before the close of the initial temporary period and not later than 90 days after construction was substantially completed.*

J. Election to Treat Certain Bonds as Part of Separate Issues.

The Issuer hereby allocates bonds to particular uses under Treas. Reg. Section 1.150-1(c)(3), so as to treat the following 2005 Bonds as part of separate issues for purposes of Sections 103, 141 through 150 of the Code, other than Sections 141(b)(5), 141(c)(1), 141(d)(1), 144(a), 148, 149(d) and 149(g):

Purpose 1:

Description of Bonds:

Purpose 2:

Description of Bonds:

The aggregate proceeds, investments will be allocated between each of the separate issues, using a reasonable consistently applied allocation method, as follows:

Each of the separate issues finance a separate purpose, and the 2005 Bonds of each portion would have been tax exempt if sold as a separate issue. The aggregate proceeds, investments, and bonds have been allocated between each of the separate issues using a reasonable, consistently applied allocation method, which does not achieve more favorable results under sections 103 and 141 to 150 than could be achieved with actual separate issues. If any of the 2005 Bonds are refunding bonds, the allocations described above meet the rules of Treas. Reg. Section 1.148-9(h). *All allocations under this election have been made in writing on or before the issue date.*

All terms not defined herein shall have the same meaning as in the Tax Exemption Certificate and Agreement with respect to the 2005 Bonds, to which this exhibit is attached.

No Elections Made
[Authorized Representative of Issuer]

EXHIBIT F

September __, 2005

Chapman and Cutler LLP
111 West Monroe Street
Chicago, Illinois 60603

Re: Texas State Affordable Housing Corporation Multifamily
 Housing Revenue Bonds (MBIA)
Insured — American Housing Foundation Portfolio) Series 2005

Ladies and Gentlemen:

In connection with the issuance of the above-referenced bonds (the “*2005 Bonds*”), we have issued the Credit Facility securing the payment of principal and interest on the 2005 Bonds. We are being paid the fees provided for in the [Agreement] (collectively, the “*Fee*”).

This letter is to advise you that (a) the Credit Facility is an unconditional obligation of us (enforceable by or on behalf of the holders of the 2005 Bonds) to pay the interest on and principal of the 2005 Bonds, (b) the Fee paid to us does not exceed our charge for the transfer of credit risk and was determined in arm’s-length negotiations, (c) no portion of the Fee represents a payment for any direct or indirect services other than the transfer of credit risk, including an indirect payment of costs of issuance, including rating agency fees, or the costs of underwriting or remarketing the Bonds or the cost of insurance for casualty to 2005 Bond–financed property, (d) we do not reasonably expect that we will be called upon to make any payment under the Credit Facility for which we will not be immediately reimbursed, (e) except for the Fee we will not (and any person related to us within the meaning of Section 144(a)(3) of the Code will not) use any portion of the 2005 Bond proceeds, (f) no entity is entitled to a refund in excess of the unearned portion of the Fee in the event a 2005 Bond is retired before the final maturity date and (g) we would not have issued the Credit Facility in the absence of the Debt Service Reserve Fund of the size and type established with respect to the 2005 Bonds.

All terms not defined herein shall have the same meaning as in the Tax Exemption Certificate and Agreement with respect to the Bonds, to which this exhibit is attached.

Very truly yours,

MBIA INSURANCE CORPORATION

By _____
Its _____

EXHIBIT G

CERTIFICATE OF REMARKETING AGENT

The undersigned is an officer of BB&T Capital Markets, which is acting as the remarketing agent (the “*Remarketing Agent*”) for the \$114,040,000 Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (MBIA Insured - American Housing Foundation Portfolio) Series 2005 deemed issued for federal tax purposes on the date hereof, and as such officer I hereby certify as follows:

1. The Remarketing Agent hereby confirms that the initial interest rate for the 2005 Bonds, as evidenced by the Certificates, was the lowest rate necessary to sell the 2005 Bonds at par at Closing, as evidenced by the Certificates.

All terms not defined herein shall have the same meanings as in the Tax Exemption Certificate and Agreement, to which this Certificate of Remarketing Agent is attached.

Dated: September __, 2005

Very truly yours,

BB&T CAPITAL MARKETS

By _____
Its _____

EXHIBIT H

ACCEPTANCE OF TRUSTEE

Wells Fargo Bank, N.A., as trustee (the “*Trustee*”), under the Trust Indenture, dated as of March 1, 2002, between the Texas State Affordable Housing Corporation (the “*Issuer*”) and Wells Fargo Bank Texas N.A., as predecessor to the Trustee, as amended pursuant to the First Amendment to Trust Indenture, dated as of May 1, 2002, and the Second Amendment to Trust Indenture dated September 1, 2005 between the Issuer and the Trustee (the “*Indenture*”), pursuant to which the Issuer is deemed to reissue its Multifamily Housing Revenue Bonds (MBIA Insured — American Housing Foundation Portfolio) (the “*Series 2002A Bonds*,” the Series 2002A Bonds, as reissued are hereby defined as the “*2005 Bonds*”), hereby agrees as follows:

1. The Trustee hereby acknowledges receipt of a Tax Exemption Certificate and Agreement (the “*Tax Agreement*”), dated September __, 2005, between the Issuer and the Borrower (as defined therein), including Exhibits A through H.

2. Other than the funds and accounts established under the Indenture, the Trustee will not establish any other fund or account with respect to or relating to the 2005 Bonds, the payment of principal or interest on the 2005 Bonds or the payment of any amount under any credit enhancement or liquidity device relating to the foregoing.

3. The Trustee shall make or cause to be made rebate payments in accordance with the written instructions of the Issuer.

4. The Trustee agrees to keep and retain the records referred to in Section 4.3 of the Tax Agreement until six years after the final maturity of the 2005 Bonds and the records referred to in Section 4.4(c) and Section 6.12 of the Tax Agreement until three years after the final maturity of the 2005 Bonds, except for such longer period that may be required by the Tax Agreement.

5. The Trustee will take, or cause to be taken, such further action as the Issuer may direct in writing in order to comply with the rebate requirements contained in Section 148(f) of the Internal Revenue Code of 1986.

6. The Trustee will perform the agreed actions only upon and subject to the express terms and conditions set forth in Article IX of the Indenture.

[Remainder of Page Intentionally Left Blank]

All terms not defined herein shall have the same meanings as in the Tax Agreement.

Dated: September __, 2005

WELLS FARGO BANK, N.A., as Trustee

By _____
Name: _____
Title: _____

[Signature Page to Acceptance of Trustee]

RESOLUTION NO. 05-_____

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Resolution Authorizing the Issuance, Sale and Delivery of Single Family Mortgage Revenue Bonds (Fire Fighter and Law Enforcement or Security Officer Home Loan Program) Series 2005B; Authorizing a Trust Indenture, an Origination, Sale and Servicing Agreement, Purchase Contract and Continuing Disclosure Agreement, Making Certain Findings and Determinations; Authorizing the Execution of Documents and Instruments Necessary or Convenient to Carry Out a 2005 Texas State Affordable Housing Corporation Fire Fighter and Law Enforcement or Security Officer Home Loan Program; and Containing Other Matters Incident and Related Thereto

WHEREAS, the Texas State Affordable Housing Corporation (the "Issuer") has been duly created and organized pursuant to and in accordance with the provisions of the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq. Vernon's Annotated Texas Civil Statutes, as amended and under the authority of Subchapter Y of Chapter 2306, Texas Government Code, as amended (the "Act"), the Issuer is authorized to establish a program to provide eligible fire fighters and law enforcement or security officers whose income does not exceed 115 percent of the area median family income, adjusted for family size, with low-interest home mortgage loans; and

WHEREAS, the Board of Directors of the Issuer has heretofore determined to adopt and implement a 2005 Texas State Affordable Housing Corporation Fire Fighter and Law Enforcement or Security Officer Home Loan Program (the "Program") to provide eligible fire fighters and law enforcement or security officers meeting the requirements of the Act with low interest home mortgage loans; and

WHEREAS, section 103(a) and section 143 of the Internal Revenue Code of 1986, as amended (the "Code"), provide that the interest on obligations issued by or on behalf of a state or a political subdivision thereof the proceeds of which are to be used to finance owner-occupied residences shall be exempt from federal income taxation if such issue meets certain requirements set forth in said section 143; and

WHEREAS, in order to carry out the Program, the Issuer, Wells Fargo Bank, National Association (the "Trustee"), CitiMortgage, Inc., as Servicer/Administrator (the "Servicer/Administrator") and various commercial lending institutions doing business in the State of Texas (the "Participants"), propose to enter into an Origination, Sale and Servicing Agreement (the "Agreement"), pursuant to which: (a) the Issuer will indicate its intent to issue its bonds in an amount sufficient to enable the Issuer to refund certain of its outstanding Single Family Mortgage Revenue Bonds (Professional Educators, Fire Fighters And Police Officers Home Loan Program) Series 2004A associated with fire fighters and police officers in the outstanding principal amount as determined by the President of the Issuer (the "Prior Bonds") and acquire Government National Mortgage Association mortgage-backed certificates (the "GNMA Certificates") and Fannie Mae mortgage-backed securities (the "Fannie Mae Certificates") each backed by certain qualified home mortgage loans made to eligible fire fighters and law enforcement or security officers (the "Mortgage Loans"); (b) the Trustee has agreed to disburse funds on behalf of the Issuer to acquire the GNMA Certificates and the

Fannie Mae Certificates and to perform certain other duties in connection with the Program; (c) the Servicer/Administrator has agreed to accept general responsibility for monitoring the Participants' performance, preparing certain periodic reports, and performing certain other duties, including servicing the Mortgage Loans, in connection with the Program; (d) the Participants have agreed to originate and sell the Mortgage Loans; and (e) the Issuer, the Trustee, and the Servicer/Administrator and the Participants each agree to perform certain actions and to follow reasonable procedures to ensure compliance with Section 143 of the Code and the Act; and

WHEREAS, the Program has been designed to provide down payment and closing cost assistance to the mortgagors as provided in the Agreement; and

WHEREAS, the Issuer believes that the addition of the down payment assistance feature and the interest rate or rates associated with the Mortgage Loans will make the Program attractive to potential mortgagors; and

WHEREAS, in order to carry out the Program, the Board of Directors of the Issuer has determined that the Issuer shall issue its Single Family Mortgage Revenue Bonds (Fire Fighter and Law Enforcement or Security Officer Home Loan Program) (the "Bonds"), in the maximum aggregate principal amount of not to exceed \$25,000,000 pursuant to and as generally described in one or more Trust Indentures prepared in connection with the issuance of the Bonds (the "Indenture"), by and between the Issuer and the Trustee, thereby making funds available for refunding certain of the Prior Bonds and for acquiring GNMA Certificates and Fannie Mae Certificates, all under and in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Issuer further proposes to sell the Bonds, upon the issuance thereof, to RBC Dain Rauscher Inc. and any associates designated in the Purchase Contract hereinafter defined (collectively, the "Purchaser") all as referenced in the Purchase Contract between the Issuer and the Purchaser (the "Purchase Contract"); and

WHEREAS, there have been presented to the Issuer and its advisors proposed forms of each of the following and all of which comprise a part of this Resolution:

1. the Indenture;
2. the Agreement; and
3. the Continuing Disclosure Agreement by and between the Issuer and the Trustee (the "Disclosure Agreement").

WHEREAS, the Issuer finds the form and substance of the above-listed documents (hereinafter, collectively the "Bond Documents") to be satisfactory and proper and finds the recitals with regard to the Issuer contained therein to be true, correct and complete and hereby determines to proceed with the issuance and sale of the Bonds to carry out the Program, the execution of such documents and the taking of such other actions as may be necessary and appropriate in connection therewith; and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TEXAS STATE AFFORDABLE HOUSING CORPORATION:

Section 1. Approval of Program. That the Issuer hereby expresses its intent to implement the Program, as described more fully in the Agreement, under which the Trustee, on behalf of the Issuer, will acquire GNMA Certificates and Fannie Mae Certificates, backed by mortgages on residences in the State of Texas owned and occupied by eligible fire fighters and law enforcement or security officers.

Section 2. Public Purposes of Program and Bonds. That the Issuer hereby finds, determines, recites and declares that the adoption and implementation of the Program, including the down payment assistance and the interest rate or rates to be borne by the Mortgage Loans, and the issuance of the Bonds will promote the public purposes set forth in the Act, including, without limitation, assisting eligible fire fighters and law enforcement or security officers in acquiring and owning adequate, safe and sanitary housing.

Section 3. Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds in one or more series in the maximum aggregate principal amount of not to exceed \$25,000,000 is hereby authorized, all under and in accordance with the Indenture, and that, upon execution and delivery of the Indenture, the officers of the Issuer are each hereby authorized to execute and attest the Bonds and to deliver the Bonds to the Trustee for authentication all as provided in the Indenture. The Bonds shall mature on the date or dates and in the amounts, shall bear interest and shall be subject to redemption prior to maturity on the date or dates and in the amounts as specified in the Indenture.

Section 4. Approval, Execution and Delivery of the Indenture. That the Indenture, in substantially the form and substance as presented to the Board of Directors at the meeting at which this Resolution was considered, with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer (upon the advice of bond counsel to the Issuer), as evidenced by the execution of the Indenture by said Chairperson, Vice Chairperson, President or Executive Vice President, is hereby approved and that the proper officers of the Issuer are each hereby authorized and directed to execute and attest the Indenture and to deliver the Indenture to the Trustee.

Section 5. Approval, Execution and Delivery of the Agreement. That the Agreement in substantially the form and substance of the Agreement presented to the Board of Directors at the meeting at which this Resolution was considered, with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer (upon the advice of bond counsel to the Issuer), as evidenced by the execution of the Agreement by said Chairperson, Vice Chairperson, President or Executive Vice President, is hereby approved and that the proper officers of the Issuer are each hereby authorized and directed to execute and attest the Agreement and to deliver the Agreement to the Trustee, the Servicer/Administrator and each Participant.

Section 6. Purchase Contract and Sale of Bonds. That the sale and delivery of the Bonds to the Purchaser, upon the terms and conditions set forth in a purchase contract between the Issuer and a bond purchaser named therein (the "Purchaser") is hereby authorized and approved. The Bonds shall be sold to the Purchaser at the purchase price specified in the Purchase Contract. The Issuer hereby authorizes the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer, either individually or in any combination of such officers, for and on behalf of the Issuer, to determine the actual Purchaser and the terms of the Purchase Contract and to execute and deliver the Purchase Contract. Upon execution by the parties thereto and delivery thereof, the Purchase Contact shall be binding upon the Issuer in accordance with the terms and provisions thereof. In addition, the officers of the Issuer are

each authorized and directed to execute any necessary certificates evidencing approval of any or all of the matters set forth in this Section 6. In the event it becomes necessary to engage any other investment banking firm or investment banking firms to assist in the sale of the Bonds, the President or the Executive Vice President of the Issuer shall be and hereby is authorized to engage the services of any such investment banking firm or firms.

Section 7. Approval, Execution and Delivery of the Disclosure Agreement. That the Disclosure Agreement, in substantially the form and substance of the Disclosure Agreement presented to the Board of Directors at the meeting at which this Resolution was considered, with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer (upon the advice of bond counsel to the Issuer), as evidenced by the execution of the Disclosure Agreement by said Chairperson, Vice Chairperson, President or Executive Vice President, is hereby approved and that the proper officers of the Issuer are each hereby authorized and directed to execute and attest the Disclosure Agreement and to deliver the Disclosure Agreement to the Trustee.

Section 8. Approval, Execution, Use and Distribution of Offering Document. The Board hereby authorizes and approves the preparation of a Preliminary Official Statement and the changes to the Preliminary Official Statement which will result in the final Official Statement proposed to be delivered in connection with the sale of the Bonds (the "Official Statement"), in substantially the form and substance approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer (upon advice of bond counsel to the Issuer) as evidenced by their execution thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer is hereby authorized and directed, for and on behalf of the Issuer, to execute the Preliminary Official Statement and the Official Statement. Delivery to the Purchaser of the Preliminary Official Statement and the Official Statement is hereby authorized.

Section 9. Redemption of Prior Bonds. That the redemption of the Prior Bonds which are being refunded by the issuance of the Bonds shall be accomplished within 90 days of the date of issuance of the Bonds, it being anticipated that such redemption shall take place on or before December 1, 2005 and notice of such redemption shall be given in accordance with the trust indenture associated with the Prior Bonds.

Section 10. Execution and Delivery of Other Documents. That the officers of the Issuer are each hereby authorized to consent to, accept, execute and attest such other agreements, investment agreements, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, offering documents, letters of instruction, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, the Program, the issuance, sale and delivery of the Bonds and the redemption of the Prior Bonds.

Section 11. Power to Revise Form of Documents. That, notwithstanding any other provision of this Resolution, the Chairperson, Vice Chairperson, President, Executive Vice President, Secretary and any Assistant Secretary of the Issuer are each hereby authorized to make or approve such revisions in the form of the Bond Documents as, in the opinion of bond counsel, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution and the Program.

Section 12. Delegation to President or Executive Vice President. The President and Executive Vice President of the Issuer, either individually or jointly, are hereby authorized to

approve the principal amount and maturity of the Bonds to be issued pursuant to this Resolution, to establish the interest rate or rates to be borne by the Bonds, provided, however, that the interest rate shall never exceed 15% per annum, and to determine the rate on the Mortgage Loans, provided however, that such rate shall not exceed 10% per annum. The President and Executive Vice President of the Issuer, either individually or jointly, are further authorized to engage the services of consultants that may be needed, in the opinion of such officer, to fully complete the issuance and delivery of the Bonds.

Section 13. Ratification of Certain Prior Actions. That all prior actions taken by or on behalf of the Issuer in connection with the Program and the Bonds, are hereby authorized, ratified, confirmed and approved.

Section 14. Purposes of Resolution. That the Board of Directors of the Issuer has expressly determined and hereby confirms that the issuance of the Bonds and the implementation of the Program accomplish a valid public purpose of the Issuer by assisting eligible fire fighters and law enforcement or security officers in the State of Texas to obtain adequate, safe and sanitary housing, thereby promoting the public health, welfare and safety for fire fighters and law enforcement or security officers in the State of Texas.

Section 15. Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Issuer payable solely from the revenues, funds and assets pledged under the Indenture to secure payment of the Bonds and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Issuer.

Section 16. Obligations of Issuer Only. That the Bonds and the interest thereon shall not constitute an indebtedness, liability, general, special or moral obligation or a pledge or loan of the faith or credit or taxing power, within the meaning of any constitutional or statutory provision whatsoever, of the State of Texas or any other political subdivision or governmental unit of the State of Texas.

Section 17. Conflicting Prior Actions. That all orders, resolutions, or any actions or parts thereof of the Board of Directors of the Issuer in conflict herewith are hereby expressly repealed to the extent of any such conflict.

Section 18. Authorization of Investment. That the Board of Directors of the Issuer hereby authorizes the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer to direct the Trustee to invest any funds received by the Trustee pursuant to the Indenture in Investment Securities specified in the Indenture.

Section 19. Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

[Remainder of page intentionally left blank]

PASSED, APPROVED AND EFFECTIVE this September 9, 2005.

TEXAS STATE AFFORDABLE HOUSING
CORPORATION

Chairperson

ATTEST:

Secretary

Guidelines for the Texas State Affordable Housing Corporation 2006 Private Activity Bond Program

INTRODUCTION

The Texas State Affordable Housing Corporation (the “Corporation”) will be soliciting proposals for multifamily housing properties seeking to use private activity bond cap in the calendar year 2006. All potential Respondents (“Respondents”) are urged to submit complete proposals as early during the acceptance period as possible to ensure adequate review time.

Background – Private activity bonds to finance qualified residential rental facilities are subject to the limitations imposed by federal and state regulations pertaining to private activity bond cap (“volume cap”). In the 78th Regular Session (2003), the Texas Legislature passed S.B. 284, which, among other purposes, awarded 10 percent (10%) of the State’s multifamily volume cap to the Corporation. For 2006, that amount is estimated to be approximately \$40 million.

Although volume cap is limited, the Corporation encourages proposals from developers of new and existing multifamily properties and will use its best efforts to provide bond financing to as many qualified properties as reasonably feasible in target areas identified by the Corporation. A Request for Proposals (“RFP”) procedure has been designed to establish a process for inviting, evaluating, and selecting qualified tax exempt residential rental facilities seeking allocations of volume cap in 2006.

PROGRAM OUTLINE

Research and Identification of Targeted Areas– The Corporation’s Board of Directors (“Board”) will identify specific areas of housing need across the state where the allocations will be targeted. The Corporation must be able to identify specific affordable housing needs and verify local community support for any potential affordable housing development. This will be achieved by:

1. Coordinating with the Texas Department of Housing and Community Affairs (“TDHCA) and other state and federal agencies and reviewing relevant needs assessment;
2. Soliciting information regarding housing needs from local and regional housing organizations;
3. Researching information on a statewide and national level to identify affordable housing trends and solutions to meeting the needs of targeted areas in Texas;
4. Consulting with the appropriate local political entities and their representatives (e.g. city council, mayor, county commissioner, county judge, etc.);
5. Meeting with experienced affordable housing developers in the state and recognized professionals in the industry to determine target areas of housing need in their areas of expertise

Proposed 09-9-05

The Corporation may also specify the most appropriate development characteristics for each targeted area. This may include, but is not limited to, income levels, special needs population served, project amenities, and social services.

Request for Proposals – Once the Corporation has identified targeted areas of housing need and development characteristics, an RFP will be issued for each targeted area. The required development characteristics, or technical specifications, and submission deadline for each targeted area will be set forth in its respective RFP. RFP's may be issued at different times during the year with the last response deadline being no later than April 1, 2006.

Evaluation and Allocation – The Corporation will accept proposals in response to the RFPs during a specified submission period. Each proposal will be evaluated and scored, with the highest ranking proposals being presented to the Corporation's Board for approval. There is no assurance that the Corporation will select a proposal in each targeted area, even if the Corporation receives proposals for housing developments in each targeted area. The Corporation may approve more than one proposal in a particular targeted area. If there is more than one RFP issued by the Corporation, the available amount of PAB allocation will initially be divided equally among each RFP. If one targeted area is oversubscribed a waiting list will be determined based upon highest score. After the final RFP submission deadline, if no responses have been received or the recommended amount of allocation does not use all the money in that specific RFP, the Corporation will reallocate any remaining funds to the next highest scoring response in any of the targeted areas of need. This may result in a disproportionate amount of funds being allocated in one area depending upon RFP response.

PROGRAM DEADLINES

Time deadlines (as and if amended) for the proposal evaluation and selection process will be strictly adhered to by the Corporation. Respondents are advised to evaluate their financing goals and development preparedness **prior to** applying for private activity bond volume cap. The Corporation will reject proposals not meeting the minimum technical specifications or otherwise failing to evidence an ability to meet each of the deadlines set forth below. **The current schedule for the process is shown below. The Corporation may amend this schedule by posting the revised schedule on its website (www.tsahc.org).**

August/October 2005	The Corporation's Staff conducts research to determine specific areas of housing need.
September 2005	The Corporation's Board publishes the 2006 PAB Guidelines for comment.
October 2005	The Corporation's Board adopts the 2006 PAB Guidelines, designates the target areas for the 2006 program year and approves the issuance of RFP's for each targeted area.
October 05/January 06	The Corporation issues RFP's for specific targeted areas.

