

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, May 12, 2006

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
May 12, 2006 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
 - ◆ 2005 Annual Report
- ◆ Executive Vice President's Report David Long
- ◆ Single Family Lending Report Paige McGilloway
- ◆ Multifamily Lending Report Cari Garcia
- ◆ Asset Oversight & Compliance Report Emily Lah
 - ◆ Quarterly Compliance Update
 - ◆ Quarterly Residence Services Update
 - ◆ Bent Creek and Creekwood Apartments
- ◆ Financial Report Melinda Smith
 - ◆ Presentation of Financial Statements and Budget Report

ACTION ITEMS IN OPEN MEETING

- Tab 1** Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on April 14, 2006.
- Tab 2** 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 2006B; Authorizing a Trust Indenture, an Origination, Sale and Servicing Agreement, Bond Purchase Agreement and Continuing Disclosure Agreement, Making Certain Findings and Determinations; Authorizing the Execution of Documents and Instruments Necessary or Convenient to Carry Out a 2006 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 3** 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 4** Presentation, Discussion and Possible Approval of the Texas State Affordable Housing Corporation Investment Policy.
- Tab 5** Presentation, Discussion and Possible Approval of the Texas State Affordable Housing Corporation's Investment Broker Listing.
- Tab 6** Presentation, Discussion and Possible Approval of Amendments to the Articles of Incorporation of 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.

**Texas State Affordable
Housing Corporation
2005 Annual Report**





Vision, Mission & Goals

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.





Corporation's History

The Texas State Affordable Housing Corporation ("Corporation") was created by the Texas Legislature as a self-sustaining nonprofit entity to facilitate the provision of affordable housing for low income Texans who do not have comparable housing options through conventional financial channels. Enabling legislation, as amended, may be found in the Texas Government Code, Chapter 2306, Subchapter Y, Sections 2306.551 et seq. All operations of the Corporation are conducted within the state of Texas, and 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 Corporation is organized, operated, and administered in accordance with its enabling legislation as 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.

Programs offered by the Corporation are provided at no cost to the state or its taxpayers. The Corporation does not receive any state funding, and is not subject to the legislative appropriations process.





Programs & Services

Single Family

The Corporation offers four different programs for purchasing single family homes in the state of Texas.

The Corporation issues Single Family Mortgage Revenue Private Activity Bonds ("MRB's") to finance the purchase of affordable single family homes under three separate programs: (1) the **Professional Educators Home Loan Program**, (2) the **Fire Fighter and Law Enforcement or Security Officer Home Loan Program** and (3) the **Nursing Faculty Home Loan Program**.

During the 78th Texas Legislature, the first two programs were established under Senate Bill 284 and House Bill 1247, respectively, and allocated \$50 million of the State's ceiling for private activity bond cap for the exclusive purpose of making single family mortgage loans to Texas Professional Educators and Firefighters and Law Enforcement or Security Officers (individuals/families) that are first-time home buyers.

These programs provide below market 30-year fixed rate mortgage loans to eligible first-time homebuyers through a network of participating lenders across the state. In addition to the low interest rate, these programs offer down payment and closing cost assistance, up to 5% of the loan amount, in the form of a grant. The programs are available statewide on a first come, first-served basis, to first-time homebuyers who wish to purchase a newly constructed or existing home within the state of Texas.

The programs continue to be extremely successful, with over 800 individuals/families achieving homeownership. A breakdown of the number of loans and loan origination amounts since the inception of the programs through 2005 is summarized below.

Professional Educators Home Loan Program

Program Year	# of Loans Originated	Total Loan Amount (\$)
2002	114	\$ 10,717,082
2004	223	\$ 23,816,998
2005	193	\$ 22,198,128

Fire Fighter and Law Enforcement or Security Officer Home Loan Program

Program Year	# of Loans Originated	Total Loan Amount (\$)
2004	148	\$ 15,102,124
2005	141	\$ 13,701,764

The Nursing Faculty Home Loan Program was created in 2005 by the 79th Texas Legislature under Senate Bill 132. This program will become available in late Spring 2006, making \$5 million available to qualifying Nursing Faculty. The program will provide the same assistance as our other first-time homebuyer programs.

In an effort to serve families seeking to purchase a home who are not able to meet the traditional lending requirements, the Corporation developed the **Affordable Homeownership Program for Texas**. The program, developed through a partnership between Ameriquest Mortgage Company ("Ameriquest") and the Corporation, provides borrowers with an affordable mortgage financing option



Programs & Services continued

that will allow them the opportunity to achieve the dream of homeownership. As a result of this partnership, Ameriquest has committed up to \$100 million for mortgage loans and the Corporation has committed \$1 million for down payment assistance to the program.

The initial release of the program was offered as a pilot initiative through local organizations including community development corporations, non-profits and other entities involved in affordable housing. With mortgage loans closed under the pilot initiative, the Corporation and Ameriquest will work with local organizations, builders, and other lenders throughout Texas in an effort to expand the availability of the program to Texans statewide.

Under the program, eligible borrowers have access to an affordable mortgage loan product and down payment assistance equal to five percent (5%) of the mortgage loan amount. In addition, the program rewards borrowers 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 by ACORN Housing. Additionally, borrowers will have intervention assistance available to them during the life of the mortgage loan.

Affordable Homeownership Program for Texas June 2004 – February 2006

Loan Type	# of Loans Originated	Amount (\$) of Loans Originated	Average Interest Rate
1 st Lien Loan	23	\$ 1,587,407	Fixed (10 Yr Treasury + 275 bp)
2 nd Lien Loan	23	\$80,053	4% Fixed

Multifamily

The Corporation offers financing options to multi-family developers through three different programs in an effort to achieve our commitment to provide safe, decent, and affordable housing to Texans who rent.

The Corporation offers funding to eligible multi-family projects in Texas under the **Private Activity Bond Program**. The program requires community participation so that local governments can be more involved in assessing and addressing their own local multifamily housing needs. The annual allocation available for funding is approximately \$40 million. Non-profit and for-profit developers can use the funds to finance acquisition and rehabilitation or new construction. Developers are required to leverage the private activity bond funds by using Low Income Housing Tax Credits available through the Texas Department of Housing and Community Affairs.

In the fall of 2005, the Corporation researched the state's strategic housing needs in coordination with the Texas Department of Housing and Community Affairs ("TDHCA") for the development of the 2006 State Low Income Housing Plan. During





Programs & Services continued

2006, the Corporation targeted four specific areas of housing need; rehabilitation, senior housing, rural housing, and hurricane disaster area redevelopment. Four Requests for Proposals ("RFP") were issued at various times during 2006 and, with the exception of the GO Zone RFP, were available on a statewide basis. Unfortunately, the Corporation did not receive responses under any of these RFP's. This was due to several factors including current economic/market conditions. The Corporation issued bonds in January 2005 in the amount of \$14,260,000 to finance the Marshall Meadows Apartments in San Antonio. This development is currently under construction and, upon completion, will be a 250-unit multifamily apartment complex with sixty percent (60%) of the units set aside for low income residents.

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. Unlike the Corporation's Private Activity Bond Program, the 501(c)(3) Bond Program is not restricted by volume cap; however, 501(c)(3) financing may not be used in conjunction with Low Income Housing Tax Credits. The program is available year-round to qualified non-profit developers, designated under the Internal Revenue Code as 501(c)(3) organizations, and may be used throughout the state of Texas. During its use and prior to changes to the program, the Corporation generated in excess of \$400 million in bonds that produced over 10,000 affordable housing units.

The **Direct Lending Program** offers permanent long-term financing to developers focusing on increasing and/or preserving the stock of affordable multifamily housing, specifically in rural Texas, small cities, as well as other underserved and difficult to develop areas. Financing for the program is facilitated through the Corporation's existing relationships with real estate investment companies that invest in affordable multifamily housing, specifically the Community Development Trust in New York ("CDT") and the Federal Home Loan Bank ("FHLB"). The program is available to for-profit and non-profit developers, municipalities, housing authorities, and others, engaged in affordable housing development. Projects may be comprised of scattered-sites, senior apartments, affordable assisted living, single family rental units and other nontraditional, multifamily, rental housing. All projects must have at least 24 units and satisfy Community Reinvestment Act ("CRA") criteria. The program is available year-round.

Multifamily Direct Lending Program Loans Funded to Date

Projects	Location	Amount Funded	Financing	Total # Units
Sagebrush Apartments	Brady, Texas	\$875,000	FHLB	60
Bunker Hill Senior Village	Stephenville, Texas	\$550,000	FHLB	44
Crossroads Apartments	Wichita Falls, Texas	\$1,525,000	CDT	112
Limestone Ridge Apts	Big Spring, Texas	\$1,004,000	CDT	76
Key West Senior Village	Odessa, Texas	\$1,634,000	CDT	120

Asset Oversight and Compliance

Asset Oversight of properties is required by many tax-exempt bond issuers, including the Corporation. Monitoring the financial and physical health of a property ensures not only the repayment of the bonds, but also that the property provides safe and decent housing. Compliance monitoring ensures that requirements set forth by the Internal Revenue Service ("IRS"), including the required number of affordable units, are being adhered to by property owners.

The Corporation accomplished several Asset Oversight and Compliance goals in 2005. In January



Programs & Services continued

2005 the Corporation assumed complete responsibility for performing Asset Oversight and Compliance monitoring of the Corporation's properties. This was due in part to the creation of an additional staff position in the summer of 2004. The ability to do this work in house has allowed us to ensure the quality and thoroughness of our reviews and to increase our net revenue.

In 2005 a quarterly newsletter was created to allow the Asset Oversight and Compliance staff to communicate important information along with helpful tips to the owners and managers of the properties we financed. The newsletter is saved in a PDF format and sent via e-mail to help keep the cost to a minimum.

The following charts show the numbers of portfolios, properties, units, revenue, site visits, and contracted site visits handled by the Corporation. Table 1 is in relation to the Corporation's properties and Table 2 is in relation to Third Party Asset Oversight Properties

Table 1: Texas State Affordable Housing Corporation Properties

	# of Portfolios	# of Properties	# of Units	Revenue (Compliance & Asset Oversight)	Site Visits (Compliance/ Asset Oversight)
December 2005	8	38	10,001	\$435,603.68	63

Table 2: Third Party Asset Oversight Properties

	# of Portfolios	# of Properties	# of Units	Revenue	Site Visits
December 2005	41	42	10,557	\$444,404.41	42

Other Services

In 2005, through a partnership with the University of Texas at Austin and Blackland Community Development Corporation ("CDC"), the Corporation was able to facilitate the transfer of two single family homes to benefit the low and very low income individual and families living in the Blackland Neighborhood.

Blackland CDC, established in 1983, is a Community Housing Development Organization certified by the City of Austin serving the neighborhood located east of Interstate 35 between Manor Road and Martin Luther King Jr. Boulevard. Blackland CDC pioneered what the city now proudly calls Smart Growth in its own backyard more than 15 years ago, when it converted a quarter block into a complex of six homes for elderly residents arranged around a central courtyard. They have an established record for restoring houses and/or filling vacant lots within their neighborhood, further creating affordable housing for households earning no more than 60 percent of the AMFI for Austin. They currently have 35 rental units whose occupants are in the low and very low income range, averaging 33 percent AMFI.

The relocation of these houses is part of the Blackland 22nd Street Project and the CDC will offer the houses as rental units to low income families. One of the houses is an experimental solar home designed and assembled by students from the UT School of Architecture and competed in the National



Programs & Services continued

Solar Decathlon competition in Washington, DC.

In 2006, the Corporation expects to transfer two more homes to Blackland CDC, donated by the University of Texas.

In August 2005 Hurricane Katrina ravaged Louisiana leaving Texas to temporarily house over 400,000 people. Corporation staff immediately posted information on the Corporation's website to help direct evacuees to assistance. Through our telephone helpline we were able to place 121 displaced individuals into apartment homes across the state of Texas. The staff also gathered and distributed needed items to the families we helped in the Austin area. In addition, two staff members spent 3 days in Houston helping match families to available apartment homes in the Houston area, along with meeting with city and state officials to determine a course of action for overall housing of hurricane evacuees in the state. During this time the compliance staff stayed in close contact with the TSAHC-financed properties to ensure that compliance requirements were being adhered to while housing the displaced families.





Partners & Outreach

The Corporation is a strong advocate of supporting other affordable housing organizations in their efforts to educate and promote all aspects of affordable housing in the State of Texas.

During 2005, the Corporation continued its sponsorship of the Texas Statewide Homebuyer Education Program ("TSHEP") workshop series presented by TDHCA, which included a "Train the Trainer" program, "Marketing Your Homeownership Program for Maximum Impact" program, and two "Financial Fitness" programs. The Corporation also serves as the account administrator for TSHEP.

The Texas Low Income Housing Information Service supports low-income Texans' efforts to achieve the American dream of a decent, affordable home in a quality neighborhood, through developing public-private partnerships. This year the Corporation was one of many sponsors for the Annual Houser Awards honoring individuals whose efforts reflect a dedication to serving low-income Texans and their housing needs.

The Corporation participated as a sponsor for the Texas Affiliate of Affordable Housing Providers ("TAAHP") 2005 Texas Housing Conference. TAAHP serves as the member organization for affordable housing providers, primarily in the production of multifamily housing. Their mission is to increase the supply and quality of affordable housing for Texans with limited incomes.

The Texas Association of Local Housing Finance Agencies ("TALHFA") is a nonprofit organization established to plan, inform, and support the needs of local housing finance agencies in their mission to deliver affordable housing in Texas. The Corporation supports their mission and was a sponsor for the 2005 TALHFA Annual Conference.

Other partners include:

Affiliations:

Federal Home Loan Bank
Housing Texas
National Association of Local Housing Finance Agencies
Texas Affiliation of Affordable Housing Providers
Texas Association of Community Development Corporations
Texas Association of Local Housing Finance Agencies
National Council of State Housing Agencies
Texas Housing Forum

Partners:

Combined Law Enforcement Association of Texas
Texas Department of Criminal Justice
Texas Department of Housing & Community Affairs
Texas Education Agency
Texas State Association of Fire Fighters

Lenders:

American Home Mortgage
Chase Home Finance
Chicago Bancorp.
Colonial Savings
Cornerstone Mortgage Company
CTX Mortgage
DHI Mortgage
First Community Mortgage
First Continental Mortgage





Partners & Outreach continued

Lenders continued:

First Horizon Home Loan Corporation
Hammersmith Financial
Home Loan Corporation
Home123 Corporation
Jefferson Mortgage Texas
Judith O. Smith Mortgage
Legacy Financial Group
Lending Edge Mortgage
Market Street Mortgage Corporation
Milestone Mortgage Corporation
New South Federal Savings Bank
Northstar Bank of Texas
PlainsCapital McAfee Mortgage
Point Mortgage
Prime Lending
Pulaski Mortgage Company
Residential Home Lending
Rocky Mountain Mortgage Company
Ryland Mortgage
Service First Mortgage Company
Texas Capital Bank
Titan Mortgage
Universal American Mortgage
Valley Mortgage Company
WR Starkey Mortgage
Wachovia Mortgage Company
Wells Fargo
Willow Bend Mortgage



Financial Overview

The Corporation's financial statements for the fiscal year ended August 31, 2005 were audited by Mikeska, Monahan & Peckham, LLP, Certified Public Accountants. The audit was conducted in accordance with generally accepted and government auditing standards. The Independent Auditors issued an unqualified report and there were no reportable conditions or audit findings.

The Corporation had total assets of approximately \$95.7 million at the end of fiscal year 2005. Assets consisted primarily of restricted cash and investments held by the bond trustee totaling \$83.2 million. These assets relate exclusively to the Corporation's Single Family Mortgage Revenue Bond Program. Unrestricted assets included cash and investments of \$5.4 million; the Corporation's loan portfolio equaling \$1.6 million and notes receivable related to the Multifamily Direct Lending and Private Activity Bond Program totaling \$2.1 million. Total liabilities equaled \$86.2 million at fiscal year end and included bonds payable and accrued interest on bonds totaling approximately \$83.6 million.

Total assets increased \$22.8 million during fiscal year 2005 primarily as the result of the issuance of Single Family Mortgage Revenue Bonds. Current assets exceeded current liabilities by \$30.6 million at August 31, 2005 and total assets exceeded total liabilities by approximately \$9,470,000.

Total operating revenues for fiscal year 2005 were approximately \$5,346,000 and expenditures were \$5,071,000 resulting in operating income of approximately \$275,000. Nonoperating revenues totaled \$132,000. The Corporation's net income for the year ended August 31, 2005 was \$406,354.

Statement of Net Assets

<u>Assets</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2003</u>	<u>FY</u>
2002				
Current Assets	\$49,648,089	\$ 6,551,929	\$ 7,063,759	\$ 6,775,411
Noncurrent Assets	\$46,040,459	\$66,330,455	\$27,149,029	\$47,855,666
Total Assets	\$95,688,548	\$72,882,384	\$34,212,788	\$54,631,077
Liabilities & Net Assets				
Current Liabilities	\$19,039,341	\$ 1,988,592	\$ 1,089,038	\$ 1,243,077
Long-term Liabilities	\$67,179,153	\$61,830,092	\$24,020,955	\$44,817,149
Total Liabilities	\$86,218,494	\$63,818,684	\$25,109,993	\$46,060,226
Invested in Capital Assets	\$ 32,254	\$ 42,530	\$ 56,093	\$ 118,593
Unrestricted Net Assets	\$ 9,437,800	\$ 9,021,170	\$ 9,046,702	\$ 8,452,258
Total Net Assets	\$ 9,470,054	\$ 9,063,700	\$ 9,102,795	\$ 8,570,851
Total Liabilities & Net Assets	\$95,688,548	\$72,882,384	\$34,212,788	\$54,631,077

Statement of Revenues, Expenses and Changes in Net Assets

Operating Revenue	\$5,345,930	\$3,659,874	\$3,640,616	\$2,664,743
Operating Expenses	\$5,071,368	\$3,751,070	\$3,101,445	\$1,906,705
Operating Gain/Loss	\$ 274,562	\$ (91,196)	\$ 539,171	\$ 758,038
Nonoperating Revenues/Expenses	\$ 131,792	\$ 52,102	\$ (7,227)	\$ (2,655)
Net Gain/Loss	\$ 406,354	\$ (39,094)	\$ 531,944	\$ 755,383
Total Assets, Beginning	\$9,063,700	\$9,102,794	\$8,570,851	\$7,815,468
Total Net Assets, Ending	\$9,470,054	\$9,063,700	\$9,102,795	\$8,570,851



Corporation Staff



David Long, President

David Long is currently the President of the Texas State Affordable Housing Corporation. Mr. Long has been employed with the Corporation since October 2001.

Prior to working for the Corporation, Mr. Long spend 10+ years with the State of Texas, with 5 years serving as the Manager of Loan Administration for the Texas Dept. of Housing and Community Affairs; prior experience includes nine years in the banking industry in Texas. Mr. Long earned a B.B.A. in Finance from California State University at Fullerton.



Katherine Closmann, Executive Vice President

Katherine Closmann is currently the Executive Vice President of the Texas State Affordable Housing Corporation. Ms. Closmann has been employed with the Corporation since March 2004.

Before working for the Corporation, Ms. Closmann was a senior attorney with Andrews Kurth L.L.P. in their Austin office. Ms. Closmann's practice at Andrews Kurth L.L.P. was with the public finance section of the firm where she started working on behalf of the Texas State Affordable Housing Corporation as part of their bond counsel team. In years past, Ms. Closmann worked for the Texas Legislature, as a staff person of both the House Research Organization and the Sunset Advisory Commission. In addition, Ms. Closmann was the Policy Director of the Texas Healthcare and Bioscience Institute. Ms. Closmann received her B.A. in English and her J.D. from the University of Texas at Austin.



