

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, April 13, 2007  
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**  
**April 13, 2007 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         |
| ◆ Executive Vice President's Report   | Katherine Closmann |
| ◆ Single Family Lending Report  | Paige McGilloway   |
| ◆ Multifamily Lending Report  | David Danenfelzer  |
| ◆ \$8 million in multifamily private activity bond volume cap now available/Submit Response to RFP by April 27, 2007. |                    |
| ◆ Marketing and Development Report  | Janie Taylor       |
| ◆ Legislative Report  |                    |
| ◆ Financial Report  | Melinda Smith      |
| ◆ Presentation of Financial Statements and Budget Report  |                    |

**ACTION ITEMS IN OPEN MEETING**

- |              |  |
|--------------|--|
| <b>Tab 1</b> | Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on March 9, 2007.  |
| <b>Tab 2</b> | Presentation, Discussion and Possible Approval of a Resolution to Amend the Alternative Lending Program (also known as the Single Family Affordable Homeownership Program for Texas) to Permit Access to such Program's funds by the Corporation's program known as the Single Family Interim Construction/Land Acquisition Loan Program.  |
| <b>Tab 3</b> | Presentation, Discussion and Possible Approval of a Resolution Regarding the Submission of a calendar year 2007 Application for Allocation of Private Activity Bonds, Notice of Intention to Issue Bonds and State Bond Application to the Texas Bond Review Board and Declaration of Expectation to Reimburse Expenditures with Proceeds of Future Debt for the Rainbow/Texas Portfolio Project and other matters incident and related thereto. |
| <b>Tab 4</b> | Presentation, Discussion and Possible Approval of the Texas State Affordable Housing Corporation Investment Policy.  |
| <b>Tab 5</b> | Presentation, Discussion and Possible Approval of the Texas State Affordable Housing Corporation's Investment Broker Listing.  |
| <b>Tab 6</b> | Presentation and Discussion of the Corporation's 2006 Annual Report.   |
| <b>Tab 7</b> | Presentation, Discussion, and Possible Approval to Confirm Laura Ross (previously Laura Smith) as Secretary 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 Ross, ADA Responsible Employee, at 512-477-3555, x 400 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that the appropriate arrangements can be made.*

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

# **President's Report**

Discussion

# **Executive Vice President's Report**

## Discussion

**Texas State Affordable Housing Corporation's  
Professional Educators Home Loan Program Series 2007A  
As of February 21, 2007 through April 3, 2007**

Month	# of Loans	% of Total Loans	Total Originated
Feb-07	23	16%	\$ 2,694,624
Mar-07	114	81%	\$ 14,214,930
Apr-07	4	3%	\$ 560,500
<b>Totals</b>	<b>141</b>	<b>100%</b>	<b>\$ 17,470,054</b>

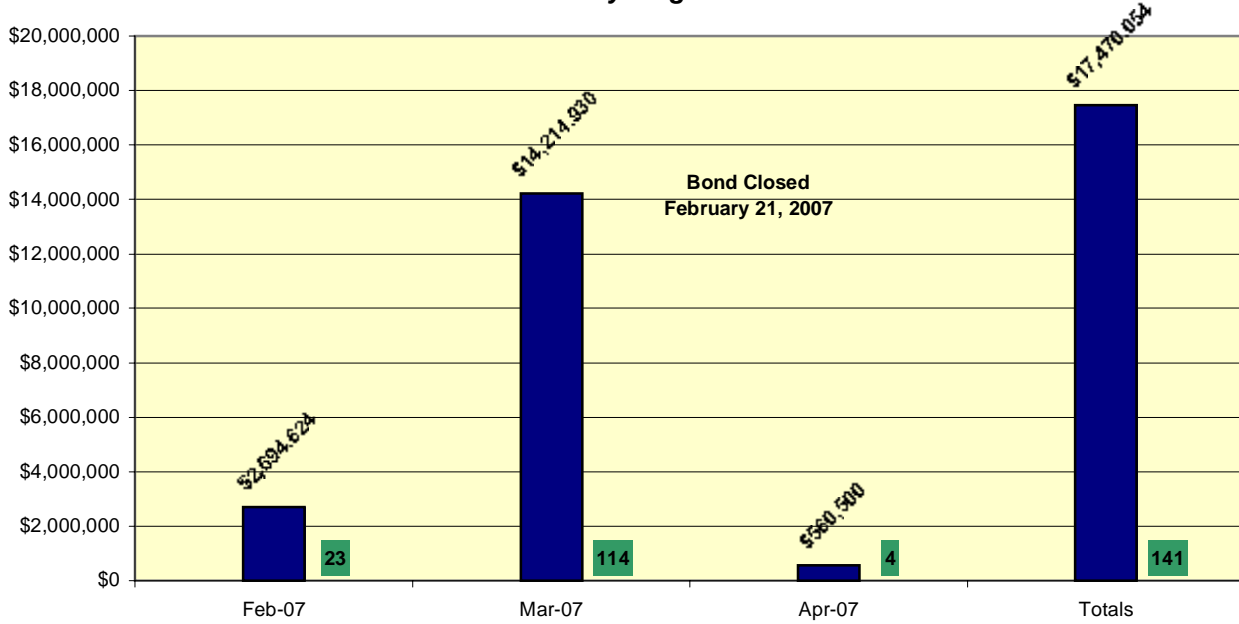
Lender	Originated	# of Loans	Total %
Cornerstone Mortgage Company	\$2,543,376.00	19	13%
Countrywide Home Loans, Inc.	\$2,191,486.00	20	14%
Universal American Mortgage Co	\$1,569,007.00	11	8%
Rocky Mountain Mortgage Co.	\$1,221,390.00	9	6%
Wells Fargo Home Mtg-	\$1,183,101.00	9	6%
Hammersmith Financial, L.P.	\$1,166,550.00	8	6%
Market Street Mortgage Corp.	\$1,111,722.00	8	6%
WR Starkey Mortgage	\$1,089,655.00	9	6%
Service First Mortgage	\$755,369.00	7	5%
Wachovia Mortgage Corporation	\$635,985.00	5	4%
DHI Mortgage Company, Ltd.	\$604,998.00	4	3%
CTX Mortgage Company, LLC	\$587,295.00	5	4%
Home Loan Corporation	\$509,710.00	4	3%
Valley Mortgage Co., Inc.	\$405,236.00	5	4%
First National Bank Texas	\$316,139.00	3	2%
Willow Bend Mortgage	\$258,400.00	2	1%
Colonial Savings, FA	\$235,188.00	2	1%
Countrywide - Wholesale	\$231,657.00	2	1%
PrimeLending	\$183,500.00	2	1%
Hometrust Mortgage Company	\$178,400.00	2	1%
R. H. Lending, Inc	\$133,000.00	1	1%
First Continental Mortgage Ltd	\$124,990.00	1	1%
New South Federal Savings Bank	\$119,000.00	1	1%
First Horizon Home Lns-Sunbelt	\$79,900.00	1	1%
American Bank - TX	\$35,000.00	1	1%
<b>Total Committed</b>	<b>\$17,470,054</b>	<b>141</b>	<b>100%</b>