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January/April 2006	Proposals must be received by the Corporation according to the deadline set out in each respective RFP.
January/April 2006	Proposals are evaluated, scored, and ranked by the Corporation's Staff. High Scoring Respondents will be notified to appear at the Corporation's next scheduled Board meeting. Respondents with the highest ranking proposals make oral presentations to the Corporation's Board;
April 2006	Corporation selects Developments that it intends to fund in 2006 (if any), plus one (1) alternate for each targeted area (where possible).
April/May 2006	Respondents and Corporation conduct public hearings.
June 2006	Corporation provides public comment to the Board and requests inducement resolutions for the selected developments that it intends to fund in 2006.
July/August 2006	Corporation staff submits list of inducements to the Texas Bond Review Board.
August 15, 2006	Last date to procure volume cap from the Texas Bond Review Board; Texas Bond Review Board recaptures any unreserved allocations

Once the Corporation provides a preliminary allocation of volume cap for a housing development, the Respondent must work with the Corporation to issue bonds within the time frames set forth above and in Appendix B to the Corporation's RFP. Failure to finalize all aspects of development and bond financings within this time period and to submit all required pre-closing and closing documentation to the Corporation will result in recapture of the allocation. Respondents are advised to review funding sources, commitments and financing structures to ensure they can meet these deadlines for year 2006 submissions. In addition to meeting all requirements relating to private activity bonds set forth in the Internal Revenue Code, as amended, developments using federal Low Income Housing Tax Credits ("LIHTC") in their financing plan must also meet all requirements of Section 42 of the Code, as amended, the United States Fair Housing Act, and all applicable State of Texas laws pertaining to multifamily housing.

While the amount of volume cap available from the Corporation for multifamily developments is limited, the Corporation does encourage applications from multifamily developers and will use its best efforts to fund as many qualified projects as are reasonably feasible. Respondents are advised that the allocation of funds will be competitive and otherwise qualified developments may not receive funding due to the limited amount of available volume

cap. Any and all costs incurred in this RFP process are the sole responsibility of the Respondent. **Fees charged by the Corporation and its financing team for review of applications are nonrefundable.**

Bond allocations made available under this program are limited to residential rental facilities that meet all relevant qualifications of the Code. Such facilities may involve the rehabilitation of existing rental facilities, new construction of facilities, modernization of public housing facilities, and construction of qualified ‘assisted living’ housing.

SUBMISSION OF PROPOSALS

The following is a list of the information and documents that must be submitted to the Corporation with a proposal in response to one of the Corporation’s Request for Proposals (“RFP”). Additional information will be required. This additional information will be specified in each respective RFP, and as may be required by the Corporation’s Board of Directors, staff, Bond Counsel, or the Financial Advisor.

1. Title page.
2. A summary of the proposed transaction. Describe the proposed Development in detail, including how the Development will meet the specifications set forth in the Detailed Development Description in the RFP and how the Development will meet the Income Structure and Use Restrictions set forth in the RFP. Respondents should also submit cost per unit calculations, including the assumptions that were made to make those calculations.
3. A location map showing the location and approximate outline of the tracts involved.
4. A zoning map showing the existing zoning of the property and surrounding areas, demonstrating that the project, as proposed, is zoned for the intended use.
5. If already submitted, a copy of the application to the Texas Department of Housing and Community Affairs for LIHTC.
6. Evidence that the Respondent either (i) owns the site for the proposed Development or (ii) has a contract or an option to purchase the Development site covering the time period that the application is under review or that has an “option to extend” clause covering the same time period .
7. Audited financial statements of the Respondent for the last three years. These statements should demonstrate the financial capacity of the Respondent, or the entity that would most likely be responsible for executing all applicable guarantees, and must show a net worth sufficient to provide the necessary resources to construct, operate, and manage the Development. The Respondent shall fully explain any negative audit findings. Provide the names of three banks or other financial institutions that can provide business references and the names and telephone numbers of contact persons. Respondents should be aware that the Corporation is subject to the provisions of the Texas Public Information Act, and that information received by the Corporation may be subject to open records requests.

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8. An estimated schedule of construction or rehabilitation. If the proposal is for acquisition/rehabilitation, a physical condition assessment report (“PCA”) must be submitted. The PCA must not be older than 6 months prior to the application date.
9. Photographs of the site of the proposed Development.
10. Evidence of local support for the Development from the City in the form of a resolution by the city council and/or county commissioners court. Each RFP will specify the evidence of local support that will be required.
11. Submit a market study showing the need in the area for additional or rehabilitated affordable housing as proposed.
12. Submit a proposed fee structure expressed as a percentage of development costs or construction costs, as appropriate. The proposed fees should include the amount and timing of payment of the developer fee, overhead, contractor profit, property management fee, and other similar fees and costs.
13. Provide an organizational chart of the proposed ownership structure and identify the various legal entities to be involved in the construction, ownership, operation, and management of the improvements and the nature of their involvement. With respect to the development entity and/or the management agent, a precise description of any joint venture arrangements, including respective equity and decision making interests shall be provided. Describe the roles and responsibilities of each team member on this Development and provide resumes that include qualifying experience. Provide certification by the Respondent stating the nature of any relationship, business or otherwise, (for example, common or related board members) between or among the team members, including the Respondent, the proposed management company (if acquisition), the seller(s) of the land on which the Development will be built, the underwriter or placement agent, and any other party related to the transaction.
14. Certification by the Respondent and Respondent’s principal(s) that they are in good standing with the Corporation, TDHCA, and the City, do not have any outstanding compliance issues with the Corporation, TDHCA, or the City, and have not had any compliance issues in the last three years, or full disclosure of any problems and issues. As part of the evaluation process, the Corporation will request information from TDHCA’s Compliance Division and review any internal compliance records on each principal of the Applicant.
15. Certification by the Respondent and any underwriter or placement agent for the bonds stating that they have read and understand the Corporation’s Guidelines and the RFP acknowledging (a) that all exceptions to the Guidelines and RFP must be requested in writing by the Applicant with an explanation of the need for the exception, (b) that all exceptions to the Guidelines and RFP are subject to the review and/or approval by the Board of Directors of the Corporation, and (c) that complying with the Guidelines and RFP does not guarantee approval of the transaction by either the Corporation’s Board of Directors or the Texas Bond Review Board.

16. Certification by the Respondent and Respondent's principal(s) that they have not been involved during the past five years and are not currently involved in litigation regarding the development and/or financing of a property under the Corporation's or TDHCA's multifamily bond programs, the LIHTC program, or any City program, or full disclosure of any litigation.
17. Certification by the Respondent and Respondent's principal(s) that they do not have outstanding issues with the Internal Revenue Service regarding tax-exempt bond financed or LIHTC properties, or full disclosure of any outstanding issues.
18. If applicable, describe and provide supporting evidence (e.g., Historically Underutilized Business Certification) of the status as a minority business enterprise (MBE) and/or women owned business enterprise (WBE), or, if applicable, describe your firm's history of utilizing MBEs and WBEs.
19. Describe past experience working on affordable housing developments with TDHCA, the Corporation, and local government entities, including cities or local housing finance corporations. Include a description of the work, and name and telephone number for a contact representative at each (maximum of 4 examples for each government entity with which you worked).
20. Describe experience in the development of similar affordable housing developments. Include the name and address of the property(s), property description, description of the participation of the Respondent, LIHTC allocation year (if applicable), and the name and telephone number of a reference person for each property (maximum of 4 examples).
21. Describe experience in the development of properties using tax-exempt bond financing and/or LIHTC. Include the name and address of the property(s), property description, whether new construction or acquisition and rehabilitation, whether 9% or 4% LIHTC and allocation year, description of the participation of the Respondent, identification of any participation by a housing- related nonprofit or City or other public entity where the property is located, and the name and telephone number of a reference person(s) for each property (maximum of 4 examples of properties completed using both LIHTC and tax-exempt bond financing, and if no properties completed using both financing methods, list a maximum of 4 properties completed using either tax-exempt bond financing or LIHTC and specify which was used).
22. Submit a schedule of Sources and Uses of Funds. The Sources and Uses schedule should identify by name all companies or individuals to receive payments, including, but not limited to, developer's fees, real estate commissions, underwriting fees, operating working capital (if any) and borrower's working capital(if any), and should specify whether the payments will be from bond proceeds or other proceeds. Submit also a general Development and Operating Proforma that presents the primary elements of the Development and operating costs, as well as the necessary operating projections for the Development. It is understood that these are preliminary estimates. For the estimate, the Respondent should assume that the Development will pay all ad valorem taxes.

The narrative of the financing plan should clearly identify the amount of the Corporation or City resources that are needed to make the Development financially feasible as well as the amount of tax-exempt volume cap allocation and Low-Income Housing Tax Credits and other private resources that will likely be available for the Development. The plan should also identify any anticipated cash investment by the Respondent.

The financing plan should include an initial proforma and a reasonably detailed 10-year projected operating budget in balance. The development proforma should show all sources and uses of development funds and reasonably detailed explanation for development costs, including all fees for professional services, working capital, and other expenses. The 10-year proforma should show rents or other payments for each distinct type of housing unit. It should also break operating expenses into typical, separate categories. Trending assumptions should be clearly stated and documented. A Year One Operating Budget must be included.

23. Provide a list of all properties for which the Respondent or Respondent's principals have received TDHCA housing construction or rehabilitation funding. Please list the property name, the name of the legal owner of the property, the type of funding, and the city where the property is located.

24. Income and Rent Restrictions.

At a minimum, all proposals will be required to meet the following income and rent restrictions:

- (a) Minimum Income Restrictions. A minimum of twenty percent (20%) of the units in a Qualified Residential Rental Project must have Gross Rents that are restricted to households with incomes no greater than fifty percent (50%) of the Area Median Income, adjusted for family size, or at least forty percent (40%) of the units in the project must be affordable to families with incomes at or below 60 percent (60%) of median family income, adjusted for family size.
 - (b) Rent Restrictions. Gross monthly rent charged on an income restricted unit will not exceed 30% of the applicable area median income including utility allowances for each unit size.
 - (c) Minimum Term of Restrictions. Income and rent restrictions must be maintained for a qualified project period to be determined in accordance with federal and state law.
25. All applications must comply with the TDHCA Qualified Allocation Plan and Rules pertaining to the Low Income Housing Tax Credit Program in effect at the time of application in order to apply for 4% tax credits.

PROPOSAL EVALUATION AND SELECTION PROCESS

Upon compliance with the response requirements set forth in the RFP, the Corporation will conduct a preliminary review of all Responses. If all of the Response requirements are met and the proposed Development meets the Corporation's purposes and guidelines, the Development will be scored by the Corporation in accordance with the criteria identified in Appendix A to the RFP. The Applicant will be notified in writing of any deficiencies identified in the application and will be provided a timeframe to correct noted deficiencies. If the deficiencies are not corrected to the satisfaction of the Corporation within the allotted timeframe, the application will be terminated and the alternate application will be underwritten.

The Corporation's Board of Directors will have an opportunity to call any Respondent before the Board (at the Board's discretion) to review the following items:

- The amount of volume cap that will reasonably support the financing structure (recognizing the limits of the Corporation's allocation);
- Evidence of community support for the Development;
- Qualifications of Development team;
- Evidence of financial feasibility of the Development and cost efficiency of bond financing structure – The Corporation reserves the right to impose a cap on any volume cap requests;
- Evidence of commitment of all long term development financing sources;
- Evidence of long term affordability of rents for persons with low income;
- Evidence and support of adequate market for the units;
- Demonstration that the Development will not adversely impact existing affordable housing properties in the identified market area; and
- Other information relating to the RFP, the proposed Development, or the Respondent.

The Corporation reserves the right in its sole discretion to modify, suspend or amend this program at any time, with or without further notice to any interested party. All costs incurred in the response or development process are the sole responsibility of the Respondent. All decisions of the Corporation are subject to such additional conditions, restrictions and requirements as determined by the Corporation in its sole discretion. In addition, the Corporation's selection of Developments for possible allocation of private activity bond cap is subject to final allocation approval by the Texas Bond Review Board.

At the same Board meeting at which oral presentations are made, the Board may select Development(s) and alternate Developments based on the final scores of the Responses. **The Corporation reserves the right not to approve any Responses, even one that is awarded the most points in the initial or final scoring of the Responses.** The Corporation also reserves the right to approve more than one Response. After being chosen, Respondent(s) will need to hold the required TEFRA hearings.

At the Board's next meeting following the TEFRA hearing for a Development, the Board may take preliminary official action to adopt an inducement resolution evidencing the

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Corporation's intent to issue obligations with respect to the Development, if all the requirements set forth herein are met and the public comment at the TEFRA hearings shows sufficient support for the Development. In order for the Corporation to take preliminary official action, the preliminary review of the Response must demonstrate with reasonable certainty that:

- (a) the Response, the obligations, and the Development will qualify for final approval by the Corporation in accordance with the RFP and the requirements set forth in Appendix B; and
- (b) all governmental approvals with respect to the obligations, the LIHTC, and the Development will be obtained.

If the Corporation does not grant preliminary approval of the Response, the Corporation will so advise the Respondent.

Any preliminary official action of the Corporation should not be construed as an indication as to the marketability of obligations, or as the final approval of the Development by the Corporation, its Financial Advisor or Bond Counsel. Rather, it is an indication that the Corporation will attempt to issue its obligations for the Development subject to, (i) a readiness to proceed by the Respondent with financing structure approval process, (ii) the Respondent's continuing compliance with these Regulations and cooperation in providing any and all requested information to the Corporation, (iii) approval by the Texas Bond Review Board of the sale of obligations, (iv) market conditions and terms acceptable to the Corporation and to its staff and consultants, and (v) acceptable evidence of local support for the Development and approval by the Texas Attorney General of the issuance of the obligations.

AFTER THE CORPORATION'S ADOPTION OF THE INDUCEMENT RESOLUTION, IT IS THE RESPONDENT'S RESPONSIBILITY TO PROCEED WITH REASONABLE DISPATCH TO COMPLETE THE BOND FINANCING PROCESS IN A TIMELY MANNER, INCLUDING, BUT NOT LIMITED TO, THE PAYMENT OF ANY FEE DEPOSITED AND THE PROVISION OF REQUIRED INFORMATION, DOCUMENTS, ETC. NECESSARY TO PROCEED.

Guidelines for the Texas State Affordable Housing Corporation 20052006 Private Activity Bond Program

INTRODUCTION

The Texas State Affordable Housing Corporation (the “Corporation”) will be soliciting proposals for multifamily housing properties seeking to use private activity bond cap in the calendar year 20052006. All potential Respondents (“Respondents”) are urged to submit complete proposals as early during the acceptance period as possible to ensure adequate review time.

Background – Private activity bonds to finance qualified residential rental facilities are subject to the limitations imposed by federal and state regulations pertaining to private activity bond cap (“volume cap”). In the 78th Regular Session (2003), the Texas Legislature passed S.B. 284, which, among other purposes, awarded 10 percent (10%) of the State’s multifamily volume cap to the Corporation. For 20052006, that amount is estimated to be approximately \$3940 million.

Although volume cap is limited, the Corporation encourages proposals from developers of new and existing multifamily properties and will use its best efforts to provide bond financing to as many qualified properties as reasonably feasible in target areas identified by the Corporation. A Request for Proposals (“RFP”) procedure has been designed to establish a process for inviting, evaluating, and selecting qualified tax exempt residential rental facilities seeking allocations of volume cap in 20052006.

PROGRAM OUTLINE

Research and Identification of Targeted Areas– The Corporation’s Board of Directors (“Board”) will identify specific geographic areas of housing need across the state where the allocations will be targeted. There is no predetermined number of target areas. A targeted areaThe Corporation must be able to demonstrate measurable local identify specific affordable housing needs and verify local community support for any potential affordable housing development. This will be achieved by:

1. Reviewing the Affordable Housing Questionnaire responses and related correspondence received from the survey sent for the 2004 PAB program year; Coordinating with the Texas Department of Housing and Community Affairs (“TDHCA) and other state and federal agencies and reviewing relevant needs assessment;
2. Approaching the cities that expressed an interest in 2004 in participating in the 2005 PAB program; Soliciting information regarding housing needs from local and regional housing organizations;
3. Sending a letter to all mayors and housing directors in cities with a population of 10,000 or more that are registered with the Texas Municipal League and to all county judges of counties registered with the Texas County Progress Directory to explain the program and solicit participation in the 2005 program; Researching information on a statewide and

national level to identify affordable housing trends and solutions to meeting the needs of targeted areas in Texas;

4. Referencing the Texas Department of Housing and Community Affairs' Annual Report on Housing Need;
5. Consulting with the appropriate local political entities and their representatives (e.g. city council, mayor, county commissioner, county judge, etc.) located within each geographic area.);
5. Meeting with experienced affordable housing developers in the state and recognized professionals in the industry to determine target areas of housing need in their areas of expertise

The Corporation may also specify the most appropriate development characteristics for each targeted area. This may include, but is not limited to, income levels, special needs population served, project amenities, and social services.

Request for Proposals – Once the Corporation has identified each targeted geographic areaareas of housing need and its appropriate development characteristics, an RFP will be issued for each targeted area. The required development characteristics, or technical specifications, and submission deadline for each targeted area will be set forth in its respective RFP. RFP's may be issued at different times during the year with the last response deadline being no later than April 1, 2006.

Evaluation and Allocation – The Corporation will accept proposals in response to the RFPs during a specified submission period. Each proposal will be evaluated and scored, with the highest ranking proposals being presented to the Corporation's Board for approval. There is no assurance that the Corporation will select a proposal in each targeted area, even if the Corporation receives proposals for housing developments in each targeted area. The Corporation may approve more than one proposal in a particular targeted area. If there is more than one RFP issued by the Corporation, the available amount of PAB allocation will initially be divided equally among each RFP. If one targeted area is oversubscribed a waiting list will be determined based upon highest score. After the final RFP submission deadline, if no responses have been received or the recommended amount of allocation does not use all the money in that specific RFP, the Corporation will reallocate any remaining funds to the next highest scoring response in any of the targeted areas of need. This may result in a disproportionate amount of funds being allocated in one area depending upon RFP response.

PROGRAM DEADLINES

Time deadlines (as and if amended) for the proposal evaluation and selection process will be strictly adhered to by the Corporation. Respondents are advised to evaluate their financing goals and development preparedness **prior to** applying for private activity bond volume cap. The Corporation will reject proposals not meeting the minimum technical specifications or otherwise failing to evidence an ability to meet each of the deadlines set forth below. **The current schedule for the process is shown below. The Corporation may amend this schedule by posting the revised schedule on its website (www.tsahc.org).**

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<u>August/September 2004</u>	The Corporation's Staff reviews 2004 questionnaire responses and approaches cities that have expressed an interest in the 2005 PAB program.
<u>August/October 2005</u>	The Corporation's Staff conducts research to determine specific areas of housing need.
<u>September 2005</u>	The Corporation's Board publishes the 2006 PAB Guidelines for comment.
<u>September 2004</u> <u>October 2005</u>	The Corporation's Board <u>publishes</u> <u>adopts</u> the <u>2005</u> <u>2006</u> PAB Guidelines, <u>designates</u> <u>the</u> <u>target</u> <u>areas</u> for <u>comment</u> <u>the</u> <u>2006</u> <u>program</u> <u>year</u> and approves the issuance of RFP's for each targeted area.
<u>October 2004</u>	The Corporation's Board adopts the 2005 PAB Guidelines.
<u>November 2004</u>	The Corporation's Board designates the target areas for the 2005 program year.
<u>October 05/January 06</u>	The Corporation issues RFP's for specific targeted areas.
<u>December 2004</u>	The Corporation's Board issues an RFP for each targeted area.
<u>February 2005</u> <u>January/April 2006</u> <u>according</u>	Proposals must be received by the Corporation to the deadline set out in each respective RFP.
<u>February 2005</u> <u>January/April 2006</u>	Proposals are evaluated, scored, and ranked by the Corporation's Staff. High Scoring Respondents will be notified to appear at the Corporation's <u>next</u> <u>scheduled</u> Board meeting <u>in</u> <u>February</u> . <u>Respondents</u> <u>with</u> <u>the</u> <u>highest</u> <u>ranking</u> <u>proposals</u> <u>make</u> oral presentations to the Corporation's Board;
<u>February 2005</u>	<u>Respondents</u> <u>with</u> <u>the</u> <u>highest</u> <u>ranking</u> <u>proposals</u> <u>make</u> oral presentations to the Corporation's Board; A target area representative makes an oral presentation to the Board as well.
<u>April 2006</u>	Corporation selects Developments that it intends to fund in 2006 (if any), plus one (1) alternate for each targeted area (where possible).
<u>February 2005</u>	Corporation selects Developments that it intends to fund in 2005 (if any), plus one (1) alternate for each targeted area (if any)
<u>April/May 2006</u>	Respondents and Corporation conduct public hearings.
<u>March/April 2005</u>	Respondents and Corporation conduct public hearings.

<u>June 2006</u>	<u>Corporation provides public comment to the Board and requests inducement resolutions for the selected developments that it intends to fund in 2006.</u>
<u>April/May 2005</u>	<u>Corporation induces selected developments that it intends to fund in 2005.</u>
<u>July/August 2006</u>	<u>Corporation staff submits list of inducements to the Texas Bond Review Board.</u>
<u>August 15, 2005<u>2006</u></u>	Last date to procure volume cap from the Texas Bond Review Board; Texas Bond Review Board recaptures any unreserved allocations

Once the Corporation provides a preliminary allocation of volume cap for a housing development, the Respondent must work with the Corporation to issue bonds within the time frames set forth above and in Appendix B to the Corporation's RFP. Failure to finalize all aspects of development and bond financings within this time period and to submit all required pre-closing and closing documentation to the Corporation will result in recapture of the allocation. Respondents are advised to review funding sources, commitments and financing structures to ensure they can meet these deadlines for year 20052006 submissions. In addition to meeting all requirements relating to private activity bonds set forth in the Internal Revenue Code, as amended, developments using federal Low Income Housing Tax Credits ("LIHTC") in their financing plan must also meet all requirements of Section 42 of the Code, as amended, the United States Fair Housing Act, and all applicable State of Texas laws pertaining to multifamily housing.

While the amount of volume cap available from the Corporation for multifamily developments is limited, the Corporation does encourage applications from multifamily developers and will use its best efforts to fund as many qualified projects as are reasonably feasible. Respondents are advised that the allocation of funds will be competitive and otherwise qualified developments may not receive funding due to the limited amount of available volume cap. Any and all costs incurred in this RFP process are the sole responsibility of the Respondent. **Fees charged by the Corporation and its financing team for review of applications are nonrefundable.**

Bond allocations made available under this program are limited to residential rental facilities that meet all relevant qualifications of the Code. Such facilities may involve the rehabilitation of existing rental facilities, new construction of facilities, modernization of public housing facilities, and construction of qualified 'assisted living' housing.

SUBMISSION OF PROPOSALS

The following is a list of the information and documents that must be submitted to the Corporation with a proposal in response to one of the Corporation's Request for Proposals ("RFP"). Additional information will be required. This additional information will be specified in each targeted area's respective RFP, and as may be required by the Corporation's Board of Directors, staff, Bond Counsel, or the Financial Advisor.

1. Title page.
2. A summary of the proposed transaction. Describe the proposed Development in detail, including how the Development will meet the specifications set forth in the Detailed Development Description in the RFP and how the Development will meet the Income Structure and Use Restrictions set forth in the RFP. Respondents should also submit cost per unit calculations, including the assumptions that were made to make those calculations.
3. A location map showing the location and approximate outline of the tracts involved.
4. A zoning map showing the existing zoning of the property and surrounding areas, demonstrating that the project, as proposed, is zoned for the intended use.
5. If already submitted, a copy of the application to the Texas Department of Housing and Community Affairs for LIHTC.
6. Evidence that the Respondent either (i) owns the site for the proposed Development or (ii) has a contract or an option to purchase the Development site covering the time period that the application is under review or that has an “option to extend” clause covering the same time period.
7. Audited financial statements of the Respondent for the last three years. These statements should demonstrate the financial capacity of the Respondent, or the entity that would most likely be responsible for executing all applicable guarantees, and must show a net worth sufficient to provide the necessary resources to construct, operate, and manage the Development. The Respondent shall fully explain any negative audit findings. Provide the names of three banks or other financial institutions that can provide business references and the names and telephone numbers of contact persons. Respondents should be aware that the Corporation is subject to the provisions of the Texas Public Information Act, and that information received by the Corporation may be subject to open records requests.
8. An estimated schedule of construction or rehabilitation. If the proposal is for acquisition/rehabilitation, any and all physical needscondition assessment reportsreport (“PCA”) must be submitted. The PCA must not be older than 6 months prior to the application date.
9. Photographs of the site of the proposed Development.
10. Evidence of local support for the Development from the City in the form of a resolution by the city council and/or county commissioners court. Each RFP will specify the evidence of local support that will be required.
11. With respect to new construction, Submit a statement from the applicant describing market study showing the need in the area for additional or rehabilitated affordable housing, as proposed. TSAHC may require that before closing an independent market study be performed by a professional chosen by TSAHC.