Melinda Smith, Chief Financial Officer

Melinda Smith is currently the Chief Financial Officer for the Texas State Affordable Housing Corporation. Ms. Smith has been employed by the Corporation since August 2001.

Ms. Smith is a Certified Public Accountant licensed in the State of Texas and has 25 years of accounting and auditing experience. Ms. Smith's work experience includes 7 years with the Texas Department of Housing and Community Affairs as Director of Internal Audit and then as Chief Financial Officer and 10 years in public accounting including her most recent position as Senior Audit Manager for KPMG Peat Marwick, LLP. Ms. Smith graduated with a B.A. in Business Administration from Portland State University in 1980 and was licensed to practice public accounting in Texas in 1982.



Laura Smith, Corporate Secretary

Laura Smith is currently the Corporate Secretary for the Texas State Affordable Housing Corporation. Ms. Smith has been employed with the Corporation since November 2003.

Prior to working for the Corporation, Ms. Smith served as an Administrative Assistant with J.P. Page & Co., a relocation firm located in Dallas, Texas. Ms. Smith earned a B.A. in History from the University of Texas at Austin. Ms. Smith is certified by the Texas Department of Housing and Community Affairs as a Homebuyer Education Provider.



Corporation Staff continued



Paige McGilloway, Single Family Programs Manager

Paige McGilloway is currently the Single Family Programs Manager of the Texas State Affordable Housing Corporation. Ms. McGilloway has been employed with the Corporation since January 2006.

Prior to working for the Corporation, Ms. McGilloway served as the Project Manager for Program Awards with the Texas Department of Housing and Community Affairs, managing the multi-million dollar federally allocated HOME Investment Partnerships Program, furthering the development and rehabilitation of affordable housing throughout the state. Ms. McGilloway has six years of experience in the planning and development field, both on the local and state level. Ms. McGilloway received a Bachelor's of Environmental Design from Texas A&M University and a Master's of Urban and Environmental Planning from the University of Virginia. Additionally, Ms. McGilloway completed the Project Management Certification offered by the University of Texas, further enhancing her project management skills and overall business practices.



Cari Garcia, Multifamily Finance Manager

Cari Garcia is currently the Multifamily Finance Manager of the Texas State Affordable Housing Corporation. Ms. Garcia has been employed with the Corporation since August 2005.

Prior to working for the Corporation, Ms. Garcia held various positions with both for-profit and governmental entities in the affordable housing industry. In 1999 she was employed by the Texas Department of Housing and Community Affairs holding various positions within the agency including Underwriting Supervisor and Compliance Monitor. Her most recent position was as an independent consultant working with multifamily housing developers throughout the state. Prior to this she served as Senior Vice President of the Asset Management and Development Division of The Siegel Group, a for profit affordable housing consulting firm in Austin. Ms. Garcia earned a B.A. in Social Work from Wichita State University, Kansas and an MBA from St. Edward's University in Austin, Texas. She also holds certification from the National Development Council as a Certified Housing Development Finance Specialist.



Emily Lah, Asset Oversight and Compliance Manager

Emily Lah is currently the Asset Oversight and Compliance Manager of the Texas State Affordable Housing Corporation. Ms. Lah has been employed with the Corporation since December 2003.

Prior to working for the Corporation, Ms. Lah was Assistant Manager and Bookkeeper for the Preserve at Rolling Oaks Apartments in Austin, Texas. Before that, Ms. Lah served as a Graduate Assistant in the Family and Consumer Sciences Department at Ball State University. Ms. Lah has also served as a Leasing Consultant for Sand Creek Woods Apartments in Fishers, Indiana, Network Property Services, LLC in Muncie, Indiana, and Mark-Taylor Residential, Inc. in Phoenix, Arizona. Ms. Lah received a B.A. and M.S. in Family and Consumer Sciences from Ball State University.



Corporation Staff continued



Gracie Malveaux-Jackson, Asset Oversight and Compliance Specialist

Gracie Malveaux-Jackson is currently the Asset Oversight and Compliance Specialist of the Texas State Affordable Housing Corporation. Ms. Jackson has been employed with the Corporation since February 2006.

Prior to working for the Corporation, Ms. Jackson was the Compliance Manager for Corcoran and Jennison Management in Dallas, Texas with the oversight of 9 properties in the Dallas/Houston area. Prior to that position, she was the Compliance Manager for Homes for America Holdings in Dallas, Texas with the oversight of properties in Texas/Florida and Indiana. Ms. Jackson has also worked with the Beaumont Housing Authority as a Section 8 Counselor/Supervisor; Property Assistant Manager/Manager for Western Rim Properties in Dallas, Texas. Her background has been in HUD government subsidized and government regulated programs. Ms. Jackson has earned the following designations: CAM and CTCS.



Nick Lawrence, Accountant

Nick Lawrence is currently the Senior Accountant of the Texas State Affordable Housing Corporation. Mr. Lawrence has been employed with the Corporation since September 2002.

Prior to working for the Corporation, Mr. Lawrence worked in the accounting departments of Southern Systems, Inc. and United Heritage Insurance. Mr. Lawrence earned a BBA in Accounting from Concordia University in Austin.



Cynthia Gonzales, Office Manager

Cynthia Gonzales performs all of the loan servicing for the Corporation and serves as the Office Manager for the Texas State Affordable Housing Corporation. Ms. Gonzales has been employed with the Corporation since June, 1997.

Prior to working for the Corporation, Ms. Gonzales worked in the mortgage banking industry since February, 1998. She worked previously in loan servicing at Temple-Inland Mortgage Corporation and prior to that worked at North Carolina National Bank in the Real Estate Owned Department. Ms. Gonzales began working for the Corporation when it was the Non-Profit 501(c)4 of the Texas Department of Housing and Community Affairs.





Board of Directors

JERRY ROMERO, CHAIR ***EL PASO, TEXAS***

As a Wells Fargo Community Development director based in El Paso, Mr. Romero received the Texas Association of Mexican American Chambers of Commerce award for his success in improving the economic and legislative environment for Hispanic business owners. With over 17 years experience as a banking executive, Mr. Romero's professional contributions include service on boards and committees for several aspects of community development including banking, housing, education, small business, economic development, childcare and welfare, and minority owned businesses state-wide; and participation in professional organizations such as the American Institute of Banking (past President), Texas Bankers Association and the National Association of Securities Dealers.

THOMAS LEEPER, VICE CHAIR ***HUNTSVILLE, TEXAS***

Mr. Leeper is currently the City Attorney for the City of the Huntsville. Previous to this, he spent fourteen years engaged in a small town general legal practice. Mr. Leeper frequently dealt with real estate issues including assisting purchasers, sellers and lenders as well as landlord/tenant matters. Mr. Leeper earned a B.B.A. in Finance from Texas A&M University and a Doctor of Jurisprudence from The University of Houston. He has been active in his community with various organizations seeking to aid the local community and its citizens.

JO VAN HOVEL, MEMBER ***TEMPLE, TEXAS***

While serving as a licensed abstractor, Ms. Van Hovel was appointed Country Recorder by the Wilkin County Commissioner in Breckenridge, Minnesota. Ms. Van Hovel later obtained her real estate license in Minnesota and North Dakota and taught real estate classes in addition to serving as a commercial and lakeshore real estate professional. In 1993, Minnesota Governor Carlson appointed Ms. Van Hovel to the Minnesota Housing Finance Board. From 1997 to 1999 Ms. Van Hovel also served on the National Conference of State Housing Board in Washington D.C.

CHARLES G. RENCHER, MEMBER ***SUGARLAND, TEXAS***

Mr. Rencher is Broker and Owner of Horizon Southwest Properties in Houston, where he directs all projects of the firm including property management, sales, appraisals, and real estate development.

JESSE A. COFFEY, MEMBER ***DENTON, TEXAS***

Mr. Coffey is the retired principal owner of Coffey Development. He began his career with Commercial Credit Corporation, before spending many years in the banking industry and serving in various executive positions for several financial institutions in Texas, including president and owner of the First National Bank of Sanger. He is a lifetime member of the United Way of Denton County, and currently serves on the board of directors for the Texas Silver Haired Legislature Foundation, the Texas Bank in Denton and the Upper Trinity Regional Water District. Coffey attended Southern Methodist University and the University of Texas.





For More Information...



Texas State Affordable Housing Corporation

1005 Congress Avenue, Suite 500

Austin , Texas 78701

(512) 477-3555

(888) 638-3555 toll free

(512) 477-3557 fax

www.tsahc.org

Executive Vice President's Report

Discussion

**Texas State Affordable Housing Corporation's
Homes for Heroes Home Loan Program Series 2005B
As of October 25, 2005 through May 3, 2006**

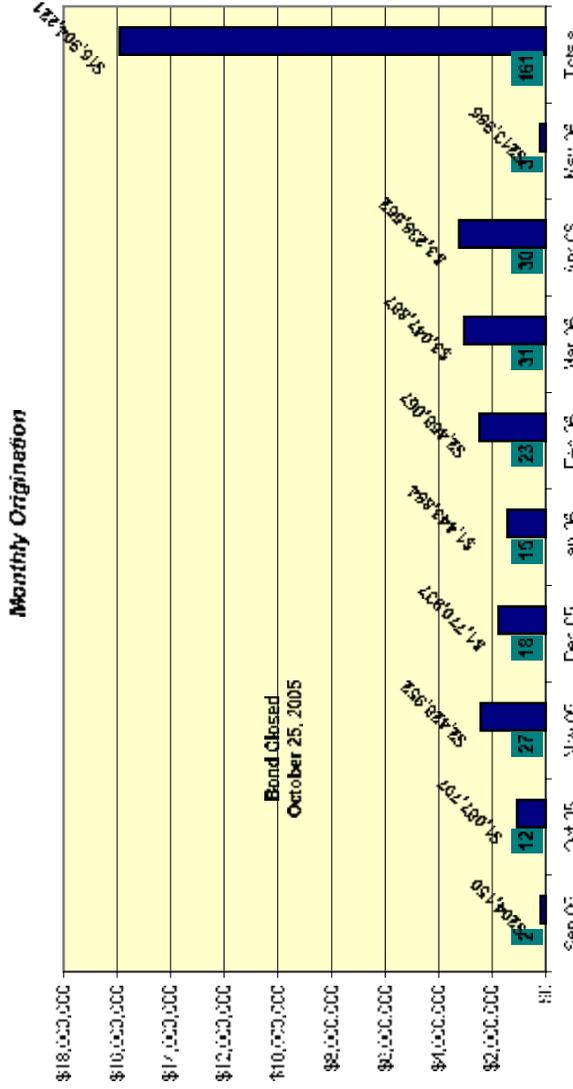
Month	# of Loans	% of Total Loans	Total Originated	% of Total Origination
Sep-05	2	1%	\$ 204,450	1%
Oct-05	2	1%	\$ 1,081,787	1%
Nov-05	27	15%	\$ 2,428,852	15%
Dec-05	28	11%	\$ 1,770,837	9%
Jan-06	3	3%	\$ 1,443,834	8%
Feb-06	23	4%	\$ 2,468,067	13%
Mar-06	21	6%	\$ 3,047,887	15%
Apr-06	20	8%	\$ 3,236,562	20%
May-06	3	2%	\$ 213,955	1%
Totals	181	100%	\$ 15,904,221	100%

Leader	Originated	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Total	Total %
Countrywide Commercial Corp.	\$ 3,142,871	5	5	5	8	1	4	4	7	3	41	23%
Kaplan Mortgage	\$ 2,322,138	1	4	8	3	1	4	3	3		25	16%
Prosperity Home Lenders	\$ 1,500,083	1	1	3		1	4	1	3		13	8%
New York State Home Mortgage	\$ 1,221,856	1	1	1	1	4	2	3	2		14	8%
Bank of America Mortgage	\$ 1,093,179	1	1	1	3	3	1	2	2		9	6%
CFR Mortgage Corp	\$ 1,082,383	1	2	2	3		1	4			10	6%
Sr MC Home Loan Mortgage	\$ 882,480			2	1	1		2	1		5	3%
Guarantary Mortgage	\$ 582,214			1	1	1		2	1		5	3%
Bank of America	\$ 481,723			1			1	2	1		5	3%
First Bank Mortgage	\$ 465,506			1	2	1	2		2		5	3%
American Home Mortgage	\$ 418,784			1	2	1			2		4	2%
Republic Mortgage	\$ 416,643			1					2		3	2%
Windsor Mortgage	\$ 378,300				1				3		4	2%
Monarch Mortgage Corp.	\$ 375,571			1				1			2	1%
Texas Capital	\$ 235,225			1		1		1			2	1%
Universal American Mortgage	\$ 218,005			1	1						2	1%
Power Funding International	\$ 199,200						1				1	1%
Chase	\$ 197,439					1			1		2	1%
WR Shelby Mortgage LLC	\$ 179,900								1		1	1%
Johnson Home Mortgage	\$ 170,570						1		1		2	1%
Valley Mortgage Corp.	\$ 154,190		1				1				2	1%
First Home Loan Lender Corp.	\$ 139,900						1				1	1%
WFLG 22 Home Loan	\$ 133,941			1							1	1%
East Net Real Estate Center, Inc.	\$ 130,949						1	1			2	1%
New Century Mortgage	\$ 98,201										1	1%
Total Committed	\$ 15,904,221	2	12	27	18	15	23	31	30	3	181	100%

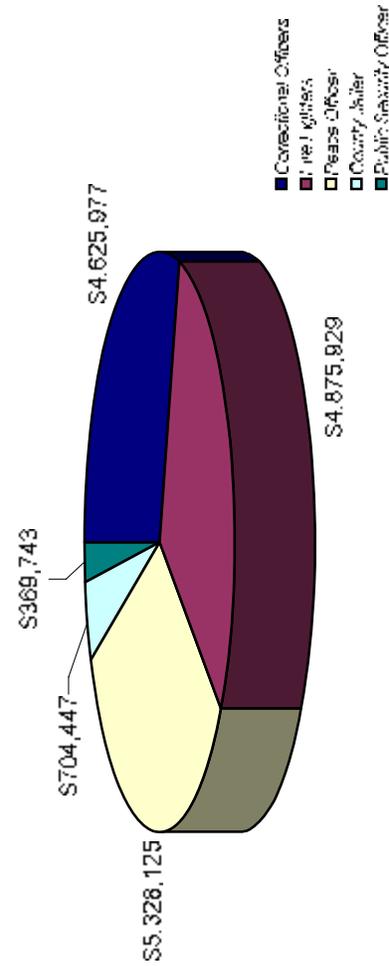
Total Allocation \$ 20,000,000
Remaining to Commit \$ 4,095,779

**Texas State Affordable Housing Corporation's
Homes for Heroes Home Loan Program Series 2005B
As of October 25, 2005 through May 3, 2006**

At a Glance	
Total Amount Originated	\$15,904,221
Average Monthly Income	\$3,910
Average Purchase Price	\$100,411
Average Loan Amount	\$88,764
Average Household Size	2
New/Existing	
Existing	73%
New	27%
Professional Breakdown	
Correctional Officers	37%
Fire Fighters	27%
Peace Officer	29%
County Jailer	5%
Public Security Officer	2%
Type of Loan	
FHA	71%
FNMA	22%
VA	6%
USDA-RD	1%
Ethnicity	
Not specified	63%
American Indian/Native Alaskan	0%
Hispanic	7%
African American	4%
White, Non-Hispanic	25%
Top Origination Locations # of Loans	
HOUSTON	6
BEEVILLE	6
BEAUMONT	6
AMARILLO	6
SAN ANTONIO	5
RICHWOOD	5
PORT ARTHUR	5
FORT WORTH	4
ARLINGTON	4
WICHITA FALLS	3
SPRING	3
COPPERAS COVE	3
BJRLESON	3
BRIDGE CITY	3
A. VARADO	3



Occupational Origination Amounts



Texas State Affordable Housing Corporation's
Professional Educators Home Loan Program Series 2005A
As of July 27, 2005 through May 3, 2006

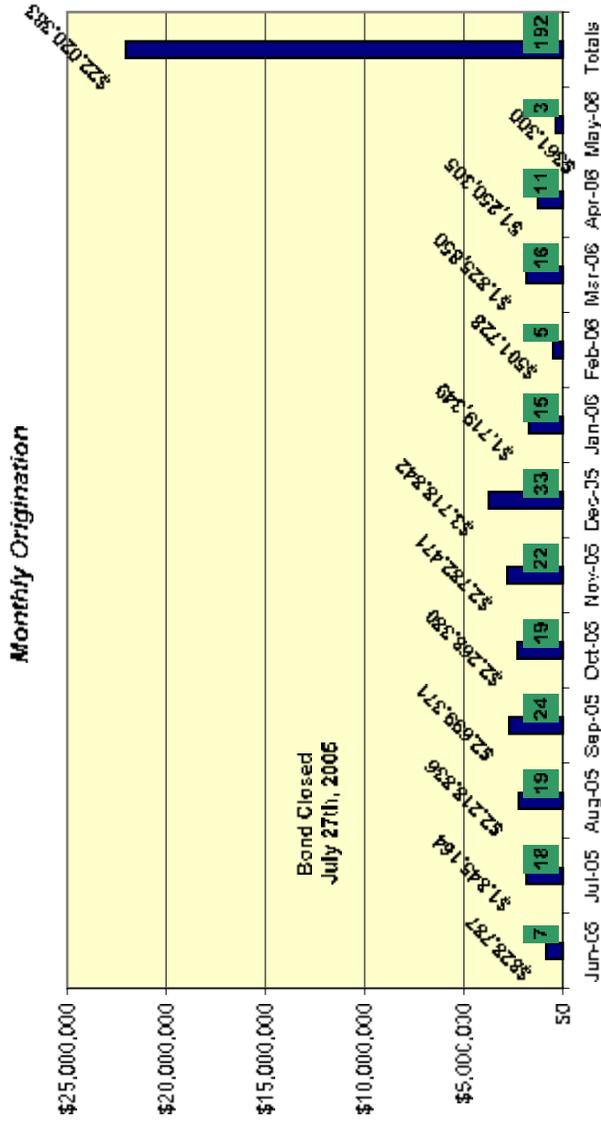
Month	# of Loans	% of Total Loans	Total Outlay	% of Total Outlay
Jun-05	7	4%	\$ 828,787	4%
Jul-05	19	9%	\$ 1,846,164	9%
Aug-05	19	10%	\$ 2,718,836	10%
Sep-05	24	12%	\$ 2,899,371	12%
Oct-05	19	10%	\$ 2,289,380	10%
Nov-05	22	11%	\$ 2,792,471	11%
Dec-05	23	11%	\$ 3,718,842	17%
Jan-06	15	8%	\$ 1,719,349	8%
Feb-06	5	3%	\$ 561,728	3%
Mar-06	13	7%	\$ 1,924,840	9%
Apr-06	11	6%	\$ 1,450,305	7%
May-06	3	2%	\$ 381,800	2%
Totals	192	100%	\$ 22,020,363	100%