**Total Allocation**      \$35,000,000  
**Remaining to Commit**    \$17,529,946

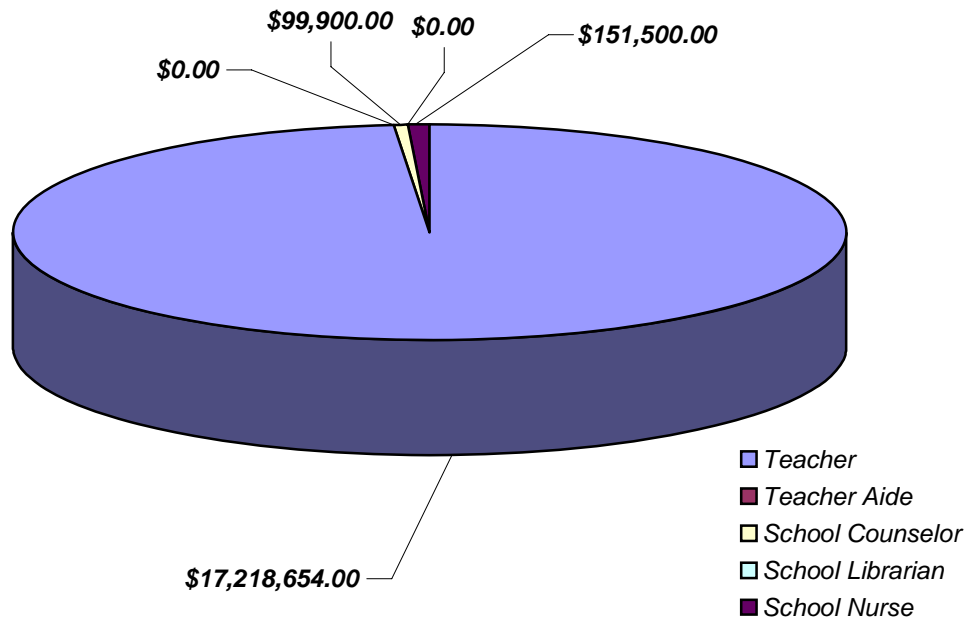
At a Glance	
Total Amount Originated	\$17,470,054
Average Annual Income	\$42,231
Average Purchase Price	\$127,148
Average Loan Amount	\$123,901
Average Household Size	2
New/Existing	
Existing	64%
New	36%
Professional Breakdown	
Teacher	98.58%
Teacher Aide	0.00%
School Counselor	0.71%
School Nurse	0.71%
School Librarian	0.00%
Type of Loan	
FHA	48%
Conventional	38%
VA	1.42%
USDA-RD	12.06%
Ethnicity	
American Indian/Alaskan Native	0.00%
Asian or Pacific Islander	0.71%
Black	14.18%
Hispanic	6.38%
White	65.25%
Other	13.48%
Not Defined	0.00%
Top Originating Counties	
	# of Loans
Harris	38
Dallas	16
Tarrant	13
El Paso	10
Bexar	7
Fort Bend	6
Travis	5
Williamson	4
Hidalgo	4
Kaufman	3
Collin	3
Brazoria	3
Tom Green	2
Montgomery	2
Lubbock	2
Hunt	2
Guadalupe	2
Galveston	2
Denton	2
Cameron	2
Bell	2

**Texas State Affordable Housing Corporation's  
Professional Educators Home Loan Program Series 2007A  
As of February 21, 2007 through April 3, 2007**

**Monthly Origination**



**Occupational Origination Amounts**



# **Texas State Affordable Housing Corporation**

Report on Multifamily Programs

March 9, 2007

## **Agenda Item:**

Multifamily Lending Report

## **Summary:**

Staff has focused its efforts over the past month on the Corporation's Private Activity Bond Program. A great deal of effort has been put into ironing out wrinkles in the Corporation's preliminary allocation of \$36 million in private activity bonds to Rainbow Housing Assistance Corporation. We have held several conference calls with the applicant, bond holders, bond counsel and financial advisors to ensure that this development can move forward as planned. Additional information about this development is included in the board book and will be discussed with the agenda item to consider an inducement resolution.

Unfortunately, the Corporation was informed by the NuRock Companies, that the preliminary award of bond cap of \$8 million was not sufficient to secure site control over any properties prior to the March 31<sup>st</sup>, 2007 deadline provided for in their award. These funds will be re-released and the initial deadline for applicants to bring proposals in response to the Request for Proposals to the staff is April 27, 2007 for consideration by the Board at the May board meeting. The Request for Proposals will remain open until all volume cap has been preliminarily awarded.

On other fronts, staff has begun reviewing the Corporation's 501(c)3 bond program guidelines and hopes to bring an update policy back to the Board in May or June. We have also been working with several nonprofit groups on multifamily developments that could utilize the Corporation's direct lending program. Finally, staff has also been working on the creation of an acquisition and interim construction loan program to utilize funds available to the Corporation through equity investments from banking partners.



# **Marketing and Development Report**

## Discussion

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

*(For the Six Months Ending February 28, 2007)*

<b>Revenues</b>	<b>FY 2007</b>		<b>% of Annual Budget</b>
	<b>Budget</b>	<b>Actual</b>	
Servicing Revenue, Net of Subservicer Fees	427,000	246,997	57.84%
Multifamily Revenue	329,000	193,388	58.78%
Federal Home Loan Bank Note Income	110,000	51,535	46.85%
Asset Oversight Revenue	650,000	265,089	40.78%
Investment Revenue	160,000	157,395	98.37%
Single Family	150,000	35,166	23.44%
<b>TOTAL REVENUES</b>	<b>1,826,000</b>	<b>949,570</b>	<b>52.00%</b>
<b>Expenditures</b>			
Salaries & Payroll Related Expenditures	1,014,000	481,541	47.49%
Professional Services - Legal, Audit & IT	210,000	87,969	41.89%
Office & Equipment Lease	134,000	65,200	48.66%
Travel & Meals	98,000	26,584	27.13%
Interest on FHLB/Wells Fargo CDC Notes	75,000	43,218	57.62%
Sponsorships & Grants	12,500	3,950	31.60%
Marketing	30,500	3,995	13.10%
Insurance	23,500	11,445	48.70%
Professional Dues & Training	21,000	4,891	23.29%
Communication	16,000	9,275	57.97%
Bank Fees & Charges	10,000	4,847	48.47%
Office Supplies	9,000	1,785	19.83%
Publications, Subscriptions, Office Maintenance	4,000	2,104	52.60%
Freight, Delivery & Postage	7,500	3,763	50.17%
Furniture, Equipment, & Software	10,000	9,967	99.67%
Printing	3,000	625	20.83%
Program and Loan Administration	7,000	706	10.09%
<b>TOTAL EXPENDITURES</b>	<b>1,685,000</b>	<b>761,865</b>	<b>45.21%</b>
<b>NET INCOME</b>	<b>141,000</b>	<b>187,705</b>	<b>133.12%</b>

j

k

**Target Percentage = 50%**

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

*(For the Six Months Ending February 28, 2007)*

**Explanation of Budget Variances:**

- j** Revenue projections for Investment Income have been revised to \$260,000 as budgeted revenue was too low. Investment revenue as a percentage of the revised estimate equals 60% compared to the target of 50%.
  
- k** The majority of the Corporation's fixed asset purchases were made during the first four months of FY 2007. The Corporation is not anticipating any significant additional purchases through year end.



## Quarterly Investment Report

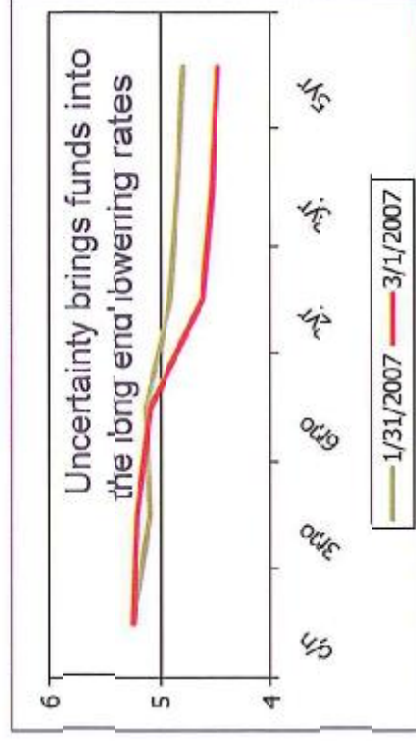
December 1, 2006 – February 28, 2007

PATTERSON & ASSOCIATES



INVESTMENT PROFESSIONALS

# A Look at the Markets

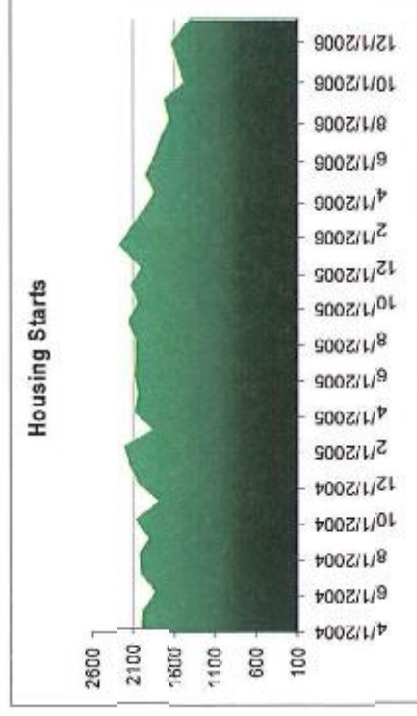


The past quarter has been a volatile one for all the markets as the uncertainty in the economy continues. Comments from Greenspan and a market adjustment and potential cap in China caused a major 3% swing in equities but since it was market induced and not fundamental the uncertainty continues.

