Texas State Affordable Housing Corporation

Private Activity Bond Program – Transaction Summary

Executive Summary:

The Rainbow Texas Portfolio is a pooled (multi-property) bond transaction proposed under the Texas State Affordable Housing Corporation's (the "Issuer") Private Activity Bond Program. The transaction involves the acquisition and rehabilitation of 13 existing multifamily rental properties, located in 9 different cities within the state of Texas. The transaction will allow Texas Council of Foundation for Social Resources (the "Applicant") to rehabilitate and improve living conditions in 1,008 units assisted under the federal Section 8 Project Based Housing program. All of the units were built in 1982 and 1983 (with the exception of one property built in 1951) and require significant rehabilitation. All of the units will be preserved under the Section 8 Project Based Rental program and may require temporary but no permanent relocation of residents. Rents will continue to be subsidized with long-term Section 8 contracts, with 18 to 20 years remaining, and 100% of the units will remain affordable.

Program:

Bonds to be issued under the Texas State Affordable Housing Corporation Multifamily Rental Housing Private Activity Bond Program.

Action Requested:

The Issuer requests approval of the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Rainbow Apartment Projects) Series 2007 (the "Bonds"). The Bonds will be issued under §§1372.0231(b-1) and 2306.565 of the Texas Government Code. Chapter 1372 sets aside 10% of the State's private activity allocation of residential rental project bonds for the Issuer to issue multifamily housing revenue bonds for its public purpose, as described therein.

Purpose:

The proceeds of the Bonds will be used to make a mortgage loan (the "Mortgage Loan") to each of the 13 Borrowers (the "Borrowers") listed in the table below, for which the sole member of each limited liability company is RHAC – Texas Portfolio, L.P., a Delaware Limited Partnership (the "Owner"), whose general partner is RHAC – Texas, LLC (the "General Partner"), a Delaware limited liability company whose sole member is Texas Council of Foundation for Social Resources, Inc., a Texas nonprofit corporation, for the purpose of financing the acquisition and rehabilitation of 13 properties, described as follows.

Property Name	Borrower Name	Address(es)	City	Number of Units
Chaparral Village Apartments	RHAC - Chaparral, LLC	1411 S. Grant St	Odessa	80
Cove Village Apartments	RHAC - Cove, LLC	1102 Golf Course Rd	Copperas Cove	50
El Nido Apartments	RHAC - El Nido, LLC	204 Alicia Dr	El Paso	104
Garden Village Apartments	RHAC - Garden, LLC	1340 65th Dr, 6516 Avenue T	Lubbock	62

High Plains Village Apartments	RHAC - High Plains, LLC	1607 Iola Ave	Lubbock	50
Jose Antonio Escajeda Apartments	RHAC - JAE, LLC	710 South Park, 1010 South Tays, 710 Father Rahm,, 710 S Tays, 719 S Campbell, 710 S Kansas	El Paso	88
Los Ebanos Apartments	RHAC - Ebanos, LLC	2133 Barnard Rd	Brownsville	65
Peppertree Acres Apartments	RHAC - Peppertree, LLC	6555 Sheridan Cir, 1000 Oak Grove Ct, 5200 Southcrest Ct, 2300 Ephriham Ct	Fort Worth	148
River Park Village East Apartments	RHAC - River Park, LLC	1309 Central Texas Expwy	Lampasas	50
Salem Village Apartments	RHAC - Salem, LLC	5201 John Stockbauer Dr	Victoria	105
Sierra Vista Apartments	RHAC - Sierra, LLC	10501 Montwood	El Paso	106
Spring Terrace Apartments	RHAC - Spring, LLC	2600 S. Spring St	Amarillo	50
Win-Lin Village Apartments	RHAC - WinLin, LLC	5700 Wabash St	Amarillo	50

Please see Appendices A and B to this summary for ownership and developer organization charts.

The current owner of the properties, Hunt Building Company, Ltd. and its affiliates, has maintained the properties in fair condition; however several key systems are in need of replacement at this time. All but one of the properties was built in 1982 and 1983 and require updates to HVAC systems, water heaters, windows, siding and roofs. Engineering and property condition assessments revealed that all of the properties are in sound structural condition. The planned rehabilitations will bring significant improvements to the properties and living standards for residents.

Anticipated Closing Date:

The anticipated closing date is August 30, 2007. See detailed timeline attached hereto.

The Issuer received an application for financing the Properties dated March 20, 2007, with financial information amended June 22, 2007. The Issuer approved the inducement resolution for the transaction on April 13, 2007 and is anticipated to approve the bond resolution on August 9, 2007.

Public Benefit:

All of the units involved in this transaction are targeted to families and individuals earning less than 50% of the area median income. While these units have been under section 8 contracts since 1982, the recent restructuring of federal debt through the Mark-to-Market process allows the current owners to sell properties and remove low-income restrictions. Instead, this transaction will preserve 1,008 units of low-income housing in the state of Texas.