Lender	Originated	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Total	Total %
Capital One	\$ 2,849,378	1	1	3	1	1	3	1	2	1	1	1	1	1	1	1	1	1	20	15%
Bank of America	\$ 2,372,207	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	22	11%
Wells Fargo	\$ 1,474,200	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	12	6%
Bank of America	\$ 1,364,159	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	11	6%
Bank of America	\$ 961,475	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	9	5%
Bank of America	\$ 840,224	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	9	5%
Bank of America	\$ 842,900	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	9	5%
Bank of America	\$ 836,350	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	7	4%
Bank of America	\$ 887,156	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	8	4%
Bank of America	\$ 781,677	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	6	3%
Bank of America	\$ 623,092	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	6	3%
Bank of America	\$ 656,204	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	6	3%
Bank of America	\$ 640,110	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	6	3%
Bank of America	\$ 603,200	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	5	3%
Bank of America	\$ 583,070	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	4	2%
Bank of America	\$ 549,404	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	4	2%
Bank of America	\$ 544,728	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	4	2%
Bank of America	\$ 521,765	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	4	2%
Bank of America	\$ 443,050	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	3	2%
Bank of America	\$ 442,900	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	3	2%
Bank of America	\$ 422,900	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	3	2%
Bank of America	\$ 357,342	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	3	2%
Bank of America	\$ 338,251	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	4	2%
Bank of America	\$ 306,193	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	3	2%
Bank of America	\$ 283,139	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	1%
Bank of America	\$ 216,776	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	1%
Bank of America	\$ 212,107	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	1%
Bank of America	\$ 113,124	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1%
Bank of America	\$ 113,106	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1%
Bank of America	\$ 104,176	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1%
Bank of America	\$ 101,400	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1%
Bank of America	\$ 94,004	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1%
Bank of America	\$ 78,500	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1%
Bank of America	\$ 55,000	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1%
Total Committed	\$ 22,020,363	7	18	19	22	33	45	5	18	24	19	22	33	45	5	18	11	3	192	100%

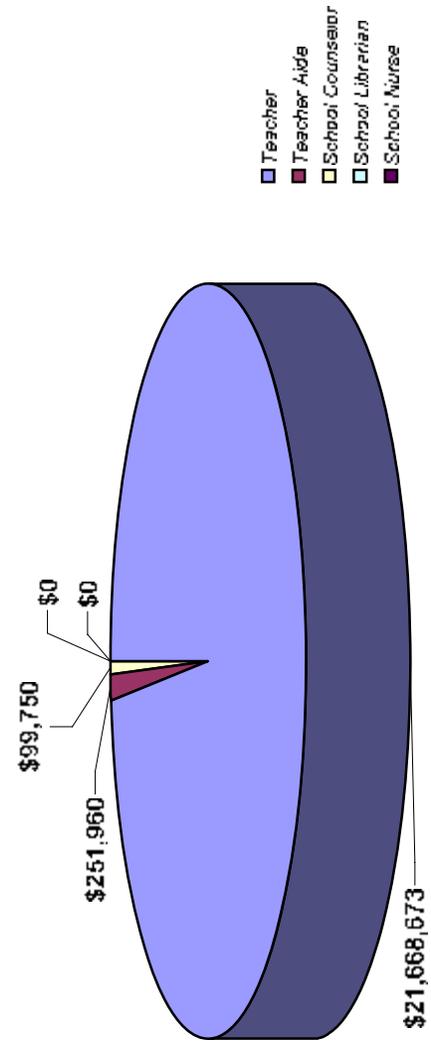
Total Allocation \$ 24,175,000
Remaining to Commit \$ 2,154,637

**Texas State Affordable Housing Corporation's
Professional Educators Home Loan Program Series 2005A
As of July 27, 2005 through May 3, 2006**

At a Glance	
Total Amount Originated	\$22,020,383
Average Monthly Income	\$4,552
Average Purchase Price	\$118,674
Average Loan Amount	\$114,689
Average Household Size	2
New/Existing	
Existing	68%
New	32%
Professional Breakdown	
Teacher	98%
Teacher Aide	2%
School Counselor	1%
School Librarian	0%
School Nurse	0%
Type of Loan	
FHA	69%
FNMA	31%
VA	0%
USDA-RD	0%
Ethnicity	
Not specified	78%
White, not of Hispanic origin	15%
Hispanic	3%
African American	3%
Asian, South Pacific	2%
Top Origination Locations	
HOUSTON	20
AUSTIN	14
FORT WORTH	9
SAN ANTONIO	9
RICHMOND	8
ARLINGTON	7
EL PASO	7
DALLAS	5
MANSFIELD	5
HORIZON	4
LANCASTER	4



Occupational Origination Amounts



- Teacher
- Teacher Aide
- School Counselor
- School Librarian
- School Nurse

**Texas State Affordable Housing Corporation's
Professional Educators Home Loan Program Series 2006A
As of February 28, 2006 through May 3, 2006**

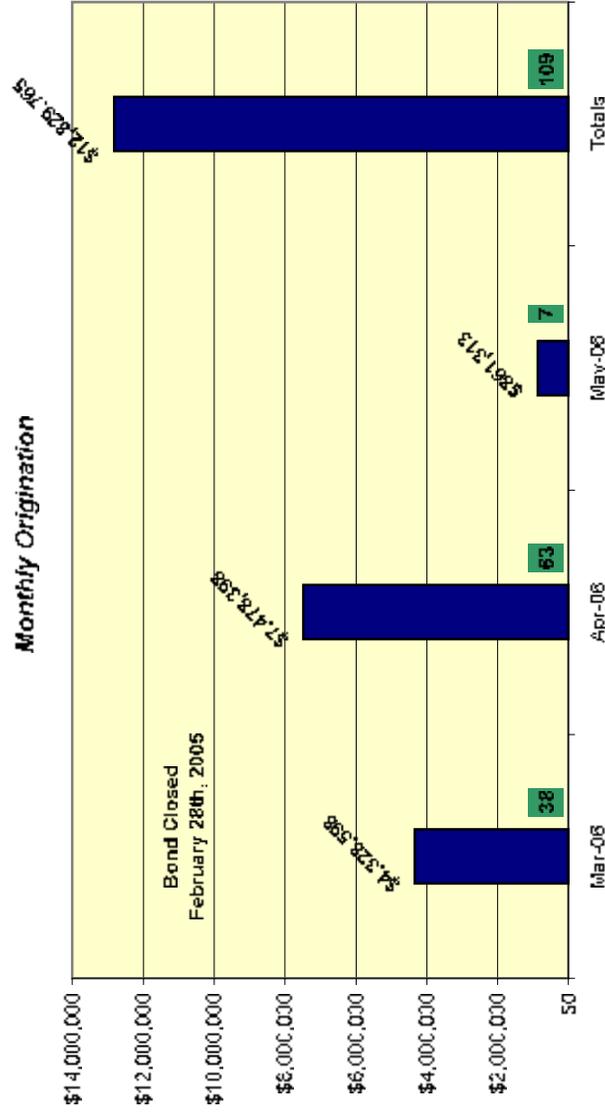
Month	# of Loans	% of Total Loans	Total Originated	% of Total Origination
Feb-06	1	1%	\$ 161,456	1%
Mar-06	38	35%	\$ 4,328,598	34%
Apr-06	63	58%	\$ 7,478,398	58%
May-06	7	6%	\$ 861,313	7%
Totals	109	100%	\$ 12,829,765	100%

Lender	Originated	Feb-06	Mar-06	Apr-06	May-06	Total	Total %
Wells Fargo Bank NA	\$1,870,499		6	10		16	15%
Countrywide Funding Corp.	\$1,515,361		5	8	1	14	13%
Market Street Mortgage Corp.	\$1,177,990		6	4		10	9%
CTX Mortgage Corporation	\$1,164,072		4	5		9	8%
Universal American Mortgage Co	\$916,792	1	1	5		7	6%
Ft. Worth Mortgage	\$817,489		1	6		7	6%
Cornerstone Mortgage Company	\$811,512		2	3	2	7	6%
Wachovia Mortgage Corporation	\$669,604		1	3	1	5	5%
SFMC, LP fka Service First Mtg	\$472,051		1	3		4	4%
Residential Home Lending	\$425,044		2	2		4	4%
Rocky Mountain Mortgage	\$410,775			3		3	3%
DH Mortgage Company	\$375,107		1	1	1	3	3%
Ryland	\$347,481		1	1		2	2%
Valley Mortgage Corporation	\$306,073		1	1	1	3	3%
WR Starkey Mortgage, LLC	\$251,729		1	1		2	2%
Willow Bent Mortgage	\$247,500			1	1	2	2%
Texas Capital	\$215,303		2			2	2%
Milestone Mortgage Corporation	\$195,051		1	1		2	2%
McAfee Mortgage & Investments	\$159,161		1	1		2	2%
Home Loan Corporation	\$151,127		1	1		2	2%
Hammersmith Financial Corp.	\$139,100			1		1	1%
Home Trust Company	\$102,638			1		1	1%
NTFN Inc./Premier Mortgage	\$88,306			1		1	1%
Total Committed	\$12,829,765	1	38	63	7	109	100%

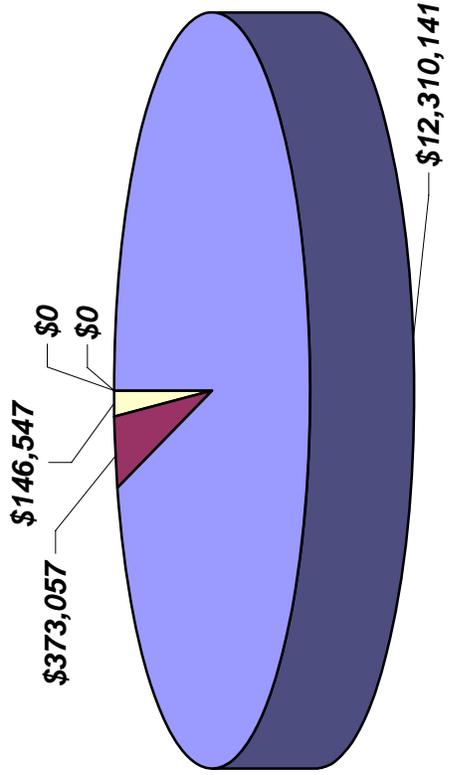
Total Allocation \$23,809,000
Remaining to Commit \$10,979,235

**Texas State Affordable Housing Corporation's
Professional Educators Home Loan Program Series 2006A
As of February 28, 2006 through May 3, 2006**

At a Glance	
Total Amount Originated	\$12,829,765
Average Monthly Income	\$3,919
Average Purchase Price	\$121,582
Average Loan Amount	\$117,704
Average Household Size	2
New/Existing	
Existing	57%
New	43%
Professional Breakdown	
Teacher	96%
Teacher Aide	3%
School Counselor	1%
School Librarian	0%
School Nurse	0%
Type of Loan	
FHA	72%
FNMA	27%
VA	1%
USDA-RD	0%
Ethnicity	
Not specified	73%
White, not of Hispanic origin	17%
Hispanic	5%
African American	3%
Asian, South Pacific	2%
Top Origination Locations # of Loans	
HOUSTON	11
SAN ANTONIO	10
AUSTIN	7
FORT WORTH	5
DALLAS	5
ARLINGTON	5
ROUND ROCK	4
EL PASO	3



Occupational Origination Amounts



- Teacher
- Teacher Aide
- School Counselor
- School Librarian
- School Nurse

Multifamily Lending Report

Discussion

Quarterly Compliance Status for TSAHC

As of First Quarter Ending 3-31-06

Agape Ashton/Woodstock, Inc.

	Ashton Place	Woodstock
LI Occupancy	74%	89%
VLI Occupancy	34%	60%

NHT/GTEX Project Portfolio

	Ashley Park	Champions Green	Chelsea Court	Kressington Place	Victoria Place	Riverwalk	Timberlodge
LI Occupancy	75%	76%	75%	76%	76%	75%	75%
VLI Occupancy	21%	22%	20%	20%	20%	20%	20%

Commonwealth Multifamily (White Rock), LLC

	White Rock
LI Occupancy	75%
VLI Occupancy	22%

American Housing Foundation

	Settler's Cove	Cimarron Park	Pine Creek	Stony Creek	Bent Creek	Creekwood Village	Shadowridge
LI Occupancy	80%	85%	80%	75%	77%	93%	89%
VLI Occupancy	45%	39%	59%	47%	58%	60%	65%

	Aston Brook	Northwoods	One Willow Chase	One Willow Park	Woodedge	Fountaingate
LI Occupancy	80%	80%	81%	87%	80%	76%
VLI Occupancy	57%	32%	55%	58%	44%	27%

South Texas Affordable Properties Corporation

	Charleston	Remington	Summer Oaks	The Rafters	The Wharf	Willowick
LI Occupancy	79%	77%	75%	7%	76%	81%
VLI Occupancy	23%	21%	25%	24%	22%	25%

American Opportunity for Housing, Inc.

	Clover Hill	Hillcrest	Briarcrest	Mill Creek	One Westfield
LI Occupancy	89%	91%	85%	92%	87%
VLI Occupancy	53%	59%	44%	57%	51%

San Antonio Low Income Housing, LLC

	Aguila Oaks
LI Occupancy	75%
VLI Occupancy	20%

* LI Occupancy statistic is inclusive of the VLI Occupancy statistic.

Texas State Affordable Housing Corporation

Resident Service Summary

First Quarter March 2006

American Housing Foundation

One Willow Chase Apartments: Houston

Jan:	Tax Preparation by Jackson Hewitt	(1 Attended)
	Health & Nutritional Courses by Focus on your Health	(1 Attended)
	C.H.I.P.S	(2 Attended)
Feb:	Tax Preparation by Jackson Hewitt	(1 Attended)
	Bus Tokens	(3 Attended)
	Dental Health	(5 Attended)
	Senior Meals	(0 Attended)
March:	Job Skills by Houston Area Urban League	(1 Attended)
	Renter's Insurance	(1 Attended)
	Spring Break Lunches	(32 Attended)

One Willow Park Apartment: Houston

Jan:	Tax Preparation by Jackson Hewitt	(1 Attended)
	Health & Nutritional Courses by Focus on your Health	(8 Attended)
	C.H.I.P.S	(5 Attended)
Feb:	Tax Preparation by Jackson Hewitt	(0 Attended)
	Bus Tokens	(6 Attended)
	Dental Health	(5 Attended)
	Senior Meals	(4 Attended)
March:	Renter's Insurance	(1 Attended)
	Spring Break Lunch	(34 Attended)

Woodedge Apartment: Houston

Jan:	Budgeting	(5 Attended)
	Tax Preparation	(4 Attended)
Feb:	After School	(10 Attended)
	Health & Nutritional Courses	(5 Attended)
	Bus Tokens	(2 Attended)
March:	Spring Break Lunches	(64 Attended)
	Renter's Insurance	(5 Attended)

Fountaingate Apartment: Wichita Falls

Jan:	After School	(10 Attended)
	Vaccination/Shots	(16 Attended)
Feb:	After School	(10 Attended)
	Bus Passes	(5 Attended)
March:	After School	(13 Attended)
	Crime Watch	(4 Attended)

Spring Break Lunches	(25 Attended)
Bus Passes	(4 Attended)
Settler's Cove Apartment: Beaumont	
Jan: EITC Tax Credit Info	(182 Attended)
After School	(5 Attended)
Crime Watch	(0 Attended)
Fitness Center	(22 Attended)
Business Center	(5 Attended)
Feb: Financial Planning Courses	(7 Attended)
After School	(4 Attended)
Youth Programs	(3 Attended)
Fitness Center	(12 Attended)
Business Center	(7 Attended)
EITC Tax credit Info	(182 Attended)
March: Spring Break Lunches	(10 Attended)
Fitness Center	(24 Attended)
Cimarron Park Apartment: Conroe	
Jan: Filing Taxes Info	(162 Attended)
Crime Watch	(6 Attended)
Senior Meals	(5 Attended)
Computer Facilities	(13 Attended)
MLK Day	(6 Attended)
Feb: Computer/business center	(14 Attended)
Senior Meals	(4 Attended)
March: Spring Break Lunches	(65 Attended)
Crime Watch	(7 Attended)
Senior Meals	(4 Attended)
Stony Creek Apartment: Conroe	
Jan: Filing Taxes Info	(151 Attended)
Crime Watch	(2 Attended)
Voter's Registration	(3 Attended)
Feb: After School	(4 Attended)
Crime Watch	(4 Attended)
March: Spring Break Lunches	(8 Attended)
Milk Matters w/ Buddy Brush	(3 Attended)
Crime Watch	(1 Attended)
Pine Creek Village Apartment: Conroe	
Jan: Filing Taxes Info	(317 Attended)
Crime Watch	(2 Attended)
Voter Registration	(3 Attended)
Feb: Crime Watch	(4 Attended)
March: Spring Break Lunches	(8 Attended)

Milk Matters w/ Buddy Brush	(3 Attended)
Crime Watch	(1 Attended)
Shadowridge Village Apartment: Dallas	
Jan: MLK Education Day	(6 Attended)
Holiday Safety Function	(1 Attended)
CHIPS/ Health Insurance by TexCare Partners	(2 Attended)
Feb: Valentine Health Safety Meeting for kids	(5 Attended)
Dart Passes	(7 Attended)
March: Spring Break Lunches	(113 Attended)
Creekwood Village Apartment: Dallas	
Jan: Financial Planning Course	(2 Attended)
Feb: EITC Flyer	(350 Attended)
Computer Facilities	(10 Attended)
DART passes	(15 Attended)
March: Spring Break Lunches	(100 Attended)
Computer Facilities	(30 Attended)
Dart passes	(19 Attended)
Bent Creek Apartment: Dallas	
Jan: Tax Preparation Info.	(20 Attended)
Crime Watch	(30 Attended)
Utility Assistance	(15 Attended)
Health Screening Services by Health Dept.	(35 Attended)
Computer Facilities	(25 Attended)
Feb: College Prep	(10 Attended)
Crime Watch	(21 Attended)
Utility Assistance	(15 Attended)
Counseling Services	(12 Attended)
Computer Facilities	(45 Attended)
Bus Pass Program	(3 Attended)
Educational Resources	(5 Attended)
March: Free Legal Seminar	(25 Attended)
Manners kid's class	(11 Attended)
Spring Break Lunches	(45 Attended)
Crime Watch	(45 Attended)
Utilities Assistance	(10 Attended)
Computer Facilities	(20 Attended)
Bus Passes	(2 Attended)
Educational Resources	(3 Attended)
Northwoods Apartment: Houston	
Jan: MLK Educational Day	(35 Attended)
Crime Watch	(10 Attended)
Personal Protection	(10 Attended)

Computer Facilities (4 Attended)
Feb: Bus Passes (5 Attended)
March: Spring Break Lunches (223 Attended)
Bus Passes (2 Attended)

Aston Brook Apartment: Houston

Jan: MLK Education Day (10 Attended)
Income Tax Support (148 Attended)
Fitness for Life by 24 Hour Fitness (8 Attended)
Feb: Caring & Adopting Animals by Houston SPCA (6 Attended)
Katrina Counseling Program (12 Attended)
Buss Passes (10 Attended)
March: Spring Break Lunches (70 Attended)
Buss Passes (10 Attended)

South Texas Affordable Properties

The Charleston Apartment: Cranbrook

Jan: Friday Fruit w/ nutritional message (45 Attended)
Fire Prevention and Electrical Safety (Flier to all Residents)
Yoga Class (2 Attended)
Feb: Friday Fruit w/ nutritional message (45 Attended)
Identity Theft (Flier to all Residents)
Relaxation Techniques (0 Attended)
March: Fire Preparedness Information (Flier to all Residents)
Stress Management Seminar (0 Attended)

The Wharf Apartment: Corpus Christi

Jan: Friday Fruit w/ nutritional message (25 Attended)
Fire Prevention and Electrical Safety (Flier to all Residents)
Feb: Computer Literacy Class (19 Attended)
Identity Theft fliers (Flier to all Residents)
March: Internet Safety for Kids (25 Attended)
Fire Prevention (Flier to all Residents)

Willowick Apartment: Corpus Christi

Jan: Fire Prevention (Flier to all Residents)
Electric Safety (Flier to all Residents)
Feb: 365 Connect (14 Attended)
Identity Theft fliers (Flier to all Residents)
March: Fire Preparedness (Flier to all Residents)

The Rafters Apartment: Corpus Christi

Jan: Friday Fruit w/ Nutritional Message (40 Attended)
Fire Prevention and Electrical Safety (Flier to all Residents)
Feb: Identity Theft (Flier to all Residents)

March: 365 Connect (4 Attended)
Internet Safety for Kids (11 Attended)
Fire Preparedness (Flier to all Residents)
Hearing Loss Prevention provided by the Center for Deaf and Hard of Hearing (0 Attended)

Remington Apartment: San Antonio

Jan: Fire Preparedness (Flier to all Residents)
Keep your New Years Resolutions (0 Attended)
Feb: 365 Connect (60 Attended)
Identity Theft (Flier to all Residents)
March: Sun Safety (60 Attended)
Fire Preparedness (Flier to all Residents)
Stress Relief Seminar (9 Attended)

Summer Oaks Apartment: San Antonio

Jan: Fire Preparedness (Flier to all Residents)
Fitness class provided by Spectrum Fitness (3 Attended)
Keep your New Years Resolution (4 Attended)
Feb: 365 Connect (7 Attended)
Identity Theft (Flier to all Residents)
March: Cooking & Candle Safety (Flier to all Residents)
Importance of a Healthy Breakfast (50 Attended)

American Opportunity for Housing

Briarcrest Apartment: Spring

Jan: Crime Watch (13 Attended)
Feb: None Provided
March: None Provided

Clover Hill Apartment: Arlington

Jan: After School (5 Attended)
Feb: None provided
March: None provided

Hillcrest Apartment: Grand Prairie

Jan/Feb/March: None provided.