Housing has certainly slowed from its hectic pace and has probably not played itself out. The housing markets across the country are soft as prices fall.

A substantial concern is the volume of sub-par loans which could represent a major threat to the liquidity which drives most economic activity.

Underlying stability remains with the consumer who continued to spend heavily in January. The spending hinges heavily on personal income which spiked with year-end bonuses. Government and SS increases raked up \$60bb in additional incomes.



# Your Portfolio

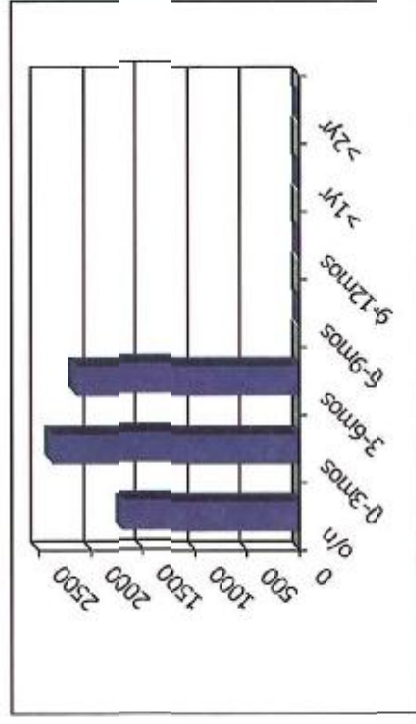
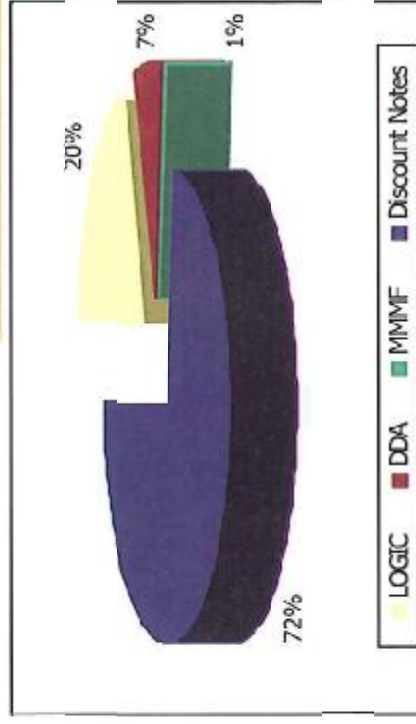
As of February 28, 2007



Every portfolio must be reviewed on the basis of asset allocation and maturity. This type of evaluation assures that the portfolio is diversified to guard against for market risks.

The Corporation's portfolio is extremely liquid because of the competitive rates in the local government pools. With the potential for falling rates coming at the time of incoming tax cuts, a cautious approach would be an extension in securities to lock in current rate levels and guard against the possibility of falling rates in 2007.

Indications in the first quarter will come primarily from employment expectations and Federal Reserve announcements as they project possible changes in their attitude on the rates.





*Texas State Affordable Housing Corporation*

Quarterly Investment Report

November 30, 2006 – February 28, 2007

**Portfolio Summary Management Report**

This quarterly report is in compliance with the investment policy and strategy as established by the Corporation and the Public Funds Investment Act (Chapter 2256, Texas Government Code).

<u>Portfolio as of November 30, 2006</u>		<u>Portfolio as of February 28, 2007</u>	
Beginning Book Value	\$ 6,332,041	Ending Book Value	\$ 6,213,433
Beginning Market Value	\$ 6,315,763	Ending Market Value	\$ 6,212,946
Unrealized Gain/Loss	\$ (16,278)	Investment Income for the period	\$ 24,160
		Unrealized Gain/Loss	\$ (487)
		<b>Change in Unrealized Gain/Loss</b>	<b>\$ 15,791</b>
WAM at Beginning Period Date <sup>1</sup>	73 days	WAM at Ending Period Date <sup>1</sup>	62 days
		Change in Market Value	\$ (102,817)

Average Yield to Maturity for period **4.951%**  
 Average Yield 3 month Treasury bill for period **5.080%**  
 Average Yield 6 month Treasury bill for period **5.126%**

Authorized by:

  
 Ms. Melinda Smith, CFO  
 Texas State Affordable Housing Corporation

  
 Ms. Linda Patterson, President  
 Patterson & Associates, Registered Investment Advisor

<sup>1</sup> WAM, represents weighted average maturity.



Patterson & Associates  
301 Congress Ave  
Suite 570  
Austin, TX, 78701

**Texas State Affordable Housing  
Portfolio Management  
Portfolio Summary  
February 28, 2007**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 365 Equiv.
Federal Agency Disc. -Amortizing	4,575,000.00	4,519,623.05	4,520,110.00	72.75	186	85	5.343
LOGIC	1,251,378.81	1,251,378.81	1,251,378.81	20.14	1	1	5.397
FHLB Dallas-Money Fund	32,272.64	32,272.64	32,272.64	0.52	1	1	5.192
Federated Money Market Fund	74,354.96	74,354.96	74,354.96	1.20	1	1	4.945
Bank of America-Checking Account	330,361.15	330,361.15	330,361.15	5.32	1	1	1.534
Wells Fargo Bank	4,955.00	4,955.00	4,955.00	0.08	1	1	0.000
<b>Investments</b>	<b>6,268,322.56</b>	<b>6,212,945.61</b>	<b>6,213,432.56</b>	<b>100.00%</b>	<b>135</b>	<b>62</b>	<b>5.123</b>

	February 28 Month Ending	Fiscal Year To Date
Total Earnings	24,160.25	154,762.82
Current Year	6,255,348.63	6,254,142.32
Average Daily Balance		
Effective Rate of Return	-5.03%	4.99%

The following reports are submitted in accordance with the Public Funds Investment Act (Texas Gov't Code 2256). The reports also offer supplemental information not required by the Act in order to fully inform the governing body of the Texas State Affordable Housing Corporation of the position and activity within the Corporation's portfolio of investments. The reports include a management summary overview, a detailed inventory report for the end of the period, a transaction report, as well as graphic representations of the portfolio to provide full disclosure to the governing body.

*Melinda Smith* 3/2007

Melinda Smith, Chief Financial Officer

Reporting period 02/01/2007-02/28/2007

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Report Ver: 5.00



**Texas State Affordable Housing  
 Summary by Type  
 February 28, 2007  
 Grouped by Fund**

Patterson & Associates  
 301 Congress Ave  
 Suite 570  
 Austin, TX 78701

Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average YTM 365	Average Days to Maturity
<b>Fund: Bunker Hill Debt</b>						
Bank of America-Checking Account	1	22,308.33	22,308.33	0.36	0.500	1
<b>Subtotal</b>	<b>1</b>	<b>22,308.33</b>	<b>22,308.33</b>	<b>0.36</b>	<b>0.500</b>	<b>1</b>
<b>Fund: Bunker Hill Operating</b>						
Bank of America-Checking Account	1	22,298.28	22,298.28	0.36	0.500	1
<b>Subtotal</b>	<b>1</b>	<b>22,298.28</b>	<b>22,298.28</b>	<b>0.36</b>	<b>0.500</b>	<b>1</b>
<b>Fund: Bunker Hill Senior</b>						
Bank of America-Checking Account	1	37,411.73	37,411.73	0.60	1.250	1
<b>Subtotal</b>	<b>1</b>	<b>37,411.73</b>	<b>37,411.73</b>	<b>0.60</b>	<b>1.250</b>	<b>1</b>
<b>Fund: Disbursement</b>						
Bank of America-Checking Account	1	555.74	555.74	0.01	1.573	1
<b>Subtotal</b>	<b>1</b>	<b>555.74</b>	<b>555.74</b>	<b>0.01</b>	<b>1.573</b>	<b>1</b>
<b>Fund: General Investments</b>						
Federated Money Market Fund	1	74,354.95	74,354.95	1.20	4.545	1
FHLB Dallas-Money Fund	1	32,272.54	32,272.54	0.52	5.192	1
Federal Agency Disc. -Amortizing	8	4,520,110.00	4,520,110.00	72.75	5.343	85
LOOFC	1	1,251,376.51	1,251,376.51	20.54	5.007	1
<b>Subtotal</b>	<b>11</b>	<b>5,933,006.41</b>	<b>5,878,116.41</b>	<b>94.61</b>	<b>5.329</b>	<b>66</b>
<b>Fund: Operating Fund</b>						
Bank of America-Checking Account	1	113,597.72	113,597.72	1.83	2.466	1
<b>Subtotal</b>	<b>1</b>	<b>113,597.72</b>	<b>113,597.72</b>	<b>1.83</b>	<b>2.466</b>	<b>1</b>
<b>Fund: Payment Clearing</b>						
Bank of America-Checking Account	1	15,809.26	15,809.26	0.25	1.765	1
<b>Subtotal</b>	<b>1</b>	<b>15,809.26</b>	<b>15,809.26</b>	<b>0.25</b>	<b>1.765</b>	<b>1</b>