Additionally, the use of private activity bonds issued by the Corporation and housing tax credits awarded through the Texas Department of Housing and Community Affairs will require supportive services be offered to residents at each of the 13 properties. The Applicant currently offers service-enriched housing for its residents. Rainbow Housing Assistance Corporation, the service provider, currently offers a wide array of social services in Texas, including case management, apartment sponsored sports teams, resume and job skills training, after school tutoring, senior programs, GED classes, and a variety of summer youth programs. The Applicant has committed to provide resident services within the 13 properties affected by this transaction.

Public Comment:

The Issuer has, and will continue to collect public comment on this transaction until it is approved by the Texas Bond Review Board, the Issuer's Board and the Attorney General. The Applicant received votes of support from each of the resident councils at all of the properties, a letters of support from the Mayors of Copperas Cove and Amarillo, the County Judge of Ector County and State Senators Eddie Lucio Jr. and Glenn Hegar, as well as a resolution of support from the City Council of Copperas Cove.

The Issuer also completed 9 public hearings in each of the affected communities. Notices of the hearings were published in local newspapers, sent to state and local elected officials in each of the communities, and to the members of the Senate Intergovernmental Relations and House Urban Affairs committees. A representative of the Applicant appeared at each of the public hearings to provide information on the transaction. Testimony was overwhelmingly supportive, with some general questions of the transaction being entered into the record. The Issuer answered questions about the transaction and provided translation services at the meetings.

The Issuer would like to note that our notification to the House Urban Affairs committee members did solicit public comment. Rep. Jose Menendez, district 124, submitted a letter of public input in regards to the TEFRA notice that was sent to his district offices. The Issuer responded to his letter and received a positive response in return. These letters are included under the public comment section of the application.

Financial Summary:

The maximum aggregate Bond amount has been set at $36,000,000. The final aggregate principal amount of the Bonds will be determined by the Issuer with the advice of consultants, and based on the following factors: (1) the cost of financing the acquisition and rehabilitation of the Properties, (2) the cost of issuance of the Bonds and (3) the amount for which Bond Counsel can deliver its Bond Opinions.

The proposed financing for this transaction involves five layers of financing. The primary source of financing will be provided through private activity bonds. The bonds will be held by Centerline Capital Group, (fka CharterMac Capital)(the "Primary Lender") in the amount of $34,900,000. This single series of Bonds will have two separate maturities, repaid through project revenues *pari passu.*

The secondary source of financing for the transaction will be approximately $19 million in 4% Housing Tax Credits issued by the Texas Department of Housing and Community Affairs (the "TDHCA"). The syndicator of the credits will be Centerline Capital Group. The remaining gap in financing for the transaction will be funded through a $500,000 subordinate loan from the Issuer, plus approximately $1.7 million in deferred developer fees, both to be paid out of cash flow during the first 15 years. The fifth layer of financing is approximately $10 million in subordinate cash flow debt assumptions being transferred to the Applicant through the HUD Mark-to-Market process.

The transaction will require approximately $66,778,133 in total financing. The per unit cost for the transaction will be $65,420. The average acquisition cost per unit is $32,108 and the average per unit rehabilitation cost is $18, 217.

Sources of Funds:

	Amount,	Rate,	Term,	Annual Payment
Primary Bond	$33,000,000	5.83%	35yrs	$2,212,924
Primary Bond	$1,900,000	5.83%	20yrs	$127,410
Tax Credits	$19,581,856	n/a	n/a	n/a
TSAHC Subordinate Loan	$500,000	4%	15yrs	From Cash Flow
Deferred Developer Fees	$1,695,828	AFR (currently 5.31%)	10yrs	From Cash Flow
HUD M2M Subordinate Debt	$10,100,449	2.6%	50 yrs	From Cash Flow*

*This note will be paid from cash flow after the TSAHC Loan and Deferred Developer Fee have been paid in full.

Amount of Bonds by Property:

Property Name	**City**	**County**	**Number of Units**	**Bond Request**
Chaparral Village Apartments	Odessa	Ector	80	$4,025,000
Cove Village Apartments	Copperas Cove	Coryell	50	$1,425,000
El Nido Apartments	El Paso	El Paso	104	$4,900,000
Garden Village Apartments	Lubbock	Lubbock	62	$1,555,000
High Plains Village Apartments	Lubbock	Lubbock	50	$2,120,000
Jose Antonio Escajeda Apartments	El Paso	El Paso	88	$3,900,000
Los Ebanos Apartments	Brownsville	Cameron	65	$2,090,000
Peppertree Acres Apartments	Fort Worth	Tarrant	148	$4,035,000

River Park Village East Apartments	Lampasas	Lampasas	50	$1,250,000
Salem Village Apartments	Victoria	Victoria	105	$2,950,000
Sierra Vista Apartments	El Paso	El Paso	106	$3,360,000
Spring Terrace Apartments	Amarillo	Potter	50	$1,915,000
Win-Lin Village Apartments	Amarillo	Potter	50	$1,375,000
Totals			**1008**	**$34,900,000**

A complete underwriting analysis of the transaction has been included in Exhibits B, E and F to the State Debt Application.