Mill Creek Apartment: Spring

Jan/Feb/March: None provided.

One Westfield Lake Apartment: Spring

Jan: After School program (12 Attended)
Feb: None provided
March: None provided

GTEX

Chelsea Court Apartment: Houston

Jan: Computer Class	(8 Attended)
Job Skills	(36 Attended)
Computer Facilities	(60 Attended)
Bus Passes for Tax Assistance	(1 Attended)
Feb: Computer Class	(4 Attended)
Kid's Valentines Arts & Crafts provided by Rice	
Student Volunteers	(10 Attended)
St. Vincent de Paul Case Management on site	(40 Attended)
Job Fair	(13 Attended)
Computer Facilities	(60 Attended)
March: Computer Class	(6 Attended)
Job Skills	(60 Attended)
Referrals for Utility assistance	(20 Attended)
Referrals to local agencies that provide counseling	(15 Attended)
Computer Facilities	(120 Attended)
Parenting classes	(5 Attended)

Kressington Place Apartment: Spring

Jan: Fitness Class provided by Bionik Fitness	(16 Attended)
Feb: Child Care provided by Victory Christian Center	(22 Attended)
March: Crime Watch provided by courtesy officer	(2 Attended)

Victoria Place Apartment: Houston

Jan: Safety Awareness Provided by HPD	(16 Attended)
Feb: Crime Watch Provided by HPD	(7 Attended)
March: Financial Planning provided by H & R Block	(5 Attended)

Champions Green Apartment: Houston

Jan: Personal Protection Provided by State Farm Insurance	(0 Attended)
Feb: Tax Prep Class Provided by Becker Tax Services	(1 Attended)
March: Crime watch by HPD	(0 Attended)

Riverwalk Apartment: Dallas

Jan: Fire Safety provided by Dallas Fire Dept.	(6 Attended)
Feb: Tax Seminar provided by H&R Block	(2 Attended)
March: Financial Planning Workshop Provided by State Farm	(0 Attended)

Timberlodge Apartment: Dallas

Jan: Consumer Credit Counseling	(5 Attended)
Feb: Income Tax Preparedness provided by H&R Block	(3 Attended)
March: None provided	

Ashley Park Apartment: Plano

Jan: None provided	
---------------------------	--

Feb: Income Tax Class provided by Liberty Tax Services (13 Attended)
March: Senior Meals provided by Blackeyed Pea (23 Attended)

AGAPE ASHTON / WOODSTOCK

Ashton Place Apartment: Galveston

Jan: After School (6 Attended)
Feb: After School (7 Attended)
March: After School (6 Attended)

Woodstock Apartment: Arlington

Jan/Feb/March: None provided.

Common Wealth

White Rock Apartment: San Antonio

Jan: Tutoring Twice a Week (8 Attended)
Fire Prevention information (Flier to all residents)
Feb: Tutoring Twice a Week (9 Attended)
Kid's Valentine's Day Activity (21 Attended)
Identity Theft (Flier to all residents)
Stress Relief (6 Attended)
March: Town Hall Meeting (12 Attended)
Tutoring (8 Attended)
Fire Preparedness (Flier to all residents)

SOA

Aguila Oaks Apartment: San Antonio

Jan: Yoga (4 Attended)
Feb: Yoga (12 Attended)
March: Yoga (12 Attended)

TEXAS STATE AFFORDABLE HOUSING CORPORATION
COMPARISON OF BUDGETED TO ACTUAL OPERATING ACTIVITY
(For the Seven Month Period Ending March 31, 2006)

Revenues	FY 2006		% of Annual
	Budget	Actual	Budget
Servicing Revenue, Net of Subservicer Fees	425,000	280,408	65.98%
Multifamily Revenue	650,000	143,221	22.03%
TDHCA Asset Oversight Revenue	509,000	233,453	45.87%
Investment Revenue	120,000	90,528	75.44%
Single Family	-	102,304	-
Grant/Fundraising Income	-	-	-
TOTAL REVENUES	1,704,000	849,914	49.88%
Expenditures			
Salaries & Payroll Related Expenditures	860,000	492,813	57.30%
Professional Services - Legal, Audit & IT	177,000	109,351	61.78%
Office & Equipment Lease	124,000	69,393	55.96%
Travel & Meals	72,000	46,051	63.96%
Interest on FHLB Notes	67,000	38,698	57.76%
Marketing & Sponsorships	23,000	1,727	7.51%
Insurance	23,600	11,465	48.58%
Professional Dues & Training	12,000	10,967	91.39%
Communication	12,000	7,306	60.88%
Bank Fees & Charges	8,000	6,441	80.51%
Office Supplies	8,000	5,685	71.06%
Publications, Subscriptions, Office Maintenance	5,300	2,372	44.75%
Freight, Delivery & Postage	6,000	2,815	46.92%
Furniture, Equipment, & Software	20,000	14,251	71.26%
Printing	1,500	673	44.87%
Program and Loan Administration	4,000	373	9.33%
TOTAL EXPENDITURES	1,423,400	820,381	57.64%
NET INCOME	280,600	29,533	10.52%

Target Percentage = 58%

TEXAS STATE AFFORDABLE HOUSING CORPORATION
COMPARISON OF BUDGETED TO ACTUAL OPERATING ACTIVITY
(For the Seven Month Period Ending March 31, 2006)

TEXAS STATE AFFORDABLE HOUSING CORPORATION
COMPARISON OF BUDGETED TO ACTUAL OPERATING ACTIVITY
(For the Seven Month Period Ending March 31, 2006)

TEXAS STATE AFFORDABLE HOUSING CORPORATION
COMPARISON OF BUDGETED TO ACTUAL OPERATING ACTIVITY
(For the Seven Month Period Ending March 31, 2006)



Monthly Investment Report

March 31, 2006

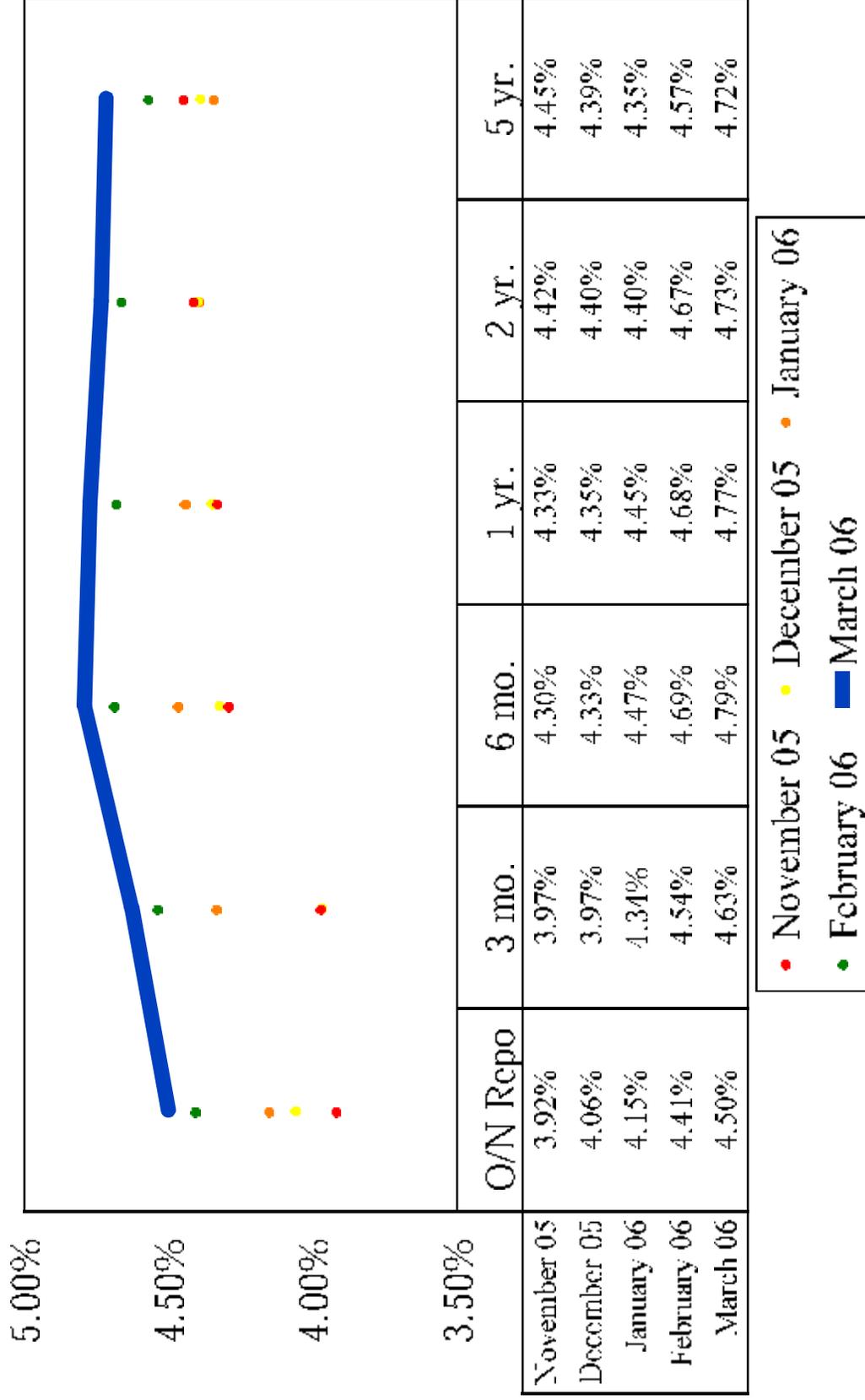
PATTERSON & ASSOCIATES



INVESTMENT PROFESSIONALS

Treasury Yield Curve Comparison

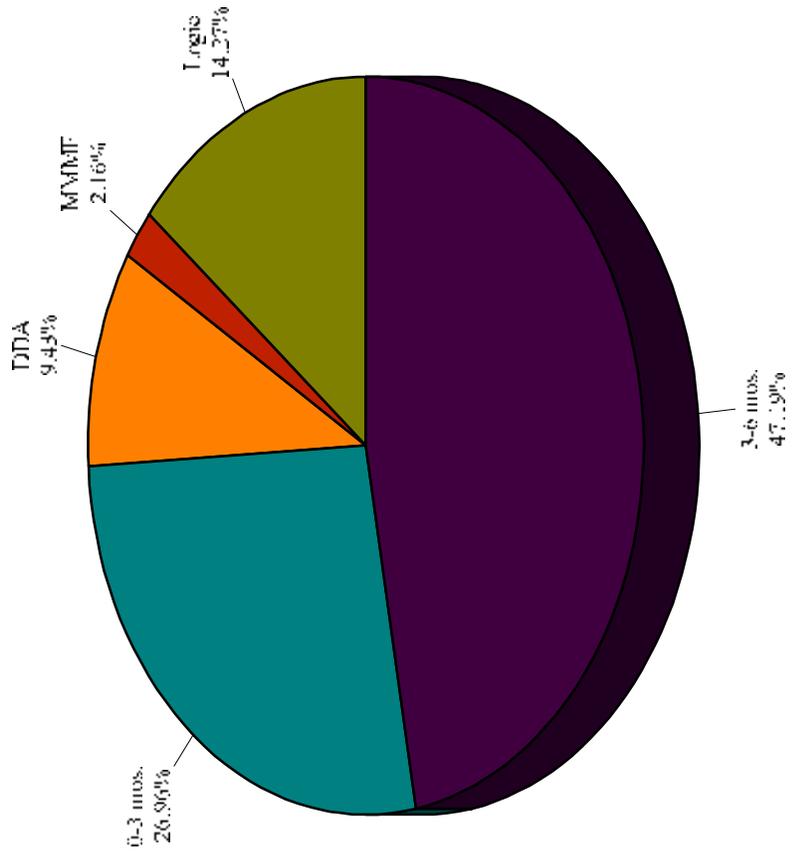
Average yields by month



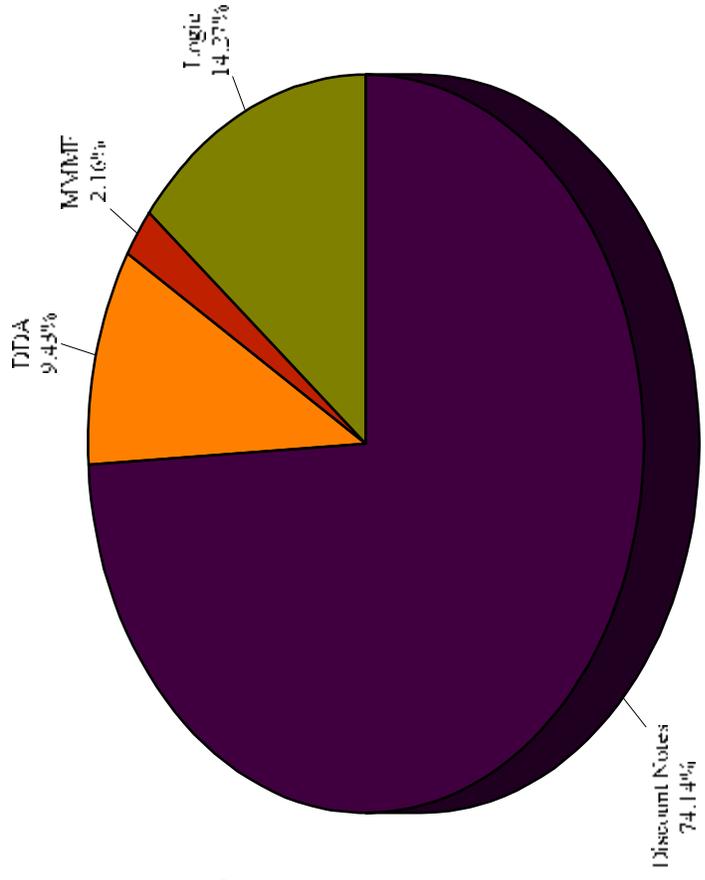
Texas State Affordable Housing

Portfolio Holdings

Diversification by Maturity Allocation



Diversification by Security Type



Information as of March 31, 2006

HOLDINGS - MONTHLY ACCOUNTING REPORT

Portfólio: Texas State Affordable Housing Corporation
 Securities Held as of: 3/31/06

Id	Bond	Coupon	Maturity Date	Purchase Date	Par Value	Days to Maturity	Accretion/ Amortization for Month	Accretion/ Amortization To Date	Accrued Interest for Month	Accrued Interest on Bond	Book Value
FOOL	LOGHC	4.553%	04/03/06	03/31/06	675,438	3	0.00	0.00	2,663.04	0.00	675,438.29
MVVV	1111B	4.860%	04/03/06	03/31/06	102,490	3	0.00	0.00	391.74	0.00	102,489.53
MVVF	Bank of America	4.618%	04/03/06	03/31/06	143,016	3	0.00	0.00	506.68	0.00	143,016.38
10DA	BOA - Operating	2.774%	04/03/06	03/31/06	111,769	3	0.00	0.00	260.28	0.00	111,769.40
10DA	BOA - Pay Clear	2.068%	04/03/06	03/31/06	15,380	3	0.00	0.00	24.58	0.00	15,380.10
10DA	BOA - Disbursement	2.082%	04/03/06	03/31/06	551	3	0.00	0.00	0.88	0.00	550.88
10DA	BOA - T&I	2.089%	04/03/06	03/31/06	3,465	3	0.00	0.00	5.53	0.00	3,464.93
10DA	BOA - Tx Home Educ.	0.060%	04/03/06	03/31/06	4,494	3	0.00	0.00	0.00	0.00	4,494.26
10DA	BOA - Bunker Hill Scuror	1.600%	04/03/06	03/31/06	28,905	3	0.00	0.00	38.60	0.00	28,905.12
10DA	BOA - Bunker Hill Oper.	0.960%	04/03/06	03/31/06	22,115	3	0.00	0.00	16.89	0.00	22,115.46
10DA	BOA - Bunker Hill Debt	0.960%	04/03/06	03/31/06	22,125	3	0.00	0.00	16.90	0.00	22,125.44
10DA	BOA - Spiegelbrush Apart.	1.660%	04/03/06	03/31/06	33,805	3	0.00	0.00	45.07	0.00	33,805.05
10DA	BOA - Spiegelbrush Apart. Oper.	0.960%	04/03/06	03/31/06	22,461	3	0.00	0.00	17.76	0.00	22,461.44
10DA	BOA - Spiegelbrush Apart. Debt	0.960%	04/03/06	03/31/06	37,904	3	0.00	0.00	28.95	0.00	37,903.76
FMCDN	313397WP2	0.060%	05/09/06	11/14/05	515,000	39	1.90693	8,427.40	0.00	0.00	512,600.96
FNDN	313389XP8	0.060%	05/24/06	11/30/05	255,000	54	957.60	3,737.74	0.00	0.00	253,331.92
FNDN	313389YR8	0.060%	06/28/06	12/29/05	515,000	89	1,973.45	5,856.69	0.00	0.00	509,334.28
FMCDN	313397ZF4	0.060%	07/11/06	01/17/06	730,000	102	2,806.75	6,009.44	0.00	0.00	720,764.89
FNDN	313589C92	0.060%	08/23/06	02/22/06	510,000	145	2,067.60	2,467.78	0.00	0.00	500,328.98
FNDN	313589F74	0.060%	09/06/06	03/14/06	522,000	159	1,178.52	1,178.52	0.00	0.00	510,977.40
FMCDN	313397H38	0.060%	09/26/06	03/28/06	512,000	179	205.44	205.44	0.00	0.00	499,742.08
Matured & Called Securities											
FMCDN	313397JFG	0.060%	03/14/06	09/13/05			751.68	9,771.88	0.00	0.00	0.00
FMCDN	313397JVI	0.060%	03/28/06	09/30/05			1,551.67	9,919.59	0.00	0.00	0.00
Grand Total:			<u>06/25/06</u>		<u>4,782,920</u>	<u>86</u>	<u>13,399.64</u>	<u>48,174.48</u>	<u>4,016.30</u>	<u>0.00</u>	<u>4,731,090.56</u>

Total Income Earned for March 2006

Total Income for the Month - Interest for the Month (-); Net Accretion for the Month

(\$ 4,016.30 + \$ 13,399.64 - \$ 17,415.94)

17,415.94

MONTHLY TRANSACTION REPORT

Portfolio: Texas State Affordable Housing Corporation
03/31/06

PURCHASES:

ID Number	Settle Date	CI/SIP	Sec Type	Pur	Coupon	Maturity	Purchase Price	Purch Yield	Purchase Principal	Purch Accr/Int	Total Settlement	Broker	Settle/pt
9618	03/14/06	313589774	FNDCN	522,000	0.000%	09/26/06	97.563	4.963%	509,798.89	0.00	509,798.89	Kecrill Lynch	Bank of America
9624	03/28/06	313397138	EMCDN	512,000	0.000%	09/26/06	97.566	5.004%	499,536.54	0.00	499,536.54	Kecrill Lynch	Bank of America

SALES:

Trade Date	Settle Date	CI/SIP	Sec Type	Pur	Coupon	Maturity	Sale Price	Yield Sold	Sale Principal	Sale Accr/Int	Total Settlement	Broker	Book Value

No transactions

MATURITIES AND COUPONS:

ID Number	Payment Date	CI/SIP	Security Type	Pur	Coupon	Maturity	Type of Payment	Coupon Amount	Total Payment
9450	03/14/06	313589776	EMCDN	510,000	0.000%	03/14/06	Interest	0	510,000
9473	03/28/06	313397131	EMCDN	500,000	0.000%	03/28/06	Interest	0	500,000

NOTES:

Total Realized Gains: 0.00
Total Realized Gains: 0.00

**BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION
Held at the Offices of
Texas State Affordable Housing Corporation
1005 Congress Avenue – Suite B-10 Conference Room
Austin Texas 78701
April 14, 2006 at 10:30 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 10:35 a.m., on April 14, 2006, at the offices of Texas State Affordable Housing Corporation, 1005 Congress Avenue – Suite B-10 Conference Room, Austin, TX 78701. Roll Call certified that a quorum was present.