12. Submit a proposed fee structure expressed as a percentage of development costs or construction costs, as appropriate. The proposed fees should include the amount and timing of payment of the developer fee, overhead, contractor profit, property management fee, and other similar fees and costs.
13. Provide an organizational chart of the proposed ownership structure and identify the various legal entities to be involved in the construction, ownership, operation, and management of the improvements and the nature of their involvement. With respect to the development entity and/or the management agent, a precise description of any joint venture arrangements, including respective equity and decision making interests shall be provided. Describe the roles and responsibilities of each team member on this Development and provide resumes that include qualifying experience. Provide certification by the Respondent stating the nature of any relationship, business or otherwise, (for example, common or related board members) between or among the team members, including the Respondent, the proposed management company (if acquisition), the seller(s) of the land on which the Development will be built, the underwriter or placement agent, and any other party related to the transaction.
14. Certification by the Respondent and Respondent's principal(s) that they are in good standing with the Corporation, TDHCA, and the City, do not have any outstanding compliance issues with the Corporation, TDHCA, or the City, and have not had any compliance issues in the last three years, or full disclosure of any problems and issues. As part of the evaluation process, the Corporation will request information from TDHCA's Compliance Division and review any internal compliance records on each principal of the Applicant.
15. Certification by the Respondent and any underwriter or placement agent for the bonds stating that they have read and understand the Corporation's Guidelines and the RFP acknowledging (a) that all exceptions to the Guidelines and RFP must be requested in writing by the Applicant with an explanation of the need for the exception, (b) that all exceptions to the Guidelines and RFP are subject to the review and/or approval by the Board of Directors of the Corporation, and (c) that complying with the Guidelines and RFP does not guarantee approval of the transaction by either the Corporation's Board of Directors or the Texas Bond Review Board.
16. Certification by the Respondent and Respondent's principal(s) that they have not been involved during the past five years and are not currently involved in litigation regarding the development and/or financing of a property under the Corporation's or TDHCA's multifamily bond programs, the LIHTC program, or any City program, or full disclosure of any litigation.
17. Certification by the Respondent and Respondent's principal(s) that they do not have outstanding issues with the Internal Revenue Service regarding tax-exempt bond financed or LIHTC properties, or full disclosure of any outstanding issues.
18. If applicable, describe and provide supporting evidence (e.g., certification by a governmental agencyHistorically Underutilized Business Certification) of the status as a

minority business enterprise (MBE) and/or women owned business enterprise (WBE), or, if applicable, describe your firm's history of utilizing MBEs and WBEs.

19. Describe past experience working on affordable housing developments with TDHCA, the Corporation, and local government entities, including cities or local housing finance corporations. Include a description of the work, and name and telephone number for a contact representative at each (maximum of 4 examples for each government entity with which you worked).

20. Describe experience in the development of similar ~~large family~~ affordable housing developments. Include the name and address of the property(s), property description, description of the participation of the Respondent, LIHTC allocation year (if applicable), and the name and telephone number of a reference person for each property (maximum of 4 examples).

21. Describe experience in the development of properties using tax-exempt bond financing and/or LIHTC. Include the name and address of the property(s), property description, whether new construction or acquisition and rehabilitation, whether 9% or 4% LIHTC and allocation year, description of the participation of the Respondent, identification of any participation by a housing- related nonprofit or City or other public entity where the property is located, and the name and telephone number of a reference person(s) for each property (maximum of 4 examples of properties completed using both LIHTC and tax-exempt bond financing, and if no properties completed using both financing methods, list a maximum of 4 properties completed using either tax-exempt bond financing or LIHTC and specify which was used).

22. Submit a schedule of Sources and Uses of Funds. The Sources and Uses schedule should identify by name all companies or individuals to receive payments, including, but not limited to, developer's fees, real estate commissions, underwriting fees, operating working capital (if any) and borrower's working capital(if any), and should specify whether the payments will be from bond proceeds or other proceeds. Submit also a general Development and Operating Proforma that presents the primary elements of the Development and operating costs, as well as the necessary operating projections for the Development. It is understood that these are preliminary estimates. For the estimate, the Respondent should assume that the Development will pay all ad valorem taxes.

The narrative of the financing plan should clearly identify the amount of the Corporation or City resources that are needed to make the Development financially feasible as well as the amount of tax-exempt volume cap allocation and Low-Income Housing Tax Credits and other private resources that will likely be available for the Development. The plan should also identify any anticipated cash investment by the Respondent.

The financing plan should include an initial proforma and a reasonably detailed 10-year projected operating budget in balance. The development proforma should show all sources and uses of development funds and reasonably detailed explanation for development costs, including all fees for professional services, working capital, and other expenses. The 10-year proforma should show rents or other payments for each distinct type of housing unit. It

should also break operating expenses into typical, separate categories. Trending assumptions should be clearly stated and documented. A Year One Operating Budget must be included.

23. Provide a list of all properties for which the Respondent or Respondent's principals have received TDHCA housing construction or rehabilitation funding. Please list the property name, the name of the legal owner of the property, the type of funding, and the city where the property is located.

24. Income and Rent Restrictions.

At a minimum, all proposals will be required to meet the following income and rent restrictions:

- (a) Minimum Income Restrictions. A minimum of twenty percent (20%) of the units in a Qualified Residential Rental Project must have Gross Rents that are restricted to households with incomes no greater than fifty percent (50%) of the Area Median Income, adjusted for family size, or at least forty percent (40%) of the units in the project must be affordable to families with incomes at or below 60 percent (60%) of median family income, adjusted for family size.
 - (b) Rent Restrictions. Gross monthly rent charged on an income restricted unit will not exceed 30% of the applicable area median income including utility allowances for each unit size.
 - (c) ~~(e)~~ Minimum Term of Restrictions. Income and rent restrictions must be maintained for a qualified project period to be determined in accordance with federal and state law.
25. All applications must comply with the TDHCA Qualified Allocation Plan and Rules pertaining to the Low Income Housing Tax Credit Program in effect at the time of application in order to apply for 4% tax credits.

PROPOSAL EVALUATION AND SELECTION PROCESS

Upon compliance with the response requirements set forth in the RFP, the Corporation ~~and the City~~ will conduct a preliminary review of all Responses. If all of the Response requirements are met and the proposed Development meets the Corporation's ~~and the City's~~ purposes and guidelines, the Development will be scored by the Corporation in accordance with the criteria identified in Appendix A to the RFP. ~~(The Corporation will provide a copy of the Response to the City. The City may evaluate each Response and may provide its written comments regarding its evaluation to the Corporation staff.)~~The Applicant will be notified in writing of any deficiencies identified in the application and will be provided a timeframe to correct noted deficiencies. If the deficiencies are not corrected to the satisfaction of the Corporation within the allotted

timeframe, the application will be terminated and the alternate application will be underwritten.

The Corporation's Board of Directors will have an opportunity to call any Respondent before the Board (at the Board's discretion) to review the following items:

- The amount of volume cap that will reasonably support the financing structure (recognizing the limits of the Corporation's allocation);
- Evidence of community support for the Development;
- Qualifications of Development team;
- Evidence of financial feasibility of the Development and cost efficiency of bond financing structure – The Corporation reserves the right to impose a cap on any volume cap requests;
- Evidence of commitment of all long term development financing sources;
- Evidence of long term affordability of rents for persons with low income;
- Evidence and support of adequate market for the units;
- Demonstration that the Development will not adversely impact existing affordable housing properties in the identified market area; and
- Other information relating to the RFP, the proposed Development, or the Respondent.

The City will also have an opportunity to appear before the Board to make its comments on the Responses.

~~Based on public testimony before the Corporation's Board of Directors regarding a Response, the Corporation's Board may award 15 points to one Development that has the clear support from the local elected officials, including city council members and the mayor. If support is divided, the Board may choose not to award the 15 points to any Development and the staff score would remain unchanged.~~

The Corporation reserves the right in its sole discretion to modify, suspend or amend this program at any time, with or without further notice to any interested party. All costs incurred in the response or development process are the sole responsibility of the Respondent. All decisions of the Corporation are subject to such additional conditions, restrictions and requirements as determined by the Corporation in its sole discretion. In addition, the Corporation's selection of Developments for possible allocation of private activity bond cap is subject to final allocation approval by the Texas Bond Review Board.

At the same Board meeting at which oral presentations are made, the Board may select Development(s) and alternate Developments based on the final scores of the Responses. **The Corporation reserves the right not to approve any Responses, even one that is awarded the most points in the initial or final scoring of the Responses.** The Corporation also reserves the right to approve more than one Response. After being chosen, Respondent(s) will need to hold the required TEFRA hearings.

At the Board's next meeting following the TEFRA hearing for a Development, the Board may take preliminary official action to adopt an inducement resolution evidencing the

Corporation's intent to issue obligations with respect to the Development, if all the requirements set forth herein are met and the public comment at the TEFRA hearings shows sufficient support for the Development. In order for the Corporation to take preliminary official action, the preliminary review of the Response must demonstrate with reasonable certainty that:

- (a) the Response, the obligations, and the Development will qualify for final approval by the Corporation in accordance with the RFP and the requirements set forth in Appendix B; and
- (b) all governmental approvals with respect to the obligations, the LIHTC, and the Development will be obtained.

If the Corporation does not grant preliminary approval of the Response, the Corporation will so advise the Respondent.

Any preliminary official action of the Corporation should not be construed as an indication as to the marketability of obligations, or as the final approval of the Development by the Corporation, its Financial Advisor or Bond Counsel. Rather, it is an indication that the Corporation will attempt to issue its obligations for the Development subject to, (i) a readiness to proceed by the Respondent with financing structure approval process, (ii) the Respondent's continuing compliance with these Regulations and cooperation in providing any and all requested information to the Corporation, (iii) approval by the Texas Bond Review Board of the sale of obligations, (iv) market conditions and terms acceptable to the Corporation and to its staff and consultants, and (v) acceptable evidence of local support for the Development and approval by the Texas Attorney General of the issuance of the obligations.

AFTER THE CORPORATION'S ADOPTION OF THE INDUCEMENT RESOLUTION, IT IS THE RESPONDENT'S RESPONSIBILITY TO PROCEED WITH REASONABLE DISPATCH TO COMPLETE THE BOND FINANCING PROCESS IN A TIMELY MANNER, INCLUDING, BUT NOT LIMITED TO, THE PAYMENT OF ANY FEE DEPOSITED AND THE PROVISION OF REQUIRED INFORMATION, DOCUMENTS, ETC. NECESSARY TO PROCEED.

Texas State Affordable Housing Corporation
Draft Operating Budget
(Fiscal Year Ending August 31, 2006)

	2005 Actual	2006 Budget	Ref.
REVENUE			
Servicing Revenue	\$ 585,000	\$ 425,000	A-1, A-2, A-3
Multifamily Revenue	538,000	650,000	B-1, B-2
TDHCA Asset Oversight Revenue	460,000	509,000	C-1
Investment Revenue	105,000	120,000	
Grant/Fundraising Income	500,000	-	
Total Budgeted Revenue	\$ 2,188,000	\$ 1,704,000	
EXPENDITURES			
Salaries & Payroll Related Expense	\$ 749,000	\$ 860,000	D-1
Professional Services	207,000	177,000	E-1
Office & Equipment Lease	119,000	124,000	F-1
Travel & Meals	66,000	72,000	G-1
Interest on FHLB Notes	62,000	67,000	H-1
Marketing & Sponsorships	20,000	23,000	I-1
Insurance Expense	23,000	23,600	J-1
Professional Dues & Training	13,500	12,000	K-1
Communication Expense	11,700	12,000	
Bank Fees & Charges	7,300	8,000	
Office Supplies	7,900	8,000	
Publications, Subscriptions, Office Maintenance	5,300	5,300	
Freight, Delivery & Postage	6,300	6,000	
Furniture, Equipment & Software	2,100	20,000	
Printing	1,800	1,500	
Program & Loan Administration	11,000	4,000	
Total Budgeted Expenditures	\$ 1,312,900	\$ 1,423,400	
Excess of Budgeted Revenues over Budgeted Expenditures	\$ 875,100	\$ 280,600	

Exhibit A-1

**Texas State Affordable Housing Corporation
Budgeted Servicing Revenue
Fiscal Year 2006**

Servicing Revenue	2005		2006	NOTE 1
	Actual	Budget		
Countrywide Portfolio	\$ 502,041	\$ 367,473.06		NOTE 1
Interest Income on Demonstration DDPAP Loans	\$ 49,286	\$ 40,000.00		NOTE 2
Interest Income on SHLP Loans	\$ 21,719	\$ 16,000.00		NOTE 2
Interest Income for Affordable Home Ownership Program.	\$ 649	\$ 1,000.00		NOTE 2
Ancillary Fee Income	\$ 10,360	\$ 600.00		NOTE 2
Interest Income on TSAHC Loan Portfolio	\$ 230	\$ 200.00		NOTE 2
La Gloria	\$ 550	\$ -		NOTE 3
Total Budgeted Servicing Revenue	\$ 584,835	\$ 425,273.06		

NOTE 1	Income from Countrywide Portfolio	\$ 671,571	\$ 490,661.70
	Less Sub-Servicer Fees	\$ (169,530)	\$ (123,188.64)
	Net Revenue from Countrywide	\$ 502,041	\$ 367,473.06

*Estimates are based on an analysis of historical activity emphasizing portfolio run-off.
See Exhibit A-1 & A-2 for analysis of loan run-off. Revenue is presented net of subservicer fees.*

NOTE 2 *Estimates are based on historical activity.*

NOTE 3 *No income is budgeted for FY2006 as the contract with La Gloria for servicing of the El Cencio loans expired on November 2, 2004.*

Exhibit A-2

Texas State Affordable Housing Corporation
Countrywide Historical Income

	2002	2003	2004	2005	Estimated 2006
Countrywide Service Fee Revenue	1,016,354.64	961,797.66	819,767.00	638,623.00	465,180.13
Sub-servicer Interest	53,247.46	52,546.74	48,915.74	32,948.00	25,481.58
	1,069,602.10	1,014,344.40	868,682.74	671,571.00	490,661.71
Sub-Servicer Fees	258,096.26	243,916.16	218,360.00	169,530.00	123,188.64
Net Revenue Countrywide	811,505.84	770,428.24	650,322.74	502,041.00	367,473.07
Dollar decrease in revenue	(41,077.60)	(120,105.50)	(148,281.74)	(134,567.93)	
Percentage decrease in revenue	-5.06%	-15.59%	-22.80%	-26.80%	

Exhibit A-3
Countrywide Loan Analysis

# of Loans	Securities	Unpaid UPB	1 mo	2 mo	3+ mo	F/C	Del	Delinquencies :		Decrease in Loans	
								% of loans	#	%	#
Decrease in Loans from August 2002 to August 2003 = 285 Loans or 8.38%											
Sep-02	\$ 231,980,038.23	\$ 232,338,603.80	263	114	98	35	475	14.04%	17	0.5%	
Oct-02	\$ 230,354,955.95	\$ 230,706,596.18	266	108	100	33	474	14.09%	18	0.5%	
Nov-02	\$ 201,587,982.12	\$ 201,971,569.36	289	95	142	41	526	17.41%	343	10.2%	
Dec-02	\$ 227,276,493.23	\$ 227,629,389.09	280	111	110	44	501	15.03%	-311	-10.3%	
Jan-03	\$ 225,984,855.73	\$ 226,343,387.59	286	93	107	48	496	14.04%	14	0.4%	
Feb-03	\$ 224,571,224.25	\$ 224,907,186.44	219	82	89	42	390	11.80%	15	0.5%	
Mar-03	\$ 222,683,830.48	\$ 223,016,307.60	241	73	94	38	408	12.44%	24	0.7%	
Apr-03	\$ 220,279,874.78	\$ 220,638,097.13	225	101	107	29	433	13.31%	28	0.8%	
May-03	\$ 217,889,885.87	\$ 218,248,268.43	239	89	110	31	438	13.58%	28	0.9%	
Jun-03	\$ 215,186,724.82	\$ 215,550,314.79	263	99	104	35	466	14.61%	34	1.1%	
Jul-03	\$ 211,863,413.39	\$ 212,228,847.75	247	104	120	29	471	14.95%	40	1.3%	
Aug-03	\$ 208,874,407.87	\$ 209,234,455.38	247	94	131	31	472	15.15%	35	1.1%	
Decrease in Loans from August 2002 to August 2003 = 285 Loans or 8.38%											
Sep-03	\$ 208,022,344.15	\$ 206,388,097.76	252	97	121	43	470	15.27%	38	1.2%	
Oct-03	\$ 205,528,915.05	\$ 203,886,019.24	268	93	122	38	483	15.85%	30	1.0%	
Nov-03	\$ 201,587,862.12	\$ 201,971,569.36	289	95	142	41	526	17.41%	25	0.8%	
Dec-03	\$ 199,443,321.54	\$ 199,521,242.12	273	105	135	41	514	17.18%	30	1.0%	
Jan-04	\$ 197,174,516.96	\$ 197,546,789.76	244	108	130	40	480	16.18%	26	0.9%	
Feb-04	\$ 195,141,236.86	\$ 195,530,032.14	210	86	141	32	437	14.86%	25	0.8%	
Mar-04	\$ 191,855,477.72	\$ 192,215,309.08	226	60	136	22	422	14.58%	43	1.5%	
Apr-04	\$ 189,157,528.86	\$ 189,502,286.43	212	73	127	29	412	14.39%	35	1.2%	
May-04	\$ 187,025,331.92	\$ 187,391,225.53	240	85	128	30	453	15.96%	25	0.9%	
Jun-04	\$ 181,724,361.82	\$ 182,032,853.50	237	66	95	20	418	15.11%	72	2.5%	
Jul-04	\$ 177,061,025.32	\$ 177,353,871.97	226	65	97	22	388	14.37%	66	2.4%	
Aug-04	\$ 171,865,737.50	\$ 172,164,814.80	200	73	88	22	361	13.72%	69	2.6%	
Decrease in Loans from August 2003 to August 2004 = 484 Loans or 15.54%											
Sep-04	\$ 166,282,482.40	\$ 166,575,749.10	175	66	75	23	316	12.39%	81	3.1%	
Oct-04	\$ 160,090,187.20	\$ 160,356,260.48	155	30	70	18	255	10.39%	95	3.7%	
Nov-04	\$ 152,188,402.23	\$ 152,442,135.12	161	25	18	5	205	8.75%	111	4.5%	
Dec-04	\$ 152,189,402.23	\$ 152,442,135.12	161	25	19	5	205	8.75%	-	0.0%	
Jan-05	\$ 144,318,482.85	\$ 144,513,856.53	134	19	4	2	157	7.05%	117	5.0%	
Feb-05	\$ 142,273,705.17	\$ 142,488,882.85	93	13	3	2	109	4.96%	29	1.3%	
Mar-05	\$ 140,222,191.76	\$ 140,408,142.17	70	12	5	3	87	4.01%	26	1.2%	
Apr-05	\$ 137,822,981.96	\$ 138,008,384.75	67	6	4	2	77	3.60%	32	1.5%	
May-05	\$ 136,085,786.70	\$ 136,219,034.67	90	12	4	2	106	5.01%	23	1.1%	
Decrease in Loans from August 2004 to August 2005 = 514 Loans or 19.54%											

Exhibit B-1

**Texas State Affordable Housing Corporation
Budgeted Multifamly Revenue
Fiscal Year 2006**

	2005 Actual	2006 Budget	
Multifamily Revenue			
Bond Asset Oversight Fee Income	\$ 260,465	\$ 250,025	NOTE 1
Bond Compliance Fee Income	\$ 206,360	\$ 199,835	NOTE 1
Bond Issuer Fee	\$ 466,482	\$ 438,893	NOTE 1
Gross Revenue from 501(c)3 Bond Programs	\$ 933,307	\$ 888,753	
Less Estimated Bad Debt Expense	<u>\$ (500,000)</u>	<u>\$ (350,000)</u>	
Net Revenue from Bond Programs	\$ 433,307	\$ 538,753	
Interest on Town Oaks & MF Direct Lending Loans	\$ 104,237	\$ 110,935	NOTE 2
Total Budgeted Multifamily Revenue	\$ 537,544	\$ 649,688	

NOTE 1 Projections based on contractual fee arrangements per bond documents.
Estimates of uncollectable accounts are netted from revenue in the provision for bad debts.
See Exhibit B-1 for detailed projections.

NOTE 2 Based on amortization schedules included in note agreements.
Town Oaks = 1 + prime (6.25% as of July 31, 2005).