An analysis of the sales prices and appraisals was also conducted during the underwriting process (see Appendix C). The analysis compared the actual sales prices to third party appraisals, and to tax appraisals. The aggregate sales price for all 13 properties is $32,175,515, which includes assumed debt from HUD in the amount of $10 million. The tax-appraised value for the properties is $22,491,940, and the third party appraisals amount to $37,400,000. To reconcile these differences, we focused on the methodology used to determine value, particularly the capitalization rates (the "Cap Rates") used by each entity. The median Cap Rate used by local taxing jurisdictions was 10%, while the median Cap Rate used by the third party appraiser was 7%. A conversion of each of the tax-appraised values to the third party appraiser's Cap Rates resulted in a revised aggregate value of $30,583,447, a 5% difference from the tax appraisals. Staff also looked at projected income for each of the properties and calculated an aggregate value of $38,435,610 using a Cap Rate of 8%. After careful review, the Issuer believes that this analysis supports the sales prices for the properties.

An additional report is included in the underwriting analysis, which looks at the cost of property taxes for the project on a whole. The current 2006 property tax costs are $460,794. For 2007, the proposed property tax assessments, which are being appealed by the current owner, have risen by 35% to $621,618. Though the estimated tax increases based on these proposed assessed values would still permit the project's financing to meet underwriting thresholds, the Issuer and Developer believe that additional increases are likely after the completion of rehabilitation. If the taxes were adjusted by local tax appraisal districts to be on par with the planned sales prices, property taxes would rise to $893,162. This amount would push the development beyond the underwriting threshold (minimum debt service coverage ratios would not be met).

	2006 Tax Values	2007 Tax Values	Sales Price Values	2006 Taxes	2007 Tax Estimate	Taxes Based on Sales Price
Chaparral Village	$648,060	$705,213	$4,563,735	$17,339	$18,869	$122,107
Cove Village	$837,321	$1,724,850	$1,099,941	$23,102	$47,590	$30,348
El Nido	$1,196,915	$2,085,040	$5,323,654	$34,641	$60,346	$154,078
Garden Apts.	$848,446	$1,896,400	$1,147,630	$20,662	$45,685	$27,647
High Plains	$1,163,140	$1,846,400	$1,835,416	$28,323	$44,961	$44,693

Jose A Escajeda Apartments	$1,463,487	$2,208,472	$4,184,172	$42,356	$63,918	$121,099
Los Ebanos	$908,021	$908,722	$2,007,836	$24,166	$24,184	$53,436
Peppertree Acres	$3,661,340	$3,661,340	$4,131,206	$112,626	$112,626	$127,079
River Park Village East	$490,190	$656,250	$332,260	$11,290	$15,115	$7,653
Salem Village	$1,442,350	$1,442,350	$1,632,593	$39,640	$39,640	$44,869
Sierra Vista	$2,503,763	$3,947,075	$3,381,837	$72,877	$114,888	$98,436
Spring Terrace	$660,607	$661,668	$1,580,801	$16,722	$16,749	$40,014
Win-Lin Village	$748,160	$748,160	$952,434	$17,049	$17,049	$21,704
Total Taxes	**$16,571,800**	**$22,491,940**	**$32,173,515**	**$460,794**	**$621,618**	**$893,162**

Following discussions with the Applicant, TSAHC staff will recommend to the Board on August 9 that the transaction be approved with the understanding that the Applicant may apply for property tax exemptions under §11.1825 of the Property Tax Code; with the limitation that the property taxes paid for each property may never fall below the amount of the current 2006 taxes being paid.

Market Conditions:

The Rainbow Texas Portfolio faces fewer market risks than compared to most private activity bond financed rental developments. Each of the market areas involved has experienced significant population growth in the past five years. Though single family housing growth has been a dominant feature in all of the market areas, the demand for low and very low-income rental housing has grown significantly. All of the properties are targeted to persons earning 50% or less than the area median income under the HUD Section 8 program. An additional market advantage is the existence of Section 8 project based contracts for all 13 properties. Approximately 280 persons are on waiting lists for the properties and in some cases waiting lists have been closed due to excess demand.

In the event that the properties lose their Section 8 contracts, the developments would still be competitive in their markets. The planned rehabilitation will raise the level of units to Class B property levels. The financial structure of the primary bonds has been created to ensure that sufficient financial guarantees are in place in the unlikely event that Section 8 contracts were rescinded by HUD or Congress failed to appropriate sufficient funds for HUD to maintain contracts.

Borrower Summary:

Each Property will be owned by an individual limited liability company, which will be controlled by the General Partner of the Owner, RHAC-Texas, LLC, a Delaware limited liability company, registered to do business in Texas (the "General Partner"). The sole member of the General Partner is Texas Council of Foundation for Social Resources, Inc. (the "Texas Council"), a Texas nonprofit corporation. Texas Council shares its Board of Directors with the nationally recognized service enriched affordable housing leader, Rainbow Housing Assistance Corporation ("Rainbow").