Texas State Affordable Housing  
Summary by Type  
February 28, 2007  
Grouped by Fund

Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average YTM 365	Average Days to Maturity
<b>Fund: Sagebrush Apartments</b>						
Bank of America-Checking Account	1	39,513.94	39,513.94	0.64	1.250	1
<b>Subtotal</b>	<b>1</b>	<b>39,513.94</b>	<b>39,513.94</b>	<b>0.64</b>	<b>1.250</b>	<b>1</b>
<b>Fund: Sagebrush Apartments - Debt</b>						
Bank of America-Checking Account	1	38,217.09	38,217.09	0.62	0.900	1
<b>Subtotal</b>	<b>1</b>	<b>38,217.09</b>	<b>38,217.09</b>	<b>0.62</b>	<b>0.900</b>	<b>1</b>
<b>Fund: Sagebrush Apartments - Oper.</b>						
Bank of America-Checking Account	1	22,647.13	22,647.13	0.36	0.900	1
<b>Subtotal</b>	<b>1</b>	<b>22,647.13</b>	<b>22,647.13</b>	<b>0.36</b>	<b>0.900</b>	<b>1</b>
<b>Fund: T &amp; I</b>						
Bank of America-Checking Account	1	3,413.79	3,413.79	0.05	1.379	1
<b>Subtotal</b>	<b>1</b>	<b>3,413.79</b>	<b>3,413.79</b>	<b>0.05</b>	<b>1.379</b>	<b>1</b>
<b>Fund: TX Home Education</b>						
Bank of America-Checking Account	1	14,588.15	14,588.15	0.23	0.000	1
<b>Subtotal</b>	<b>1</b>	<b>14,588.15</b>	<b>14,588.15</b>	<b>0.23</b>	<b>0.000</b>	<b>1</b>
<b>Fund: Wells Fargo - CDC</b>						
Wells Fargo Bank	1	4,955.00	4,955.00	0.08	0.000	1
<b>Subtotal</b>	<b>1</b>	<b>4,955.00</b>	<b>4,955.00</b>	<b>0.08</b>	<b>0.000</b>	<b>1</b>
<b>Total and Average</b>	<b>23</b>	<b>6,268,322.56</b>	<b>6,213,432.56</b>	<b>100.00</b>	<b>5.123</b>	<b>62</b>



**Texas State Affordable Housing  
 Fund BHDEBT - Bunker Hill Debt  
 Investments by Fund  
 February 28, 2007**

Patterson & Associates  
 301 Congress Ave  
 Suite 570  
 Austin, TX, 78701

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 355	Maturity Date	Days To Maturity
Bank of America-Checking Account	0015	Bank of America	08/01/2006	22,308.33	22,308.33	22,308.33	0.900	0.887	0.900		1
998999991			Subtotal and Average	22,308.33	22,308.33	22,308.33		0.888	0.900		1
			Total Investments and Average	22,308.33	22,308.33	22,308.33		0.888	0.900		1

**Fund BHOPER - Bunker Hill Operating**  
**Investments by Fund**  
**February 28, 2007**

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 385	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
959999991	0010	Bank of America	05/01/2006	22,298.28	22,298.28	22,298.28	0.900	0.887	0.900		1
		Subtotal and Average		22,298.28	22,298.28	22,298.28		0.888	0.900		1
		Total Investments and Average		22,298.28	22,298.28	22,298.28		0.888	0.900		1

Fund BHSENIOR - Bunker Hill Senior  
Investments by Fund  
February 28, 2007

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	0009	Bank of America	05/01/2006	37,411.73	37,411.73	37,411.73	1.250	1.232	1.250		1
		Subtotal and Average		37,411.73	37,411.73	37,411.73		1.233	1.250		1
		Total Investments and Average		37,411.73	37,411.73	37,411.73		1.233	1.250		1

**Fund DISBURSE - Disbursement**  
**Investments by Fund**  
**February 28, 2007**

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 355	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	0007	Bank of America	05/01/2006	555.74	555.74	555.74	1.973	1.945	1.972		1
		Subtotal and Average		555.74	555.74	555.74		1.945	1.973		1
		Total Investments and Average		555.74	555.74	555.74		1.945	1.973		1

**Fund GENERAL - General Investments**  
**Investments by Fund**  
**February 28, 2007**

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 355	Maturity Date	Days To Maturity
<b>Federal Agency Disc.-Amortizing</b>											
313386HX4	0017	FHLMC DN	01/09/2007	294,497.75	300,000.00	264,480.01		5.284	5.357	07/09/2007	130
313386J54	0018	FHLMC DN	01/19/2007	549,141.99	580,000.00	549,135.99		5.299	5.372	07/16/2007	137
313396JJ3	9001	FHLMC DN	11/01/2006	539,336.88	550,000.00	559,000.00		5.165	5.237	07/20/2007	141
313396CR2	9739	FHLMC DN	08/24/2006	524,699.88	525,000.00	524,685.01	5.145	5.356	5.431	03/05/2007	4
313396DG5	9790	FHLMC DN	05/26/2006	498,670.00	500,000.00	498,649.96	5.090	5.236	5.311	03/20/2007	19
313588FC4	0016	FNMA DN	01/03/2007	267,594.98	270,000.00	267,570.02		5.249	5.322	05/03/2007	63
313588KD6	19	FNMA DN	02/08/2007	757,485.00	775,000.00	757,562.50		5.290	5.364	09/08/2007	160
313588EE1	9807	FNMA DN	10/10/2006	1,089,683.52	1,095,000.00	1,088,639.64		5.264	5.338	04/11/2007	41
<b>Subtotal and Average</b>				<b>4,520,110.00</b>	<b>4,575,000.00</b>	<b>4,519,623.05</b>		<b>5.270</b>	<b>5.343</b>		<b>84</b>
<b>LOGIC</b>											
989999996	9003	Logic	09/01/2006	1,251,378.81	1,251,378.81	1,251,378.81	5.307	5.234	5.307		1
<b>Subtotal and Average</b>				<b>1,251,378.81</b>	<b>1,251,378.81</b>	<b>1,251,378.81</b>		<b>5.234</b>	<b>5.307</b>		<b>1</b>
<b>FHLB Dallas-Money Fund</b>											
989999995	9002	FHLB Money Market Fund	09/01/2006	32,272.64	32,272.64	32,272.64	5.192	5.121	5.192		1
<b>Subtotal and Average</b>				<b>32,272.64</b>	<b>32,272.64</b>	<b>32,272.64</b>		<b>5.121</b>	<b>5.192</b>		<b>1</b>
<b>Federated Money Market Fund</b>											
609341807	8	Bank of America Money Market	09/01/2006	74,354.96	74,354.96	74,354.96	4.945	4.877	4.945		1
<b>Subtotal and Average</b>				<b>74,354.96</b>	<b>74,354.96</b>	<b>74,354.96</b>		<b>4.877</b>	<b>4.945</b>		<b>1</b>
<b>Total Investments and Average</b>				<b>5,878,116.41</b>	<b>5,933,006.41</b>	<b>5,877,629.46</b>		<b>5.256</b>	<b>5.329</b>		<b>65</b>

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Fund OPERATING - Operating Fund  
Investments by Fund  
February 28, 2007

Page 5

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	0001	Bank of America	08/01/2006	113,597.72	113,597.72	113,597.72	2.466	2.431	2.465		1
		Subtotal and Average		113,597.72	113,597.72	113,597.72		2.432	2.455		1
		Total Investments and Average		113,597.72	113,597.72	113,597.72		2.432	2.455		1