Exhibit B-2
Multifamily Bond Transaction Revenues
5 Year Projections

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Agape - Irving						
Issuer's Administration Fee	21,547.00	21,422.58	21,221.83	21,066.50	20,901.75	20,727.00
Compliance Fee	543.75	6,525.00	6,525.00	6,525.00	6,525.00	6,525.00
Asset Oversight Fee	870.00	10,440.00	10,440.00	10,440.00	10,440.00	10,440.00
Total	22,980.75	38,387.58	38,186.83	38,031.50	37,866.75	37,692.00
Agape - Ashton/Woodstock						
Issuer's Administration Fee	10,248.33	10,107.92	9,959.58	9,801.25	9,633.34	9,462.91
Compliance Fee	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00
Asset Oversight Fee	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00
Total	23,748.33	23,607.92	23,459.58	23,301.25	23,133.34	22,962.91
NHT/GTEX						
Issuer's Administration Fee	81,486.67	80,392.50	79,237.92	78,018.33	76,741.25	75,393.75
Compliance Fee	35,094.74	35,094.74	35,094.74	35,094.74	35,094.74	35,094.74
Asset Oversight Fee	44,100.00	44,100.00	44,100.00	44,100.00	44,100.00	44,100.00
Total	160,681.41	159,587.24	158,432.66	157,213.07	155,935.99	154,588.49
HIC - Arborstone/Baybrook						
Issuer's Administration Fee	78,165.84	76,775.84	75,597.50	74,372.50	73,092.50	71,746.66
Compliance Fee	34,820.00	34,820.00	34,820.00	34,820.00	34,820.00	34,820.00
Asset Oversight Fee	43,525.00	43,525.00	43,525.00	43,525.00	43,525.00	43,525.00
Total	156,510.84	155,120.84	153,942.50	152,717.50	151,437.50	150,091.66
Commonwealth - White Rock						
Issuer's Administration Fee	22,544.11	22,539.88	22,535.16	22,529.98	22,524.31	22,518.04
Compliance Fee	6,720.00	6,720.00	6,720.00	6,720.00	6,720.00	6,720.00
Asset Oversight Fee	8,400.00	8,400.00	8,400.00	8,400.00	8,400.00	8,400.00
Total	37,664.11	37,659.88	37,655.16	37,649.98	37,644.31	37,638.04
American Housing Foundation						
Issuer's Administration Fee	126,707.50	125,022.50	123,252.50	121,405.00	119,457.50	117,415.00
Compliance Fee	54,320.00	54,320.00	54,320.00	54,320.00	54,320.00	54,320.00
Asset Oversight Fee	67,900.00	67,900.00	67,900.00	67,900.00	67,900.00	67,900.00
Total	248,927.50	247,242.50	245,472.50	243,625.00	241,677.50	239,635.00
S TX Affordable Properties						
Issuer's Administration Fee	63,575.00	62,750.00	61,880.00	60,970.00	60,012.50	59,515.00
Compliance Fee	29,520.00	29,520.00	29,520.00	29,520.00	29,520.00	29,520.00
Asset Oversight Fee	36,900.00	36,900.00	36,900.00	36,900.00	36,900.00	36,900.00
Total	129,995.00	129,170.00	128,300.00	127,390.00	126,432.50	125,935.00
American Opportunity Housing						
Issuer's Administration Fee	63,170.00	62,345.00	61,480.00	60,575.00	59,620.00	58,620.00
Compliance Fee	26,440.00	26,440.00	26,440.00	26,440.00	26,440.00	26,440.00
Asset Oversight Fee	33,050.00	33,050.00	33,050.00	33,050.00	33,050.00	33,050.00
Total	122,660.00	121,835.00	120,970.00	120,065.00	119,110.00	118,110.00
SALIH (Worthing Oaks)						
Issuer's Administration Fee	11,486.68	11,403.32	11,317.50	11,220.84	11,116.66	11,005.84
Compliance Fee	6,920.00	6,920.00	6,920.00	6,920.00	6,920.00	6,920.00
Asset Oversight Fee	8,650.00	8,650.00	8,650.00	8,650.00	8,650.00	8,650.00
Total	27,056.68	26,973.32	26,887.50	26,790.84	26,686.66	26,575.84
TOTALS						
Issuer's Administration Fee	478,931.13	472,759.54	466,481.99	438,892.90	432,198.06	425,677.20
Compliance Fee	200,378.49	206,359.74	206,359.74	199,834.74	199,834.74	199,834.74
Asset Oversight Fee	250,895.00	260,465.00	260,465.00	250,025.00	250,025.00	250,025.00
Grand Total	930,204.62	939,584.28	933,306.73	888,752.64	882,057.80	875,536.94
Estimated Bad Debt Expense				(350,000.00)		
Net Revenue from Bond Programs				\$538,752.64		

Exhibit C-1

**Texas State Affordable Housing Corporation
Asset Oversight Contracts Through Texas Department of Housing and Community Affairs
Fiscal Year 2006**

New-US	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	FY06 Total
1,486.85	1,486.84	1,486.84	1,486.84	1,486.84	1,486.84	1,486.84	1,486.84	1,486.85	1,486.85	17,342.13
841.15	841.14	841.14	841.14	841.14	841.14	841.14	841.14	841.15	841.15	10,931.75
847.02	847.02	847.02	847.02	847.02	847.02	847.02	847.02	847.02	847.02	10,164.26
547.33	547.33	547.33	547.33	547.33	547.33	547.33	547.33	547.33	547.33	6,597.42
602.01	602.02	602.02	602.02	602.02	602.02	602.02	602.02	602.02	602.02	7,224.16
546.89	546.89	546.89	546.89	546.89	546.89	546.89	546.89	546.89	546.89	6,562.68
700.02	700.02	700.02	700.02	700.02	700.02	700.02	700.02	700.02	700.02	14,400.22
2,145.84	2,145.83	2,145.83	2,145.83	2,145.83	2,145.83	2,145.83	2,145.83	2,145.83	2,145.83	25,750.00
306.26	306.26	306.25	306.25	306.25	306.25	306.26	306.26	306.26	306.26	3,675.08
612.52	612.52	612.51	612.51	612.51	612.51	612.52	612.52	612.52	612.52	7,501.16
410.53	410.53	410.53	410.53	410.53	410.53	410.53	410.53	410.53	410.53	4,926.38
1,154	2,613.54	2,613.54	2,613.54	2,613.54	2,613.54	2,590.63	2,590.63	2,590.62	2,590.62	31,225.00
10.02	784.02	784.02	784.02	784.02	784.02	784.02	784.02	784.02	784.02	9,400.24
10.93	3,470.32	3,470.31	3,470.31	3,470.31	3,470.31	3,470.31	3,470.31	3,470.31	3,470.31	41,721.89
14.99	384.99	384.98	384.98	384.98	384.98	384.99	384.99	384.99	384.99	4,619.34
16.89	546.89	546.89	546.89	546.89	546.89	546.89	546.89	546.89	546.89	6,562.68
516.26	516.26	516.26	516.26	516.26	516.26	516.26	516.26	516.26	516.26	6,195.16
16.05	2,296.06	2,296.06	2,296.06	2,296.06	2,296.06	2,296.06	2,296.06	2,296.06	2,296.06	27,522.71
19.91	1,548.91	1,548.91	1,548.91	1,548.91	1,548.91	1,548.91	1,548.91	1,548.91	1,548.91	18,586.09
25.01	525.01	525.01	525.02	525.02	525.02	525.01	525.01	525.01	525.01	6,301.16
13.34	483.34	483.33	483.33	483.33	483.33	483.34	483.34	483.34	483.34	5,800.00
10.03	980.03	980.03	980.02	980.02	980.02	980.02	980.02	980.03	980.03	11,760.30
2.51	542.51	542.51	542.51	542.51	542.51	542.51	542.51	542.51	542.51	6,510.16
4.70	334.70	334.70	334.70	334.69	334.69	334.69	334.70	334.70	334.70	4,016.36
18.76	218.76	218.75	218.75	218.75	218.75	218.76	218.76	218.76	218.76	2,625.08
75.02	875.02	875.02	875.02	875.02	875.02	875.02	875.02	875.02	875.02	10,500.76
75.03	875.02	875.02	875.02	875.02	875.02	875.02	875.02	875.02	875.02	10,500.26
75.02	875.02	875.02	875.02	875.02	875.02	875.02	875.02	875.02	875.02	10,500.26
41.44	3,148.44	3,148.44	3,148.44	3,148.44	3,148.44	3,148.45	3,148.45	3,148.45	3,148.45	37,776.28
18.96	538.96	538.96	538.96	538.96	538.96	538.96	538.96	538.96	538.96	6,467.76
18.01	588.02	588.02	588.01	588.01	588.01	588.01	588.01	588.02	588.02	7,056.18
30.63	2,380.63	2,380.63	2,380.63	2,380.63	2,380.63	2,380.66	2,380.66	2,380.66	2,380.66	29,571.90
24.02	924.02	924.02	924.03	924.03	924.03	924.02	924.02	924.02	924.02	11,008.28
525.01	525.01	525.01	525.02	525.02	525.02	525.01	525.01	525.01	525.01	6,300.16
10.02	840.02	840.02	840.03	840.02	840.02	840.02	840.02	840.02	840.02	10,080.26
54.06	3,137.50	3,137.50	3,137.50	3,137.50	3,137.50	3,137.50	3,137.50	3,137.50	3,137.50	37,703.12
46.75	367.51	367.51	367.51	367.51	367.51	367.51	367.51	367.51	367.51	4,410.12
40.03	980.03	980.02	980.02	980.02	980.02	980.02	980.02	980.02	980.02	11,760.50
32.02	882.02	882.02	882.02	882.02	882.02	882.03	882.03	882.02	882.02	10,504.26
75.02	875.02	875.02	875.02	875.02	875.02	875.02	875.02	875.02	875.02	10,500.26
20.01	350.01	350.01	350.01	350.01	350.01	350.01	350.01	350.01	350.01	4,200.10
21.39	42,454.22	42,454.20	42,451.23	42,451.26	42,459.67	42,381.59	42,312.67	42,312.67	42,312.67	569,393.81

Exhibit E-1

**Texas State Affordable Housing Corporation
Professional Services
Fiscal Year 2006**

	FY 2005 Actual	FY 2006 Draft Budget	
Asset Oversight	\$ 37,580	\$ -	Note 1
Legal Fees	\$ 54,643	\$ 62,000.00	Note 2
Accounting & Auditing	\$ 68,000	\$ 73,000.00	Note 3
PSWerks (IT Consultants)	\$ 25,180	\$ 20,000.00	Note 4
Investments Patterson & Associates	\$ 18,000	\$ 18,000.00	Note 5
Communications (ICS Phones)	\$ 89	\$ 1,000.00	
Miscellaneous Consulting	\$ 3,056	\$ 3,000.00	
Total	\$ 206,548	\$ 177,000.00	

Note 1 Expenditures under contract with The Siegel Group. Contract expired in December of FY2005. All compliance monitoring and asset oversight will be performed by staff during FY2006.

Note 2 Estimates for legal fees are based on an analysis of historical activity and discussions with staff. Estimates are broken down into the following categories.

Corporate	\$ 29,200	\$ 30,000.00
Multifamily	\$ 24,000	\$ 30,000.00
Single Family	\$ 400	\$ 1,000.00
Servicing	\$ 1,043	\$ 1,000.00
Total Legal Fees	\$ 54,643	\$ 62,000.00

Note 3 Projected expense is based on amount stated in audit engagement letter from Mikaska, Monahan & Peckham, CPAs. MM&P perform the Corporation's annual financial audit, prepare the 990 tax return and provide on-going accounting advise as needed.

Note 4 Projected expense based on contracted rate with PSWerks (IT consultants) and historical review of hours/expenditures.

Note 5 Projected expense is based on amount stated in contract with Patterson & Associates. P&A assist the Corporation with investment of cash reserves, preparation of bids and contracts for depository banking services, preparation of quarterly investment reports and other reports and training required by the Public Funds Investment Act.

Exhibit F-1

**Texas State Affordable Housing Corporation
Office Equipment Lease Expense
Fiscal Year 2006**

	FY 2005 Actual	FY 2006 Budget	
Office Space	\$ 98,369	\$ 103,015	Note 1
Copy Machine	\$ 17,509	\$ 17,076	Note 2
Off-Site Storage	\$ 2,845	\$ 3,072	Note 3
	\$ 118,723	\$ 123,163	

Note 1 Office Space - Congress Holding LTD.

Rent	\$ 87,054.72	Per Lease Exhibit - \$19.06 per Sq. Ft. (4,568 @ \$19.06 psf)
Parking	\$ 7,800.00	5 uncovered spaces @ \$130/space for 12 months.
Parking	<u>\$ 8,160.00</u>	4 covered spaces @ \$170/space for 12 months.
	<u>\$ 103,014.72</u>	

Note 2 Copy Machine - Print Inc.

Lease	<u>\$ 17,076.00</u>	\$1423/mo. for 12 months.
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Note 3 Offsite Storage - Safe Site, Inc.

Rent	<u>\$ 3,072.00</u>	\$ 1,476	492 boxes @ \$.50/bx. for 6 months.
		<u>\$ 1,596</u>	532 boxes @ \$.50/bx. for 6 months.
		<u>\$ 3,072</u>	

Exhibit G-1

**Texas State Affordable Housing Corporation
Travel Meal Expenditures
Fiscal Year 2006**

	2005 Actual	2006 Budget
Board of Directors	\$ 15,528	\$ 21,000
Asset Oversight & Compliance Monitoring	\$ 16,430	\$ 22,000
Administrative	\$ 20,149	\$ 14,000
Single Family	\$ 10,888	\$ 12,000
Multifamily	\$ 3,005	\$ 3,000
	\$ 66,000	\$ 72,000

Estimated travel expense was based on the following:

1. Analysis of scheduled asset oversight and compliance monitoring on-site visits.
 2. Analysis of anticipated board meetings.
 3. Input from staff regarding anticipated conferences, meetings, etc.
 4. Historical activity.
-

Exhibit H-1

**Texas State Affordable Housing Corporation
Interest Expense on Federal Home Loan Bank Notes
Fiscal Year 2006**

	Notes			Interest	
	Receivable		Payable	Income	Expense
Sagebrush Note Receivable & Related Note Payable to Federal Home Loan Bank	875,000 7.75%	75%	656,250 6.395%	66,375.07	40,867.84
Bunker Hill Note Receivable & Related Note Payable to Federal Home Loan Bank	550,000 7.00%	75%	412,500 6.395%	37,560.36	25,688.35
	1,425,000		1,068,750	103,935.43	66,556.19

Exhibit I-1

**Texas State Affordable Housing Corporation
Marketing Sponsorships
Fiscal Year 2006**

	2005 Actual	2006 Budgeted
Sponsorships		
TALHFA - Golf Tournament Sponsorship	500.00	500.00
TSHEP - Sponsorship of 2004 training series	3,000.00	3,000.00
United Cerebral Palsy - Lunch Sponsor	200.00	200.00
TAAHP - Bronze sponsorship of Texas Housing Conference 2004	2,500.00	2,500.00
Texas Housing Forum	1,200.00	1,100.00
Program Advertising		
AHP Marketing	-	5,000.00
Single Family Bond Advertising		
<i>Net of lender advertising fees of \$9,500 for 2006.</i>	8,500.00	8,000.00
Website Maintenance	<u>4,100.00</u>	<u>2,700.00</u>
	<u>20,000.00</u>	<u>23,000.00</u>

Exhibit J-1

**Texas State Affordable Housing Corporation
Insurance Expense
Fiscal Year 2006**

	Policy Expiration	2005 Actual	2006 Budgeted
Mortgage Bankers Bond - Errors & Omissions	1/31/2006	\$ 8,400	\$ 8,400
Directors & Officers Liability	2/28/2006	\$ 11,400	\$ 11,600
General Liability & Automobile	6/30/2006	\$ 3,200	\$ 3,600
		\$ 23,000	\$ 23,600

Exhibit K-1

**Texas State Affordable Housing Corporation
Professional Dues and Training
Fiscal Year 2006**

Association Dues	2005 Actual	2006 Budget
Austin Apartment Association	390.00	400.00
National Apartment Association	50.00	100.00
Mortgage Bankers Financial Reporting Sys.	1,067.00	1,070.00
NALHFA	410.00	420.00
Greenlights for Nonprofit Success	145.00	150.00
NCSHA	500.00	500.00
Rural Rental Housing Association	200.00	200.00
TAAHP	550.00	600.00
Texas & National Notary Associations	170.00	180.00
Texas Bar Dues for Katherine	235.00	250.00
CPA Dues for Melinda	240.00	250.00
	3,957.00	4,120.00
CPE	2005 Actual	2006 Budget
Katherine Closmann	\$ 870.00	900.00
Melinda Smith	362.95	500.00
Emily Lah	100.00	200.00
	\$ 1,332.95	\$ 1,600.00
Seminars & Training	2005 Actual	2006 Budget
NCHM - Julie Cantu	1,150.00	575.00
NCSHA - Annual Conference 2 staff @ \$600 (\$595 in 2005)	1,785.00	1,200.00
TALHFA - Conference 2 staff @\$400 - (\$350 in 2005)	1,400.00	800.00
Texas Low Income Information Service <i>Houser Award Lunch - 2 staff</i>	50.00	100.00
Texas State Library - Records Training 2 staff	50.00	200.00
TACDC 2 staff @ \$520 - (same as 2005)	520.00	1,040.00
NALHFA - 2 staff 2 staff @ \$500 (\$450 in 2005)	1,350.00	1,000.00
National Apartment Association 2 staff @\$500 - (\$500 in 2005)	500.00	1,000.00
	6,805.00	5,915.00
Projected through Year End	1,400.00	-
Grand Total	13,494.95	11,635.00

Exhibit L-1

**Texas State Affordable Housing Corporation
Furniture, Equipment Software
Fiscal Year 2006**

Hardware	Quantity	Unit Cost	Total
Client Desktops	8	560.00	4,480.00
Client Notebooks	2	1,499.99	2,999.98
New Tape Drive for Backup	1	2,000.00	<u>2,000.00</u>
			9,479.98
Software			
Microsoft Office Professional 2003	10	65.00	650.00
MS Server 2003 Server OS	3	149.99	449.97
MS Exchange Enterprise APP-Email	1	390.00	390.00
MS Server 2003 CAL's-Licenses	10	9.99	99.90
MS Exchange Enterprise Cals-Licenses	10	4.99	49.90
Misc Software (Antivirus, Adobe, Etc.)			<u>1,000.00</u>
			2,639.77
Phone Equipment			
			7,500.00
Total IT Budget Estimate			
			<u>19,619.75</u>

Staff computers currently in use were purchased in June and July of 2001.

Office Equipment Replacement Reserve

An Office Equipment Replacement Reserve has been established to fund future equipment needs. Beginning September 2005, \$500 will be transferred into the reserve each month (\$6000 Annually). Computers and other furniture, equipment and software will be purchased on an as-needed basis using funds accumulated in the reserve.

Texas State Affordable Housing Corporation

Business Plan 2005 - 2007

VISION

That every Texan has the opportunity to live in safe, decent, and affordable housing

MISSION

The Texas State Affordable Housing Corporation serves the housing needs of low, very low and extremely low-income Texans and other underserved populations, as defined by the Texas Legislature, who do not have comparable housing options through conventional financial channels

GOALS

To promote statewide partnerships that leverage public/private resources for the creation, preservation and/or redevelopment of affordable housing

To increase lending and housing production in rural and underserved markets

To develop loan products, financing options and special programs not available through conventional lenders

To supplement the technical and financial capacity of other appropriate nonprofit organizations to provide for the multifamily and single-family housing needs of individuals and families of low, very low, and extremely low income

To achieve and ensure the Corporation's self-sufficiency

Corporate Profile & History

Texas State Affordable Housing Corporation (the "Corporation") is organized, operated and administered exclusively for the promotion of public health, safety, and welfare through the provision of adequate, safe, and sanitary housing for low, very low and extremely low-income ("low-income") Texans and other underserved populations.

The Corporation's primary purpose is to facilitate the provision of affordable housing for Texans for whom traditional channels are not viable through renewable sources of financing that does not deplete the State's limited resources.

The Corporation was created in May 1994 by the Texas Department of Housing and Community Affairs (the "Department") under the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq., Vernon's Annotated Texas Civil Statutes, as amended, and under the authority of Article 4413(501), Vernon's Annotated Texas Civil Statutes. The Corporation is a public nonprofit corporation created by statute. The Corporation obtained its enabling powers and purposes through legislation enacted from the 74th to the 79th Texas Legislatures. Pursuant to legislation enacted during the 75th and 76th Texas Legislatures, the Corporation was mandated to operate independently of the Department. Prior to completed separation, the Corporation was, essentially, a division of the Department with the same board of directors and same staffing infrastructure; following separation from the Department, the members of the Board of Directors were appointed by the Governor of the State, and confirmed by the State Senate. The Corporation is subject to significant state oversight, including audit by the State Auditor and debt issuance review and approval by the Texas Bond Review Board. The enabling legislation for The Corporation, as amended, may be found at Texas Government Code, Chapter 2306, Subchapter Y, Sections 2306.551 et seq. (the "Act"). All operations of the Corporation are conducted within the state of Texas. The corporate offices are located in Austin, Texas.

A five-member board of directors appointed by the Governor with the advice and consent of the Senate oversees the business of the Corporation. The current members of the Board of Directors are:

Jerry Romero	Chairperson
Thomas Leeper	Vice Chairperson
Charles Rencher	Director
Jo Van Hovel	Director
Vacant	Director

David Long serves as the Corporation's President. Prior to his appointment as President, Mr. Long served as the Corporation's Interim Manager and, prior to that, as the Corporation's Vice President of Single Family. Mr. Long has been employed by the Corporation since 2001.

Katherine Closmann serves as Executive Vice President. Ms. Closmann has been employed by the Corporation since February 2004. Melinda Smith serves as Chief Financial Officer and Treasurer. Ms. Smith has been employed by the Corporation since August 2001. Laura Smith serves as Corporate Secretary. Ms. Smith has been employed by the Corporation since November 2003.

The Corporation is organized, operated and administered in accordance with its enabling legislation. In February 2001, the Corporation was restructured to become a 501(c)(3) nonprofit corporation in order to access additional sources of funding to accomplish its mission.

The Corporation is an approved originating seller/servicer for single family loans with Fannie Mae, Freddie Mac, Ginnie Mae, U.S. Rural Development, FHA, VA, and the Community Development Trust, Inc. The Corporation has conduit sales agreements with Countrywide Home Loans, Inc. and Wells Fargo Funding, and with the Community Development Trust, Inc. for

multifamily mortgage loans. The Corporation is also a non-member borrower of the Federal Home Loan Bank of Dallas.

Accomplishments

For fiscal year 2005, the Corporation accomplished the following:

- Ø Closed a Multifamily Private Activity Bond Transaction in San Antonio, the Marshall Meadows Apartments, totaling \$14,260,000 providing 250 units of which 150 units will be affordable.
- Ø Provided compliance monitoring on 38 multifamily properties, with a total of 10,001 units.
- Ø Provided asset oversight on 89 multifamily properties, under 78 agreements, with a total of 21,941 units.
- Ø House Bill No. 1007 was passed during the 79th Texas Legislature expanding eligibility in the “Homes 4 Heroes” program to include full-time paid certified or licensed firefighters, peace officer, corrections officers (including any full-time paid employee of the Texas Department of Criminal Justice who receives hazardous duty pay), county jailers, and public security officers.
- Ø Senate Bill No. 132 was passed during the 79th Texas Legislature allocating the Corporation \$5 million of the State’s Ceiling for Private Activity Bond Cap each year through year 2016 for the exclusive purpose of making single-family mortgage loans to Texas nursing faculty.
- Ø October 2004, the Professional Educators Home Loan program fully committed non-targeted loan originations in the amount of \$19,138,000.
- Ø March 24, 2005, the Professional Educators Home Loan Program released the targeted set-aside funds in the amount of \$4,784,000 and fully originated the funds with loan commitments by late May 2005.
- Ø On July 27, 2005, the Corporation closed the third Single Family Bond transaction for the Professional Educators Home Loan Program in the amount of \$25,000,000.

Single Family Programs

Existing Programs to be Continued

Professional Educators Home Loan Program

The Program was established to acknowledge professional educators for their commitment to their profession and to help them achieve the dream of homeownership

by providing affordable mortgages and down payment assistance. The Program was initially established as the Teacher Home Loan Program by the 77th Legislature in 2001. The current Program, with expanded eligibility, is governed by Section 2306.562 of the Government Code and allocates \$25 million of the State's Private Activity Bond Cap for the exclusive purpose of making single-family mortgage loans to classroom teachers, full-time teachers' aides, librarians, school nurses and school counselors (individuals/families) that are "First-time Home Buyers".

The Program is available statewide on a first come, first-served basis, to first-time homebuyers who wish to purchase a newly constructed or existing home with a 30-year affordable fixed rate mortgage loan and down payment/closing cost assistance in the form of a grant. To access the Program, eligible borrowers select a lender from a participating lender list located on the Corporations website and contact them directly regarding completing the application process.

Goals for 2005 –2007

Goal 1: Research and identify growth within the state's independent school districts and market and advertise the Program to newly hired professional educators in those districts.

Goal 2: Identify counties that are not utilizing the program and develop lender relations in those areas to promote, advertise and market the program.

Goal 3: Continually update the Corporation's Single Family web pages to be more user friendly and informative as the program progresses.

Goal 4: Fully commit all non-targeted funds in loan originations (\$20 million) within 6 months of releasing the program (for this cycle by December 2005)

Goal 5: Develop a new bond structure for release into the market by January 1, 2006.

Fire Fighter and Law Enforcement or Security Officer Home Loan Program

The Program was established under House Bill 1247 during the 78th Texas Legislature, and expanded in the 79th Texas Legislature by the passing of House Bill 1007, to acknowledge firefighters, peace officers, corrections officers (*any full-time employee of the Texas Department of Criminal Justice who receives hazardous duty pay*), county jailers, and public security officers for their commitment to their profession and to help them achieve the dream of homeownership. The Program is available statewide on a first come, first-served basis, to first-time homebuyers who wish to purchase a newly constructed or existing home with a 30-year fixed rate mortgage loan and down payment assistance in the form of a grant.

Goals for 2005 –2007

Goal 1: Research and identify growth areas within the state that are in need of additional program-eligible public servants and do a marketing/advertising campaign in those areas.

Goal 2: Identify counties that are not utilizing the program and develop lender relations in those areas to promote, advertise and market the program.

Goal 3: Continually update the Corporations Single Family web pages to be more user friendly and informative as the program progresses.

Goal 4: Fully commit all non-targeted funds in loan originations (\$20 million) within 6 months of releasing the program (for this cycle by April 2006)

Goal 5: Develop a new bond structure for release into the market by March 1, 2006.