Texas Council and Rainbow have worked together for over three years. Rainbow has designed and operated the social services offered by Texas Council at its property in Austin, Texas, as well as provided professional expertise in financing and management. Rainbow and Texas Council have both previously worked with Centerline, on bond and tax credit developments.

Rainbow has been a nonprofit provider of affordable housing since 2002. They own or operate 12 bond-financed properties and control more than 2,667 units in five states. Of this total, 1,764 units are located in the state of Texas. Rainbow and its principals have successfully taken over multiple distressed Section 8 properties and turned them around. These successful turnarounds are a strong indicator of their ability to acquire and rehabilitate older Section 8 properties.

The president of Texas Council and Rainbow is Joseph L. Sherman. As president, Mr. Sherman is responsible for daily operations and oversight of real estate transactions and social services. Mr. Sherman began his career as a real estate attorney in Washington DC, representing multifamily housing developers nationwide. He later joined Oxford Development Corp., the country's second largest developer of multifamily housing, specializing in bond financed affordable housing. Mr. Sherman and the boards of each of these nonprofit organizations have substantial experience in all areas of multifamily housing, including tax-exempt bond finance and tax credit syndication.

The Developer for the transaction is GungHo – Texas, LLC ("GungHo"). GungHo, is a for profit subsidiary of The Reliant Group. Gung Ho specializes in multifamily acquisitions and rehabilitation throughout the United States. The principals of Gung Ho, including Joseph Sherman, have a wealth of affordable housing expertise. The Reliant Group has acquired more than $1.3 billion in residential and commercial real estate in the past 15 years and is the consultant to the Owner and Developer.

The daily management of the properties will be overseen by Capstone Real Estate Services Inc. ("Capstone"), the current property manager on all 13 properties. Capstone, headquartered in Austin, TX, provides management for multi-family residential apartments, commercial property, and homeowners associations. Currently, Capstone manages approximately 25,000 units of affordable housing. Capstone is unrelated to the Applicant or The Reliant Group / Gung Ho Partners.

Capstone's Compliance Department provides support, training, and monitoring of all aspects related to compliance for Section 42 (LIHTC), Private Activity Bonds, Section 8, the RTC Affordable Housing Program, HUD 223F Loan Programs and public housing properties. The range of services includes file reviews, desk and on-site audits, technical assistance, training, and working with enforcement authorities, such as lenders, government agencies, and investors.

Affordability:

Three separate layers of affordability requirements will be enforced on the properties. The first layer will be placed by the Issuer and includes a recorded regulatory agreement (the

"Regulatory Agreement") that guarantees 100% of the units will be affordable to persons earning 60% or less than the area median income ("AMI") in each community. The term of the regulatory agreement shall be a minimum of 15 years or upon redemption of the Bonds, whichever date is later. The second layer will be placed by TDHCA through a land use restriction agreement (LURA) that guarantees 100% of the units will be affordable at 60% or less than AMI, and shall have a term of 30 years.

The final layer, evidenced by a HUD Use Agreement, requires 100% of the units to be rented to tenants earning 50% or less than AMI, and guaranteed for the term of the Section 8 Project Based contracts held by HUD. The maximum rents for properties shall be set annually by HUD under the Section 8 contract. Residents shall not pay more than 30% of their adjusted income for the term of the contract, adjusted for family size and utility allowances. In the event that the Section 8 contracts are not renewed (generally the remaining term is 20 years), the Use Agreements on all properties require 100% of the units to be rented to tenants earning less than 60% of the AMI, with maximum rent not greater than 30% of the imputed income limit per HUD guidelines, adjusted for family size and utility allowances. As part of this transaction, the HUD Use Agreement will be extended an additional 20 years to a total 50-year term.

Resident Services:

The Borrowers, through the service provider, shall provide at least five (5) services to its residents on an on-going basis. There must be a dedicated budget for the services, transportation to the services if off-site, and preferably on-site staff to provide the services. The five (5) services claimed must be listed in the TSAHC Resident Services Program Guidelines, as provided for the 2007 Private Activity Bond Program Request for Proposals (see Appendix D), and as may be updated from time to time by the Corporation. These requirements and the list of approved services will be included in the Regulatory Agreement and with each of the Borrowers. A $3 per unit resident services fee has been included in the underwriting and structure of the bond and loan documents to ensure funds are available for these services. Compliance with resident services requirements will be covered under the Compliance Agreement and subject to the enforcement remedies discussed below.

Rehabilitation Standards:

All Units will be rehabilitated in a manner that improves the energy efficiency and livability of the Units. The properties to be financed with private activity bonds will meet all federal, state and local development standards. This includes all minimum property and development standards detailed in the 2007 State of Texas Qualified Allocation Plan (2007 QAP) [Chapter 10 Texas Administrative Code [TAC] §49], Section 504 of the 1973 Rehabilitation Act, Federal Fair Housing Accessibility Standards, and, if applicable, the Texas Minimum Construction Standards and State Accessibility Standards at §2306.514 of the Texas Government Code. These requirements do not supersede any additional federal, state or local housing standards that may be required by local development codes, or additional federal, state or local financing.