Members Present

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

Staff Present

David Long, President
Katherine Closmann, Executive Vice President
Melinda Smith, Chief Financial Officer
Paige McGilloway, Single Family Programs Manager
Cari Garcia, Multifamily Finance Manager
Emily Lah, Asset Oversight & Compliance Manager
Laura Smith, Corporate Secretary

Public Comment

No public comment was given.

Special Guests

Robert Dubbelde, Greenberg Traurig LLP
Bill Gehrig, Greenberg Traurig LLP
Robin Miller, First Southwest Company
Chip Rainey, Greenberg Traurig LLP
Greg Stites, Wells Fargo

Reports

President’s Report

Mr. Long began by refreshing the Board's memory about their vote at the previous meeting, approving new professionals in the roles of Bond Counsel, General/Lender/Issuer Counsel and Financial Advisor. Mr. Long proceeded to introduce to the Board Mr. Miller with First Southwest Company, the Corporation's Financial Advisor, and Mr. Gehrig and Mr. Dubbelde with Greenberg Traurig LLP, the Corporation's General/Lender/Issuer Counsel. Mr. Long then introduced Mr. Stites with Wells Fargo and explained that he was present at the meeting to discuss Tab 5.

Mr. Long informed the Board that he, Ms. Closmann, Ms. Lah, and Ms. Garcia had attended a meeting with the Bond Review Board (BRB) and had made presentations regarding the Corporation's programs.

Mr. Long informed the Board that Corporation staff had completed training on the following topics: Sexual Harassment Awareness, Safety and Computers.

Mr. Long then informed the Board that he anticipated the 2005 Annual Report would be presented to the Board at the following meeting.

Mr. Long thanked Mr. Rencher for attending the meeting with IGS Capital Management where a partnership between IGS and the Corporation was discussed concerning single family revitalization in the Houston area. Mr. Rencher summarized the meeting further, stating that it was the firm's plan to buy older properties to renovate and then resell, and they were seeking the Corporation's assistance to do this. Mr. Rencher stated that he would keep the Board apprised of how this was progressing. Mr. Long thanked Mr. Rencher again for attending the meeting. Discussion followed regarding the meeting with IGS. Mr. Romero thanked Mr. Rencher for attending the meeting on the Corporation's behalf and asked that the firm make a presentation to the Board when the time was appropriate.

Executive Vice President's Report

Ms. Closmann began by informing the Board that the restructuring for American Opportunity for Housing was moving forward and would close the following week. Ms. Closmann then stated that the restructuring for American Housing Foundation was still being worked out, that no documents had been signed, but that it was anticipated to close in 2-3 weeks. Ms. Closmann then turned the Board's attention to the packet containing notices regarding the 501(c)(3) properties. Ms. Closmann proceeded to go through and discuss the notices.

Single Family Lending Report

Ms. McGilloway began by informing the Board that lender trainings in Houston and Dallas had been completed for the 2006A Professional Educator Home Loan Program.

Ms. McGilloway informed the Board that she had attended the Texas State Association of Fire Fighters leadership conference in San Antonio where she was able to give a presentation on the Homes for Heroes program.

Ms. McGilloway stated that there would a TEFRA hearing held on Wednesday, April 26, 2006 for the 2006B Homes for Heroes Home Loan Program.

Ms. McGilloway informed the Board that she would be attending the National Association of Local Housing Finance Agencies (NALHFA) Conference in Atlanta later in the month.

Ms. McGilloway proceeded to go through the reports included in the board packet regarding the two single family bond programs. Ms. McGilloway pointed out to the Board that only \$3.5 million remained in the 2005 Homes for Heroes program. Ms. McGilloway stated that over \$9 million had been used already in the 2006A Professional Educators Home Loan Program. Ms. McGilloway stated that the Corporation would be looking into getting additional funds from the BRB in September for this program.

Ms. McGilloway informed the Board that she would be doing web casts with the Texas Department of Criminal Justice (TDCJ) throughout the month of May where she would be giving a brief presentation on the Corporation's Homes for Heroes program. Ms. McGilloway also reported that she would be doing a week long media tour, visiting various media outlets such as the Austin American Statesman, New 8, and a local radio show to speak about the Corporation's programs. Ms. McGilloway spoke further about what would occur during the web casts.

Mr. Rencher commented that one of the realtors who attended the lender training in Houston had complimented Ms. McGilloway on a fine job.

Ms. McGilloway referred the Board back to the handouts in the board packets, confirming that the demographics in both programs were similar from month to month. Ms. McGilloway stated that she believed it was the lenders, TDCJ, and everyone involved with the program that contributed to its success. Ms. McGilloway followed by stating that she had recently mailed out a survey to everyone who had purchased homes through our programs asking them to submit their success story.

Multifamily Lending Report

Ms. Garcia began by informing the Board that the deadline had passed with regard to the Request for Proposals (RFP) for the Private Activity Bond (PAB) Program concerning the hurricane affected areas and the Corporation had not received any responses. Ms. Garcia discussed some of the problems with the existing PAB program and stated that the next step was to look at the legislation to see what changes needed to be made so that this program could be more successful. Ms. Garcia briefly refreshed the Board's memory as to what RFPs were issued this year and what areas they targeted. Ms. Garcia stated that Tabs 3 and 4 were being pulled, because no responses had been received for the RFP.

Ms. Garcia turned the Board's attention to the Direct Lending Program, which she continued to market to community banks. Ms. Garcia stated that she and Ms. McGilloway had attended the Community Development Corporation Annual Conference in San Antonio the previous month. Ms. Garcia also informed the Board that she would be attending the Reznick Bond Conference the following week, and while in Dallas for the conference she would be meeting with community banks to discuss the program. Ms. Garcia explained that she sent out mailings to both developers and community banks and that interest had been generated.

Ms. Garcia briefly updated the Board regarding the Development Program. Ms. Garcia stated that the program was still in the planning stages and informed the Board that staff was working on a business plan, as well as working with the Corporation's general counsel to set up the

subsidiary corporation needed to administer the program. Ms. Garcia stated that once a plan for the program was in place, it would be presented to the Board.

Mr. Romero asked for a brief history of the Corporation's PAB Program and the difficulties that had been encountered and Ms. Closmann proceeded to give a historical overview of the program.

Asset Oversight & Compliance Report

Ms. Lah began by informing the Board that at the last TDHCA Board Meeting, the Board approved the staff's recommendation to move forward with the Corporation as their asset oversight agent. Ms. Lah stated that Corporate staff was currently working with TDHCA staff and attorneys on the contract. Ms. Lah stated that the contract would begin with 47 properties, but that 5-10 properties would be added each year dependant upon how many new bond deals were done, and that the Corporation would earn \$22 a door. Mr. Romero inquired when the Corporation would start receiving those payments, and Ms. Lah stated that TDHCA would have 10 days according to the current version of the contract to pay fees collected since January 1, 2006. Ms. Lah explained that after this the fees would be collected every six months. Ms. Lah stated that the income for the first year would be \$226,000.

Financial Report

Ms. Smith began by turning the Board's attention to the budget to actual expenditures comparison included in the board packet. Ms. Smith stated that for the first six months of the fiscal year, the Corporation had a net cash income of \$63,000 and had in most cases stayed on budget. Ms. Smith stated that the bad debt line item, which was originally anticipated to be \$350,000, was inaccurate now due to recoveries from AHF and AOH through their restructuring. Ms. Smith suggested it would be good to review and possibly revise that item.

Mr. Romero inquired whether the contract for Asset Oversight services had been anticipated and included in the current budget, and Mr. Long confirmed that it had not been included and would have a positive impact on the budget.

Ms. Smith pointed out that some of the smaller line items were over budget, but would likely even out as the year went on. Mr. Romero inquired about the Marketing, Promotions and Sponsorships line item. Mr. Long explained that lenders participating in the two Single Family Bond Programs paid a fee for marketing purposes. Mr. Long stated that because staff couldn't correctly anticipate how many lenders would be involved in those programs, that amount could not be included in the budget, and so therefore was included as a negative number in the Marketing, Promotions and Sponsorships line item.

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on March 10, 2006.

Ms. Van Hovel made a motion to approve the minutes of the Board Meeting held on March 10, 2006. Mr. Rencher seconded the motion. Motion passed unanimously.

Tab 2 Presentation, Discussion and Possible Approval of a Resolution Regarding the Submission of a 2006 Application for Allocation of Private Activity Bonds, Notice of Intention to Issue Bonds and State Bond Application to the

Texas Bond Review Board for Single Family Mortgage Revenue Bonds (Fire Fighter and Law Enforcement or Security Officer Home Loan Program).

Ms. McGilloway informed the Board that the resolution before them authorized staff to move forward with the structuring of the 2006 Homes for Heroes Program, and the application to the BRB for the allocation. Ms. McGilloway refreshed the Board's memory that there would be a TEFRA hearing held on April 26, 2006 regarding the transaction and that notice for the hearing had been posted in the Austin American Statesman and in the Texas Register. Ms. McGilloway informed the Board that the transaction would tentatively be priced on June 12, 2006 and would tentatively close on June 27, 2006.

Mr. Miller with First Southwest Company introduced himself to the Board. Mr. Miller briefly discussed market conditions, stating that currently there was an increased demand for the program because mortgage rates on tax-exempt bond programs were noticeably lower than conventional mortgage rates. Mr. Miller also stated that the reinvestment rate had increased which further reduced the costs of issuing bonds. Discussion followed.

Mr. Leeper made a motion to approve the resolution regarding the submission of a 2006 application for allocation of private activity bonds, notice of intention to issue bonds and state bond application to the Texas Bond Review Board for Single Family Mortgage Revenue Bonds (Fire Fighter and Law Enforcement or Security Officer Home Loan Program). Ms. Van Hovel seconded the motion. Motion passed unanimously.

Tab 3 Consideration and Possible Approval of the Scoring of the Responses to the Request for Proposals for the Reconstruction, Rehabilitation, or Replacement New Construction of Multifamily Housing in the Gulf Opportunity Zone Designated Counties of Texas using the Corporation's Tax-Exempt Bonds under its 2006 Private Activity Bond Program.

Withdrawn.

Tab 4 Consideration and Possible Approval of a Resolution Approving Proceedings to Authorize the Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds, Series 2006 (Gulf Opportunity Zone Multifamily Housing), including the Publication of Notices for a Public Hearing and the Conduct of Such Public Hearing, and Matters Incident Thereto.

Withdrawn.

Tab 5 Presentation, Discussion and Possible Approval of an Award from Wells Fargo Community Development Corporation.

Mr. Romero recused himself from the discussion and voting due to a possible conflict of interest due to his employment with Wells Fargo. Mr. Romero then stepped out of the room.

Mr. Long began by stating that the loan agreement included in the board packet had since been updated and a blackline of those changes had been handed out. Mr. Long stated that the agreement had been thoroughly reviewed by Wells Fargo CDC, general counsel, Ms. Closmann and himself, so that the final product worked for all parties. Mr. Long refreshed the Board's memory that they were first made aware of the Corporation's application to Wells Fargo CDC

back in May 2005. Mr. Long stated that the original application asked for \$1,500,000, but the amount awarded to the Corporation was \$1,050,000. Mr. Long stated that these funds would help with the existing programs as well as help the Corporation implement programs that had not been feasible before.

Mr. Closmann briefly went over the change noted in the blackline copy of the loan agreement. Mr. Long explained the reasons for the change, which allowed the Corporation to put the money in a high interest earning account, yet stipulated that 75% of the award must be spent within 18 months or the unspent principal would need to be immediately paid back to Wells Fargo. Mr. Long stated that Wells Fargo wished for these funds to be used for programs, but allowed 18 months for this to happen. Mr. Long stated that the Corporation would have this award for up to 10 years.

Mr. Rencher inquired what other banks had similar programs and Mr. Long replied that to his knowledge Wachovia and Hibernia had similar programs. Discussion followed. Mr. Long confirmed that the loan from Wells Fargo was restricted to be used on down payment assistance, the interim construction loan program, and assistance with the Corporation's multifamily programs.

Mr. Rencher made a motion to approve the award from Wells Fargo Community Development Corporation. Ms. Van Hovel seconded the motion. Mr. Romero recused himself from voting due to a possible conflict of interest due to his employment with Wells Fargo. Motion passed. Mr. Romero reentered the room at this time.

Closed Meeting

The Board Meeting resumed and Board Chair, Mr. Jerry Romero, called the Board into Executive Session at 11:27 am.

Mr. Romero resumed the Board Meeting at 11:42 am

Open Meeting

Mr. Romero stated that while in Executive Session, the Board had evaluated the President of the Corporation and based on that evaluation, had recommended that the President receive a 5 percent salary increase retroactive to January 1st.

Mr. Leeper made a motion to approve the evaluation and to increase the salary of the President by 5 percent, to be retroactive to January 1, 2006. Ms. Van Hovel seconded the motion. Motion passed unanimously.

After discussion it was determined that the next Board meeting would take place on Friday, May 12, 2006 at 10:30am, and also that meetings would continue to take place on the second Friday of every month.

Adjournment

Mr. Coffey made a motion to adjourn the meeting. Mr. Rencher and Mr. Leeper seconded the motion. Motion passed unanimously.

The Texas State Affordable Housing Corporation Board Meeting was officially adjourned at 11:45 am.

Respectfully submitted by _____
Laura Smith, Corporate Secretary

RESOLUTION NO. 06-_____

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 2006B; Authorizing a Trust Indenture, an Origination, Sale and Servicing Agreement, Bond Purchase Agreement and Continuing Disclosure Agreement, Making Certain Findings and Determinations; Authorizing the Execution of Documents and Instruments Necessary or Convenient to Carry Out a 2006 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 2006 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 acquire Government National Mortgage Association mortgage-backed certificates (the "GNMA Certificates"), Fannie Mae mortgage-backed securities (the "Fannie Mae Certificates") and Freddie Mac mortgage-backed securities (the "Freddie Mac 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, the Fannie Mae Certificates and the Freddie Mac 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) Series 2006B (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 acquiring GNMA Certificates, Fannie Mae Certificates and Freddie Mac 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. doing business under the trade name of RBC Capital Markets, Morgan Keegan & Company, Inc. and any associates designated in the Bond Purchase Agreement hereinafter defined (collectively, the "Purchaser"), all as referenced in the Bond Purchase Agreement between the Issuer and the Purchaser (the "Purchase Agreement"); 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;
3. the Continuing Disclosure Agreement by and between the Issuer and the Trustee (the "Disclosure Agreement");
4. the Bond Purchase Agreement by and between the Issuer and the Purchaser; and
5. the Preliminary Official Statement relating to the Bonds (the "Preliminary Official Statement").

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;

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, Fannie Mae Certificates and Freddie Mac 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 Agreement and Sale of Bonds. That the sale and delivery of the Bonds to the Purchaser, upon the terms and conditions set forth in the Purchase Agreement between the Issuer and the Purchaser is hereby authorized and approved. The Bonds shall be sold to the Purchaser at the purchase price specified in the Purchase Agreement. 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 Agreement and to

execute and deliver the Purchase Agreement. Upon execution by the parties thereto and delivery thereof, the Purchase Agreement 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. That the Preliminary Official Statement, in substantially the form and substance of the Preliminary Official Statement presented to the Board of Directors at the meeting at which this Resolution was considered, 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, are hereby approved 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. 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 and the issuance, sale and delivery of the Bonds.

Section 10. 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 counsel to the Issuer or bond counsel, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution and the Program.

Section 11. 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 12. 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 13. 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 14. 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 15. 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 16. 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 17. 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 as defined in the Indenture.

Section 18. 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 May 12, 2006.

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Chairperson

ATTEST:

Secretary

To: Katherine Closmann, TSAHC

From: BB&T Capital Markets/Goldman Sachs/Chapman & Cutler

Re: Final Documents for American Housing Foundation 2002 Series A Bonds

The TSAHC Board has approved Indenture amendment changes regarding the above referenced financing at previous Board meetings in the fall of 2005. MBIA, as guarantor, has determined that a further revision to the proposed transaction would provide enhanced benefits to the project and the servicing of the debt. Below, we highlight the proposed changes:

<i>Change</i>	<i>Benefit</i>
Debt to be converted to floating rate. No interest rate hedge will be purchased.	The change will provide additional cash to the project, given the current interest rate environment. The previous transaction was to provide 90 basis points per annum. <u>Projected</u> returns under the revised structure are 150 basis points.
Transaction Fees to be paid by third parties	The bulk of the transaction fees will be paid by AHF. AHF has also entered into a separate agreement regarding payment of TSAHC fees. Therefore, all revenues received from the transaction will flow to the benefit of the Project, with the exception of the MBIA counsel fee, which will be paid from transaction flows.

MBIA has approved the transaction and has chosen a closing date of 5/16/06. Upon Board approval, the outstanding Bonds would be called without further delay.

The financing team appreciates the Board's patience in regard to the transaction and its evolution. However, it is our belief that the best possible structure has been implemented for the benefit of the Project.

Thank you again for all your help

RESOLUTION 06-__

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, 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 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 6. The Resolution shall be in full force and effect from and upon its adoption.

Section 7. 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 8. 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 9. 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 10. 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 _____, 2006.

**TEXAS STATE AFFORDABLE HOUSING
CORPORATION**

Jerry Romero
Chair, Board of Directors

ATTEST:

Secretary to the Board

EXHIBIT A

Second Amendment to Trust Indenture

EXHIBIT B

Distribution Agreement

SECOND AMENDMENT TO TRUST INDENTURE

This Second Amendment to Trust Indenture is dated as of May 1, 2006 (this “*Second Amendment*”) and 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, as 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*”) and 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, collectively with the Series A Bonds, the “*Bonds*”). The Bonds were issued simultaneously with, but are senior to, 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*”).

RECITALS:

WHEREAS, the proceeds of the Bonds and the proceeds of the Series B 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 13 multifamily residential housing facilities (collectively, the “*Properties*”) located within Dallas County, Harris County, Wichita County, Jefferson County and Montgomery County, Texas, to pay certain costs associated with the issuance of the Bonds and to fund certain reserves all pursuant to that certain Loan Agreement dated as of March 1, 2002 (as amended, 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 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 effect 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 or the Series B 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 effect the exclusion of interest on the Tax-Exempt Bonds (as defined in the Indenture) 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 or the Series B 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 definition:

“*Distribution Agreement*” means that certain Distribution Agreement among the Bond Insurer, the Issuer, the Borrower and Wells Fargo Bank, National Association, as paying agent and as Trustee, dated as of the date of the Second Amendment, as it may be amended from time to time in accordance with the terms thereof, or any additional or successor distribution agreement relating to the exercise by the Bond Insurer of its rights pursuant to Article 11.9 hereof, as identified to the Trustee by the Bond Insurer.