Nursing Faculty Home Loan Program

The Program was established by the 79th Texas Legislature in 2005 to acknowledge the shortage of nurses and the importance of the nursing faculty who will train future nurses for the State. The Program was established with \$5,000,000 of the private activity bond cap to help nursing faculty achieve the dream of homeownership. The Program is available statewide on a first come, first-served basis, to first-time homebuyers who wish to purchase a newly constructed or existing home with a 30-year fixed rate mortgage loan and down payment assistance in the form of a grant. The Corporation anticipates issuing bonds for this Program for the first time in October 2005.

Goals for 2005 –2007

Goal 1: Create relationships with the nursing faculty centers around the state to promote, advertise, and market the new program.

Goal 2: Continually update the Corporations Single Family web pages to be more user friendly and informative as the program progresses.

Goal 3: Fully commit all non-targeted funds in loan originations (\$5 million) within 6 months of releasing the program (for this cycle by April 2006)

Goal 4: Develop a new bond structure for release into the market by March 1, 2006.

Single Family Bond Programs Goals for 2005 –2007

Goal 1: Communicate with the Legislature and with all interested parties before the 80th Legislative Session the need to combine the Professional Educators Home Loan

Program, the Fire Fighter and Law Enforcement or Security Officer Home Loan Program , and the Nursing Faculty Home Loan Program under one private activity bond cap of \$55 million to enable the Corporation to create a more cost efficient bond structure that would define individual parameters per program and thus utilize the total allocation more effectively.

Goal 2: Maximize the economic efficiencies and benefits of the Single Family Bond Program by exploring the use of a Master Indenture for all of the above programs and by exploring the use of swaps and other derivatives.

Affordable Homeownership Program for Texas

The Affordable Homeownership Program for Texas (AHP) is the result of a partnership between Ameriquest Mortgage Company (“Ameriquest”) and the Texas State Affordable Housing Corporation (the “Corporation”). The use of high priced credit has forced many families to pay higher housing costs than families qualifying for more traditional “A” paper loan rates. The purpose of this program is to serve those families throughout Texas seeking to purchase a home who are not able to meet the traditional lending requirements and make their dream of home ownership a reality. In addition, AHP was designed to provide local non-profit organizations an alternative mortgage product to serve credit challenged borrowers in their community.

AHP provides an affordable mortgage financing option to eligible low-to-moderate income Texans with FICO scores between 525 and 610. Under the program, borrowers at or below 80% AMFI have access to an affordable mortgage loan product and down payment assistance up to seven percent (7%) of the mortgage loan amount. In addition, borrowers are rewarded with lower interest rates and lower mortgage payments for making timely mortgage payments. Borrowers can reduce their mortgage interest rate by up to two percent (2%) during the first 48 months of their mortgage loan. Borrowers will receive 50 basis points (.5%) reduction in their mortgage interest rate for every 12 months of on-time payments.

Ameriquest and the Corporation believe home buyer education is an essential component to success in home ownership. Under the Program, borrowers will be provided pre and post-closing Home Buyer Education training. Additionally, borrowers will have intervention assistance available to them during the life of the mortgage loan. We believe this training and assistance is essential to the success of the borrowers and the program.

Ameriquest has committed up to \$100 million dollars for mortgage loans and the Corporation has committed \$1 million dollars for down payment assistance to the Program. Since AHP’s inception in 2004, AHP has provided 36 loans to individuals and families who otherwise might not have achieved the dream of home ownership.

Goals for 2005 –2007

Goal 1: Market the program more effectively to the consumer by starting a 1-800 phone number in conjunction with an online application system, and advertise the program

more effectively through press releases and other co-marketing initiatives with Ameriquest.

Goal 2: Increase the number of participating lenders such as local non-profit organizations and for-profit lending institutions throughout Texas to expand the availability of the program to Texans statewide.

Goal 3: Explore the possibility of offering AHP to buyers who want to buy existing rather than new homes, possibly through the use of a mandatory home shield purchase.

Goal 4: Originate first lien mortgage loans using AHP in the amount of \$10,000,000.

Sustaining Revenues

The Corporation may earn an issuance fee annually from bond issue, and a one-time bond origination fee. These fees provide means for the Corporation to monitor and ensure compliance of bonds the Corporation issues. The Corporation may earn origination fees on the direct origination of loan products, and application fees and reimbursements on certain direct costs. Staff will work diligently to pursue reasonable fees to ensure the sustainability of the single family programs.

Multifamily Programs

One of the Corporation's primary purposes is to provide affordable housing to families of low-income, and in this regard, the Corporation believes it to be very important that families who cannot otherwise afford a home of their own be provided an opportunity to live in safe, decent affordable apartment communities.

Existing Programs to be Continued

Multifamily Bond Programs

The Corporation utilizes its authority to issue tax-exempt multifamily housing revenue bonds to provide long-term variable and fixed-rate financing to borrowers/developers of new or existing multifamily rental properties in order to generate and/or preserve affordable rental housing. The bonds are secured by the financed property and are payable solely from payments received on the underlying mortgage loans. Neither the Corporation, nor the State, or any political subdivision thereof is obligated in any manner for repayment of the bonds.

Currently, two programs are offered by the Corporation; the Private Activity Bond Program and the 501(c)(3) Bond Program. Both of these programs, as described below, will be continued.

Private Activity Multifamily Bond Program

During the 78th Regular Session (2003), the Texas Legislature awarded 10 percent of the State's multifamily private activity bond volume cap to the Corporation to provide bond financing for the provision of affordable multifamily rental housing. Eligible facilities for financing include acquisition and rehabilitation, or new construction. Developers are allowed to use these funds in conjunction with Low Income Housing Tax Credits (LIHTC) made available through the Texas

Department of Housing and Community Affairs (TDHCA). Qualified for-profit and non-profit developers who adhere to the RFP process set forth in the program guidelines are eligible to participate in this program. Each year target areas of housing need will be determined by the Corporation's Board of Directors and Requests for Proposals will be issued by the Corporation to Developers to build (or acquire and rehabilitate) multifamily complexes that meet the needs set forth in the RFP. The application process is competitive with the highest scoring and most feasible Development for each Request for Proposal being allocated a bond reservation.

For 2004, the first year for which funding was available, the Corporation issued bonds in the amount of \$14,260,000 to finance the construction of Marshall Meadows, a 250-unit multifamily complex in San Antonio, Texas. In 2005, the Corporation selected a development for financing, North Side Manor Apartments in Corpus Christi, but the financial feasibility of the rehabilitation could not be established.

Goals for 2005 –2007

Goal 1: Perform a needs assessment to target areas of housing need that could be addressed through the Multifamily Private Activity Bond Program, including an evaluation of the need for senior housing, rural housing, migrant farmworker housing, rehabilitation of housing, underserved geographic areas for housing, and public housing.

Goal 2: Leverage the private activity bond program funds with funds from the Texas Department of Housing and Community Affairs, federal funds, corporations, foundations, and grants to meet the specialized housing needs of the state.

Goal 3: Finance 3 multifamily apartment communities each year through the Private Activity Bond Program.

501(c)(3) Multifamily Bond Program

The Corporation's 501(c)(3) Multifamily Bond Program was created to finance the acquisition and rehabilitation, or new construction, of affordable multifamily housing units throughout the state of Texas. Unlike the Corporation's PAB program, 501(c)(3) financing does not use volume cap allocation and applications can be considered year-round. Also different from the PAB program is that 501(c)(3) financing may not be used in conjunction with LIHTC. Only qualified nonprofit developers, designated under the internal revenue code as 501(c)(3) organizations, are eligible to apply for 501(c)(3) financing.

In addition to providing safe, decent, and affordable rental housing to residents of the state of Texas, recipients of 501(c)(3) financing must adopt a dollar-for-dollar public benefit program, investing at least one dollar in rent reduction, capital improvement projects, or social, educational, or economic development services for every dollar of abated property tax revenue they receive.

In 2001 and 2002 the Corporation provided \$487 million in financing for the preservation or creation of 7,700 units of affordable housing in the state of Texas. Since 2002 the Corporation has not considered applications or issued bonds under the 501(c)(3) program as a result of market changes and legislatively mandated changes requiring that any benefit of abated property tax must be transferred dollar-for-dollar into a public benefit program. Because the market has

softened for affordable housing in metropolitan areas, and because the program prevents the use of 4 percent tax credits (LIHTC), and also because the abated property taxes cannot be used to help pay off debt service, this program has become inactive. However, certain opportunities should be explored for use of this program where some of these negative changes are mitigated. For instance, public housing authorities could use the program because their property taxes are 100 percent abated. In addition, the program could be used to create efficiencies of scale by pooling the refinancing of multiple senior properties originally financed through the HUD 202 Program. The refinancing could lower interest rates for the owners and help rehabilitate the properties and provide more services for the residents.

Goals for 2005 –2007

Goal 1: Evaluate marketing the 501(c)(3) Multifamily Bond Program to Public Housing Authorities.

Goal 2: Evaluate using the 501(c)(3) Multifamily Bond Program to Refinance HUD 202 Senior Multifamily Properties.

Goal 3: Monitor market conditions and reactivate the 501(c)(3) Multifamily Bond Program on a statewide basis if market conditions improve.

Multifamily Direct Lending [See Direct Lending Analysis Attached]

The Corporation provides long-term financing to non-profit and for-profit developers for new and existing multifamily rental properties in order to increase and/or preserve affordable multifamily housing units throughout the State. The Corporation's ability to offer permanent financing is facilitated through relationships with real estate financial institutions that invest in affordable multifamily housing, such as the Federal Home Loan Bank of Dallas and the Community Development Trust, Inc.

This program helps to expand the flow of much-needed long-term capital to the community development industry by providing fixed rate mortgages that may not be efficiently priced by traditional secondary markets- whether because of their small size (\$5M and under), configuration (scattered site and urban rehabs), affordable aspects, or lack of rated credit enhancement. Affordable rental housing projects must offer at least 24 units. All developments must satisfy Community Reinvestment Act criteria. Staff of the Corporation complete all underwriting and due diligence on the permanent loan and make funding recommendations to the Board and/or Senior Loan Committee.

The Corporation has financed five properties through the Direct Lending Program, which are the Sagebrush Apartments in Brady, Texas for \$875,000 through the Federal Home Loan Bank; the Bunker Hill Senior Village in Stephenville, Texas for \$550,000 through the Federal Home Loan Bank; the Crossroads Apartments in Wichita Falls, Texas for \$1,525,000 through the Community Development Trust; the Limestone Ridge Apartments in Big Spring, Texas for \$1,004,000 through the Community Development Trust; and, the Key West Senior Village in Odessa, Texas for \$1,634,000 through the Community Development Trust. The Corporation financed the last transaction, Limestone Ridge Apartments, in the Spring of 2004.

The Corporation has determined that the market for the Direct Lending Program is strong. The need for financing of multifamily developments in underserved areas is acute. As a result, the Corporation analyzed the cost/benefit of providing the Direct Lending Program through the Federal Home Loan Bank and through the Community Development Trust. Both programs are excellent from the borrower perspective, but because the Community Development Trust will accept 100 percent of the loan, rather than 75 percent of the loan, the Corporation has decided initially to pursue the program through the Community Development Trust. When revenues have built up from this program, the Corporation can pursue the Federal Home Loan Bank program using as collateral those accumulated revenues.

Goals for 2005 –2007

Goal 1: Reestablish the relationship with the Community Development Trust, Inc. and aggressively market the Community Development Trust Direct Lending Program to Developers.

Goal 2: Finance 6 multifamily apartment communities each year through the Direct Lending Program.

Sustaining Revenues

The Corporation charges reasonable fees for the production of its multifamily loan products to help offset the cost of producing them. Therefore, on direct loan transactions the Corporation receives origination fees, discount fees, application fees, underwriting fees and reimbursements of certain direct costs. In addition, the Corporation earns bond issuance fees for multifamily bond transactions, along with annual administrative fees. Staff will work diligently to pursue reasonable fees to ensure the sustainability of the multifamily programs.

Compliance and Asset Oversight

TSAHC strives to provide quality housing to Low Income Texans. To accomplish this goal the Asset Oversight and Compliance staff conduct annual reviews of every property in the portfolio to ensure safe, decent, and affordable housing. Affordable rents and resident services are verified on all annual compliance visits and are monitored on a monthly basis. Specifically, the Corporation's compliance monitors perform the following activities:

- Ø Desk review of monthly, quarterly and annual reports for each property for compliance with the Regulatory Agreement.
- Ø Timely notification to the property owner and the respective management company of any exceptions noted in the desk review, then monitor and enforce corrective action for any case of continued non-compliance.
- Ø Desk review of monthly Trustee reports to monitor escrow accounts for such items as operating, replacement and debt service reserves, and Payments in Lieu of Taxes, as applicable.
- Ø Monitor compliance with applicable rent restrictions through rent roll analysis.

- Ø Desk review of annual operating statements and budgets for compliance with and effectiveness of Resident Services Programs and other documents as required by the Corporation.

For those properties funded by the Corporation, the Corporation has developed a convenient way for property managers/owners to submit their compliance reports online. All properties started reporting online on or before February 2005.

In addition, the Corporation is contracted to provide asset oversight services to the Texas Department of Housing and Community Affairs. The contracted properties are bond properties. Between the Corporation's own properties and the properties financed by the Texas Department of Housing and Community Affairs, the Corporation currently is providing Asset Oversight for 86 properties (including the 38 Corporation-financed properties) and Compliance Oversight for 38 properties.

Goals for 2005 –2007

Goal 1: Continue to provide Asset Oversight and Compliance services to our current portfolio to ensure decent, safe, and quality housing to low income residents in the state of Texas.

Goal 2: Increase the quality of Resident Services being provided to residents who live on properties funded through the Texas State Affordable Housing Corporation.

Goal 3: Develop or expand business relationships with public agencies such as HUD, the Texas Department of Housing and Community Affairs, local government housing authorities, and real estate investment trusts to increase the Corporation's client base for asset oversight and compliance services.

Goal 4: Increase the number of properties in the Asset Oversight portfolio through third party contracts by 1,000 units per year over the next two years.

Investments

Total unrestricted cash and investments at the end of fiscal year 2005 totaled \$5.1 million. The Corporation maintains the right to direct the investment of these unrestricted funds. Funds consist of bank deposits totaling \$64,000, government discount notes totaling \$3,492,000, money market mutual funds in the Federal Home Loan Bank totaling \$150,000, and pooled investment funds totaling \$1,424,000. Cash for investing is generated primarily from on-going program (operating) activity and investment activity. The Corporation anticipates generating \$105,000 in investment income in fiscal year 2005.

Restricted funds at the end of fiscal year 2005 totaled \$23.5 million. The Corporation does not have the right to invest these restricted funds. Cash and cash equivalents totaling \$23,375,000 relate to the Single Family Bond Programs and are maintained in funds managed by the Bond

Trustee. Additionally the Corporation maintains six custodial accounts with a combined total of \$154,000 pledged as reserves on two Multifamily Direct Lending Projects funded through the Federal Home Loan Bank.

Goals for 2005 –2007

Goal 1: Maximize investment earnings by evaluating the cost and benefit of contracting portfolio management to a third party and by evaluating the cost and benefit of establishing a sweep account to invest excess funds deposited into the Corporation's operating account.

Goal 2: Minimize fees associated with investments and cash deposits in the bank by bidding depository services to ensure the Corporation is obtaining the best banking services at the lowest possible cost and by meeting quarterly with the Corporation's bankers to review account fees paid and alternatives for reducing or eliminating fees.

Goal 3: Ensure compliance with the Public Funds Investment Act by reviewing and writing formal policies and procedures for internal controls over investment activities and by obtaining four hours of continuing professional education for investment officers.

Loan Servicing

Loan Servicing Operations are limited to the Corporation's activities as Master Servicer for the Texas Department of Housing and Community Affairs' Single-Family Mortgage Revenue Bond Program issues 52, 53, and 54 ("the Bond Programs"), and servicing of the Corporation's own portfolio of multifamily and second lien mortgage loans. The unpaid principal balance of the servicing portfolio as of the end of fiscal year 2005 is approximately \$136 million of which \$134 million relates to the Bond Programs.

While the Corporation does not own the loans originated under the Bond Programs, it retains the exclusive rights to service these loans. Substantially all of these servicing responsibilities are subcontracted to Countrywide Home Loans, Inc. ("CHL"). Mortgage loan rates in the portfolio range from 5.85% to 6.75%.

Since acquiring the servicing rights in 1998 and 1999, Servicing Fee income has averaged 20% of the Corporation's total operating revenue each year. Recent increases in loan prepayments, however, have resulted in a significant decrease in Service Fee revenue.

Goal for 2005 –2007

Goal: Evaluate the costs and benefits associated with selling the Corporation's Purchased Mortgage Servicing Rights.

New Program Initiatives

Based upon current corporate resources and future income generated from existing programs, we anticipate implementing the following initiatives in order to increase the current stock of affordable housing throughout the state of Texas.

Fundraising and Grant Program

Although the Texas State Affordable Housing Corporation has been a 501(c)(3) nonprofit since 2001, the Corporation has not actively pursued fundraising and grant opportunities. However, the Corporation provided the Single Family Professional Educator, Fire Fighter, and Police Officer program with \$400,000 from its cash reserves for down payment assistance in 2002, with over \$200,000 in 2004, and over \$400,000 in 2005. For the 2004 Multifamily Private Activity Bond Program the Corporation provided \$500,000 from its cash reserves as a soft second loan for the Providence at Marshall Meadows development in San Antonio. The Corporation does not receive state appropriations and cannot sustain this level of subsidy for its programs.

However, our mission of affordable housing matches many foundation and grant objectives, and provides multiple opportunities for corporate sponsorship and cross-promoting. For instance, the Corporation could solicit corporate partners in the home improvement, home appliance, and large retail businesses sectors for down payment assistance for our Professional Educator, Fire Fighter, and Police Officer programs. We would ask for a grant for down payment assistance and coupons for participating borrowers, such as \$50 off a refrigerator, or a \$100 coupon to the home improvement store. Computer manufacturers could contribute a computer to every teacher, firefighter, police officer, or corrections officer that closes a loan through our program; a telecommunications company could contribute a phone/internet service package. In addition, the Corporation could apply for HUD or other government grants that target rural housing, or some other housing need that the Corporation targets for its Private Activity Bond Program. If the Corporation becomes a developer, other developers or large home improvement companies could contribute lumber or appliances for our developments.

Goals for 2005 –2007

Goal 1: Create a Fundraising and Grant Program Action Plan that includes specific multifamily and single family needs, matches them with appropriate corporate, foundation, or grant resources, and establishes activities and a timeline within which to pursue those resources.

Goal 2: Pursue donations, grants, and sponsorships for multifamily and single family program needs as set forth in our Fundraising and Grant Program Action Plan.

Goal 3: Raise a total of \$500,000 through donations, grants, and sponsorships for our affordable housing programs over the next two years.

Development/Ownership/Management of Multifamily and Single Family Affordable Properties

The Corporation will explore the possibility of creating a development arm of the Corporation for single family and multifamily developments. For multifamily developments, the Corporation has found that finding appropriate developers to use our multifamily financing has been difficult. In addition, the development fee or the land cost is often so high that the transaction becomes financially infeasible. If the Corporation becomes the developer of multifamily and single family properties, it could reduce developer fees, acquire or lease land from government entities, create more affordable rents for the tenants, and ensure that a quality development is being constructed or rehabilitated. All developments will serve the public benefit by providing safe, high-quality affordable housing to the people of Texas, and any developer fees will go into creating more affordable units or houses and/or back into other affordable housing programs offered by the Corporation. If the Corporation manages its own properties, it could also better ensure that safe, decent, and affordable housing is being provided to the residents.

Goal for 2005 –2007

Goal 1: Explore the method by which the Corporation could develop, own, and manage multifamily properties for the purpose of reducing developer fees, acquiring or leasing land from government entities, creating more affordable rents for the tenants, and ensuring that quality developments are being constructed or rehabilitated.

Interim Construction and Land Acquisition Program

The Interim Construction and Land Acquisition Program would encourage the development of affordable single family housing in Texas and create a revolving fund accessible to small and mid-sized builders. While the construction of single family housing has been steadily increasing, the availability of “affordable” single family housing has not kept pace with the demand and as a result limited access to home ownership for many individuals and families in Texas.

This program would make interim construction loans available to for-profit and non-profit builders for the purpose of land acquisition and new home construction for families at or below 80 percent (80%) of AMFI. Funds would be made available through short-term (18-24 month) revolving lines of credit at an interest rate equal to 2 percent (2%) over the Corporation’s earnings rate at the time of the award. The benefit of the below-market rate could be leveraged with private financing to reduce costs to the builders, which would in turn pass the savings on to the end borrower. Potential funding sources for this program would be equity investment funds through financial institutions and private grants and donations.

Goal for 2005 –2007

Goal: Explore the Creation of an Interim Construction and Land Acquisition Program, and if feasible, create the Interim Construction and Land Acquisition Program to facilitate the development of more single family homes in underserved areas and to provide an alternative funding source for smaller builders to secure land for development and/or construction of single family housing.

Creation of a Subsidiary Nonprofit Entity

The Corporation could benefit from the creation of a subsidiary nonprofit entity. The subsidiary nonprofit entity would be created so that we could engage in business that we could not otherwise engage in as an arm of the State of Texas. For example, the Corporation's subsidiary could achieve CDFI certification for New Market Tax Credits to provide economic development help to the areas where we are facilitating affordable housing. In addition, if the Corporation undertakes to do multifamily property management on properties other than those it owns, the subsidiary would be able to manage large portfolios of properties, including those with properties outside the state of Texas. Even more compelling, if the Corporation were to undertake ownership and development of properties, a subsidiary might be a better organizational structure to achieve that purpose.

Goals for 2005 –2007

Goal: Explore the costs and benefits, political, financial, and otherwise, of creating a subsidiary nonprofit entity.

Texas State Affordable Housing Corporation **Direct Lending Multifamily Program**

Staff Recommendation

Include the Direct Lending Multifamily Program in the Corporation's Business Plan for 2005-2007; initially marketing the program through the Community Development Trust, Inc.

Program Analysis

In prior years, the Texas State Affordable Housing Corporation ("Corporation") has offered direct lending services as an opportunity for affordable housing developers to access debt for the acquisition/rehabilitation and/or new construction of affordable multifamily properties in Texas. The two entities that the Corporation has contracted with in providing these funds were The Community Development Trust, Inc. (CDT) and The Federal Home Loan Bank of Dallas (FHLB). This report describes the two programs and provides a cost/benefit analysis of each with final recommendations on continuing to provide this service by including it in the proposed business plan.

The Federal Home Loan Bank of Dallas

In 1932, FHLB began providing specialized financial services to support the needs of mortgage lenders, primarily savings institutions. The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) shifted the Banks' regulatory responsibilities to the Office of Thrift Supervision and expanded their role as wholesale financial intermediaries for the housing finance industry. FIRREA also expanded eligibility for membership in the FHLB System and access to all FHLB credit and non-credit services to include banks, credit unions, insurance companies, savings institutions and others engaged in housing finance.

FHLB's credit programs provide customer institutions funding alternatives in maturities ranging from overnight to 30 years to meet the variety of funding needs of mortgage lenders. Bank advances may be used to fund mortgage originations, meet short-term liquidity needs or fund fixed-rate mortgage loans and other mortgage related investments. FHLB's credit programs are designed specifically for mortgage lenders and allow member institutions to use their mortgage portfolios to secure bank borrowings.

FHLB makes advances on a secured basis. The Federal Housing Finance Board Regulations and the Advance Agreements require borrowing members to maintain sufficient collateral acceptable to FHLB to secure all advances and other indebtedness to FHLB. The two methods of pledging collateral to FHLB to make the loans are:

1. **Blanket Collateralization:** members may borrow up to 75% of the book value of their First Mortgage Collateral, not to exceed 35% of the members' total assets.
2. **Custody Collateralization:** requires the physical delivery of collateral. FHLB will determine collateral value and the member must maintain a collateral value of at least 100% of the advances outstanding.
- 3.

* Eligible collateral for multifamily loans would include the multifamily residential mortgages that meet certain criteria.