**Fund PCLEAR - Payment Clearing**  
**Investments by Fund**  
**February 28, 2007**

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
969999981	0006	Bank of America	09/01/2006	15,809.26	15,809.26	15,809.26	1.765	1.740	1.764		1
		<b>Subtotal and Average</b>		15,809.26	15,809.26	15,809.26		1.741	1.765		1
		<b>Total Investments and Average</b>		15,809.26	15,809.26	15,809.26		1.741	1.765		1

**Fund SBAPT - Sagebrush Apartments**  
**Investments by Fund**  
**February 28, 2007**

Page 8

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 350	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
939699991	0011	Bank of America	09/01/2006	39,513.94	39,513.94	39,513.94	1.250	1.232	1.250		1
			Subtotal and Average	39,513.94	39,513.94	39,513.94		1.233	1.250		1
			Total Investments and Average	39,513.94	39,513.94	39,513.94		1.233	1.250		1

**Fund SBDEBT - Sagebrush Apartments - Debt**  
**Investments by Fund**  
**February 28, 2007**

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Per Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
989999981	0013	Bank of America	09/01/2006	38,217.09	38,217.09	38,217.09	0.900	0.887	0.900		1
			<b>Subtotal and Average</b>	38,217.09	38,217.09	38,217.09		0.888	0.900		1
			<b>Total Investments and Average</b>	38,217.09	38,217.09	38,217.09		0.888	0.900		1

**Fund SBOPER - Sagebrush Apartments - Oper.**  
**Investments by Fund**  
**February 28, 2007**

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
989999991	C012	Bank of America	05/01/2006	22,647.13	22,647.13	22,647.13	0.900	0.887	0.900		1
			Subtotal and Average	22,647.13	22,647.13	22,647.13		0.886	0.900		1
			Total Investments and Average	22,647.13	22,647.13	22,647.13		0.888	0.900		1

**Fund TI - T & I**  
**Investments by Fund**  
**February 28, 2007**

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
999999991	0000	Bank of America	05/01/2006	3,413.78	3,413.78	3,413.78	1.979	1.952	1.979		1
			Subtotal and Average	3,413.78	3,413.78	3,413.78		1.952	1.979		1
			Total Investments and Average	3,413.78	3,413.78	3,413.78		1.952	1.979		1

**Fund TXHOME - TX Home Education**  
**Investments by Fund**  
**February 28, 2007**

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	0002	Bank of America	05/01/2006	14,588.15	14,588.15	14,588.15					1
		Subtotal and Average		14,588.15	14,588.15	14,588.15		0.000	0.000		1
		Total Investments and Average		14,588.15	14,588.15	14,588.15		0.000	0.000		1

**Fund WELLS - Wells Fargo - CDC**  
**Investments by Fund**  
**February 28, 2007**

Page 13

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Wells Fargo Bank</b>											
969999994	0014	Wells Fargo Bank	09/01/2006	4,955.00	4,955.00	4,555.00					1
		Subtotal and Average		4,955.00	4,955.00	4,555.00		0.000	0.000		1
		Total Investments and Average		4,955.00	4,955.00	4,555.00		0.000	0.000		1

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**Texas State Affordable Housing  
Cash Reconciliation Report**  
For the Period December 1, 2006 - February 28, 2007  
Grouped by Fund

Trans. Date	Investment #	Fund	Trans. Type	Security ID	Par Value	Security Description	Maturity Date	Purchases	Interest	Redemptions	Cash
<b>General Investments</b>											
12/29/2006	9557	GENERAL	Maturity	313397U90	255,000.00	FMCDN 0.3M 5.03% Mat.	12/29/2006	0.00	0.00	265,000.00	265,000.00
01/03/2007	0018	GENERAL	Purchase	313568FC4	270,000.00	FNDN 0.3M 0.00% Mat. 05/03/2007	05/03/2007	-265,419.00	0.00	0.00	-265,419.00
01/09/2007	9728	GENERAL	Maturity	313396AJ2	285,000.00	FMCDN 0.3M 5.30% Mat.	01/09/2007	0.00	0.00	285,000.00	285,000.00
01/09/2007	0017	GENERAL	Purchase	313396HX4	300,000.00	FMCDN 0.3M 0.00% Mat.	07/09/2007	-292,339.18	0.00	0.00	-292,339.18
01/19/2007	9711	GENERAL	Maturity	313396AJ7	544,000.00	FMCDN 0.5M 5.32% Mat.	01/19/2007	0.00	0.00	544,000.00	544,000.00
01/19/2007	0018	GENERAL	Purchase	313396JE4	550,000.00	FMCDN 0.6M 0.00% Mat.	07/16/2007	-545,892.51	0.00	0.00	-545,892.51
02/06/2007	9736	GENERAL	Maturity	313396BN2	753,000.00	FMCDN 0.8M 5.33% Mat.	02/06/2007	0.00	0.00	753,000.00	753,000.00
02/08/2007	19	GENERAL	Purchase	313568KDG	775,000.00	FNDN 0.8M 0.00% Mat. 08/08/2007	08/08/2007	-755,186.16	0.00	0.00	-755,186.16
<b>Subtotal</b>								<b>-1,858,836.85</b>	<b>0.00</b>	<b>1,847,000.00</b>	<b>-11,836.85</b>
<b>Total</b>								<b>-1,858,836.85</b>	<b>0.00</b>	<b>1,847,000.00</b>	<b>-11,836.85</b>





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**Texas State Affordable Housing  
Purchases Report  
Sorted by Fund - Fund  
December 1, 2006 - February 28, 2007**

CUSIP	Investment #	Fund	Sec. Type	Issuer	Original Par Value	Purchase Date	Payment Periods	Principal Purchased	Accrued Interest at Purchase	Rate at Purchase	Maturity Date	YTM	Ending Book Value
<b>General Investments</b>													
313589FC4	0016	GENERAL	AFD	FNDN	270,000.00	01/03/2007	05/03 - At Maturity	255,419.00			05/03/2007	5.250	257,594.98
313395HX4	0017	GENERAL	AFD	FMCDM	300,000.00	01/09/2007	07/09 - At Maturity	282,339.18			07/09/2007	5.284	294,457.75
313395JE4	0013	GENERAL	AFD	FMCDM	566,000.00	01/19/2007	07/16 - At Maturity	545,852.51			07/16/2007	5.299	549,141.99
313589KD5	19	GENERAL	AFD	FNDN	775,000.00	02/08/2007	08/08 - At Maturity	755,195.15			08/08/2007	5.291	757,485.00
				<b>Subtotal</b>	<b>1,905,000.00</b>			<b>1,859,836.85</b>	<b>0.00</b>				<b>1,868,719.72</b>
				<b>Total Purchases</b>	<b>1,905,000.00</b>			<b>1,859,836.85</b>	<b>0.00</b>				<b>1,868,719.72</b>



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## Texas State Affordable Housing

### Maturity Report

Sorted by Maturity Date

Amounts due during December 1, 2006 - February 28, 2007

CUSIP	Investment #	Fund	Sec. Type	Issuer	Par Value	Maturity Date	Purchase Date	Rate at Maturity	Book Value at Maturity	Interest	Maturity Proceeds	Net Income
313397U90	9507	GENERAL	AFD	FMCDN	265,000.00	12/29/2006	05/24/2006	5.033	265,000.00	0.00	265,000.00	0.00
313398A12	9728	GENERAL	AFD	FMCDN	265,000.00	01/09/2007	07/13/2006	5.300	265,000.00	0.00	265,000.00	0.00
313395AU7	9711	GENERAL	AFD	FMCDN	544,000.00	01/19/2007	05/28/2006	5.320	544,000.00	0.00	544,000.00	0.00
313396SN2	9738	GENERAL	AFD	FMCDN	753,000.00	02/06/2007	07/11/2006	5.325	753,000.00	0.00	753,000.00	0.00
Total Maturities					1,847,000.00				1,847,000.00	0.00	1,847,000.00	0.00



**Texas State Affordable Housing  
Interest Earnings**  
**Sorted by Fund - Fund**  
**December 1, 2006 - February 28, 2007**  
**Yield on Average Book Value**