Section 3. 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, at any time, 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). The Bond Insurer may exercise its rights under this Section 11.12 one or more times in its sole and absolute discretion.

Amounts provided to the Trustee pursuant to a Distribution Agreement for deposit to and Fund or Account held under this Indenture shall be deposited by the Trustee in accordance with the applicable provisions of the Distribution Agreement. All such amounts, together with the Issuer's interest therein and in the Distribution Agreement are pledged to the Trustee pursuant to this Indenture as though specifically enumerated in the Granting Clauses hereof, and the Trust Estate shall be deemed to include such amounts and the Issuer's interest in the Distribution Agreement.”

Section 4. 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 5. 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 6. 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]

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

Name: _____

Title: _____

[Signature Page of Trustee for
Second Amendment to Trust Indenture]

MBIA INSURANCE CORPORATION, as Bond
Insurer

By

Name: _____

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 Bond Trustee and as Paying Agent

Dated as of May 1, 2006

Texas State Affordable Housing Corporation
Multifamily Housing Revenue Bonds
(MBIA Insured—American Housing Foundation Portfolio), Series 2002A

TABLE OF CONTENTS

SECTION	HEADING	PAGE
Section 1.	Defined Terms	2
Section 2.	Appointment of Paying Agent	2
Section 3.	Execution of Distribution Agreement; Transaction Fee	3
Section 4.	Distributions; Responsibilities of Paying Agent	3
Section 5.	Duty of Care.....	4
Section 6.	Termination	4
Section 7.	Making of Distributions	4
Section 8.	Assignment of Borrower's Rights	4
Section 9.	No Waiver; Cumulative Remedies.....	4
Section 10.	Waivers, Amendments	5
Section 11.	Notices	5
Section 12.	Change of Address	6
Section 13.	Governing Law.....	6
Section 14.	Headings	6
Section 15.	Severability.....	6
Section 16.	Execution in Counterparts	6
Exhibit A	Fees And Expenses	
Exhibit B	Transition Costs	

DISTRIBUTION AGREEMENT

THIS DISTRIBUTION AGREEMENT, dated as of May 1, 2006 (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 Trustee for the Bonds (in such capacity, the “*Bond Trustee*”) and 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*”); and

WHEREAS, the proceeds of the Bonds, together with the proceeds of other subordinate debt of the Issuer were used to make a loan to the Borrower to provide for financing for the acquisition and rehabilitation of 13 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 and fund certain reserves associated with the issuance of the Bonds; and

WHEREAS, the Issuer and the Bond Trustee are entering into that certain Second Amendment to Trust Indenture, dated as of May 1, 2006, to the Original Indenture (the “*Second Amendment*”) and, together with the Original Indenture, the “*Indenture*”); and

WHEREAS, the Bonds are presently in default; and

WHEREAS, the Bond Insurer has elected to exercise its right under Section 11.12 of the Indenture to cause the Bonds to be purchased in lieu of acceleration; and

WHEREAS, Goldman Sachs & Co. has agreed to purchase the Bonds in lieu of acceleration; and

WHEREAS, the Borrower and Goldman Sachs Capital Markets, L.P. (“*GSCM*”) have entered into a Swap Transaction (as defined herein) which obligates GSCM to pay certain amounts to the Borrower; and

WHEREAS, the Borrower, pursuant to the terms of the Assignment (as defined herein), has assigned the right to receive those payments to the Paying Agent; 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 mutual covenants contained herein 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:

“*Assignment*” shall mean the irrevocable assignment in favor of the Paying Agent of the Borrower’s right to receive any Swap Payments, acknowledged and consented to by GSCM.

“*Collar*” means an interest rate collar, floor-ceiling agreement or other similar hedge entered into by or for the benefit of the Bond Insurer in connection with the Swap Transaction.

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

“*MBIA Fee*” shall mean the Bond Insurer’s annual fee of 0.25% of the aggregate principal amount of the Bonds outstanding, payable semiannually on March 1 and September 1 of each year.

“*Swap Payments*” shall mean the payments made by GSCM in accordance with the terms of the Swap Transaction.

“*Swap Transaction*” shall mean the Swap Transaction between the Borrower and GSCM implemented in connection with the Bonds.

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 Interested Parties hereby appoint 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 Paying Agent pursuant to the provisions hereof.

Section 3. Execution of Distribution Agreement.

(a) *Distribution Agreement.* The parties hereto agree and acknowledge that, except as otherwise specifically provided herein, the Bond Insurer's execution of this Distribution Agreement and/or purchase in lieu of acceleration of the Bonds is not intended to limit, waive or otherwise restrict any of the Bond Insurer's rights with respect to the Bonds and the related mortgage loan, and that the Bond Insurer retains all its rights with respect thereto, including, without limitation, its right to accelerate the Bonds in the future and to cause a foreclosure on the mortgage loan in accordance with the terms of the Indenture and the Bond Documents. The execution, delivery and performance of this Distribution Agreement is not intended to waive or cure any Event of Default now or in the future existing under any Bond Document.

(b) *Costs.* The Borrower shall, on the date of execution and delivery hereof, deposit with the Paying Agent \$179,499.00 for distribution by the Paying Agent on the date of execution of the Swap Transaction to the parties indicated on the attached Exhibit B. The Borrower shall pay all other costs and expenses relating to the execution and delivery of this Distribution Agreement and the Swap Transaction.

Section 4. Distributions; Responsibilities of Paying Agent.

(a) *Distribution.* The Paying Agent shall accumulate each Swap Payment received with respect to the Swap Transaction and shall, on each Interest Payment Date with respect to the Bonds, distribute such funds as follows:

(i) *First,* to reimburse the Bond Insurer for the legal fees and expenses of King & Spaulding LLP and Kutak Rock LLP incurred by the Bond Insurer in connection with the Swap Transaction, the Second Amendment and the Distribution Agreement in an amount specified in writing to the Paying Agent and the Borrower;

(ii) *Second,* to fund any current shortfall in deposits required to pay principal of or interest on the Bonds under the Indenture;

(iii) *Third,* to fund any current shortfall in deposits required to pay the Bond Insurance Premium under the Indenture and to pay any past-due payments of amounts owing to the Bond Insurer as Bond Insurance Premium;

(iv) *Fourth,* to pay any operating expenses, including but not limited to expenses paid or budgeted to be paid in connection with the operation and maintenance of the Properties and the funding of the Capital Replacement Fund;

(v) *Fifth,* to pay to the parties listed in Exhibit A attached hereto such party's respective fees, all as set forth in Exhibit A attached hereto (to the extent not otherwise paid under the Indenture);

(vi) *Sixth*, to pay to the Bond Insurer the MBIA Fee accrued and owing and any amounts paid or payable by the Bond Insurer with respect to any Collar, as certified in writing by the Bond Insurer to the Paying Agent and the Borrower;

(vii) *Seventh*, to fund any shortfall in the Senior Debt Service Reserve Fund;

(viii) *Eighth*, to fund any other shortfall in any fund or account held under the Indenture, as directed in writing by the Bond Insurer;

(ix) *Ninth*, to fund any additional required capital expenditures or operating expenses relative to the Properties, as directed in writing by the Bond Insurer; and

(x) *Tenth*, any remaining amounts shall be deposited on behalf of the Borrower to the Revenue 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 GSCM and distributions made pursuant to this Distribution Agreement.

Section 5. 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 6. Termination. This Distribution Agreement shall terminate upon the earlier of (a) payment or purchase in lieu of acceleration, in whole, of the Bonds, (b) the mutual agreement of the parties hereto or (c) termination of the Swap Transaction.

Section 7. 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 11 hereof or such other office of the relevant parties as they may designate to the Paying Agent in writing from time to time.

Section 8. Assignment of Borrower's Rights. The Borrower covenants to pay or cause to be paid or assigned, immediately, to the Paying Agent any amounts received by the Borrower under the Swap Transaction or hereunder. The Borrower agrees to take all actions as are reasonably required by a party hereto to cause all amounts payable to the Borrower under the Swap Transaction to be paid directly to the Paying Agent. The Borrower further agrees to reimburse the Bond Insurer, as provided in Section 4 hereof, for any amounts the Bond Insurer pays or is required to pay with respect to a Collar.

Section 9. 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 10. 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.

Section 11. 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: IPM-Structured Finance
Telephone: 914-765-4545
Telecopy: 914-765-3163

To the Issuer as follows:

Texas State Affordable Housing Corporation
Suite 500
1005 Congress Avenue
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: Jeff Richards, Vice President of
Finance
Telephone: 806-372-7500 (ext. 305)
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 12. Change of Address. Each party may change the address for service of notice upon it by a notice in writing to the others.

Section 13. 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 14. 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 15. 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 16. 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

TRUSTEE FEES AND EXPENSES

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)

EXHIBIT B

TRANSACTION COSTS

Andrews Kurth LLP	\$35,000.00
First Southwest Company	\$75,000.00
TSAHC	\$69,499.00

FEE PAYMENT AGREEMENT

THIS FEE PAYMENT AGREEMENT, dated as of May 1, 2006 (this "*Agreement*"), is among 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 (the "*Issuer*"), AHF COMMUNITY DEVELOPMENT, LLC, a Texas limited liability company (the "*Borrower*") and AMERICAN HOUSING FOUNDATION, a Texas non-profit corporation ("*AHF*").

RECITALS:

A. 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, identified as Issuer's Multifamily Housing Revenue Bonds (MBIA Insured—American Housing Foundation Portfolio) Series 2002A issued in the aggregate principal amount of \$114,040,000, 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, and Issuer's Multifamily Housing Revenue Bonds (American Housing Foundation Portfolio) Junior Series 2002B issued in the aggregate principal amount of \$14,105,000 (collectively, the "*Bonds*").

B. The proceeds of the Bonds were used to make a loan to the Borrower to provide for financing for the acquisition and rehabilitation of 13 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 and fund certain reserves associated with the issuance of the Bonds.

C. The Issuer and the Bond Trustee are entering into that certain Second Amendment to Trust Indenture, dated as of May 1, 2006, to the Original Indenture (the "*Second Amendment*") and, together with the Original Indenture, the "*Indenture*").

D. The Issuer, the Bond Trustee, the Borrower, and MBIA Insurance Corporation, as bond insurer, are entering into that certain Distribution Agreement, dated as of May 1, 2006 (the "*Distribution Agreement*").

E. To induce the Issuer to enter into the Second Amendment and the Distribution Agreement, the Borrower and AHF desire to provide certain assurances to the Issuer respecting the payment of certain fees of the Issuer relating to the Bonds.

AGREEMENT:

Now, therefore, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. *Payment of Past Due Fees.* The Borrower and AHF acknowledge that as of the date of this Agreement, the Borrower is past due in the payment of the Issuer's asset oversight and compliance fee in the sum of \$130,509.54 and the Issuer's administrative fee in the sum of \$77,987.47 (collectively the "*Past Due Fees*"). AHF, as the sole member of the Borrower, agrees to pay on the Borrower's behalf one-third of the Past Due Fees upon closing of the transaction described in the Distribution Agreement, one-third of the Past Due Fees on September 1, 2006, and one-third of the Past Due Fees on March 1, 2007.

2. *Payment of Future Fees.* As set forth in Section 4 of the Distribution Agreement, the Issuer's asset oversight and compliance fees and the Issuer's administrative fees, to the extent arising after May 1, 2006, are to be paid to the Issuer through the distribution of revenues from the Properties.

3. *Guaranty by AHF.* AHF guarantees payment of the Issuer's asset oversight and compliance fees that arise after the date of this Agreement relating to the Bonds. AHF's obligation to perform under its payment guaranty with respect to Issuer's future asset oversight and compliance fees is conditioned upon the Issuer providing written notice to AHF detailing the sum of the fees owed that have not been paid through the Distribution Agreement. AHF shall perform under its payment guaranty within thirty (30) days after receipt of written notice from the Issuer. AHF's guaranty obligation set forth in this Agreement is solely for the benefit of the Issuer and is not enforceable by any other party under a third party beneficiary theory. The Issuer may not assign its rights under the guaranty, voluntarily or by operation of law. Any assignment or attempted assignment of the Issuer's rights under the guaranty shall relieve AHF of all obligations under this Agreement.

4. *Notices.* Any notice required or permitted to be given under this Agreement shall 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 AHF as follows:

AMERICAN HOUSING FOUNDATION
1800 S. Washington, Suite 311
Amarillo, Texas 79102
Telecopy Number: (806) 372-7508

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

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

7. *Severability.* If any provision of this 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.

8. *Execution in Counterparts.* This 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.

The parties hereto have executed this Agreement as of the date first above written.

TEXAS STATE AFFORDABLE HOUSING
CORPORATION

By _____
Name _____
Title _____

AHF COMMUNITY DEVELOPMENT, LLC

By _____
Name _____
Title _____

AMERICAN HOUSING FOUNDATION

By _____
Name _____
Title _____

2. That a true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that said Resolution has been duly recorded in said Board's minutes of said meeting; that the above and foregoing paragraph is a true, full and correct excerpt from said Board's minutes of said meeting pertaining to the adoption of said Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of said Board as indicated therein; that each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that said Resolution would be introduced and considered for adoption at said meeting, and each of said officers and members consented, in advance, to the holding of said meeting for such purpose.

SIGNED this May 12, 2006.

Secretary, Texas State Affordable Housing
Corporation

RESOLUTION NO. 06-_____

TEXAS STATE AFFORDABLE HOUSING CORPORATION

RESOLUTION Regarding the Approval of a Revised Investment Policy of the Corporation and Concerning Other Matters Incident and Related thereto.

WHEREAS, the Texas State Affordable Housing Corporation (the "Corporation") 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"), and the investment of funds and bond proceeds of the Corporation is currently governed by the Investment Policy of the Corporation, adopted on July 15, 2005 (the "Current Investment Policy"); and

WHEREAS, in order to comply with the laws of Texas, the Corporation desires to approve a revised Investment Policy of the Corporation, to be adopted on May 12, 2006 (the "Revised Investment Policy"), to make certain modifications to the Current Investment Policy;

WHEREAS, there have been presented to the Corporation and its counsel the proposed form of the Revised Investment Policy attached hereto as Exhibit A and which comprises a part of this Resolution:

WHEREAS, the Corporation finds the form of the Revised Investment Policy to be satisfactory and proper and hereby determines to proceed with the execution of such document 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, Execution and Delivery of the Revised Investment Policy. That the Revised Investment Policy in the form presented to the Board of Directors at the meeting at which this Resolution was considered and attached hereto as Exhibit A is hereby approved.

Section 2. Execution and Delivery of Other Documents. That the officers of the Corporation are each hereby authorized to consent to, accept, execute and attest such certificates, documents, instruments, 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.

Section 3. Ratification of Certain Prior Actions. That all prior actions taken by or on behalf of the Corporation in connection with the Revised Investment Policy are hereby authorized, ratified, confirmed and approved.

Section 4. Purposes of Resolution. That the Board of Directors of the Corporation has expressly determined and hereby confirms that the execution of the Revised Investment Policy accomplishes a valid public purpose of the Corporation.

Section 5. 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 6. Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

PASSED, APPROVED AND EFFECTIVE this 12th day of May, 2006.

TEXAS STATE AFFORDABLE HOUSING
CORPORATION

* * * * *

EXHIBIT A

FORM OF REVISED INVESTMENT POLICY

TEXAS STATE AFFORDABLE HOUSING CORPORATION

INVESTMENT POLICY

(REVISED MAY 12, 2006)

TEXAS STATE AFFORDABLE HOUSING CORPORATION
INVESTMENT POLICY

TABLE OF CONTENTS

- I. POLICY
- II. SCOPE
- III. PRUDENCE
- IV. OBJECTIVES
- V. INVESTMENT STRATEGY
- VI. DELEGATION OF AUTHORITY AND RESPONSIBILITY
- VII. ETHICS AND CONFLICTS OF INTEREST
- VIII. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS
- IX. AUTHORIZED INVESTMENTS
- X. UNAUTHORIZED INVESTMENTS
- XI. DIVERSIFICATION
- XII. EFFECT OF LOSS OF RATING
- XIII. COLLATERALIZATIONS
- XIV. SAFEKEEPING AND CUSTODY
- XV. INTERNAL CONTROLS
- XVI. REPORTING
- XVII. INVESTMENT POLICY ADOPTION

ATTACHMENT A: CERTIFICATION OF INVESTMENT POLICY

TEXAS STATE AFFORDABLE HOUSING CORPORATION
INVESTMENT POLICY

I. POLICY

It is the policy of Texas State Affordable Housing Corporation (the "Corporation") to invest public funds in a manner which will fulfill, by priority, the following objectives:

- A. Safety of principal;
- B. Sufficient liquidity to meet the Corporation's cash flow needs;
- C. Diversification to reduce market and credit risk;
- D. A market rate of return for the risk assumed; and
- E. Compliance with all applicable state statutes governing the investment of public funds, including (i) the Corporation's enabling legislation, Texas Government Code, Section 2306, Subchapter Y, and (ii) the Public Funds Investment Act (the "Act"), Texas Government Code, Section 2256.

II. SCOPE

This Investment Policy ("Policy") applies to all financial assets of the Corporation, except for any promissory notes payable to the Corporation.

III. PRUDENCE

A. Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety and liquidity of their capital as well as the probable income to be derived.

B. The standard of prudence to be used by the Investment Officer shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment Officers (hereinafter defined) acting in accordance with the Policy and written procedures and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

IV. OBJECTIVES

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles commensurate with the Corporation's investment risk constraints and cash flow needs. A maximum dollar-weighted average maturity will be six (6) months. A benchmark for risk in the portfolio shall be the six-month U.S. Treasury Bill. The following are the primary objectives of investment activities in order of priority:

1. Safety of Principal

Preservation and safety of principal is the foremost objective of the investment program. Investments of the Corporation shall be undertaken in a manner that seeks to ensure the preservation of capital. The principal will be protected by limiting credit risk through purchase of high credit quality securities and limiting interest rate risk through a structured portfolio which addresses projected cash flow requirements.

2. Liquidity

Liquidity risk is the risk that funds will not be available to pay liabilities or the inability to sell a security for needed cash. To protect liquidity needs the Corporation will prepare a cash flow analysis to direct investments and limit its maximum final stated maturity to three years. The Corporation's investment portfolio shall contain a liquidity buffer to meet all unanticipated cash flow needs. In addition, securities with active secondary or resale markets will be used to meet unanticipated liabilities.

3. Diversification

The Corporation shall diversify its portfolio to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of investments. Investment shall always be selected that provide for stability of income and reasonable liquidity.

4. Yield

The Corporation's investment portfolio shall be designed with the objective of attaining a reasonable market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow needs of the Corporation. Return on investment is of less importance than the safety and liquidity of the investments. Reasonable returns shall be obtained through competitive bidding on all transactions

and comparative analysis of all market alternatives available within the parameters of this Policy.

V. Investment Strategy

A. The Corporation may commingle its operating funds for maximum investment efficiency and economy of scale. Interest will be distributed as applicable among the funds. The authorized securities, investments or pools utilized for this portfolio will be of the highest credit quality and marketability supporting the Corporation's objectives of safety, liquidity and yield.

B. Securities, when not matched to a specific liability, will be short-term and of a liquid nature to provide adequate cash flow for the Corporation. The portfolio shall be diversified to protect against credit and market risk in any one sector. Diversification requirements can be fully met through use of an authorized pool. The weighted average maturity on the pooled investment group will be no greater than six (6) months. Because the funds are pooled for investment purposes, the portfolio will address the varying needs of all funds in the pooled fund.