Contact Person:

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The Community Development Trust

CDT is the first real estate investment trust (REIT) to specialize in acquiring community development assets. CDT, structured as an UPREIT or umbrella partnership, acquires debt (and equity) in projects that satisfy the criteria of the 1977 Community Reinvestment Act. CDT's goal is to preserve and increase the stock of affordable housing both through long-term equity ownership and by providing liquidity to lenders originating mortgages.

CDT helps to expand the flow of much-needed long-term capital to the community development industry by serving as a secondary market for affordable housing loans on both new and existing multifamily rental properties. CDT focuses primarily on fixed-rate mortgages that may not be efficiently priced by traditional secondary markets-whether because of their small size (\$5M and under), configuration (scattered-site and urban rehabs), affordable aspect, or lack of rated credit enhancement.

The core business of CDT's Debt Program is the fixed-rate forward commitment product. Generally used to finance newly constructed communities with Low Income Housing Tax Credits (LIHTC), this product provides lenders with a key tool for funding permanent mortgages, without assuming interest rate risk and long-term capital risk. CDT also purchases portfolios of "seasoned" MF loans which could be marketed by THE CORPORATION to smaller lending institutions who want to liquidate their holdings to provide new loans for affordable housing.

Contact Persons:

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Transactions completed under each program between 1999 and 2002 (5):
(Refer to Attachment #1)

FHLB

- Sagebrush, \$875,000
- Bunker Hill, \$550,000

CDT

- Crossroads, \$1,525,000
- Key West, \$1,634,000
- Limestone Ridge, \$1,044,000

Analysis and Recommendation:

According to internal accounting records, this program has increased the Corporation's net revenue to date by a total of \$137,025; with \$93,405 from FHLB and \$43,620 from CDT. While the programs offer the same service to clients, they are very different from an operational and accounting standpoint.

The transactions through FHLB require a long term commitment and capital investment of 25% of the loan amount. The program is set up so that a developer organization applies to the Corporation for the full loan amount and we, in turn, apply to FHLB for 75% of the loan amount and invest 25% capital into the loan. The Corporation then services the entire loan for the remaining term receiving the benefit of initial fees from origination along with interest from the borrower on the outstanding 25%. While this program has historically brought in higher revenues than CDT, it also requires increased staff resources to service each loan and ties up capital that the Corporation could be using for other programs. The two outstanding loans mature in 2034 with anticipated projected revenues totaling \$625,536. The Corporation has an investment of \$356,250 total in both transactions which leaves net revenue of \$269,286. Over the 30 year term, the estimated net income from this program is \$8,976 per year. This assumes a 2% inflation rate for overhead expenses related to servicing these transactions. (*Refer to Attachment #2*).

The contract between the Corporation and CDT is for selling of the loans with no servicing component. Through this program, the applicant (which can be a developer organization or construction lender institution) applies for permanent financing through the Corporation who then submits an application to CDT for a "forward commitment" of permanent funds. The Corporation completes all underwriting of the loan and presents the loan package to CDT for approval in two stages; at forward commitment and then again at permanent funding. The corporation works with the applicants through the process while at the same time simultaneously selling the mortgage in the secondary market to CDT. The benefit to the Corporation is through fees received during origination including application, commitment and underwriting fees. Revenues from this program are mostly based upon the original loan amount but have ranged between \$12,000 and \$20,000 in the previous three transactions closed by the Corporation. (*Refer to Attachment #3*) Current analysis indicates that the program fees could provide net revenues between \$17,500 and \$32,500 per transaction. (*Refer to Attachment #4*) While this program provides a smaller fee per transaction, due to the lack of long term commitment of capital, the Corporation could market this program and close more transactions per year than with the FHLB program.

Both programs offer a public benefit of providing permanent financing to smaller projects where capital is not readily available. Fees received from this program could supplement other multifamily programs in providing gap financing for the PAB program or other identified needs of the Corporation. Based upon the underwriting guidelines of CDT, it appears that approximately 30-40 hours of staff time would be required for the underwriting process along with travel expenses and administrative fees which are estimated to total approximately \$1,700 per transaction. Legal administrative fees of each transaction are passed on to the borrower.

Based upon this information, I recommend pursuing the Direct Lending Program through CDT and marketing this service along with our other programs with an anticipated goal of closing a minimum of six (6) transactions during the next fiscal year. During this analysis, I have talked with representatives of CDT who are very enthusiastic about the opportunity of working together again. They have offered to help market the program and provide any additional training required to get it operational again.

After meeting our performance measure of six transactions, we can re-analyze whether the Corporation wants to pursue additional loans through FHLB using the revenue received from these closing as investment capital or use this revenue to support other corporation initiatives. I feel that the risk of tying up cash reserves reduces its benefit to the corporation.

COMMUNITY DEVELOPMENT TRUST
DIRECT LENDING PROGRAM

	CDT Term Sheet 2004	TSAHC Term Sheet 2004-2005	CDT Term Sheet 2005	2004 Net	2005 Net
Pre-App Fees	\$0.00	\$500.00	\$0.00	\$500.00	\$500.00
Application Fee (credited to commitment fee)	\$1,500.00	\$5,000.00	\$2,500.00	\$3,500.00	\$2,500.00
Commitment Fee	1%/\$10,000min	2.5%/\$25,000min	1% of loan	\$19,000.00	\$22,500.00
Underwriting Fee	\$5,000.00	\$7,500.00	\$5,000.00	\$2,500.00	\$7,500.00
Administrative Fees*		Paid by Borrower		\$0.00	\$0.00
TOTAL (based on \$1.5M)	\$21,500.00	\$27,500.00	\$22,500.00	\$25,500.00	\$33,000.00
TOTAL (based on \$1.M)				\$19,000.00	\$25,500.00
TOTAL (based on \$500K)				\$11,500.00	\$18,000.00

*Administrative fees to Jackson Walker including closing costs, recording fees, title insurance, excrow fees, exp in connection with loan, inspection fees, title policy endorsements, fees related to compliance. These are supposed to be paid by Borrower but in the past have been a TSAHC expense w/out reimbursement.

Previous TSAHC Fee Structure:

\$500	Preapplication Fee
\$3,500	Net Application Fee (applied to commitment fee)
1.5% of loan	Commitment Fee
\$5,000	Underwriting Fee
\$25,500	\$1.5M Loan
\$19,000	\$1M Loan
\$11,500	\$500K Loan

Current TSAHC Fee Structure:

(based on 2004 TSAHC term sheet & current CDT term sheet)

\$500	Preapplication Fee (credited to Application Fee)
\$2,500	Application Fee (<u>not applied to commitment fee</u>)
1.5% of loan	Commitment Fee
\$7,500	Underwriting Fee
\$32,500	\$1.5M Loan
\$25,000	\$1M Loan
\$17,500	\$500K Loan

Internal Adm Fees (Salary/Travel)	\$1,120 Hourly rate X 40 hours
	\$500 Travel Expense
	\$100 Supplies/Copies/Etc.
	<u>\$1,720</u>

Changes in program which 1. Decreased Application Fee Split with CDT

increase revenue potential: 2. Internal Underwriting (no outsourcing fee)

3. Change in structure where application fee is not applied to commitment fee

Sagebrush Apartments FHLB Loan Amount: \$875,000			
Per TSAHC accounting records	Received	Date	Notes
Application Fee:	\$ 5,000.00	1/28/2002	
Commitment Fee:	\$ 10,000.00	3/5/2002	
Underwriting Fee:	\$ (2,625.00) \$ 5,250.00 \$ (2,625.00)	12/12/2001 1/16/2002 1/30/2002	Underwriting Fee to Siegel Group Underwriting Fee to Siegel Group
Closing Costs, Recording Fees, Title Insurance, Escrow Fees, Exp in connection w/loan, Inspection Fees, Title Policy Endorsements, Fees related to compliance	\$ 750.00 \$ (750.00) \$ (42.68) \$ (3,686.31) \$ (111.50)	3/5/2002 4/19/2002 9/18/03-12/1/03 10/14/03-07/20/05 10/15/03-02/26/04	Prepayment of Jackson Walker - Attorney fee Jackson Walker - Attorney fee 1/2 of shipping expenses for FHLB MF Direct loans Jackson Walker - Legal 1/2 FHLB - Collateral, Wire and Inspection fees
Interest Expense	\$ (71,178.29)	9/1/03-8/18/05	Monthly repayment of 75% loan from FHLB
Interest Revenue	\$ 119,279.16	9/1/03-8/18/05	Sagebrush Apts - Monthly interest payments
Net Result	\$ 59,260.38		25% balance TSAHC put into deal - \$218,750

<p>Bunker Senior Village FHLB</p> <p>Loan Amount: \$550,000</p>			
Per TSAHC accounting records	Received	Date	Notes
Application Fee:	\$ 5,000.00	1/16/2002	
Commitment Fee:	\$ 10,000.00	4/23/2002	
Underwriting Fee:	\$ (2,625.00) \$ 5,250.00 \$ (2,625.00)	12/12/2001 1/16/2002 1/30/2002	Underwriting Fee to Siegel Group Underwriting Fee to Siegel Group
Closing Costs, Recording Fees, Title Insurance, Escrow Fees, Exp in connection w/loan, Inspection Fees, Title Policy Endorsements, Fees related to compliance	\$ 750.00 \$ (750.00) \$ (42.67) \$ (3,589.15) \$ (111.50)	4/23/2002 4/26/2002 9/18/03-12/1/03 10/14/03-07/20/05 10/15/03-02/26/04	Prepayment of Jackson Walker - Attorney fee Jackson Walker - Attorney fee 1/2 of shipping expenses for FHLB MF Direct loans Jackson Walker - Legal 1/2 FHLB - Collateral, Wire and Inspection fees
Interest Expense	\$ (44,740.65)	9/1/03-8/18/05	Monthly repayment of 75% loan from FHLB
Interest Revenue	\$ 67,628.54	9/1/03-8/18/05	Sagebrush Apts - Monthly interest payments
Net Result	\$ 34,144.57		25% balance TSAHC put into deal - \$137,500

Key West Senior Village CDT Loan Amount: \$1,634,000				
Per Website Term Sheet	Due	Received	Date	Notes
Pre-Application Review: (\$500 non-refundable)	\$ 500.00	\$ -	N/A	
Application Fee: (\$5,000 credited to Commit Fees)	\$ 5,000.00	\$ (1,500.00) \$ (1,700.00) \$ 1,500.00	3/2/2001 Application Fee to CDT 5/3/2001 Wire to CDT (unknown) 3/16/2001 Commitment Fees applied to application fee paid to CDT	
Commitment Fee: (2.5% of loan, min \$25K)	\$40,850.00	\$ 39,350.00 \$ (12,255.00) \$ (10,755.00)	3/16/2001 5/3/2001 Wire to CDT (unknown) 5/21/2001 Wire to CDT (unknown)	
Underwriting Fee: (\$7,500, unused funds refundable)	\$ 7,500.00	\$ 5,000.00 \$ (3,500.00) \$ (1,500.00)	12/4/2000 12/4/2000 Underwriting Fee to Siegel Group 1/29/2001 Underwriting Fee to Siegel Group	
Closing Costs, Recording Fees, Title Insurance, Escrow Fees, Exp in connection w/loan, Inspection Fees, Title Policy Endorsements, Fees related to compliance Review of LURA	TBD	\$ (2,484.05) \$ (362.25) \$ (27.00)	5/31/2001 Jackson Walker - Legal 4/23/2003 Jackson Walker - Legal 5/23/2005 Jackson Walker - Legal	
Net Result		\$ 11,766.70		

Parkstone Crossroads CK CDT Loan Amount: \$1,525,000				
Per Website Term Sheet	Due	Received	Date	Notes
Pre-Application Review: (\$500 non-refundable)	\$ 500.00	\$ -	N/A	
Application Fee: (\$5,000 credited to Commit Fees)	\$ 5,000.00	\$ 5,000.00 \$ (2,500.00) \$ 1,000.00 \$ 1,500.00	12/6/2001 2/4/2002 Application Fee (Rushed) to CDT 2/21/2002 Refund of \$1,000 Rush Fee 3/28/2002 Commitment Fees applied to application fee paid to CDT	
Commitment Fee: (2.5% of loan, min \$25K)	\$38,125.00	\$ 36,625.00 \$ (21,375.00)	3/28/2002 4/2/2002 To CDT	
Underwriting Fee: (\$7,500, unused funds refundable)	\$ 7,500.00	\$ 6,000.00 \$ (3,000.00) \$ (3,000.00)	12/6/2001 12/6/2001 Underwriting Fee to Siegel Group 2/5/2002 Underwriting Fee to Siegel Group	
Closing Costs, Recording Fees, Title Insurance, Escrow Fees, Exp in connection w/loan, Inspection Fees, Title Policy Endorsements, Fees related to compliance Review of LURA	TBD	\$ (67.02) \$ 67.02 \$ (321.36) \$ (70.86) \$ (47.00) \$ (27.00)	12/20/2001 Kinko's 1/16/2002 Reimbursement for Kinko's 7/24/2003 Jackson Walker - Legal 10/14/2003 Jackson Walker - Re:Recorded Assignment 11/19/2003 Jackson Walker - Re:Recorded Assignment 5/23/2005 Jackson Walker - Legal	
Net Result		\$ 19,783.78		

Limestone Ridge CDT Loan Amount: \$1,044,000				
Per Website Term Sheet	Due	Received	Date	Notes
Pre-Application Review: (\$500 non-refundable)	\$ 500.00	\$ -	N/A	
Application Fee: (\$5,000 credited to Commit Fees)	\$ 5,000.00	\$ 5,000.00 \$ (2,500.00) \$ 1,000.00 \$ 1,500.00	12/6/2001 2/4/2002 Application Fee (Rushed) to CDT 2/21/2002 Refund of \$1,000 Rush Fee 3/28/2002 Commitment Fees applied to application fee paid to CDT	
Commitment Fee: (2.5% of loan, min \$25K)	\$26,100.00	\$ 24,600.00 \$ (14,160.00)	3/28/2002 4/2/2002 To CDT	
Underwriting Fee: (\$7,500, unused funds refundable)	\$ 7,500.00	\$ 6,000.00 \$ (3,000.00) \$ (3,000.00)	12/6/2001 12/6/2001 Underwriting Fee to Siegel Group 2/5/2002 Underwriting Fee to Siegel Group	
Closing Costs, Recording Fees, Title Insurance, Escrow Fees, Exp in connection w/loan, Inspection Fees, Title Policy Endorsements, Fees related to compliance Review of Loan Documents Review of LURA	TBD	\$ (67.02) \$ 67.02 \$ (321.46) \$ (78.21) \$ (48.27) \$ (2,895.00) \$ (27.00)	12/20/2001 Kinko's 12/6/2001 Reimbursement for Kinko's 7/24/2003 Jackson Walker - Legal 10/14/2003 Jackson Walker - Legal 11/19/2003 Jackson Walker - Re:Recorded Assignment 5/31/2004 Jackson Walker - Legal 5/23/2005 Jackson Walker - Legal	
Net Result		\$ 12,070.06		

	Bunker Interest Revenue		Bunker Interest Expense		Difference		Orig Fees	Adm. Overhead	Net Income
2003-2005 \$	67,628.54	\$	44,740.65	\$	22,887.89		15,000	3,743	\$ 34,145
2006 \$	37,560.00	\$	25,639.02	\$	11,920.98			2,725	9,196
2007 \$	37,101.33	\$	25,290.81	\$	11,810.52			2,780	9,031
2008 \$	36,609.15	\$	24,919.71	\$	11,689.44			2,835	8,854
2009 \$	36,081.39	\$	24,524.19	\$	11,557.20			2,892	8,665
2010 \$	35,515.45	\$	24,102.66	\$	11,412.79			2,950	8,463
2011 \$	34,908.62	\$	23,653.36	\$	11,255.26			3,009	8,247
2012 \$	34,257.91	\$	23,174.53	\$	11,083.38			3,069	8,015
2013 \$	33,560.15	\$	22,664.17	\$	10,895.98			3,130	7,766
2014 \$	32,811.99	\$	22,120.23	\$	10,691.76			3,193	7,499
2015 \$	32,009.71	\$	21,540.49	\$	10,469.22			3,257	7,213
2016 \$	31,149.45	\$	20,922.61	\$	10,226.84			3,322	6,905
2017 \$	30,227.01	\$	20,264.06	\$	9,962.95			3,388	6,575
2018 \$	29,237.84	\$	19,562.18	\$	9,675.66			3,456	6,220
2019 \$	28,177.20	\$	18,814.11	\$	9,363.09			3,525	5,838
2020 \$	27,039.89	\$	18,016.83	\$	9,023.06			3,596	5,427
2021 \$	25,820.35	\$	17,167.06	\$	8,653.29			3,667	4,986
2022 \$	24,512.67	\$	16,261.38	\$	8,251.29			3,741	4,510
2023 \$	23,110.41	\$	15,296.10	\$	7,814.31			3,816	3,999
2024 \$	21,606.83	\$	14,267.30	\$	7,339.53			3,892	3,448
2025 \$	19,994.54	\$	13,170.81	\$	6,823.73			3,970	2,854
2026 \$	18,265.70	\$	12,002.17	\$	6,263.53			4,049	2,214
2027 \$	16,411.86	\$	10,756.59	\$	5,655.27			4,130	1,525
2028 \$	14,424.01	\$	9,429.08	\$	4,994.93			4,213	782
2029 \$	12,292.48	\$	8,014.19	\$	4,278.29			4,297	(19)
2030 \$	10,006.87	\$	6,506.22	\$	3,500.65			4,383	(882)
2031 \$	7,556.01	\$	4,899.01	\$	2,657.00			4,471	(1,814)
2032 \$	4,927.96	\$	3,186.01	\$	1,741.95			4,560	(2,818)
2033 \$	2,109.98	\$	1,360.32	\$	749.66			4,651	(3,902)
2034 \$	63.60	\$	40.90	\$	22.70			4,744	(4,722)
	\$ 697,350.36	\$	467,566.10	\$	229,784.26				
							105,709		\$ 158,220
								Investment Equity	(\$137,500)
								Subtotal Revenue	\$20,720
								Term of Note (30yr)	\$691

**AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF THE
TEXAS STATE AFFORDABLE HOUSING CORPORATION**

Pursuant to the provisions of Article 1396, Section 4.06 of the Texas Non-Profit Corporation Act (the “Non-Profit Corporation Act”), the undersigned Texas non-profit corporation adopts the Amended and Restated Articles of Incorporation set forth herein, restating the entire Articles of Incorporation as amended and supplemented by all certificates of amendment previously issued by the Secretary of State, and as further amended by these restated Articles of Incorporation.

1. The following amendments made by these Amended and Restated Articles of Incorporation were adopted by resolution of the Board of Directors on September 9, 2005, by the vote of a majority of the directors in office and effected in conformity with the provisions of the Act, there being no members having voting rights:

An amendment to ARTICLE FOUR deleting the article and substituting in its place a new ARTICLE FOUR to set forth the purposes for which the Corporation is organized.

An amendment to ARTICLE FIVE deleting the article and substituting in its place a new ARTICLE FIVE to set forth the rights and powers of the Corporation.

An amendment to ARTICLE TEN deleting the article and substituting in its place a new ARTICLE TEN setting forth the current directors of the Corporation.

2. These Amended and Restated Articles of Incorporation accurately copy the initial Articles of Incorporation and all amendments thereto that are in effect to date and as further amended by these Amended and Restated Articles of Incorporation and these Amended and Restated Articles of Incorporation contain no other change in any provision thereof.

3. The Articles of Incorporation of the Corporation are amended and restated in their entirety to read as follows:

ARTICLE ONE

The name of the Corporation is Texas State Affordable Housing Corporation (the “Corporation”).

ARTICLE TWO

The Corporation is a non-profit corporation.

ARTICLE THREE

The period of duration of the Corporation is perpetual.

ARTICLE FOUR

The Corporation is organized and shall be operated and administered for the promotion of public health, safety and welfare as follows:

(a) The public purpose of the Corporation is to perform such activities and services that the Corporation's Board of Directors determines will promote the public health, safety, and welfare through the provision of adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income, and to perform activities and services related to this purpose and for other purposes as set forth in Chapter 2306, Subchapter Y, of the Government Code.

(b) The Corporation shall also perform such other functions as may be necessary or appropriate to fulfill the purpose of the Corporation.

The broadest discretion is vested in and conferred upon the Board of Directors for the accomplishment of these purposes.

ARTICLE FIVE

The Corporation's powers are as follows:

(a) The Corporation has all of the same powers as provided to the Texas Department of Housing and Community Affairs (the "Department") in the Government Code.

(b) In addition to the powers set forth in subsection (a), the Corporation has all rights and powers necessary to accomplish its public purpose, including all the powers specifically set forth for the Corporation in Chapter 2306, Subchapter Y, of the Government Code.

(c) In exercising the foregoing powers, the Corporation shall not actively compete with private lenders and shall not originate or make a loan that would be made under the same circumstances by a private lender on substantially the same or better terms within the submarket in which the loan is proposed to be made.

(d) The mortgage banking operations shall be dedicated to the furtherance of facilitating affordable housing finance primarily for the benefit of individuals and families of low, very low and extremely low income and for other persons as set forth in Chapter 2306, Subchapter Y, of the Government Code.

(e) The Corporation may contract with the Department and with bond counsel, financial advisors, underwriters, or other providers of professional or consulting services.

(f) The Corporation shall pay its expenses from any available fund without resort to the general revenues of the state, except as specifically appropriated by the legislature.

(g) The Department may not transfer any funds to the Corporation to support the administration of the Corporation or to subsidize its operations in any way. The department shall be fully compensated by the Corporation for any property or employees that are shared by the Corporation and the department, and it is the intent of the legislature that no employees be shared beyond the time at which such sharing is absolutely necessary. This subsection does not prohibit the Corporation from receiving grants, loans, or other program funds of a kind that are available to other nonprofit corporations, or from using that portion of the program funds that are allowed for administration of the program for administrative purposes.

(h) Transfers of property from the Department to the Corporation shall be fully compensated.

ARTICLE SIX

The Corporation has no members and no stock.

ARTICLE SEVEN

No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in these ARTICLES. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

ARTICLE EIGHT

All matters pertaining to the internal affairs of the Corporation shall be governed by the bylaws of the Corporation provided that such bylaws shall be consistent with these Amended and Restated Articles of Incorporation, applicable law, and any resolutions of the Board of Directors of the Corporation. Such bylaws and any amendments thereto shall be adopted by a majority vote of the Board of Directors.

ARTICLE NINE

The street address of the Corporation's registered office is 1005 Congress Avenue, Suite 500, Austin, Texas 78701, and the name of its registered agent at such address is David Long.

ARTICLE TEN

The Board of Directors shall consist of five members appointed by the Governor, as set out in Government Code Section 2306.554. The current Board of Directors is comprised of:

Jerry Romero,
Thomas Leeper,
Charles Rencher,
Jo Van Hovel, and
One vacant Board position (as of September 9, 2005).

The address of each member of the Board of Directors is 1005 Congress Avenue, Suite 500, Austin, Texas 78701. Appointments to the board of directors of the corporation shall be made without regard to the race, color, disability, sex, religion, age, or national origin of the appointees.

ARTICLE ELEVEN

Intentionally left blank.

ARTICLE TWELVE

These Amended and Restated Articles of Incorporation may at any time and from time to time be amended in the manner provided in the Non-Profit Corporation Act by affirmative vote of a majority of the Board of Directors.

ARTICLE THIRTEEN

The Corporation's assets are dedicated to the public purposes described in these Articles and upon the dissolution of the Corporation, its remaining assets shall be distributed to the Texas Department of Housing And Community Affairs as directed by Article 2306.558(c) of the Texas Government Code.