CUSIP	Investment #	Fund	Issuer	Ending Par Value	Beginning Book Value	Average Book Value	Maturity Date	Current Annualized Rate	Yield	Adjusted Interest Earnings			
										Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings	
Fund: Bunker Hill Debt													
969999981	0015	BHDEBT	BOA	22,308.33	22,258.90	22,276.28		0.900	0.900	49.43	0.00	49.43	
		Subtotal		22,308.33	22,258.90	22,276.28			0.900	49.43	0.00	49.43	
Fund: Bunker Hill Operating													
969999981	0010	BHOPER	BOA	22,298.28	22,248.87	22,266.24		0.900	0.900	49.41	0.00	49.41	
		Subtotal		22,298.28	22,248.87	22,266.24			0.900	49.41	0.00	49.41	
Fund: Bunker Hill Senior													
969999981	0009	BHSENIOR	BOA	37,411.73	35,099.69	36,344.85		1.250	1.250	112.05	0.00	112.05	
		Subtotal		37,411.73	35,099.69	36,344.85			1.250	112.05	0.00	112.05	
Fund: Disbursement													
969999981	0007	DISBURSE	BOA	555.74	507.41	559.73		1.973	1.572	2.77	0.00	2.77	
		Subtotal		555.74	507.41	559.73			1.972	2.77	0.00	2.77	
Fund: General Investments													
313397U90	9597	GENERAL	FMCN	285,000.00	263,962.64	82,288.84	12/29/2005	5.033	5.113	0.00	1,037.36	1,037.36	
313398A42	9728	GENERAL	FMCN	285,000.00	283,363.63	123,154.54	01/09/2007	5.300	5.399	0.00	1,636.37	1,636.37	
313395AU7	9711	GENERAL	FMCN	544,000.00	540,060.84	295,127.33	01/19/2007	5.320	5.413	0.00	3,839.16	3,839.16	
313398E2	9736	GENERAL	FMCN	753,000.00	745,537.46	557,830.40	02/06/2007	5.325	5.425	0.00	7,462.54	7,462.54	
313395CR2	9739	GENERAL	FMCN	525,000.00	517,947.06	521,360.99	03/05/2007	5.145	5.253	0.00	6,752.82	6,752.82	
313395DG5	9760	GENERAL	FMCN	500,000.00	492,370.00	495,555.00	03/20/2007	5.040	5.166	0.00	6,300.00	6,300.00	
313398EE1	9807	GENERAL	FNDN	1,095,000.00	1,074,818.09	1,081,827.84	04/11/2007		5.198	0.00	13,865.43	13,865.43	
313395J43	9901	GENERAL	FMCN	560,000.00	532,630.63	535,971.57	07/20/2007		5.150	0.00	6,806.25	6,806.25	
969999955	9902	GENERAL	FILEMM	32,272.64	51,740.04	33,003.13		5.192	5.192	498.10	0.00	498.10	
969999956	9905	GENERAL	LOGIC	1,251,378.81	1,235,231.39	1,240,895.30		5.307	5.277	18,147.42	0.00	18,147.42	
00934\807	8	GENERAL	BOAMM	74,354.96	147,531.21	141,477.84		4.945	5.228	1,823.75	0.00	1,823.75	
313398FC4	C016	GENERAL	FNDN	270,000.00	0.00	168,799.85	05/03/2007		5.228	0.00	2,175.98	2,175.98	
313398HX4	C017	GENERAL	FMCN	300,000.00	0.00	166,282.46	07/09/2007		5.265	0.00	2,158.57	2,158.57	

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**Texas State Affordable Housing  
Interest Earnings  
December 1, 2005 - February 28, 2007**

CUSIP	Investment #	Fund	Issuer	Ending Par Value	Beginning Book Value	Average Book Value	Maturity Date	Current Annualized Yield	Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings
<b>Fund: General Investments</b>											
31339JJE4	0018	GENERAL	FINCDN	560,000.00	0.00	249,442.58	07/16/2007	5.283	0.00	3,249.46	3,249.46
31338KDE6	19	GENERAL	FNDN	775,000.00	0.00	176,491.07	08/08/2007	5.262	0.00	2,298.84	2,298.84
			<b>Subtotal</b>	<b>7,790,006.41</b>	<b>5,885,092.99</b>	<b>5,875,414.73</b>		<b>5.266</b>	<b>18,469.27</b>	<b>57,682.80</b>	<b>76,152.07</b>
<b>Fund: Operating Fund</b>											
999999991	0001	OPERATIN	BOA	115,597.72	230,337.72	311,661.89		2.466	1,915	1,475.09	1,475.09
			<b>Subtotal</b>	<b>115,597.72</b>	<b>230,337.72</b>	<b>311,661.89</b>		<b>1.915</b>	<b>1,475.09</b>	<b>0.00</b>	<b>1,475.09</b>
<b>Fund: Payment Clearing</b>											
999999991	0006	PCLEAR	BOA	15,809.26	15,440.88	15,359.87		1.765	1,916	68.77	68.77
			<b>Subtotal</b>	<b>15,809.26</b>	<b>15,440.88</b>	<b>15,359.87</b>		<b>1.816</b>	<b>68.77</b>	<b>0.00</b>	<b>68.77</b>
<b>Fund: Sagebrush Apartments</b>											
999999991	0011	SSAPT	BOA	39,513.94	42,194.15	38,232.17		1.250	1,261	118.83	118.83
			<b>Subtotal</b>	<b>39,513.94</b>	<b>42,194.15</b>	<b>38,232.17</b>		<b>1.261</b>	<b>118.83</b>	<b>0.00</b>	<b>118.83</b>
<b>Fund: Sagebrush Apartments - Debt</b>											
999999991	0013	SSDEBT	BOA	36,217.09	38,132.40	38,162.17		0.900	0.900	84.69	84.69
			<b>Subtotal</b>	<b>36,217.09</b>	<b>38,132.40</b>	<b>38,162.17</b>		<b>0.900</b>	<b>84.69</b>	<b>0.00</b>	<b>84.69</b>
<b>Fund: Sagebrush Apartments - Oper.</b>											
999999991	0012	SSOPER	BOA	22,647.13	22,596.94	22,614.58		0.900	0.900	50.19	50.19
			<b>Subtotal</b>	<b>22,647.13</b>	<b>22,596.94</b>	<b>22,614.58</b>		<b>0.900</b>	<b>50.19</b>	<b>0.00</b>	<b>50.19</b>
<b>Fund: T &amp; I</b>											
999999991	0008	TI	BOA	3,413.76	3,480.73	3,445.20		1.979	1,979	16.81	16.81
			<b>Subtotal</b>	<b>3,413.76</b>	<b>3,480.73</b>	<b>3,445.20</b>		<b>1.979</b>	<b>16.81</b>	<b>0.00</b>	<b>16.81</b>
			<b>Total</b>	<b>8,095,779.41</b>	<b>6,317,490.68</b>	<b>6,385,347.71</b>		<b>4.965</b>	<b>20,497.31</b>	<b>57,682.80</b>	<b>78,180.11</b>



**Texas State Affordable Housing  
Amortization Schedule  
December 1, 2006 - February 28, 2007  
Sorted By Fund - Fund**

Patterson & Associates  
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Suite 570  
Austin, TX, 78701

Investment # Issuer	Fund	Maturity Date Amort. Date	Beginning Par Value Current Rate	Purchase Principal	Original Premium or Discount	Ending Book Value	Amounts Amortized And Unamortized As of 12/01/2005	Amount Amortized This Period	Amort Amortized Through 02/28/2007	Amount Unamortized Through 02/28/2007
<b>General Investments</b>										
0017 FHLIC DN	GENERAL	07/08/2007	300,000.00	292,339.18	-7,660.82	294,497.75	0.00	2,158.57	2,158.57	-5,502.25
0018 FHLIC DN	GENERAL	07/16/2007	560,000.00	545,892.51	-14,107.49	549,141.99	-7,660.82	3,249.48	3,249.48	-10,858.01
9001 FHLIC DN	GENERAL	07/20/2007	550,000.00	530,261.88	-19,738.12	539,338.88	0.00	6,806.25	9,075.00	-10,663.12
9597 FHLIC DN	GENERAL	12/29/2008	285,000.00	258,889.38	-8,113.62	0.00	2,268.75	1,037.36	8,113.62	0.00
9711 FHLIC DN	GENERAL	01/19/2007	544,000.00	527,519.82	-16,480.18	0.00	-17,469.37	3,939.16	16,480.18	0.00
9728 FHLIC DN	GENERAL	01/09/2007	285,000.00	277,447.50	-7,552.50	0.00	1,037.36	1,635.37	7,552.50	0.00
9736 FHLIC DN	GENERAL	02/08/2007	753,000.00	729,609.94	-23,390.06	0.00	15,927.32	7,462.94	23,390.06	0.00
9739 FHLIC DN	GENERAL	03/05/2007	525,000.00	510,518.97	-14,481.03	524,999.88	-7,462.94	6,752.62	6,752.62	-300.12
9790 FHLIC DN	GENERAL	03/20/2007	500,000.00	487,750.00	-12,250.00	499,070.00	7,425.09	6,300.00	10,920.00	-1,330.00
0016 FNMA DN	GENERAL	05/03/2007	270,000.00	265,419.00	-4,581.00	267,594.98	-7,630.00	2,175.98	2,175.98	-2,405.02
15 FNMA DN	GENERAL	09/03/2007	775,000.00	755,186.16	-19,813.84	757,435.00	0.00	2,298.84	2,298.84	-17,515.00
9807 FNMA DN	GENERAL	04/11/2007	1,065,000.00	1,063,039.43	-26,960.57	1,089,833.52	-19,813.84	13,865.43	20,844.09	-6,316.48
<b>Subtotal</b>				<b>6,246,870.77</b>	<b>-175,129.23</b>	<b>4,520,110.00</b>	<b>62,555.43</b>	<b>57,682.80</b>	<b>120,239.23</b>	<b>-54,890.00</b>
<b>Total</b>				<b>6,246,870.77</b>	<b>-175,129.23</b>	<b>4,520,110.00</b>	<b>62,555.43</b>	<b>57,682.80</b>	<b>120,239.23</b>	<b>-54,890.00</b>