VI. DELEGATION OF AUTHORITY AND RESPONSIBILITY

Board of Directors

A. The Board of Directors of the Corporation (the "Board") shall establish the Corporation's investment policy and objectives, obtain such expert advice and assistance with respect to its actions as is necessary to exercise its responsibilities prudently, and monitor the actions of staff and advisors to ensure compliance with this Policy. It is the Board's intention that this Policy be carried out by those persons who are qualified and competent in their areas of expertise.

B. The delegation of authority as provided below in no way diminishes the Board's ultimate responsibility as a fiduciary to follow the policies and objectives established by this Policy.

C. Each member of the Board shall attend at least one training session relating to the person's responsibilities under the Act within six months after taking office or assuming duties. Training under this section may be provided by the Texas Higher Education Coordinating Board and include investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, compliance with the Act and compliance with this Policy.

Investment Officer(s)

A. The authority to manage the Corporation's investment program is granted to the Chief Executive Officer (CEO), or the President when the CEO

and the President are not the same individual. The Board designates by resolution responsibility for the operation of the investment program to the Chief Financial Officer as the designated "Investment Officer".

B. The Investment Officer shall be responsible for all transactions undertaken and shall establish internal controls to regulate the activities of subordinate officials. Procedures should include reference to safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures may include explicit temporary delegation of authority to persons responsible for investment transactions.

C. The Investment Officer shall establish written procedures for the operation of the investment program consistent with this Policy.

D. The Investment Officer shall attend ten (10) hours of training within twelve (12) months of assuming the position and in each succeeding two-year period and may receive the training from any independent source approved by the Board. Training is to include investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Act.

E. The Investment Officer may temporarily delegate investment responsibilities to subordinate staff. Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions.

F. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Investment Officer.

VII. ETHICS AND CONFLICT OF INTEREST

A. If an Investment Officer of the Corporation has a personal business relationship with a business organization offering to engage in an investment transaction with the Corporation (as described in Section 2256.005(i) of the Act), the Investment Officer shall file a statement disclosing that personal business interest with the Board and the Texas Ethics Commission.

B. An Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Corporation shall file a statement disclosing that relationship with the Board and the Texas Ethics Commission.

VIII. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS

A. The Corporation shall maintain a list with a minimum of three qualified broker/dealers authorized to engage in investment transactions with the

Corporation. This list of qualified brokers shall be reviewed, revised and adopted at least annually by the Board.

B. Broker/dealers shall, at a minimum, provide information as required by the Investment Officer and provide evidence of SEC registration and NASD membership.

C. Any person/firm offering to engage in an investment transaction with the Corporation shall be provided a copy of this Policy. A certification in the form attached as Attachment A hereto or in any other form acceptable to the Corporation (a "Certification") shall affirm that the person/firm:

1. Has received and reviewed this Policy; and

2. Acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions that are not authorized by this Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entire portfolio or requires an interpretation of subjective investment standards.

D. The Investment Officer of the Corporation may not buy any securities from a person who has not delivered the signed Certification to the Corporation.

E. If the brokerage subsidiary of the banking services bank is used for purchase of securities, the securities should be safe-kept in trust to perfect delivery versus payment settlement.

F. No less than every five years, the Corporation shall, through a competitive process chose a banking services institution to serve as its primary depository and a custodian for Corporation owned securities.

IX. AUTHORIZED INVESTMENTS

A. Notwithstanding any grant or program limitations to the contrary, the following are authorized investments of the Corporation:

1. **Obligations of the U.S. Government, its agencies and instrumentalities** including collateralized mortgage obligations (CMO). Debentures shall have a *stated* maturity *not* to exceed three (3) years. CMOs shall *have a* stated maturity not to exceed ten (10) years.

2. **Certificates of Deposit** issued by a state or national bank doing business in the State of Texas or a savings bank doing business in the State of Texas and are:

- a. Guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor;
 - b. Secured by obligations of the US Government, its agencies and instrumentalities as further defined in Section XIII of this Policy; and
 - c. Have a stated maturity not to exceed one year.
3. **Fully collateralized repurchase agreements and reverse repurchase agreements which:**
- a. Have a defined termination date and are executed under the terms of a written Master Repurchase Agreement;
 - b. Are secured by collateral defined in Section XIII of this Policy and held by an independent safekeeping agent approved by the Corporation;
 - c. Require the securities being purchased be held in the Corporation's name; and
 - d. Are executed with a primary government securities dealer, as defined by the Federal Reserve;

The term of any reverse security repurchase agreement may not exceed 90 days after the date of the reverse. Money received by the Corporation from the reverse security repurchase agreement may be used to acquire authorized investments, but the maturity date of the investment acquired must not be later than the expiration date of the reverse

4. **SEC registered money market mutual funds.**
- a. A money market mutual fund is an authorized investment if the fund:
 - i. Is registered with and regulated by the Securities and Exchange Commission;
 - ii. Has a dollar-weighted average stated maturity of 90 days or fewer; and

iii. Includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.

b. The Corporation is not authorized to invest its funds or funds under its control in any money market mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund.

5. **Commercial Paper.** Commercial paper is an authorized investment if the commercial paper if it:

a. Has a stated maturity of ninety (90) days or fewer to its stated maturity; and

b. Is rated not less than A-1/P-1 or equivalent by at least two nationally-recognized credit rating agencies,

6. **Uncollateralized Guaranteed Investment Contracts.** For funds that are pledged under a trust indenture for bonds issued by the Corporation, investment securities that are permitted under the terms of such trust indenture, including , but not limited to, uncollateralized investment agreements.

7. **Texas Local Government Investment Pools.**

Permitted constant dollar investment pools, as defined by the Act, are authorized under this policy if the investment pool:

a. Is created to function as a money market mutual fund, marks its portfolio to market daily and strives to maintain a \$1 net asset value.

b. If it is rated not less than AAA or AAA-m or equivalent rating by at least one nationally recognized rating service.

B. No additional securities or investments are authorized for Corporation use until this Policy has been amended and the amended policy has been adopted by the Board.

C. All investment transactions shall require competitive bidding.

D. To minimize loss of principal, securities which are downgraded in credit or become unauthorized after purchase should be monitored on a daily basis and may be sold prior to maturity after a prudent analysis of market conditions.

E. Security swaps may be utilized for improvement in the quality, yield, or target duration in the portfolio but only if analysis proves a positive horizon value for the swap.

F. Any investment held prior to changes in this Policy that does not meet the guidelines of this Policy shall be exempted from the requirements of this Policy. However, at maturity or liquidation, such monies shall be reinvested only as provided by this Policy.

X. UNAUTHORIZED INVESTMENTS.

The following are not authorized investments:

A. Interest only obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (IO);

B. Principal only obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (PO); and

C. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.

D. Inverse floating collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in a market index (Inverses).

XI. DIVERSIFICATION

The Corporation will diversify its investments by security type and institution. With the exception of U.S. Treasury securities, no more than 50% of the Corporation's total investment portfolio will be invested in a single security type or single issuer.

General diversification parameters will include:

<u>Type of Obligation</u>	<u>Maximum Percentage</u>
U.S. Obligations	80%
Obligations of U.S. Agencies	70%
Certificates of Deposit (total)	25%
Certificates of Deposit (by institution)	10%
Repurchase Agreements	30%
Money Market Mutual Funds	25%
Commercial Paper (total)	30%
Commercial Paper (by issuer)	10%
Local Government Stable Net Asset	75%

XII. EFFECT OF LOSS OF REQUIRED RATING

An investment that requires a minimum rating under this Policy does not qualify as an authorized investment during the period the investment does not meet or exceed the minimum rating. The Corporation shall take prudent measures that are consistent with its Policy to evaluate possible liquidation of an investment that does not meet or exceed the minimum rating as market conditions dictate (Act Section 2256.021). However, the Corporation is not required to liquidate investments that were authorized at the time of purchase (Act Section 2256.017).

XIII. COLLATERALIZATION

Collateralization will be required on all time and demand accounts above FDIC insurance levels and on repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization margin level will be 102%.

A. For time and demand deposits the following securities are authorized as pledged collateral:

1. Obligations of the United States or its agencies and instrumentalities including mortgage backed securities meeting the bank test;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of Texas or the United States or their respective agencies and instrumentalities; and
4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

B. For repurchase agreements, obligations of the U.S. Government, its agencies and instrumentalities including mortgage backed securities are authorized as collateral owned under the transaction:

C. Collateral shall always be held in safekeeping by an independent third party with whom the Corporation has a current custodial agreement executed under the terms of FIRREA (time and demand deposits). A clearly marked evidence of pledge or ownership must be supplied to the Corporation and

retained. The Corporation shall grant the right of collateral substitution, subject to receiving prior approval from the Investment Officer.

D. It shall be the contractual liability of the counter-party pledging or selling the securities to monitor and maintain the appropriate 102% margin at all times.

XIV. SAFEKEEPING AND CUSTODY

All securities owned by the Corporation will be held by an independent third party custodian approved by the Corporation and under a current custody agreement.

All security transactions will be executed on a Delivery vs. Payment (DVP) basis. This ensures that securities are deposited prior to the release of funds. Securities will be held by an independent third-party custodian and evidenced by safekeeping receipts.

XV. INTERNAL CONTROLS

A. Internal Controls

The Investment Officer is responsible for establishing and maintaining internal controls to ensure that the assets of the Corporation are protected from loss, theft, or misuse. The internal controls shall address the following points:

1. Control of collusion,
2. Separation of transaction authority from accounting and record keeping.
3. Custodial safekeeping.
4. Clear delegation of authority to subordinate staff members.
5. Written confirmation of all transactions.

In developing controls, the concept of reasonable assurance recognizes that:

1. The cost of control should not exceed the benefits likely to be derived; and
2. The valuation of costs and benefits requires estimates and judgments by management.

B. Compliance Audit

At least once every two years, the Corporation shall arrange for a compliance audit of management controls on investments and adherence to this Policy and the Act.

1. The compliance audit shall be performed by the Corporation's internal auditor or by a private auditor.
2. The results of the audit performed under this section shall be presented to the Board.
3. The Corporation shall report the results of the audit performed under this section to the Office of the State Auditor not later than January 1 of each even-numbered year. The report shall be prepared in a manner as prescribed by the Office of the State Auditor.
4. The Corporation shall also report to the Office of the State Auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to the Corporation's investment.

C. Wire Transfers

All wire transfers will be transacted under a written agreement. This agreement shall delineate controls, security provisions, and responsibilities of each party.

XVI. REPORTING

A. Quarterly Reports

At least quarterly, the Investment Officer shall prepare and present to the Board an investment report, including a summary that provides a clear picture of the status of the current investment portfolio and transactions made over the last quarter. This investment report will be prepared in a manner, which will allow the Board to ascertain whether investment activities during the reporting period have conformed to the Policy. The report must:

1. Describe in detail the investment position on the date of the report;
2. Be prepared jointly by all Investment Officers;
3. Be signed by each Investment Officer;

4. Be prepared in compliance with Generally Accepted Accounting Principles (GAAP) for each fund that states:
 - a. The stated maturity date and call or reset date of each security;
 - b. The book value and market value of each security at the beginning and end of the reporting period by type and market sector;
 - c. Additions and changes in market value during the period;
 - d. Fully accrued interest and total earnings for the reporting period;
 - e. State the fund or pooled group for which each individual investment was acquired; and
5. State the compliance of the investment portfolio as it relates to the investment strategy expressed in this Policy and the Act.

B. Audit Report

An independent auditor shall formally review the investment reports prepared by the Investment Officer under this Policy at least annually and that auditor shall report the result of the review to the Board.

C. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this Policy and the cash flow analysis. The maximum dollar weighted average maturity of the portfolio is six months. In order to measure performance and the level of risk in the portfolio, a benchmark of the six-month Treasury Bill for the comparable period will be reported quarterly.

D. Market Value

The Investment Officer will obtain market prices used to calculate market value from independent, recognized published sources or from other qualified professionals.

E. The Investment Officer shall present to the Board a report on changes to the Act no later than 180 days after the last regular session of the legislature.

XVII. POLICY ADOPTION

The Investment Policy shall be reviewed and adopted by resolution of the Board at least annually. The Board must approve and adopt any amendments made thereto. The Board shall adopt by written resolution a statement that it has reviewed the investment policies and strategies and note any changes made.

ATTACHMENT A

**CERTIFICATION OF RECEIPT AND REVIEW OF
TEXAS STATE AFFORDABLE HOUSING INVESTMENT POLICY**

As a qualified representative of the Firm____(name of "Firm").

I, and the broker covering the account, acknowledge that we have received and reviewed the Corporation's Investment Policy dated _____.

We acknowledge that the Firm has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Firm and the Corporation that are not authorized by the Corporation's Investment Policy, except to the extent that this authorization is dependent on an analysis of the Corporation's entire portfolio or requires an interpretation of subjective investment standards.

Dated this _____ day of _____, _____.

Signature: _____

Name: _____

Title: _____

TEXAS STATE AFFORDABLE HOUSING CORPORATION

INVESTMENT POLICY

[\(REVISED MAY 12, 2006\)](#)

TEXAS STATE AFFORDABLE HOUSING CORPORATION
INVESTMENT POLICY

TABLE OF CONTENTS

- I. POLICY
- II. SCOPE
- III. PRUDENCE
- IV. OBJECTIVES
- V. INVESTMENT STRATEGY
- VI. DELEGATION OF AUTHORITY AND RESPONSIBILITY
- VII. ETHICS AND CONFLICTS OF INTEREST
- VIII. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS
- IX. AUTHORIZED INVESTMENTS
- X. UNAUTHORIZED INVESTMENTS
- XI. DIVERSIFICATION
- XII. EFFECT OF LOSS OF RATING
- XIII. COLLATERALIZATIONS
- XIV. SAFEKEEPING AND CUSTODY
- XV. INTERNAL CONTROLS
- XVI. REPORTING
- XVII. INVESTMENT POLICY ADOPTION

ATTACHMENT A: CERTIFICATION OF INVESTMENT POLICY

TEXAS STATE AFFORDABLE HOUSING CORPORATION INVESTMENT POLICY

I. POLICY

It is the policy of Texas State Affordable Housing Corporation (the "Corporation") to invest public funds in a manner which will fulfill, by priority, the following objectives:

- A. ~~1.~~ Safety of principal;
- B. ~~2.~~ Sufficient liquidity to meet the Corporation's cash flow needs;
- C. ~~3.~~ Diversification to reduce market and credit risk;
- D. ~~4.~~ A market rate of return for the risk assumed; and
- E. ~~5. Conformation to~~ Compliance with all applicable state statutes governing the investment of public funds, including (i) the Corporation's enabling ~~legislature~~ legislation, Texas Government Code, Section 2306, Subchapter Y, and ~~specifically Texas Government Code, Section 2256,~~ (ii) the Public Funds Investment Act, (the "~~Act~~"), "Act", Texas Government Code, Section 2256.

II. SCOPE

~~A.~~—This Investment Policy ("Policy") applies to all financial assets of the Corporation, except for any promissory notes payable to the Corporation.

III. PRUDENCE

A. Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety and liquidity of their capital as well as the probable income to be derived.

B. The standard of prudence to be used by the Investment Officer shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment Officers (hereinafter defined) acting in accordance with the Policy and written procedures and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

IV. OBJECTIVES

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles commensurate with the Corporation's investment risk constraints and cash flow needs. A maximum dollar-weighted average maturity will be six (6) months. A benchmark for risk in the portfolio shall be the six-month U.S. Treasury Bill. The following are the primary objectives of investment activities in order of priority:

1. Safety of Principal

Preservation and safety of principal is the foremost objective of the investment program. Investments of the Corporation shall be undertaken in a manner that seeks to ensure the preservation of capital. The principal will be protected by limiting credit risk through purchase of high credit quality securities and limiting interest rate risk through a structured portfolio which addresses projected cash flow requirements.

2. Liquidity

Liquidity risk is the risk that funds will not be available to pay liabilities or the inability to sell a security for needed cash. To protect liquidity needs the Corporation will prepare a cash flow analysis to direct investments and limit its maximum final stated maturity to three years. The Corporation's investment portfolio shall contain a liquidity buffer to meet all unanticipated cash flow needs. In addition, securities with active secondary or resale markets will be used to meet unanticipated liabilities.

3. Diversification

The Corporation shall diversify its portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of investments. Investment shall always be selected that provide for stability of income and reasonable liquidity.

4. Yield

The Corporation's investment portfolio shall be designed with the objective of attaining a reasonable market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow needs of the Corporation. Return on investment is of less importance than the safety and liquidity of the investments. Reasonable returns ~~will~~shall be obtained through competitive bidding on all

transactions and comparative analysis of all market alternatives available within the parameters of this Policy.

V. Investment Strategy

A. The Corporation ~~will~~may commingle its operating funds for maximum investment efficiency and economy of scale. Interest will be distributed as applicable among the funds. The authorized securities, investments or pools utilized for this portfolio will be of the highest credit quality and marketability supporting the Corporation's objectives of safety, liquidity and yield.

B. Securities, when not matched to a specific liability, will be short term and of a liquid nature to provide adequate cash flow for the Corporation. The portfolio shall be diversified to protect against credit and market risk in any one sector. Diversification requirements can be fully met through use of an authorized pool. The weighted average maturity on the pooled investment group will be no greater than six (6) months. Because the funds are pooled for investment purposes, the portfolio will address the varying needs of all funds in the pooled fund.

VI. DELEGATION OF AUTHORITY AND RESPONSIBILITY

Board of Directors

A. The Board ~~establishes~~of Directors of the Corporation (the "Board") shall establish the Corporation's investment policy and objectives, ~~obtains~~obtain such expert advice and assistance with respect to its actions as is necessary to exercise its responsibilities prudently, and ~~monitors~~monitor the actions of staff and advisors to ensure compliance with ~~its~~this Policy. It is the Board's intention that this Policy be carried out by those persons who are qualified and competent in their areas of expertise.

B. The delegation of authority as provided below in no way diminishes the Board's ultimate responsibility as a fiduciary to follow the policies and objectives established by this Policy.

C. Each member of the Board shall attend at least one training session relating to the person's responsibilities under the Act within six months after taking office or assuming duties. Training under this section may be provided by the Texas Higher Education Coordinating Board and include investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, compliance with the Act and compliance with ~~the~~this Policy.

Investment Officer(s)

A. ~~Authority~~The authority to manage the Corporation's investment program is granted to the Chief Executive Officer (CEO), or the President when

the CEO and the President are not the same individual. The Board designates by resolution responsibility for the operation of the investment program to the Chief Financial Officer as the designated "Investment Officer".

B. The Investment Officer shall be responsible for all transactions undertaken and shall establish internal controls to regulate the activities of subordinate officials. Procedures should include reference to safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures may include explicit temporary delegation of authority to persons responsible for investment transactions.

C. The Investment Officer shall establish written procedures for the operation of the investment program consistent with this Policy.

D. The Investment Officer shall attend ten (10) hours of training within twelve (12) months of assuming the position and in each succeeding two-year period and may receive the training from any independent source approved by the Board. Training is to include investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Act.

E. The Investment Officer may temporarily delegate investment responsibilities to subordinate staff. Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions.

F. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Investment Officer.

VII. ETHICS AND CONFLICT OF INTEREST

~~An~~A. If an Investment Officer of the Corporation has a personal business relationship ~~as defined by the Act (2256.005(1))~~ with a business organization offering to engage in an investment transaction with the Corporation (as described in Section 2256.005(i) of the Act), the Investment Officer shall file a statement disclosing that personal business interest with the ~~Corporation's~~ Board and the Texas Ethics Commission.

~~1-B.~~ An Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Corporation shall file a statement disclosing that relationship with the ~~Corporation's~~ Board and the Texas Ethics Commission.