ARTICLE FOURTEEN

Directors and officers of the Corporation shall be indemnified by the Corporation to the maximum extent permitted pursuant to Article 1396-2.22A of the Non-Profit Corporation Act, as it may be amended from time to time, or any other appropriate law in connection with any actual or threatened action or proceeding (including civil, criminal, administrative or investigative proceedings) arising out of their service to the Corporation or to another organization or enterprise at the Corporation's request. The liability of the directors, officers and employees of the corporation is limited by Section 2306.561 of the Texas Government Code. Neither the amendment nor repeal of this ARTICLE FOURTEEN shall affect any right of protection of a person with respect to any act or omission occurring prior to the time of such repeal or modification. The indemnification provided by this ARTICLE FOURTEEN shall not be deemed exclusive of any other rights to which a director or officer or former director or officer may be entitled under any bylaw, agreement, insurance policy or otherwise.

ARTICLE FIFTEEN

The Corporation shall be governed by and in accordance with the provisions of the Non-Profit Corporation Act except as specifically provided otherwise under Chapter 2306, Subchapter Y of the Government Code.

EXECUTED this _____ day of _____, 2005.

**TEXAS STATE AFFORDABLE HOUSING
CORPORATION**

By: _____
Name: _____
Title: _____

**AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF THE
TEXAS STATE AFFORDABLE HOUSING CORPORATION**

Pursuant to the provisions of Article 1396, Section 4.06 of the Texas Non-Profit Corporation Act (the “Non-Profit Corporation Act”), the undersigned Texas non-profit corporation adopts the Amended and Restated Articles of Incorporation set forth herein, restating the entire Articles of Incorporation as amended and supplemented by all certificates of amendment previously issued by the Secretary of State, and as further amended by these restated Articles of Incorporation.

1. The following amendments made by these Amended and Restated Articles of Incorporation were adopted by resolution of the Board of Directors on ~~October 15, 2004, September 9, 2005~~, by the vote of a majority of the directors in office and effected in conformity with the provisions of the Act, there being no members having voting rights:

An amendment to ARTICLE ~~TENFOUR~~ deleting the article and substituting in its place a new ARTICLE ~~TEN~~ to list the current Directors and set forth certain statutory anti-discrimination provisions applicable to the appointment of directors ~~FOUR to set forth the purposes for which the Corporation is organized.~~

An amendment to ARTICLE FIVE deleting the article and substituting in its place a new ARTICLE FIVE to set forth the rights and powers of the Corporation.

An amendment to ARTICLE TEN deleting the article and substituting in its place a new ARTICLE TEN setting forth the current directors of the Corporation.

2. These Amended and Restated Articles of Incorporation accurately copy the initial Articles of Incorporation and all amendments thereto that are in effect to date and as further amended by these Amended and Restated Articles of Incorporation and these Amended and Restated Articles of Incorporation contain no other change in any provision thereof.

3. The Articles of Incorporation of the Corporation are amended and restated in their entirety to read as follows:

ARTICLE ONE

The name of the Corporation is Texas State Affordable Housing Corporation (the “Corporation”).

ARTICLE TWO

The Corporation is a non-profit corporation.

ARTICLE THREE

The period of duration of the Corporation is perpetual.

ARTICLE FOUR

The Corporation is organized and shall be operated and administered for the promotion of public health, safety and welfare as follows:

(a) The public purpose of the Corporation is to perform such activities and services that the Corporation's Board of Directors determines will promote the public health, safety, and welfare through the provision of adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income, and ~~for professional educators under the Professional Educators Home Loan Program as provided by Section 2306.562, Government Code, and for fire fighters and police officers under the Fire Fighters and Police Officers Home Loan Program as provided in Section 2306.563, Government Code. The to perform activities and services shall include engaging in mortgage banking activities and lending transactions and acquiring, holding, selling, or leasing real or personal property.~~ related to this purpose and for other purposes as set forth in Chapter 2306, Subchapter Y, of the Government Code.

(b) The Corporation's primary public purpose is to facilitate the provisions of ~~housing and the making of affordable loans to individuals and families of low, very low and extremely low income, and for professional educators under the Professional Educators Home Loan Program, and for fire fighters and police officers under the Fire Fighters and Police Officers Home Loan Program. The Corporation may make first lien, single family purchase money mortgage loans for single family homes to individuals and families of low, very low and extremely low income if the individual's or family's household income is not more than the greater of 60 percent of the median income for the state of Texas, as defined by the United States Department of Housing and Urban Development, or 60 percent of the area median family income, adjusted for family size, as defined by that department. The Corporation may also facilitate the provision of low interest home mortgage loans to eligible professional educators as provided in accordance with the requirements, qualifications and restrictions of the Professional Educators Home Loan Program. The Corporation may make loans for multifamily developments if:~~

(1) ~~at least 40 percent of the units in a multifamily development are affordable to individuals and families with incomes at or below 60 percent of the median family income, adjusted for family size; or~~

(2) ~~at least 20 percent of the units in a multifamily development are affordable to individuals and families with incomes at or below 50 percent of the median family income, adjusted for family size.~~

(c) To the extent reasonably practicable, the Corporation shall use the services of ~~banks, community banks, savings banks, thrifts, savings and loan associations, private mortgage companies, nonprofit organizations, and other lenders in providing credit primarily to individuals and families of low, very low, and extremely low income.~~

(d) The Corporation shall also perform such other functions as may be necessary or appropriate to fulfill the purpose of the Corporation.

The broadest discretion is vested in and conferred upon the Board of Directors for the accomplishment of these purposes.

ARTICLE FIVE

The Corporation's powers are as follows:

(a) The Corporation has all of the same powers as provided ~~for~~to the Texas Department of Housing and Community Affairs (the "Department") ~~as set forth~~ in the Government Code.

(b) In addition to the powers set forth in subsection (a), the Corporation has all rights and powers necessary to accomplish its public purpose, including all the powers ~~to specifically set forth for the Corporation in Chapter 2306, Subchapter Y, of the Government Code.~~

(1) ~~purchase, service, sell, lend on the security of, or otherwise transact in:~~

(A) ~~mortgages, including federal mortgages and federal insured mortgages;~~

(B) ~~mortgage loans;~~

(C) ~~deeds of trust; and~~

(D) ~~loans or other advances of credit secured by liens against manufactured housing;~~

(2) ~~guarantee or insure timely payment of mortgage loans and loans or other advances of credit secured by liens against manufactured housing, provided that the Corporation's liability on that guaranty or insurance is limited to the assets of a guaranty fund or self insurance fund established and maintained by the Corporation;~~

(3) ~~make mortgage loans and loans or other advances of credit secured by liens against manufactured housing to individuals and families of low income;~~

(4) ~~make mortgage loans to provide temporary or permanent financing or refinancing for housing or land development, including refunding outstanding obligations, mortgages, or advances issued for those purposes;~~

(5) ~~borrow, give security, pay interest or other return, or issue bonds or other obligations, including notes, debentures, or mortgage backed securities, provided that each bond or other obligations issued by the Corporation must contain a statement that the state is not obligated to pay the principal of or any premium or interest on the bond or other obligation and that the full faith and credit and the taxing power of the state are not pledged, given, or loaned to the payment;~~

- (6) acquire, hold, invest, use, pledge, reserve, and dispose of its assets, revenues, income, receipts, funds, and money outside the state, subject to the terms of any resolution, indenture, or other contract under which any bonds or other obligations are issued or any guaranty or insurance is provided;
- (7) establish, charge, and collect fees, charges, and penalties in connection with the programs, services, and activities of the Corporation;
- (8) procure insurance and pay premiums on insurance of any type, in amounts, and from insurers as the Corporation's Board of Directors considers necessary and advisable to further the Corporation's public purpose, including, subject to Government Code, Section 2306.554(e), liability insurance for the members of the Corporation's Board of directors and the officers and other employees of the Corporation;
- (9) make, enter into, and enforce contracts, agreements, leases, indentures, mortgages, deeds, deeds of trust, security agreements, pledge agreements, credit agreements, and other instruments with any person, including a mortgage lender, servicer, housing sponsor, the federal government, or any public agency, on terms the Corporation determines may be acceptable;
- (10) own, rent, lease, or otherwise acquire, accept, or hold real, personal, or mixed property, or any interest in property, by purchase, exchange, gift, assignment, transfer, foreclosure, mortgage, sale, lease, or otherwise and hold, manage, operate, or improve real, personal, or mixed property, regardless of location;
- (11) sell, lease, encumber, mortgage, exchange, donate, convey, or otherwise dispose of any or all of its properties or any interest in its properties, deeds of trust, or mortgage lien interest owned by it or under its control or custody; or in its possession, and release or relinquish any right, title, claim, lien, interest, easement, or demand, however acquired, including any equity or right of redemption in property foreclosed by it, by public or private sale, with or without public bidding;
- (12) lease or rent any improvements, lands, or facilities from any person;
- (13) request, accept, and use gifts, loans, donations, aid, guaranties, allocations, subsidies, grants, or contributions of any item of value to further its public purpose;
- (14) exercise the rights and powers of a nonprofit corporation incorporated under the Non Profit Corporation Act;
- (15) delegate to a member of the Corporation's Board of Directors or to an employee of the Corporation the authority to enter into a contract to issue bonds or other obligations for the Corporation;

(16) ~~administer, direct and operate the Professional Educators Home Loan Program in accordance with the provisions of Section 2306.562, Government Code, and the Fire Fighters and Police Officers Home Loan Program in accordance with the provisions of Section 2306.563, Government Code; and~~

(17) ~~supplement the technical and financial capacity of other appropriate non-profit organizations to provide for the multifamily and single-family housing needs of individuals and families of low, very low, and extremely low income.~~

(c) In exercising the foregoing powers, the Corporation shall not actively compete with private lenders and shall not originate or make a loan that would be made under the same circumstances by a private lender on substantially the same or better terms within the submarket in which the loan is proposed to be made.

(d) The mortgage banking operations shall be dedicated to the furtherance of facilitating affordable housing finance primarily for the benefit of individuals and families of low, very low and extremely low income ~~who generally are not afforded housing finance options through conventional lending channels, and for eligible professional educators under the Professional Educators Home Loan Program, and for eligible fire fighters and police officers under the Fire Fighters and Police Officers Home Loan Program and for other persons as set forth in Chapter 2306, Subchapter Y, of the Government Code.~~

(e) The Corporation may contract with the Department and with bond counsel, financial advisors, underwriters, or other providers of professional or consulting services.

(f) The Corporation shall pay its expenses from any available fund without resort to the general revenues of the state, except as specifically appropriated by the legislature.

(g) The Department may not transfer any funds to the Corporation to support the administration of the Corporation or to subsidize its operations in any way. The department shall be fully compensated by the Corporation for any property or employees that are shared by the Corporation and the department, and it is the intent of the legislature that no employees be shared beyond the time at which such sharing is absolutely necessary. This subsection does not prohibit the Corporation from receiving grants, loans, or other program funds of a kind that are available to other nonprofit corporations, or from using that portion of the program funds that are allowed for administration of the program for administrative purposes.

(h) Transfers of property from the Department to the Corporation shall be fully compensated.

ARTICLE SIX

The Corporation has no members and no stock.

ARTICLE SEVEN

No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in these ARTICLES. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

ARTICLE EIGHT

All matters pertaining to the internal affairs of the Corporation shall be governed by the bylaws of the Corporation provided that such bylaws shall be consistent with these Amended and Restated Articles of Incorporation, applicable law, and any resolutions of the Board of Directors of the Corporation. Such bylaws and any amendments thereto shall be adopted by a majority vote of the Board of Directors.

ARTICLE NINE

The street address of the Corporation's registered office is 1005 Congress Avenue, Suite 500, Austin, Texas 78701, and the name of its registered agent at such address is David Long.

ARTICLE TEN

The Board of Directors shall consist of five members appointed by the Governor, as set out in Government Code Section 2306.554. The current Board of Directors is comprised of:

Jerry Romero,
Christopher DeCluitt,
Thomas Leeper,
Charles Rencher, and
Jo Van Hovel, and
One vacant Board position (as of September 9, 2005).

The address of each member of the Board of Directors is 1005 Congress Avenue, Suite 500, Austin, Texas 78701. Appointments to the board of directors of the corporation shall be made without regard to the race, color, disability, sex, religion, age, or national origin of the appointees.

ARTICLE ELEVEN

Intentionally left blank.

ARTICLE TWELVE

These Amended and Restated Articles of Incorporation may at any time and from time to time be amended in the manner provided in the Non-Profit Corporation Act by affirmative vote of a majority of the Board of Directors.

ARTICLE THIRTEEN

The Corporation's assets are dedicated to the public purposes described in these Articles and upon the dissolution of the Corporation, its remaining assets shall be distributed to the Texas Department of Housing And Community Affairs as directed by Article 2306.558(c) of the Texas Government Code.

ARTICLE FOURTEEN

Directors and officers of the Corporation shall be indemnified by the Corporation to the maximum extent permitted pursuant to Article 1396-2.22A of the Non-Profit Corporation Act, as it may be amended from time to time, or any other appropriate law in connection with any actual or threatened action or proceeding (including civil, criminal, administrative or investigative proceedings) arising out of their service to the Corporation or to another organization or enterprise at the Corporation's request. The liability of the directors, officers and employees of the corporation is limited by Section 2306.561 of the Texas Government Code. Neither the amendment nor repeal of this ARTICLE FOURTEEN shall affect any right of protection of a person with respect to any act or omission occurring prior to the time of such repeal or modification. The indemnification provided by this ARTICLE FOURTEEN shall not be deemed exclusive of any other rights to which a director or officer or former director or officer may be entitled under any bylaw, agreement, insurance policy or otherwise.

ARTICLE FIFTEEN

The Corporation shall be governed by and in accordance with the provisions of the Non-Profit Corporation Act except as specifically provided otherwise under Chapter 2306, Subchapter Y of the Government Code.

EXECUTED this _____ day of October 2004, 2005.

**TEXAS STATE AFFORDABLE HOUSING
CORPORATION**

By: _____
Name: _____
Title: _____

Document comparison done by DeltaView on Friday, September 02, 2005 2:06:26 PM

Input:

Document 1	PowerDocs://DOCSOPEN/2501808/7
Document 2	PowerDocs://DOCSOPEN/2501808/8
Rendering set	Kent's

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Insertion

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Style change

Format change

Moved deletion

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Deleted cell

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Split/Merged cell

Padding cell

Statistics:

	Count
Insertions	21
Deletions	42
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	63

NINTH AMENDED AND RESTATED BYLAWS OF
TEXAS STATE AFFORDABLE HOUSING CORPORATION

ARTICLE I
STRUCTURE, MEMBERS AND PURPOSES

Section 1.1. Structure and Members. Texas State Affordable Housing Corporation (the “Corporation”) is a non-profit corporation organized under the laws of the State of Texas, and has no members within the meaning of the Texas Non-Profit Corporation Act, TEX. REV. CIV. STAT. ANN. Art. 1396 (Vernon 1980) (the “Non-Profit Corporation Act”). The creation of the Corporation was authorized by V.T.C.A., Government Code, Chapter 2306, Subchapter Y (the “Government Code”). The Articles of Incorporation, as amended from time to time (the “Articles of Incorporation”), were originally filed in the office of the Secretary of State of Texas on May 6, 1994.

Section 1.2. Purposes. The purposes for which the Corporation is organized and to be operated are as set forth in the Articles of Incorporation.

ARTICLE II
BOARD OF DIRECTORS

Section 2.1. Powers. The property, business, and affairs of the Corporation shall be managed by the Board of Directors, and subject to the restrictions imposed by law, the Articles of Incorporation, and these Bylaws.

Section 2.2. Appointment, Number, Chair and Vice Chair. The Board of Directors shall consist of five members appointed by the Governor of the State of Texas. The Governor of the State of Texas shall designate the Director that will serve as Board Chair. The Board of Directors shall designate the Director who will serve as Vice Chair.

Section 2.3. Powers and Duties of the Board Chair. The Board Chair shall preside at all meetings of the Board of Directors, and shall have such other powers and duties as may be described in these Bylaws or assigned from time to time by the Board of Directors.

Section 2.4. Powers and Duties of the Vice Chair of the Board. In the absence of the Board Chair, or in the event of his or her inability or refusal to act, a Vice Chair of the Board shall preside at all meetings of the Board of Directors. He or she shall also have such other powers and duties as may be designated in the Bylaws and as may be assigned from time to time by the Board of Directors.

Section 2.5. Terms. Directors shall serve staggered six year terms, with the terms of one or two Directors expiring February 1 of each odd-numbered year. Notwithstanding the foregoing: the Governor of the State of Texas shall make five

appointments to the Board of Directors. One Director shall serve for a term expiring February 1, 2005, two Directors shall serve for terms expiring February 1, 2007, and two Directors shall serve for terms expiring February 1, 2009.

Section 2.6. Meetings of Directors. The Board of Directors may hold meetings, maintain an office, and keep the Corporation's books and records at such place or places as the Board of Directors may from time to time determine, provided that in the absence of any such determination by the Board of Directors, the meetings shall be held at the principal office of the Corporation.

Section 2.7. Regular Meetings. Regular meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by the Board Chair or a majority of the Board of Directors.

Section 2.8. Special Meetings. Special meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by the Board Chair or by a majority of the Board of Directors then in office.

Section 2.9. Notice of Meetings. Notice of regular or special meetings will be given to each Director, and to the public pursuant to the provisions of Section 2306.039 of the Government Code or the applicable law in effect at the time such meeting is to be held.

Section 2.10. Quorum and Voting. A majority of the then acting Directors shall constitute a quorum for consideration of matters pertaining to the purposes of the Corporation. The vote of a majority of the Directors present at the meeting at which a quorum is in attendance shall constitute the act of the Board of Directors, unless the act of a greater number is required by law, the Articles of Incorporation, or the Bylaws; or unless the vote of fewer Directors is allowed to approve a transaction under Article 2.30 of the Texas Non-Profit Corporation Act as amended from time to time.

Section 2.11. Conduct of Business. At meetings of the Board of Directors, matters pertaining to the purposes of the Corporation shall be considered in such an order as from time to time the Board of Directors may determine or as required by law. At all meetings of the Board of Directors, the Board Chair shall preside, and in the absence of the Board Chair, the Vice Chair, and in the absence of the Vice Chair, the President shall preside, and in the absence of the President, a chair shall be chosen by the Board of Directors from among the Directors present. The Secretary of the Corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the Board Chair may appoint any person to act as secretary of the meeting.

Section 2.12. Compensation of Directors: Expenses. A member of the Corporation's Board of Directors is not entitled to compensation but is entitled to reimbursement of travel expenses incurred by the member while conducting the business of the board to the same extent provided by the Texas General Appropriations Act for a member of a state board.

Section 2.13. Committees of Directors. The Board of Directors may from time to time designate members of the Board of Directors to constitute committees that shall have and may exercise such powers as the Board of Directors may determine from time to time. The Board of Directors shall have a standing Audit Committee that shall have and may exercise such powers as the Board of Directors may determine from time to time.

Section 2.14. Removal of Directors.

(a) It is a ground for removal from the Board of Directors of the Corporation that a Director:

(1) does not have at the time of taking office or maintain during his or her term the qualifications required by Section 2306.554;

(2) is or becomes ineligible for membership under Section 2.16 of these Bylaws;

(3) cannot, because of illness or disability, discharge the member's duties for a substantial part of the member's term; or

(5) is absent from more than half of the regularly scheduled board meetings that the member is eligible to attend during a calendar year without an excuse approved by a majority vote of the Board of Directors.

(b) The validity of an action of the Board of Directors of the Corporation is not affected by the fact that it is taken when a ground for removal of a board member exists.

(c) If the President of the Corporation has knowledge that a potential ground for removal exists, the President shall notify the presiding officer of the Board of Directors of the potential ground. The presiding officer shall then notify the Governor of the State of Texas and the Attorney General that a potential ground for removal exists. If the potential ground for removal involves the presiding officer, the President shall notify the next highest ranking officer of the Board of Directors, who shall then notify the governor and the Attorney General that a potential ground for removal exists.

Section 2.15 Training of Directors.

(a) A person who is appointed to and qualifies for office as a member of the Corporation's Board of Directors may not vote, deliberate, or be counted as a member in attendance at a meeting of the Board until the person completes a training program that complies with Section 2306.5543 of the Texas Government Code.

(b) The training program must provide the person with information regarding:

(1) the legislation that created the Corporation and the Corporation's Board of Directors;

- (2) the programs operated by the Corporation;
- (3) the role and functions of the Corporation;
- (4) the rules of the Corporation with an emphasis on the rules that relate to disciplinary and investigatory authority;
- (5) the current budget for the Corporation;
- (6) the results of the most recent formal audit of the Corporation;
- (7) the requirements of:
 - (A) the Texas Open Meetings law (*See Chapter 551 of the Texas Government Code*);
 - (B) the Texas Public Information law (*See Chapter 552 of the Texas Government Code*);
 - (C) the Texas Administrative Procedure law, (*See Chapter 2001 of the Texas Government Code*); and
 - (D) other laws relating to public officials, including conflict-of-interest laws; and
- (8) any applicable ethics policies adopted by the Corporation or the Texas Ethics Commission.

Section 2.16 Director Conflict Of Interest.

- (a) The Board of Directors of the Corporation shall develop and implement policies relating to employee conflicts of interest that are substantially similar to comparable policies that govern state employees.
- (b) A person may not be a member of the Corporation's Board of Directors and may not be a Corporation employee employed in a "bona fide executive, administrative, or professional capacity," as that phrase is used for purposes of establishing an exemption to the overtime provisions of the federal Fair Labor Standards Act of 1938 (29 U.S.C. Section 201 et seq.), and its subsequent amendments, if:
 - (1) the person is an officer, employee, or paid consultant of a Texas trade association in the field of banking, real estate, housing development, or housing construction; or
 - (2) the person's spouse is an officer, manager, or paid consultant of a Texas trade association in the field of banking, real estate, housing development, or housing construction.

(c) A person may not be a member of the Corporation's Board of Directors or act as the general counsel to the Board of Directors or the Corporation if the person is required to register as a lobbyist under Chapter 305 because of the person's activities for compensation on behalf of a profession related to the operation of the Corporation.

(d) In this section, "Texas trade association" means a cooperative and voluntarily joined statewide association of business or professional competitors in this state designed to assist its members and its industry or profession in dealing with mutual business or professional problems and in promoting their common interest.

Section 2.17 Director Standards of Conduct. The President of the Corporation or the president's designee shall provide to members of the Board of Directors of the Corporation and to Corporation employees, as often as necessary, information regarding the requirements for office or employment under Subchapter Y of Chapter 2306 of the Texas Government Code including information regarding a person's responsibilities under applicable laws relating to standards of conduct for state officers or employees.

ARTICLE III

OFFICERS

Section 3.1. Number, Titles and Term of Office. The Officers of the Corporation shall include a President and a Secretary, and may also include a Chief Operating Officer, an Executive Vice President, one or more Vice Presidents, one or more Assistant Vice Presidents, a Chief Financial Officer, a Treasurer, and such other officers as the Board of Directors may from time to time appoint or ratify. Any two or more offices may be held by the same person, except the offices of President and Secretary, which may not be held by the same person.

Section 3.2. Election. The Board of Directors shall appoint or ratify the Corporation's officers each year.

Section 3.3. Removal. Any officer or agent who is hired, elected, appointed, or ratified by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the individual so removed. Employment, election, appointment, or ratification of an officer or agent shall not of itself create contract rights.

Section 3.4. Vacancies. Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors, and vacant offices other than the office of President may be initially filled by the President.

Section 3.5. Powers and Duties of the President. The President shall have general executive charge, management, and control of the day-to-day business and operations of the Corporation with all powers as may be reasonably incident to such responsibilities. The President shall have the authority to execute all bonds, mortgages, leases, contracts, evidences of indebtedness, and other obligations in the name of the Corporation. The President shall have such other powers and duties as may be

designated in these Bylaws and as may be assigned to such officer from time to time by the Board of Directors. The Board of Directors may limit or expand the authority of the President. So long as no officer of the Corporation holds the title of President, or in the absence of the President, or in the event of his or her inability or refusal to act, the Chief Operating Officer shall hold and exercise all of the powers and duties of the President.