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**Texas State Affordable Housing  
Projected Cashflow Report**  
Sorted by Monthly  
For the Period March 1, 2007 - September 30, 2007

Projected Trans. Date	Investment #	Fund	Secure ID	Transaction Type	Issuer	Par Value	Original Cost	Principal	Interest	Total
<b>March 2007</b>										
03/05/2007	20	GENERAL	313384CH2	Maturity	FHLMC DN	531,000.00	524,315.30	-524,315.30	0.00	-524,315.30
03/05/2007	5739	GENERAL	313396CR2	Maturity	FHLMC DN	525,000.00	510,518.97	525,000.00	0.00	525,000.00
03/05/2007	5790	GENERAL	313396DQ5	Maturity	FHLMC DN	500,000.00	487,750.00	500,000.00	0.00	500,000.00
					<b>Total for March 2007</b>	<b>1,556,000.00</b>	<b>1,522,584.27</b>	<b>500,684.70</b>	<b>0.00</b>	<b>500,684.70</b>
<b>April 2007</b>										
04/11/2007	5807	GENERAL	313588EE1	Maturity	FNMA DN	1,095,000.00	1,068,039.43	1,095,000.00	0.00	1,095,000.00
					<b>Total for April 2007</b>	<b>1,095,000.00</b>	<b>1,068,039.43</b>	<b>1,095,000.00</b>	<b>0.00</b>	<b>1,095,000.00</b>
<b>May 2007</b>										
05/03/2007	0016	GENERAL	313588FC4	Maturity	FNMA DN	270,000.00	265,419.00	270,000.00	0.00	270,000.00
					<b>Total for May 2007</b>	<b>270,000.00</b>	<b>265,419.00</b>	<b>270,000.00</b>	<b>0.00</b>	<b>270,000.00</b>
<b>June 2007</b>										
06/01/2007	20	GENERAL	313384CH5	Maturity	FHLMC DN	531,000.00	524,315.30	531,000.00	0.00	531,000.00
					<b>Total for June 2007</b>	<b>531,000.00</b>	<b>524,315.30</b>	<b>531,000.00</b>	<b>0.00</b>	<b>531,000.00</b>
<b>July 2007</b>										
07/09/2007	0017	GENERAL	313396HX4	Maturity	FHLMC DN	300,000.00	292,339.18	300,000.00	0.00	300,000.00
07/16/2007	0018	GENERAL	313396JE4	Maturity	FHLMC DN	560,000.00	545,892.51	560,000.00	0.00	560,000.00
07/20/2007	9001	GENERAL	313396JJ3	Maturity	FHLMC DN	550,000.00	530,261.88	550,000.00	0.00	550,000.00
					<b>Total for July 2007</b>	<b>1,410,000.00</b>	<b>1,368,493.57</b>	<b>1,410,000.00</b>	<b>0.00</b>	<b>1,410,000.00</b>
<b>August 2007</b>										
08/08/2007	19	GENERAL	313588KD6	Maturity	FNMA DN	775,000.00	755,185.16	775,000.00	0.00	775,000.00
					<b>Total for August 2007</b>	<b>775,000.00</b>	<b>755,185.16</b>	<b>775,000.00</b>	<b>0.00</b>	<b>775,000.00</b>
					<b>GRAND TOTALS:</b>	<b>5,637,000.00</b>	<b>5,504,037.73</b>	<b>4,581,684.70</b>	<b>0.00</b>	<b>4,581,684.70</b>



## Monthly Investment Report

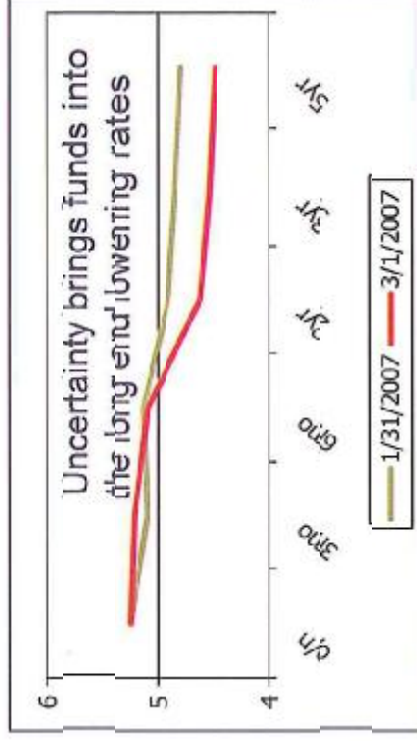
February 28, 2007

PATTERSON & ASSOCIATES



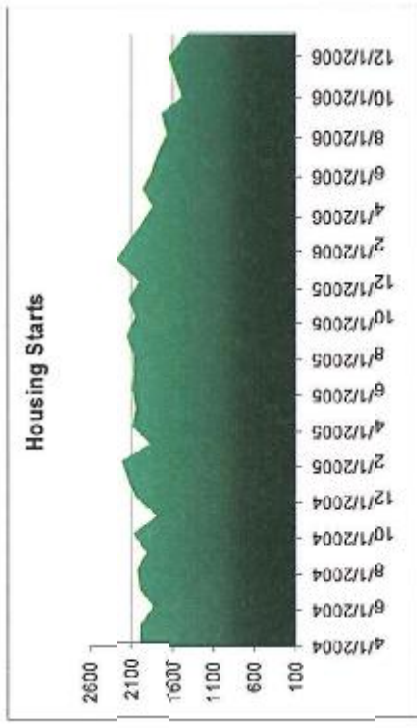
INVESTMENT PROFESSIONALS

# A Look at the Markets



The past quarter has been a volatile one for all the markets as the uncertainty in the economy continues. Comments from Greenspan and a market adjustment and potential cap in China caused a major 3% swing in equities but since it was market induced and not fundamental the uncertainty continues.

Housing has certainly slowed from its hectic pace and has probably not played itself out. The housing markets across the country are soft as prices fall.



A substantial concern is the volume of sub-par loans which could represent a major threat to the liquidity which drives most economic activity.

Underlying stability remains with the consumer who continued to spend heavily in January. The spending hinges heavily on personal income which spiked with year-end bonuses. Government and SS increases raked up \$60bb in additional incomes.