In addition to these standards, the proposed development will ensure that the following minimum rehabilitation is carried out during the first 18 months after the closing of the bonds:

1. All rehabilitation and improvements completed to the properties shall adhere to the 2003 International Energy Conservation Code (IECC), pursuant to §447.004 of the Texas Government Code, or as updated for all future maintenance, repair or replacement during the affordability term of the Developments;

2. All windows shall be replaced with energy efficient windows comprised of double paned glass with low-E coatings. All exterior doors that are replaced shall be energy efficient, including sliding glass doors, French doors, or any door with window openings. This standard shall apply to all future maintenance, repair or replacement during the affordability term of the Developments;

3. All Units that receive new exterior doors shall be fitted with dead bolts and safety chains to ensure the accessibility and safety of residents. This standard shall apply to all future maintenance, repair or replacement during the affordability term of the Developments;

4. All Units shall be retrofitted for dishwashers and sink disposals that are energy efficient and meet the minimum requirements of the most current QAP. This standard shall apply to all future maintenance, repair or replacement during the affordability term of the Developments;

5. Laundry facilities shall be improved, and, where the washers and dryers are owned by the property, shall be Energy Star compliant. Where feasible, solar water heating systems shall be installed. This standard shall apply to all future maintenance, repair or replacement during the affordability term of the Developments;

6. All Units that receive new appliances, lighting or electrical equipment will be equipped with energy saving devices that meet the standard statewide energy code adopted by the state energy conservation office or that are Energy Star compliant. This standard shall apply to all future maintenance, repair or replacement during the affordability term of the Developments;

7. All Units must have central heat and cooling units installed that have been sized to meet its needs based on the minimum standards set the bye State Energy Code and the 2007 QAP. This standard shall apply to all future maintenance, repair or replacement during the affordability term of the Developments;

8. All units receiving improvements to stoops, entryways, sidewalks or pathways, and that have a ground floor entry, shall have an accessible pathway as required by the Fair Housing Accessibility Standards and the 2007 QAP. This standard shall apply to all future maintenance, repair or replacement during the affordability term of the Developments;

9. All properties shall receive new or substantially improved playgrounds and playground equipment that are compliant with Texas Health and Safety Code Section 756.061, and the U.S. Consumer Product Safety Commission's (CPSC) Handbook for Public Playground Safety. All playgrounds shall have age-appropriate equipment, as recommended by the CPSC Hand Book and required by the QAP. This standard shall apply to all future maintenance, repair or replacement during the affordability term of the Developments;

The Owner shall submit to the Issuer a rehabilitation scope of work within 60 days of the Bond closing, certified by the project contractor or architect and consistent with the standards above. The Issuer shall physically inspect the properties 18 months from the Bond closing to ensure that the rehabilitation plan has been carried out consistent with the scope of work provided. Failure to fulfill the rehabilitation plan shall result in a compliance finding under the Compliance Agreement and subject to the proposed enforcement remedies, herein.

Compliance Requirements:

The Issuer shall conduct, or contract to have conducted, regular compliance and asset oversight inspections of the properties, at least annually. The review process will include:

1. A review of tenant files, income certifications, and all other documents required to ensure that the Owner and Manager have complied with all affordability requirements of the Bond and Regulatory Agreements.
2. A physical inspection of each property and review of maintenance records to ensure that the Owner and Manager have complied with the rehabilitation standards and minimum physical condition requirements of the Bond and Regulatory Agreements.
3. A review of financial and resident service records to ensure that the Owner and Manager have fulfilled the Resident Services requirements of the Bond and Regulatory Agreements.
4. A review of financial records and operating expense reports in order to ensure that funds are being utilized in accordance with the Bond and Regulatory Agreements. The Issuer reserves the right to conduct, or contract to have conducted, a financial audit, paid for by the Owner in the event that findings are noted by the Issuer's compliance and asset management reviews, and have not been corrected as set forth in the Bond Agreements.

Enforcement Powers:

In order to provide for the enforcement of (i) the Issuer's policies, regulations and statutory requirements (as stated herein and otherwise) and (ii) the payment of the Issuer's compliance fees, asset oversight agent fees and noncompliance penalties, each of the Borrowers will be required to enter into a recorded Compliance Agreement with the Issuer whereby each Borrower will promise and covenant to provide all services described herein and follow all policies, regulations and statutory requirements of the Issuer (as stated herein and otherwise) subject to the enforcement remedies provided below to the extent allowed by law. The payment of the compliance fees, asset oversight agent fees, noncompliance penalties of the

Issuer and all reasonable costs of enforcement, including reasonable attorney fees, shall be the joint and several obligation of the Borrowers, General Partner and Guarantor under the Bond Indenture, through Stabilization (as defined under the Bond Indenture) and thereafter by the Borrowers and General Partner. The enforcement remedies provided to Issuer under the Regulatory Agreement and the Compliance Agreement shall include, but not necessarily be limited to, after a reasonable opportunity to cure, the following:

1. Specific performance through injunctive relief and other equitable remedies;
2. Required change and approval of new management;
3. Assessment of reasonable penalties to the extent allowed by law;
4. In extreme cases, the right to receivership of a Property in long term noncompliance;
5. With respect to the Replacement Reserve Fund, withdrawal of funds from the Bond Indenture pursuant to the provisions of the Bond Indenture and Regulatory Agreement; and
6. Any other remedy typically allowed to a conduit issuer at law or at equity.