Section 3.6. Powers and Duties of a Vice President. A Vice President shall have such powers and perform such duties as may be delegated to him or her by the President, or as may be otherwise prescribed by the Board of Directors from time to time. The Vice President(s) shall be under the supervision of and report to the President.

Section 3.7. Powers and Duties of the Chief Financial Officer. The Chief Financial Officer shall be under the supervision of and report to the President and shall be responsible for developing and maintaining the necessary procedures for all reporting and audit requirements (including those required by the provisions of Sections 2306.559 and 2306.560 of the Government Code); for the financial control of the business and for the safeguarding of assets; for directing internal auditing; for seeing that all necessary accounting activities are developed and maintained; for directing the preparation and interpretation of consolidated financial statements; for directing studies of administrative and office systems and procedures; for developing data processing; and for recommending changes in accounting, or auditing.

Section 3.8. Powers and Duties of the Secretary. The Secretary shall attend all sessions of the Board of Directors and record all votes and the minutes of all proceedings in a book to be kept for that purpose. He or she shall give, or cause to be given, notice of all meetings of the Board of Directors and shall perform such other duties as may be determined by the Board of Directors.

Section 3.9. Powers and Duties of the Treasurer. The Treasurer shall have the custody of all of the Corporation's funds and securities that come into such officer's hands. When necessary or proper, the Treasurer may endorse or cause to be endorsed, in the name and on behalf of the Corporation, checks, notes, and other obligations for collection and shall deposit or cause to be deposited the same to the credit of the Corporation in such bank or banks or depositories and in such manner as shall be designated and prescribed; may sign or cause to be signed all receipts and vouchers for payments made to the Corporation either alone or jointly with such other officer as may be designated by the Board of Directors; shall render or cause to be rendered a statement of the cash account; shall enter or cause to be entered regularly in the Corporation's books to be kept by such officer for that purpose full and accurate accounts of all moneys received and paid out on account of the Corporation; shall perform all acts incident to the position of Treasurer subject to the oversight of the Board of Directors; and shall give such bond for the faithful discharge of such officer's duties in such form as the Board of Directors may require. One or more Assistant Treasurers may be elected to have such powers and perform such duties as may be delegated to him or her by the Treasurer, or as may be otherwise determined by the Board of Directors from time to time.

ARTICLE IV

PROVISIONS REGARDING BYLAWS

Section 4.1. Effective Date. These Bylaws shall become effective upon the adoption of these Bylaws by the Board of Directors.

Section 4.2. Amendments to Bylaws. These Bylaws may be amended at any time and from time to time in accordance with the Non-Profit Corporation Act by majority vote of the Board of Directors.

Section 4.3. Interpretation of Bylaws. These Bylaws shall be liberally construed to effectuate the purposes set forth herein. If any word, phrase, clause, sentence, paragraph, section, or other part of these Bylaws, or the application thereof to any person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of these Bylaws and the application of such word, phrase, clause, sentence, paragraph, section, or other part of these Bylaws to any other person or circumstances shall not be affected thereby.

ARTICLE V

GENERAL PROVISIONS

Section 5.1. Principal Office. The principal office of the Corporation shall be located at 1005 Congress Avenue, Suite 500, Austin, Texas 78701. Its mailing address is P.O. Box 12637, Austin, Texas 78711-2637.

Section 5.2. Fiscal Year. The fiscal year of the Corporation shall be determined by the Board of Directors.

Section 5.3. Seal. The Corporation shall not have a seal.

Section 5.4. Notice and Waiver of Notice. Whenever any notice is required to be given by mail under the provisions of these Bylaws, such notice shall be deemed to be delivered when deposited in the United States Mail in a sealed postpaid wrapper addressed to the person entitled thereto at such person's post office address, as such appears in the records of the Corporation, and such notice shall be deemed to have been given on the day of such mailing. A waiver of notice in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

Section 5.5. Public Notice. Public notice shall be given to the public pursuant to Section 2306.039 of the Government Code which references V.T.C.A., Government Code, Chapters 551 and 552.

Section 5.6. Resignations. Any Director or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the President or Secretary.

The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 5.7. Dissolution of the Corporation. On dissolution of the Corporation, the funds and properties previously owned by the Corporation shall be transferred to the Texas Department of Housing and Community Affairs, its successors or assigns in accordance with the Articles of Incorporation.

ARTICLE VI

INDEMNIFICATION

Section 6.1. Indemnification. Directors and officers of the Corporation shall be indemnified by the Corporation to the maximum extent permitted pursuant to Article 1396-2.22A of the Non-Profit Corporation Act, as it may be amended from time to time, or any other appropriate law in connection with any actual or threatened action or proceeding (including civil, criminal, administrative, or investigative proceedings) arising out of their service to the Corporation or to another organization or enterprise at the Corporation's request. The liability of the Directors, officers, and employees of the Corporation is limited by Section 2306.561 of the Texas Government Code. The indemnification provided by this Section 6.1 shall not be deemed exclusive of any other rights to which a Director or officer or former Director or officer may be entitled under any bylaw, agreement, insurance policy, or otherwise.

Section 6.2. Appearance as a Witness. Notwithstanding any other provision of this Article VI, the Corporation, based on a majority vote of disinterested Directors as provided in these Bylaws, may pay or reimburse expenses incurred by an indemnified person in connection with his or her appearance as a witness or other participation in a proceeding at a time when he or she is not named defendant or respondent in the proceeding.

Section 6.3. Nonexclusivity of Rights. The right to indemnification described in this Article VI and the permissive advancement and payment of expenses described in Section 6.2 shall not be exclusive of any other right which an indemnified person may have or hereafter acquire under any law (common or statutory), the Articles of Incorporation, the Bylaws, any agreement, a majority vote of disinterested Directors as provided in these Bylaws, or otherwise.

Section 6.4. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself or any indemnified person, whether or not the Corporation would have the power to indemnify such person against such expense, liability, or loss under this Article.

Section 6.5. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each indemnified person as to costs, charges, and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal

administrative, or investigative, to the full extent permitted by any applicable portion of this Article VI that shall not have been invalidated and to the fullest extent permitted by applicable law. Neither the amendment nor repeal of this Article shall affect any right of protection of a person with respect to any act or omission occurring prior to the time of such repeal or modification.

CERTIFICATE OF OFFICER

I hereby certify that these Ninth Amended and Restated Bylaws were adopted by the Board of Directors of Texas State Affordable Housing Corporation on the _____ day of _____, 2005..

By: _____
Name: _____
Title: Secretary

EIGHTHNINTH AMENDED AND RESTATED BYLAWS OF

TEXAS STATE AFFORDABLE HOUSING CORPORATION

ARTICLE I

STRUCTURE, MEMBERS AND PURPOSES

Section 1.1. Structure and Members. Texas State Affordable Housing Corporation (the “Corporation”) is a non-profit corporation organized under the laws of the State of Texas, and has no members within the meaning of the Texas Non-Profit Corporation Act, TEX. REV. CIV. STAT. ANN. Art. 1396 (Vernon 1980) (the “Non-Profit Corporation Act”). The creation of the Corporation was authorized by V.T.C.A., Government Code, Chapter 2306, Subchapter Y (the “Government Code”). The Articles of Incorporation, as amended from time to time (the “Articles of Incorporation”), were originally filed in the office of the Secretary of State of Texas on May 6, 1994.

Section 1.2. Purposes. The purposes for which the Corporation is organized and to be operated are as set forth in the Articles of Incorporation.

ARTICLE II

BOARD OF DIRECTORS

Section 2.1. Powers. The property, business, and affairs of the Corporation shall be managed by the Board of Directors, and subject to the restrictions imposed by law, the Articles of Incorporation, and these Bylaws.

Section 2.2. Appointment, Number, Chair and Vice Chair. The Board of Directors shall consist of five members appointed by the Governor of the State of Texas. The Governor of the State of Texas shall designate the Director that will serve as Board Chair. The Board of Directors shall designate the Director who will serve as Vice Chair.

Section 2.3. Powers and Duties of the Board Chair. The Board Chair shall preside at all meetings of the Board of Directors, and shall have such other powers and duties as may be described in these Bylaws or assigned from time to time by the Board of Directors.

Section 2.4. Powers and Duties of the Vice Chair of the Board. In the absence of the Board Chair, or in the event of his or her inability or refusal to act, a Vice Chair of the Board shall preside at all meetings of the Board of Directors. He or she shall also have such other powers and duties as may be designated in the Bylaws and as may be assigned from time to time by the Board of Directors.

Section 2.5. Terms. Directors shall serve staggered six year terms, with the terms of one or two Directors expiring February 1 of each odd-numbered year. Notwithstanding the foregoing: the Governor of the State of Texas shall make five

appointments to the Board of Directors. One Director shall serve for a term expiring February 1, 2005, two Directors shall serve for terms expiring February 1, 2007, and two Directors shall serve for terms expiring February 1, 2009.

Section 2.6. Meetings of Directors. The Board of Directors may hold meetings, maintain an office, and keep the Corporation's books and records at such place or places as the Board of Directors may from time to time determine, provided that in the absence of any such determination by the Board of Directors, the meetings shall be held at the principal office of the Corporation.

Section 2.7. Regular Meetings. Regular meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by the Board Chair or a majority of the Board of Directors.

Section 2.8. Special Meetings. Special meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by the Board Chair or by a majority of the Board of Directors then in office.

Section 2.9. Notice of Meetings. Notice of regular or special meetings will be given to each Director, and to the public pursuant to the provisions of Section 2306.039 of the Government Code or the applicable law in effect at the time such meeting is to be held.

Section 2.10. Quorum and Voting. A majority of the then acting Directors shall constitute a quorum for consideration of matters pertaining to the purposes of the Corporation. The vote of a majority of the Directors present at the meeting at which a quorum is in attendance shall constitute the act of the Board of Directors, unless the act of a greater number is required by law, the Articles of Incorporation, or the Bylaws; or unless the vote of fewer Directors is allowed to approve a transaction under Article 2.30 of the Texas Non-Profit Corporation Act as amended from time to time.

Section 2.11. Conduct of Business. At meetings of the Board of Directors, matters pertaining to the purposes of the Corporation shall be considered in such an order as from time to time the Board of Directors may determine or as required by law. At all meetings of the Board of Directors, the Board Chair shall preside, and in the absence of the Board Chair, the Vice Chair, and in the absence of the Vice Chair, the President shall preside, and in the absence of the President, a chair shall be chosen by the Board of Directors from among the Directors present. The Secretary of the Corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the Board Chair may appoint any person to act as secretary of the meeting.

Section 2.12. Compensation of Directors: Expenses. A member of the Corporation's Board of Directors is not entitled to compensation but is entitled to reimbursement of travel expenses incurred by the member while conducting the business of the board to the same extent provided by the Texas General Appropriations Act for a member of a state board.

Section 2.13. Committees of Directors. The Board of Directors may from time to time designate members of the Board of Directors to constitute committees that shall have and may exercise such powers as ~~a majority~~**the Board of Directors** may determine ~~from time to time in the resolution that creates the committee. The Board of Directors shall have a standing Audit Committee that shall have and may exercise such powers as the Board of Directors may determine from time to time.~~

Section 2.14. Removal of Directors.

(a) It is a ground for removal from the Board of Directors of the Corporation that a Director:

(1) does not have at the time of taking office or maintain during his or her term the qualifications required by Section 2306.554;

(2) is or becomes ineligible for membership under Section 2.16 of these Bylaws;

(3) cannot, because of illness or disability, discharge the member's duties for a substantial part of the member's term; or

(5) is absent from more than half of the regularly scheduled board meetings that the member is eligible to attend during a calendar year without an excuse approved by a majority vote of the Board of Directors.

(b) The validity of an action of the Board of Directors of the Corporation is not affected by the fact that it is taken when a ground for removal of a board member exists.

(c) If the President of the Corporation has knowledge that a potential ground for removal exists, the President shall notify the presiding officer of the Board of Directors of the potential ground. The presiding officer shall then notify the Governor of the State of Texas and the Attorney General that a potential ground for removal exists. If the potential ground for removal involves the presiding officer, the President shall notify the next highest ranking officer of the Board of Directors, who shall then notify the governor and the Attorney General that a potential ground for removal exists.

Section 2.15 Training of Directors.

(a) A person who is appointed to and qualifies for office as a member of the Corporation's Board of Directors may not vote, deliberate, or be counted as a member in attendance at a meeting of the Board until the person completes a training program that complies with Section 2306.5543 of the Texas Government Code.

(b) The training program must provide the person with information regarding:

(1) the legislation that created the Corporation and the Corporation's Board of Directors;

- (2) the programs operated by the Corporation;
- (3) the role and functions of the Corporation;
- (4) the rules of the Corporation with an emphasis on the rules that relate to disciplinary and investigatory authority;
- (5) the current budget for the Corporation;
- (6) the results of the most recent formal audit of the Corporation;
- (7) the requirements of:
 - (A) the Texas Open Meetings law (*See Chapter 551 of the Texas Government Code*);
 - (B) the Texas Public Information law (*See Chapter 552 of the Texas Government Code*);
 - (C) the Texas Administrative Procedure law, (*See Chapter 2001 of the Texas Government Code*); and
 - (D) other laws relating to public officials, including conflict-of-interest laws; and
- (8) any applicable ethics policies adopted by the Corporation or the Texas Ethics Commission.

Section 2.16 Director Conflict Of Interest.

- (a) The Board of Directors of the Corporation shall develop and implement policies relating to employee conflicts of interest that are substantially similar to comparable policies that govern state employees.
- (b) A person may not be a member of the Corporation's Board of Directors and may not be a Corporation employee employed in a "bona fide executive, administrative, or professional capacity," as that phrase is used for purposes of establishing an exemption to the overtime provisions of the federal Fair Labor Standards Act of 1938 (29 U.S.C. Section 201 et seq.), and its subsequent amendments, if:
 - (1) the person is an officer, employee, or paid consultant of a Texas trade association in the field of banking, real estate, housing development, or housing construction; or
 - (2) the person's spouse is an officer, manager, or paid consultant of a Texas trade association in the field of banking, real estate, housing development, or housing construction.

(c) A person may not be a member of the Corporation's Board of Directors or act as the general counsel to the Board of Directors or the Corporation if the person is required to register as a lobbyist under Chapter 305 because of the person's activities for compensation on behalf of a profession related to the operation of the Corporation.

(d) In this section, "Texas trade association" means a cooperative and voluntarily joined statewide association of business or professional competitors in this state designed to assist its members and its industry or profession in dealing with mutual business or professional problems and in promoting their common interest.

Section 2.17 Director Standards of Conduct. The President of the Corporation or the president's designee shall provide to members of the Board of Directors of the Corporation and to Corporation employees, as often as necessary, information regarding the requirements for office or employment under Subchapter Y of Chapter 2306 of the Texas Government Code including information regarding a person's responsibilities under applicable laws relating to standards of conduct for state officers or employees.

ARTICLE III

OFFICERS

Section 3.1. Number, Titles and Term of Office. The Officers of the Corporation shall include a President and a Secretary, and may also include a Chief Operating Officer, an Executive Vice President, one or more Vice Presidents, one or more Assistant Vice Presidents, a Chief Financial Officer, a Treasurer, and such other officers as the Board of Directors may from time to time appoint or ratify. Any two or more offices may be held by the same person, except the offices of President and Secretary, which may not be held by the same person.

Section 3.2. Election. The Board of Directors shall appoint or ratify the Corporation's officers each year.

Section 3.3. Removal. Any officer or agent who is hired, elected, appointed, or ratified by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the individual so removed. Employment, election, appointment, or ratification of an officer or agent shall not of itself create contract rights.

Section 3.4. Vacancies. Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors, and vacant offices other than the office of President may be initially filled by the President.

Section 3.5. Powers and Duties of the President. The President shall have general executive charge, management, and control of the day-to-day business and operations of the Corporation with all powers as may be reasonably incident to such responsibilities. The President shall have the authority to execute all bonds, mortgages, leases, contracts, evidences of indebtedness, and other obligations in the name of the Corporation. The President shall have such other powers and duties as may be

designated in these Bylaws and as may be assigned to such officer from time to time by the Board of Directors. The Board of Directors may limit or expand the authority of the President. So long as no officer of the Corporation holds the title of President, or in the absence of the President, or in the event of his or her inability or refusal to act, the Chief Operating Officer shall hold and exercise all of the powers and duties of the President.

Section 3.6. Powers and Duties of a Vice President. A Vice President shall have such powers and perform such duties as may be delegated to him or her by the President, or as may be otherwise prescribed by the Board of Directors from time to time. The Vice President(s) shall be under the supervision of and report to the President.

Section 3.7. Powers and Duties of the Chief Financial Officer. The Chief Financial Officer shall be under the supervision of and report to the President and shall be responsible for developing and maintaining the necessary procedures for all reporting and audit requirements (including those required by the provisions of Sections 2306.559 and 2306.560 of the Government Code); for the financial control of the business and for the safeguarding of assets; for directing internal auditing; for seeing that all necessary accounting activities are developed and maintained; for directing the preparation and interpretation of consolidated financial statements; for directing studies of administrative and office systems and procedures; for developing data processing; and for recommending changes in accounting, or auditing.

Section 3.8. Powers and Duties of the Secretary. The Secretary shall attend all sessions of the Board of Directors and record all votes and the minutes of all proceedings in a book to be kept for that purpose. He or she shall give, or cause to be given, notice of all meetings of the Board of Directors and shall perform such other duties as may be determined by the Board of Directors.

Section 3.9. Powers and Duties of the Treasurer. The Treasurer shall have the custody of all of the Corporation's funds and securities that come into such officer's hands. When necessary or proper, the Treasurer may endorse or cause to be endorsed, in the name and on behalf of the Corporation, checks, notes, and other obligations for collection and shall deposit or cause to be deposited the same to the credit of the Corporation in such bank or banks or depositories and in such manner as shall be designated and prescribed; may sign or cause to be signed all receipts and vouchers for payments made to the Corporation either alone or jointly with such other officer as may be designated by the Board of Directors; shall render or cause to be rendered a statement of the cash account; shall enter or cause to be entered regularly in the Corporation's books to be kept by such officer for that purpose full and accurate accounts of all moneys received and paid out on account of the Corporation; shall perform all acts incident to the position of Treasurer subject to the oversight of the Board of Directors; and shall give such bond for the faithful discharge of such officer's duties in such form as the Board of Directors may require. One or more Assistant Treasurers may be elected to have such powers and perform such duties as may be delegated to him or her by the Treasurer, or as may be otherwise determined by the Board of Directors from time to time.

ARTICLE IV

PROVISIONS REGARDING BYLAWS

Section 4.1. Effective Date. These Bylaws shall become effective upon the adoption of these Bylaws by the Board of Directors.

Section 4.2. Amendments to Bylaws. These Bylaws may be amended at any time and from time to time in accordance with the Non-Profit Corporation Act by majority vote of the Board of Directors.

Section 4.3. Interpretation of Bylaws. These Bylaws shall be liberally construed to effectuate the purposes set forth herein. If any word, phrase, clause, sentence, paragraph, section, or other part of these Bylaws, or the application thereof to any person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of these Bylaws and the application of such word, phrase, clause, sentence, paragraph, section, or other part of these Bylaws to any other person or circumstances shall not be affected thereby.

ARTICLE V

GENERAL PROVISIONS

Section 5.1. Principal Office. The principal office of the Corporation shall be located at 1005 Congress Avenue, Suite 500, Austin, Texas 78701. Its mailing address is P.O. Box 12637, Austin, Texas 78711-2637.

Section 5.2. Fiscal Year. The fiscal year of the Corporation shall be determined by the Board of Directors.

Section 5.3. Seal. The Corporation shall not have a seal.

Section 5.4. Notice and Waiver of Notice. Whenever any notice is required to be given by mail under the provisions of these Bylaws, such notice shall be deemed to be delivered when deposited in the United States Mail in a sealed postpaid wrapper addressed to the person entitled thereto at such person's post office address, as such appears in the records of the Corporation, and such notice shall be deemed to have been given on the day of such mailing. A waiver of notice in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

Section 5.5. Public Notice. Public notice shall be given to the public pursuant to Section 2306.039 of the Government Code which references V.T.C.A., Government Code, Chapters 551 and 552.

Section 5.6. Resignations. Any Director or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the President or Secretary.

The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 5.7. Dissolution of the Corporation. On dissolution of the Corporation, the funds and properties previously owned by the Corporation shall be transferred to the Texas Department of Housing and Community Affairs, its successors or assigns in accordance with the Articles of Incorporation.

ARTICLE VI

INDEMNIFICATION

Section 6.1. Indemnification. Directors and officers of the Corporation shall be indemnified by the Corporation to the maximum extent permitted pursuant to Article 1396-2.22A of the Non-Profit Corporation Act, as it may be amended from time to time, or any other appropriate law in connection with any actual or threatened action or proceeding (including civil, criminal, administrative, or investigative proceedings) arising out of their service to the Corporation or to another organization or enterprise at the Corporation's request. The liability of the Directors, officers, and employees of the Corporation is limited by Section 2306.561 of the Texas Government Code. The indemnification provided by this Section 6.1 shall not be deemed exclusive of any other rights to which a Director or officer or former Director or officer may be entitled under any bylaw, agreement, insurance policy, or otherwise.

Section 6.2. Appearance as a Witness. Notwithstanding any other provision of this Article VI, the Corporation, based on a majority vote of disinterested Directors as provided in these Bylaws, may pay or reimburse expenses incurred by an indemnified person in connection with his or her appearance as a witness or other participation in a proceeding at a time when he or she is not named defendant or respondent in the proceeding.

Section 6.3. Nonexclusivity of Rights. The right to indemnification described in this Article VI and the permissive advancement and payment of expenses described in Section 6.2 shall not be exclusive of any other right which an indemnified person may have or hereafter acquire under any law (common or statutory), the Articles of Incorporation, the Bylaws, any agreement, a majority vote of disinterested Directors as provided in these Bylaws, or otherwise.

Section 6.4. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself or any indemnified person, whether or not the Corporation would have the power to indemnify such person against such expense, liability, or loss under this Article.

Section 6.5. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each indemnified person as to costs, charges, and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal

administrative, or investigative, to the full extent permitted by any applicable portion of this Article VI that shall not have been invalidated and to the fullest extent permitted by applicable law. Neither the amendment nor repeal of this Article shall affect any right of protection of a person with respect to any act or omission occurring prior to the time of such repeal or modification.

CERTIFICATE OF OFFICER

I hereby certify that these ~~Seventh~~Ninth Amended and Restated Bylaws were adopted by the Board of Directors of Texas State Affordable Housing Corporation on the _____ day of ~~October, 2004.~~, 2005..

By: _____
Name: _____
Title: Secretary

Document comparison done by DeltaView on Friday, September 02, 2005
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RESOLUTION 05-____
RESOLUTION APPOINTING HEARING OFFICERS

WHEREAS, the Texas State Affordable Housing Corporation (the "Corporation") desires to appoint representatives to conduct public hearings relating to the issuance of obligations to be issued by the Corporation, including public hearings required by Section 147(f) of the Internal Revenue Code of 1986, as amended;

NOW, THEREFORE, BE IT RESOLVED BY THE TEXAS STATE AFFORDABLE HOUSING CORPORATION THAT:

Section 1. Appointment of Hearing Officers. The President, any Vice President, any officer of the Corporation, or the Manager of Multifamily Finance, or the Single Family Programs Manager of the Corporation, as well as representatives of the Corporation's bond counsel and financial advisor with respect to each bond program and the issuance of obligations associated therewith, are each hereby appointed to act individually as the Corporation's Hearing Officers and to conduct any and all public hearings on behalf of the Corporation in connection with the issuance of single family mortgage revenue obligations and multifamily housing revenue obligations, including refundings therefore.

Section 2. Open Meeting. It is hereby officially found and determined that the meeting at which this resolution was adopted was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended.

Section 3. Severability. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

Section 4. Repealer. All orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistency.

PASSED, APPROVED AND EFFECTIVE this September 9, 2005.

TEXAS STATE AFFORDABLE HOUSING
CORPORATION

ATTEST:

Chairperson

Secretary