VIII. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS

A. The Corporation shall maintain a list with a minimum of three qualified broker/dealers authorized to engage in investment transactions with the

Corporation. This list of qualified brokers shall be reviewed, revised and adopted at least annually by the Board.

B. Broker/dealers shall, at a minimum, provide information as required by the Investment Officer and provide evidence of SEC registration and NASD membership.

C. Any person/firm offering to engage in an investment transaction with the Corporation shall be provided a copy of ~~the current Investment Policy. The Certification or~~ this Policy. A certification in the form attached as Attachment A hereto or in any other form acceptable to the Corporation (a "Certification") shall affirm that the person/firm:

1. Has received and reviewed ~~the~~this Policy; and
2. Acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions that are not authorized by ~~the~~this Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the entire ~~port#olio~~portfolio or requires an interpretation of subjective investment standards.

D. The Investment Officer of the Corporation may not buy any securities from a person who has not delivered the signed Certification to the Corporation.

E. If the brokerage subsidiary of the banking services bank is used for purchase of securities, the securities should be safe-kept in trust to perfect delivery versus payment settlement.

F. No less than every five years, the Corporation shall, through a competitive process chose a banking services institution to serve as its primary depository and a custodian for Corporation owned securities.

IX. AUTHORIZED INVESTMENTS

A. Notwithstanding any grant or program limitations to the contrary, the following are authorized investments of the Corporation:

1. Obligations of the ~~US~~U.S. Government, its agencies and instrumentalities including collateralized mortgage obligations (CMO). Debentures shall have a *stated* maturity *not* to exceed three (3) years. CMOs shall *have a* stated maturity not to exceed ten (10) years.
2. Certificates of Deposit issued by a state or national bank doing business in the State of Texas or a savings bank doing business in the State of Texas and ~~is~~are.

a. ~~i.~~—Guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor;

b. ~~ii.~~—Secured by obligations of the US Government, its agencies and instrumentalities as further defined in Section XIII of this Policy; and

c. ~~iii. Has~~Have a stated maturity not to exceed one year.

3. **Fully collateralized repurchase agreements and reverse repurchase agreements which:**

a. ~~i.~~—Have a defined termination date and ~~is~~are executed under the terms of a written Master Repurchase Agreement;

b. ~~ii.~~—Are secured by collateral defined in Section XIII of this Policy and held by an independent safekeeping agent approved by the Corporation;

c. ~~iii.~~—Require the securities being purchased be held in the Corporation's name; and

d. ~~iv.~~—Are executed with a primary government securities dealer, as defined by the Federal Reserve;

The term of any reverse security repurchase agreement may not exceed 90 days after the date of the reverse. Money received by the Corporation from the reverse security repurchase agreement may be used to acquire authorized investments, but the maturity date of the investment acquired must not be later than the expiration date of the reverse

4. **SEC registered money market mutual ~~fund~~funds.**

a. A money market mutual fund is an authorized investment if the fund:

i. Is registered with and regulated by the Securities and Exchange Commission;

ii. Has a dollar-weighted average stated maturity of 90 days or fewer; and

iii. Includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.

b. The Corporation is not authorized to invest its funds or funds under its control in any money market mutual fund in an amount that exceeds 10 percent of the total assets of the mutual fund.

5. ~~4.~~ Commercial Paper ~~a.~~ Commercial ~~Paper~~ paper is an authorized investment if the commercial paper if it:

a. ~~i.~~ Has a stated maturity of ninety (90) days or fewer to its stated maturity; and

b. ~~ii.~~ Is rated not less than A-1/P-1 or equivalent by at least two nationally-recognized credit rating agencies,

6. ~~Uncollateralized Guaranteed Investment Contracts. For funds that are pledged under a trust indenture for bonds issued by the Corporation, investment securities that are permitted under the terms of such trust indenture, including, but not limited to, uncollateralized investment agreements.~~

7. ~~5.~~ Texas Local Government Investment Pools.

~~a.~~ ~~Constant~~ Permitted constant dollar investment pools, as defined by the Act, are authorized under this ~~Policy~~ policy if the investment pool:

a. ~~i.~~ Is created to function as a money market mutual fund, marks its portfolio to market daily and strives to maintain a \$1 net asset value.

b. ~~ii.~~ If it is rated not less than AAA or AAA-m or equivalent rating by at least one nationally recognized rating service.

B. No additional securities or investments are authorized for Corporation use until this Policy has been amended and the amended ~~Policy~~ policy has been adopted by the Board.

C. All investment transactions shall require competitive bidding.

D. To minimize loss of principal, securities which are downgraded in credit or become unauthorized after purchase should be monitored on a daily basis and may be sold prior to maturity after a prudent analysis of market conditions.

E. Security swaps may be utilized for improvement in the quality, yield, or target duration in the portfolio but only if analysis proves a positive horizon value for the swap.

F. Any investment held prior to changes in ~~the Investment~~this Policy that does not meet the guidelines of this Policy shall be exempted from the requirements of this Policy. However, at maturity or liquidation, such monies shall be reinvested only as provided by this Policy.

X. UNAUTHORIZED INVESTMENTS.

The following are not authorized investments:

- A. Interest ~~Only Obligations~~only obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (IO);
- B. Principal ~~Only Obligations~~only obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (PO); and
- C. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
- D. Inverse ~~Floating—Collateralized~~floating collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in a market index (Inverses).

XI. DIVERSIFICATION

The Corporation will diversify its investments by security type and institution. With the exception of U.S. Treasury securities, no more than ~~80~~50% of the Corporation's total investment portfolio will be invested in a single security type or single issuer.

General diversification parameters will include:

<u>Type of Obligation</u>	Max % <u>Maximum</u> <u>Percentage</u>
US <u>U.S.</u> Obligations	80%
Obligations of US <u>U.S.</u> Agencies	70%
Certificates of Deposit <u>(total)</u>	25%
By Institution <u>Certificates of Deposit</u>	10%
Repurchase Agreements	30%
Money Market Mutual Funds	25%
Commercial Paper <u>(total)</u>	30%
By Issuer <u>Commercial Paper (by</u>	10%
Local Government Stable Net Asset	75%

XII. EFFECT OF LOSS OF REQUIRED RATING

An investment that requires a minimum rating under this Policy does not qualify as an authorized investment during the period the investment does not meet or exceed the minimum rating. The Corporation shall take prudent measures that are consistent with its Policy to evaluate possible liquidation of an investment that does not meet or exceed the minimum rating as market conditions dictate. ~~(Act Section 2256.021).~~ However, the Corporation is not required to liquidate investments that were authorized at the time of purchase. ~~(Act Section 2256.017).~~

XIII. COLLATERALIZATION

Collateralization will be required on all time and demand accounts above FDIC insurance levels and on repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization margin level will be 102%.

A. For time and demand deposits the following securities are authorized as pledged collateral:

1. Obligations of the United States or its agencies and instrumentalities including mortgage backed securities meeting the bank test;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of Texas or the United States or their respective agencies and instrumentalities; and
4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

B. For repurchase agreements, ~~the following securities are authorized are authorized as collateral owned under the transaction:~~ 1. Obligations of the US obligations of the U.S. Government, its agencies and instrumentalities including mortgage backed securities. are authorized as collateral owned under the transaction:

C. Collateral shall always be ~~safekept~~ held in safekeeping by an independent third party with whom the Corporation has a current custodial agreement executed under the terms of FIRREA (time and demand deposits). A

clearly marked evidence of pledge or ownership must be supplied to the Corporation and retained. The Corporation shall grant the right of collateral substitution, subject to receiving prior approval from the Investment Officer.

D. It shall be the contractual liability of the counter-party pledging or selling the securities to monitor and maintain the appropriate 102% margin at all times.

XIV. SAFEKEEPING AND CUSTODY

All securities owned by the Corporation will be held by an independent third party custodian approved by the Corporation and under a current custody agreement.

~~Delivery versus Payment~~

All security transactions will be executed on a Delivery vs. Payment (DVP) basis. This ensures that securities are deposited prior to the release of funds. Securities will be held by an independent third-party custodian and evidenced by safekeeping receipts.

XV. INTERNAL CONTROLS

A. Internal Controls

The Investment Officer is responsible for establishing and maintaining internal controls to ensure that the assets of the Corporation are protected from loss, theft, or misuse. The internal controls shall address the following points:

1. Control of collusion,
2. Separation of transaction authority from accounting and record keeping.
3. Custodial safekeeping.
4. Clear delegation of authority to subordinate staff members.
5. Written confirmation of all transactions.

In developing controls, the concept of reasonable assurance recognizes that:

1. The cost of control should not exceed the benefits likely to be derived; and
2. The valuation of costs and benefits requires estimates and ~~judgements~~judgments by management.

B. Compliance Audit

At least once every two years, the Corporation, shall arrange for a compliance audit of management controls on investments and adherence to this Policy and the Act.

1. The ~~Compliance~~compliance audit shall be performed by the Corporation's internal auditor or by a private auditor.
2. The results of the audit performed under this section shall be presented to the ~~Corporation's~~ Board.
3. The Corporation shall report the results of the audit performed under this section to the Office of the State Auditor not later than January 1 of each even-numbered year. The report shall be prepared in a manner as prescribed by the Office of the State Auditor.
4. The Corporation shall also report to the Office of the State Auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to the Corporation's investment.

C. Wire Transfers

All wire transfers will be transacted under a written agreement. This agreement shall delineate controls, security provisions, and responsibilities of each party.

XVI. REPORTING

A. Quarterly Reports

At least quarterly, the Investment Officer shall prepare and present to the Board an investment report, including a summary that provides a clear picture of the status of the current investment portfolio and transactions made over the last quarter. This investment report will be prepared in a manner, which will allow the Board to ascertain whether investment activities during the reporting period have conformed to the Policy. The report must:

1. ~~a.~~ Describe in detail the investment position on the date of the report;
2. ~~b.~~ Be prepared jointly by all Investment Officers;
3. ~~e.~~ Be signed by each Investment Officer;

4. ~~d.~~—Be prepared in compliance with Generally Accepted Accounting Principles (GAAP) for each fund that states:
 - a. ~~i.~~—The stated maturity date and call or reset date of each security;
 - b. ~~ii.~~—The book value and market value of each security at the beginning and end of the reporting period by type and market sector;
 - c. ~~iii.~~—Additions and changes in market value during the period;
 - d. ~~iv.~~—Fully accrued interest and total earnings for the reporting period;
 - e. ~~v.~~—State the fund or pooled group for which each individual investment was acquired; and
5. ~~e.~~—State the compliance of the investment portfolio as it relates to the investment strategy expressed in this Policy and the Act.

B. Audit Report

An independent auditor shall formally review the investment reports prepared by the Investment Officer under this Policy at least annually and that auditor shall report the result of the review to the Board.

C. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this Policy and the cash flow analysis. The maximum dollar weighted average maturity of the portfolio is six months. In order to measure performance and the level of risk in the portfolio, a benchmark of the six-month Treasury Bill for the comparable period will be reported quarterly.

D. Market Value

The Investment Officer will obtain market prices used to calculate market value from independent, recognized published sources or from other qualified professionals.

E. The Investment Officer shall present to the Board a report on changes to the Act no later than 180 days after the last regular session of the legislature.

XVII. POLICY ADOPTION

The Investment Policy shall be reviewed and adopted by resolution of the Board at least annually. The Board must approve and adopt any amendments made thereto. The Board shall adopt by written resolution a statement that it has reviewed the investment policies and strategies and note any changes made.

ATTACHMENT A

~~Attachment A~~

**CERTIFICATION OF RECEIPT AND REVIEW OF
TEXAS STATE AFFORDABLE HOUSING INVESTMENT POLICY**

As a qualified representative of the Firm____(name of "Firm").

I, and the broker covering the account, acknowledge that we have received and reviewed the Corporation's Investment Policy dated _____.

We acknowledge that the Firm has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Firm and the Corporation that are not authorized by the Corporation's Investment Policy, except to the extent that this authorization is dependent on an analysis of the Corporation's entire portfolio or requires an interpretation of subjective investment standards.

Dated this _____ day of _____, _____.

Signature: _____

Name: _____

Title: _____

Document comparison done by DeltaView on Friday, May 05, 2006 18:10:32

Input:	
Document 1	pdocs://wdc_xp/281076/1
Document 2	pdocs://wdc_xp/281076/2
Rendering set	GT-1

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	87
Deletions	93
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	180

**Texas State Affordable Housing Corporation
Authorized Broker/Dealer List**

Submitted for Approval on May 12, 2006

The authorized broker/dealer list for Texas State Affordable Housing Corporation is shown below. Each of these firms, and the individual covering the account, will be sent the current Investment Policy. In accordance with the Public Funds Investment Act (TX Gov't Code 2256.005(k)) before any broker/dealer transacts business with the Corporation it will have had to certify in writing to a review of the Policy and have certified that procedures are in place to assure compliance with that Policy.

The Corporation's Policy establishes specific criteria for the brokers and requires that the list of broke/dealers be approved annually by the Board. Attachment A of the Policy is the certification form used for this purpose. Patterson & Associates maintains the brokerage compliance files for the Corporation.

When any material changes are made to the Investment Policy the new Policy is sent out for re-certification.

Bank of America
Citigroup-Smith Barney
Lehman Brothers
Merrill Lynch
Mizuho Securities
Morgan Stanley
Wells Fargo

MINUTES AND CERTIFICATION

THE STATE OF TEXAS §
 §
TEXAS STATE AFFORDABLE §
HOUSING CORPORATION §

I, the undersigned officer of the Texas State Affordable Housing Corporation, do hereby certify as follows:

1. The Board of Directors of said corporation convened on the 12th day of May, 2006, at the designated meeting place in Austin, Texas, and the roll was called of the duly constituted members of said Board and officers, to wit:

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>
Jerry Romero	Chairperson
Thomas A. Leeper	Vice Chairperson
Charles G. Rencher	Director
Jo Van Hovel	Director
Jesse A. Coffey	Director

OFFICERS

<u>Name</u>	<u>Office</u>
David Long	President (non-Board member)
Katherine Closmann	Executive Vice President (non-Board member)
Melinda Smith	Chief Financial Officer and Treasurer (non-Board member)
Laura Smith	Secretary (non-Board member)

and all of said persons were present except _____, thus constituting a quorum. Whereupon, among other business, the following was transacted, to-wit: a written resolution (the "Resolution") bearing the following caption was introduced:

RESOLUTION NO. 06-____

TEXAS STATE AFFORDABLE HOUSING CORPORATION

RESOLUTION Regarding the Approval of the Amended and Restated Articles of Incorporation to satisfy IRS Requirements and Concerning Other Matters Incident and Related thereto.

was duly introduced for the consideration of said Board and read in full. It was then duly moved and seconded that said Resolution be adopted; and, after due discussion, said motion carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

___ AYES ___ NOES ___ ABSTENTIONS

2. That a true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that said Resolution has been duly recorded in said Board's minutes of said meeting; that the above and foregoing paragraph is a true, full and correct excerpt from said Board's minutes of said meeting pertaining to the adoption of said Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of said Board as indicated therein; that each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that said Resolution would be introduced and considered for adoption at said meeting, and each of said officers and members consented, in advance, to the holding of said meeting for such purpose.

SIGNED this May 12, 2006.

Secretary, Texas State Affordable Housing
Corporation

RESOLUTION NO. 06-_____

TEXAS STATE AFFORDABLE HOUSING CORPORATION

RESOLUTION Regarding the Approval of the Amended and Restated Articles of Incorporation to satisfy IRS Requirements and Concerning Other Matters Incident and Related thereto.

WHEREAS, the Texas State Affordable Housing Corporation (the "Corporation") 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"), and the Corporation is currently governed by the Amended and Restated Articles of Incorporation of the Texas State Affordable Housing Corporation, dated September 9, 2005, and filed with the Secretary of State of the State of Texas on September 13, 2005 (the "Current Articles"); and

WHEREAS, in order to comply with a request from the Internal Revenue Services to amend the Current Articles to add additional language regarding the transfer of assets in the event of a dissolution of the Corporation, the Corporation desires to approve the revised Amended and Restated Articles of Incorporation of the Texas State Affordable Housing Corporation, dated May 12, 2006 (the "Revised Articles");

WHEREAS, there have been presented to the Corporation and its counsel the proposed form of the Revised Articles attached hereto as Exhibit A and which comprises a part of this Resolution:

WHEREAS, the Corporation finds the form of the Revised Articles to be satisfactory and proper and hereby determines to proceed with the execution of such document 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, Execution and Delivery of the Revised Articles. That the Revised Articles in the form presented to the Board of Directors at the meeting at which this Resolution was considered and attached hereto as Exhibit A is hereby approved and that the proper officers of the Corporation are each hereby authorized and directed to execute the Revised Articles and to file the Revised Articles with the Secretary of State of the State of Texas.

Section 2. Execution and Delivery of Other Documents. That the officers of the Corporation are each hereby authorized to consent to, accept, execute and attest such other certificates, documents, instruments, 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.

Section 3. Ratification of Certain Prior Actions. That all prior actions taken by or on behalf of the Corporation in connection with the Revised Articles, are hereby authorized, ratified, confirmed and approved.

Section 4. Purposes of Resolution. That the Board of Directors of the Corporation has expressly determined and hereby confirms that the execution of the Revised Articles accomplishes a valid public purpose of the Corporation.

Section 5. Conflicting Prior Actions. That all orders, resolutions, or any actions or parts thereof of the Board of Directors of the Corporation in conflict herewith are hereby expressly repealed to the extent of any such conflict.

Section 6. Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

PASSED, APPROVED AND EFFECTIVE this 12th day of May, 2006.

TEXAS STATE AFFORDABLE HOUSING
CORPORATION

* * * * *

EXHIBIT A

FORM OF REVISED ARTICLES

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 Amended and 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 May 12, 2006, 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 THIRTEEN deleting the article and substituting in its place a new ARTICLE THIRTEEN to set forth the procedure for the transfer of assets of the Corporation in the event of the dissolution of the Corporation.

2. These Amended and Restated Articles of Incorporation accurately copy the Amended and Restated Articles of Incorporation, dated September 9, 2005, and filed with the Secretary of State of the State of Texas on September 13, 2005, 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 of Incorporation. 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 of Incorporation, 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 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
Jesse A. Coffey

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 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 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, for a public purpose and as directed by Section 2306.558(c) of the Texas Government Code. If named beneficiary is not qualified, or not in existence, or unwilling or unable to accept the assets, then assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or shall be distributed to the State of Texas for a public purpose.

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 May, 2006.

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 Amended and 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~~, May 12, 2006, 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 ~~FOURTHIRTEEN~~ deleting the article and substituting in its place a new ARTICLE ~~FOURTHIRTEEN~~ to set forth the ~~purposes~~procedure 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~~the transfer of assets of the Corporation in the event of the dissolution of the Corporation.

2. These Amended and Restated Articles of Incorporation accurately copy the ~~initial~~Amended and Restated Articles of Incorporation, dated September 9, 2005, and filed with the Secretary of State of the State of Texas on September 13, 2005, 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~~Department shall be fully compensated by the Corporation for any property or employees that are shared by the Corporation and the ~~department~~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 of Incorporation. 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 of Incorporation, 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 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).~~ [Jesse A. Coffey](#)

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 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 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, for a public purpose and as directed by Section 2306.558(c) of the Texas Government Code, If named beneficiary is not qualified, or not in existence, or unwilling or unable to accept the assets, then assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or shall be distributed to the State of Texas for a public purpose.

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~~ May, 2006.

TEXAS STATE AFFORDABLE HOUSING CORPORATION

By: _____
Name: _____
Title: _____

Document comparison done by DeltaView on Thursday, May 04, 2006 15:52:52

Input:	
Document 1	pdocs://phi_xp/137553/1
Document 2	pdocs://phi_xp/137466/2
Rendering set	GT-1

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	20
Deletions	13
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	33