Pursuant to §2306.186 of the Texas Government Code and the policies of the Issuer, described in the Regulatory Agreement, if any of the Borrowers fail to maintain its respective property in accordance with §2306.186 of the Texas Government Code and the policies of the Issuer, the Issuer may make withdrawals from the Replacement Reserve fund held under the Bond Indenture in order to comply with §2306.186 of the Texas Government Code and the policies of the Issuer.

Management Agreement

The Management Agreement shall grant the Corporation the following rights and remedies:

1. The Management Agreement may be assigned to the Primary Lender or the Issuer in the event of a default under the Bond Indenture or the Compliance Agreement after a reasonable opportunity to cure.
2. The Issuer shall have the authority to remove the Management Company in the event that the Properties are not maintained in a manner appropriate to the Issuer pursuant to §2306.186 of the Texas Government Code, or the Properties are considered to be in default of the compliance requirements under the Bond Indenture and Compliance Agreement after a reasonable opportunity to cure.
3. The Issuer shall have the authority to charge compliance penalty fees to the General Partner.

Fees:

The Owner shall pay to the Corporation, in the manner described in the Development documents, the following amounts:

1. An annual asset oversight fee equal to $25 per unit for the Development, as such fee may be adjusted in accordance with the Asset Oversight Agreement. The Corporation may require the owner of the Development to guaranty the payment of these fees;

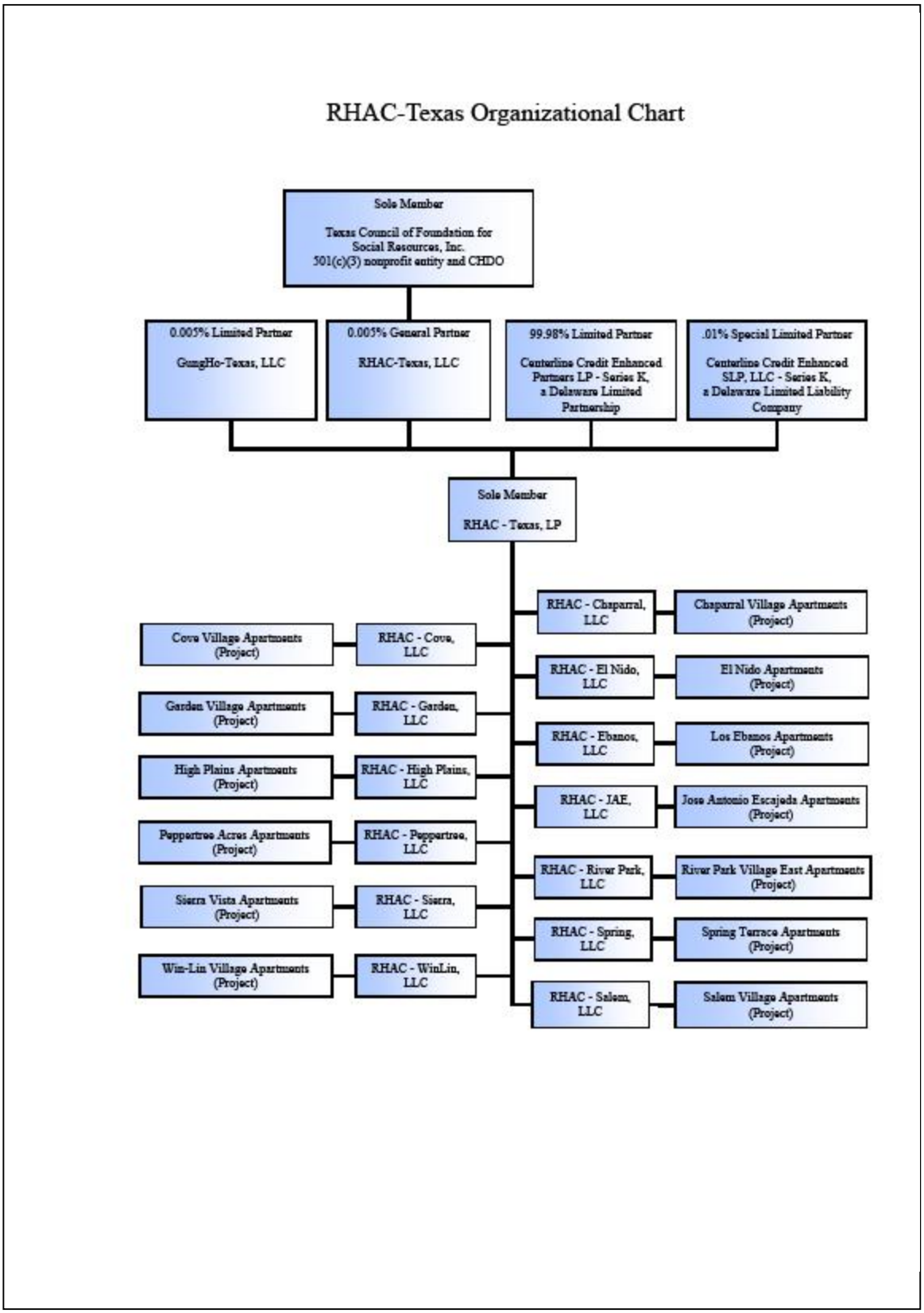
2. An annual compliance fee equal to $20 per unit for the Development, as such fee may be adjusted in accordance with the Compliance Agreement. The Corporation may require the owner of the Development to guaranty the payment of these fees;
3. Until the final maturity of the obligations, the Owner will pay an Administrative Fee, remitted through the respective bond trustee to the Corporation on such basis as designated by the Corporation, in an amount equal to ten (10) basis points annually of the aggregate principal amount of the obligations outstanding, with a minimum annual fee of $5,000. The Corporation shall require the payment of the Administrative Fee to be guaranteed by the Development owner and/or general partner(s).
4. All trustee fees and expenses, including fees of trustee's counsel, shall be approved by the Corporation, and will be paid by the Developer.
5. The Corporation may at any time over the life of the project appoint an auditor to review the financial transactions under the bond documents, the compliance agent, and a rebate analyst to perform an analysis of rebate requirements with respect to the issue. Such fees and costs shall be paid by the Owner.

The Owner shall indemnify the Corporation against any and all fees incurred by the Owner in order to complete the transaction.

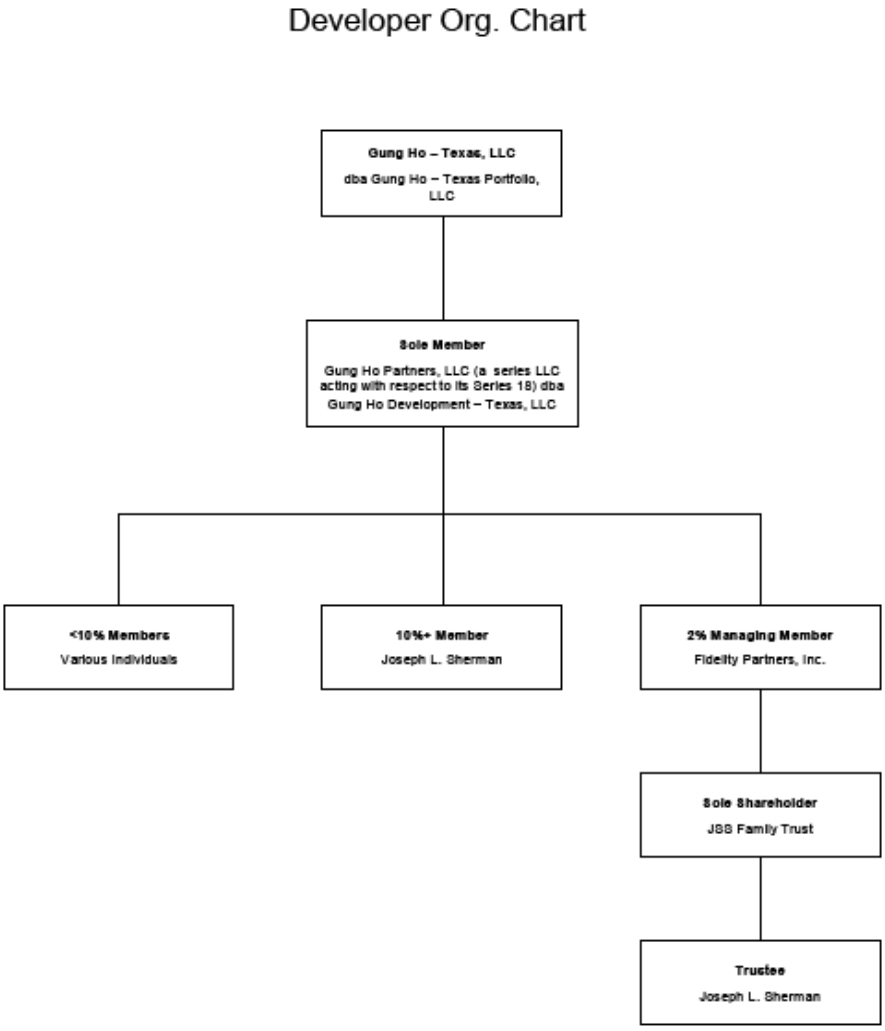
Restrictions for Bond Sales and Transfers:

1. The Bonds shall have Authorized Denominations of $250,000 and any amount in excess thereof.
2. All transfers will require an executed investor's letter.
3. The Issuer shall restrict the transfer of the Bonds under the Bond Documents to the following approved entities:
    a. a subsidiary of the Majority Owner (as defined in the hereinafter defined Indenture) or entity under common management or control with the Majority Owner, any affiliate of the Majority Owner, any entity arising out of any merger or consolidation of the Owner, or a trustee in bankruptcy of the Majority Owner;
    b. An Accredited Investor (as defined in Rule 501(a)(1), (2) or (3) of Regulation D promulgated under the Securities Act of 1933) or a Qualified Institutional Buyer (as defined in Rule 144A promulgated under the Securities Act of 1933);
    c. A bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any Accredited Investor or Qualified Institutional Buyer or on its own behalf);
    d. A trust or custodial arrangement with respect to which the ultimate beneficial owner or owners are each an Accredited Investor or Qualified Institutional Buyer; or
    e. The Investor Limited Partner, as defined by the Indenture, or an affiliate thereof, if and only if, the Investor Limited Partner or Affiliates thereof received a favorable opinion of Bond Counsel.

Appendix A – Organization Chart



Appendix B – Developer Organization Chart



Appendix C – Appraisal Analysis

Texas State Affordable Housing Corporation

Analysis of Various Appraisal Values

Property Name	Sale Price	Tax Appraised Value	Third Party Appraised (TPA) Value[1]	County Values Using TPA Cap Rates	Value Calculated using 8% Cap Rate w/ NOI [2]	County Cap Rates	Third Party Cap Rates
Chapparal Village Apartments	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	11.0%	[illegible]
Dove Village Apartments	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	9.00%	9.00%
El Rido Apartments	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	10.0%	[illegible]
Garden Village Apartments	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	10.00%	[illegible]
Highland Village Apartments	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	10.00%	7.00%
Jose Antonio Estates Apartments	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	10.00%	[illegible]
Los Tiempos Apartments	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	9.0%	8.00%
Prospective Acres Apartments	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	10.0%	[illegible]
Rose Park Village Apartments	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	10.00%	8.00%
Salem Village Apartments	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	10.0%	[illegible]
Sierra Vista Apartments	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	10.00%	7.00%
Spring Creek Apartments	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	10.0%	[illegible]
Wheeler Village Apartments	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	10.0%	[illegible]
	$ 32,173,515	$ 22,491,940	$ 37,400,000	$ 30,583,447	$ 38,435,610	10.0%	[illegible]

[1] Appraisals based on income and direct comparable sales of affordable [illegible]
[2] Values calculated using estimated net operating income from underlying pro formas.

Appendix D – TSAHC Resident Services Program Guidelines

It is the Texas State Affordable Housing Corporation's goal to have the nation's leading Resident Services Program. To reach this goal, and better serve your residents, we need your help on site. TSAHC has created basic guidelines and report systems to help with this process.

The following is a list of activities/courses that can be implemented. If you are interested in starting an activity or course that is not on the list, please propose the new activity to the Manager of Asset Oversight and Compliance for approval. Please make sure that it will encourage economic self-sufficiency and/or promote homeownership opportunities.

- Career Services
  1. Computer Literacy
  2. GED Classes
  3. Job Skills/Training
  4. Resume/ Job Search Workshop
  5. Job Fair

- Children's Services
  1. After School Care
  2. Swimming Lessons
  3. On-site Daycare
  4. On-site Tutoring Sessions
  5. Performing Arts
  6. Halloween Safety
  7. Site library

- Community Awareness
  1. Crime Watch
  2. Self Defense Course
  3. Child Id/Fingerprinting Program
  4. Fire Safety
  5. Domestic Violence Shelter/ Programs
  6. Host Support Groups Such as AA, Anger Management, etc.
  7. Community Gardens
  8. Community Service Activities (i.e. Habitat for Humanity)

- Domestic Skills
  1. Budgeting
  2. Tax Prep. Courses
  3. Low Cost Healthy Cooking
  4. Organization Classes
  5. Cleaning Supply Safety

- Medical and Health Services

1. Basic First Aid and CPR
2. Caring for the Disabled
3. Health and Screening Services
4. HIV/AIDS Classes
5. Vaccinations/ Flu Shots
6. Weight Loss Club
7. Diabetes/ Heart Disease Courses
8. Babysitting Safety Courses

- Personal Development
  1. Counseling Services
  2. Credit Counseling
  3. English as a Second Language Courses
  4. Home Ownership Counseling
  5. Parenting Classes
  6. Anger Management Courses
  7. Family Counseling

- Transportation Services
  1. Grocery Store
  2. Library
  3. Medical Visits
  4. Cultural Events

Inappropriate activities include children's movie time, patio-decorating contests, gambling trips, resident parties, Easter Egg Hunts or other activities along these lines. Properties are welcome to offer these activities, but they will not count towards fulfilling the Resident Services obligation.