# Your Portfolio

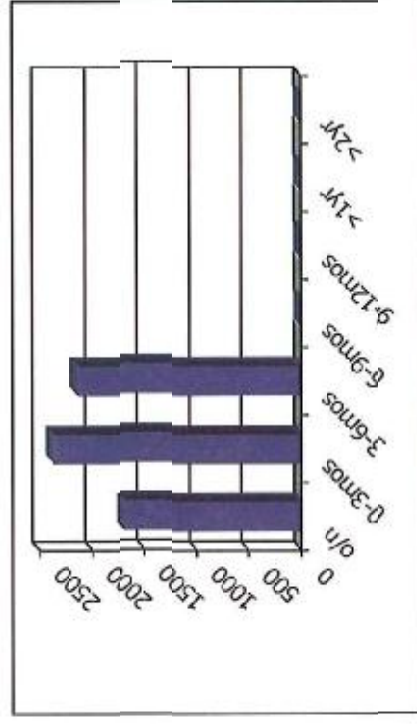
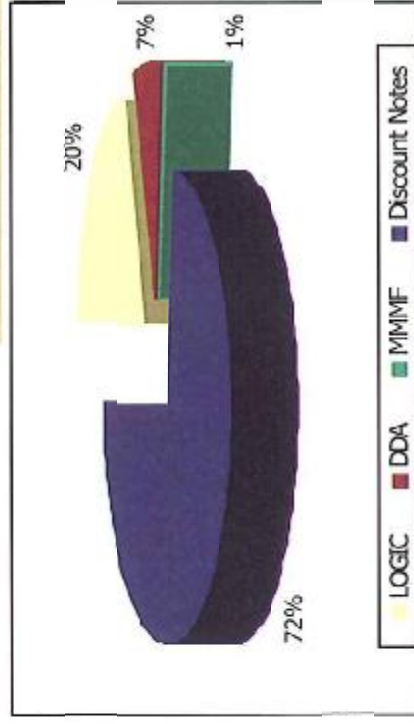
As of February 28, 2007



Every portfolio must be reviewed on the basis of asset allocation and maturity. This type of evaluation assures that the portfolio is diversified to guard against for market risks.

The Corporation's portfolio is extremely liquid because of the competitive rates in the local government pools. With the potential for falling rates coming at the time of incoming tax dollars a cautious approach would be an extension in securities to lock in current rate levels and guard against the possibility of falling rates in 2007.

Indications in the first quarter will come primarily from employment expectations and Federal Reserve announcements as they project possible changes in their attitude on the rates.





Patterson & Associates  
301 Congress Ave  
Suite 570  
Austin, TX 78701

**Texas State Affordable Housing  
Portfolio Management  
Portfolio Summary  
February 28, 2007**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 365 Equiv.
Federal Agency Disc. -Amortizing	4,575,000.00	4,519,623.05	4,520,110.00	72.75	186	85	5.343
LOGIC	1,251,375.61	1,251,375.81	1,251,373.31	20.14	1	1	5.357
FHLB Dallas-Money Fund	32,272.64	32,272.64	32,272.64	0.52	1	1	5.192
Federated Money Market Fund	74,354.96	74,354.96	74,354.96	1.20	1	1	4.393
Bank of America-Checking Account	330,361.15	330,361.15	330,361.15	5.32	1	1	1.534
Wells Fargo Bank	4,955.00	4,955.00	4,955.00	0.08	1	1	0.000
<b>Investments</b>	<b>6,268,322.56</b>	<b>6,212,945.61</b>	<b>6,213,432.56</b>	<b>100.00%</b>	<b>135</b>	<b>62</b>	<b>5.123</b>

	February 28 Month Ending	Fiscal Year To Date
Total Earnings		
Current Year	24,160.25	154,762.82
Average Daily Balance	6,255,343.63	6,254,142.32
Effective Rate of Return	5.03%	4.95%

The following reports are submitted in accordance with the Public Funds Investment Act (Texas Govt Code 2256). The reports also offer supplemental information not required by the Act in order to fully inform the governing body of the Texas State Affordable Housing Corporation of the position and activity within the Corporation's portfolio of investments. The reports include a management summary overview, a detailed inventory report for the end of the period, a transaction report, as well as graphic representations of the portfolio to provide full disclosure to the governing body.

*Melinda Smith* 3/2007  
Melinda Smith, Chief Financial Officer

Reporting period 02/01/2007-02/28/2007

Run Date: 03/28/2007 - 03:41

Portfolio TSAH  
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Report Ver. 5.00



**Texas State Affordable Housing  
Summary by Type  
February 28, 2007  
Grouped by Fund**

Patterson & Associates  
301 Congress Ave  
Suite 570  
Austin, TX 78701

Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average YTM 365	Average Days to Maturity
<b>Fund: Bunker Hill Debt</b>						
Bank of America-Checking Account	1	22,308.33	22,308.33	0.36	0.900	1
<b>Subtotal</b>	<b>1</b>	<b>22,308.33</b>	<b>22,308.33</b>	<b>0.36</b>	<b>0.900</b>	<b>1</b>
<b>Fund: Bunker Hill Operating</b>						
Bank of America-Checking Account	1	22,298.28	22,298.28	0.36	0.900	1
<b>Subtotal</b>	<b>1</b>	<b>22,298.28</b>	<b>22,298.28</b>	<b>0.36</b>	<b>0.900</b>	<b>1</b>
<b>Fund: Bunker Hill Senior</b>						
Bank of America-Checking Account	1	37,411.73	37,411.73	0.60	1.250	1
<b>Subtotal</b>	<b>1</b>	<b>37,411.73</b>	<b>37,411.73</b>	<b>0.60</b>	<b>1.250</b>	<b>1</b>
<b>Fund: Disbursement</b>						
Bank of America-Checking Account	1	555.74	555.74	0.01	1.973	1
<b>Subtotal</b>	<b>1</b>	<b>555.74</b>	<b>555.74</b>	<b>0.01</b>	<b>1.973</b>	<b>1</b>
<b>Fund: General Investments</b>						
Federated Money Market Fund	1	74,354.96	74,354.96	1.20	4.945	1
FHLB Dallas-Money Fund	1	32,272.84	32,272.84	0.52	5.192	1
Federal Agency Disc.-Amortizing	8	4,520,110.00	4,520,110.00	72.75	5.343	85
LOCUC	1	1,251,378.81	1,251,378.81	20.14	5.307	1
<b>Subtotal</b>	<b>11</b>	<b>5,533,006.41</b>	<b>5,578,116.41</b>	<b>94.61</b>	<b>5.329</b>	<b>66</b>
<b>Fund: Operating Fund</b>						
Bank of America-Checking Account	1	113,597.72	113,597.72	1.83	2.466	1
<b>Subtotal</b>	<b>1</b>	<b>113,597.72</b>	<b>113,597.72</b>	<b>1.83</b>	<b>2.466</b>	<b>1</b>
<b>Fund: Payment Clearing</b>						
Bank of America-Checking Account	1	15,809.26	15,809.26	0.25	1.765	1
<b>Subtotal</b>	<b>1</b>	<b>15,809.26</b>	<b>15,809.26</b>	<b>0.25</b>	<b>1.765</b>	<b>1</b>

Texas State Affordable Housing  
Summary by Type  
February 28, 2007  
Grouped by Fund

Page 2

Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average Yield	Average Days to Maturity
<b>Fund: Sagebrush Apartments</b>						
Bank of America-Checking Account	1	39,513.94	39,513.94	0.64	1.250	1
<b>Subtotal</b>	<b>1</b>	<b>39,513.94</b>	<b>39,513.94</b>	<b>0.64</b>	<b>1.250</b>	<b>1</b>
<b>Fund: Sagebrush Apartments - Debt</b>						
Bank of America-Checking Account	1	38,217.09	38,217.09	0.62	0.900	1
<b>Subtotal</b>	<b>1</b>	<b>38,217.09</b>	<b>38,217.09</b>	<b>0.62</b>	<b>0.900</b>	<b>1</b>
<b>Fund: Sagebrush Apartments - Oper.</b>						
Bank of America-Checking Account	1	22,647.13	22,647.13	0.36	0.900	1
<b>Subtotal</b>	<b>1</b>	<b>22,647.13</b>	<b>22,647.13</b>	<b>0.36</b>	<b>0.900</b>	<b>1</b>
<b>Fund: T &amp; I</b>						
Bank of America-Checking Account	1	3,413.78	3,413.78	0.05	1.979	1
<b>Subtotal</b>	<b>1</b>	<b>3,413.78</b>	<b>3,413.78</b>	<b>0.05</b>	<b>1.979</b>	<b>1</b>
<b>Fund: TX Home Education</b>						
Bank of America-Checking Account	1	14,568.15	14,568.15	0.23	0.000	1
<b>Subtotal</b>	<b>1</b>	<b>14,568.15</b>	<b>14,568.15</b>	<b>0.23</b>	<b>0.000</b>	<b>1</b>
<b>Fund: Wells Fargo - CDC</b>						
Wells Fargo Bank	1	4,955.00	4,955.00	0.08	0.000	1
<b>Subtotal</b>	<b>1</b>	<b>4,955.00</b>	<b>4,955.00</b>	<b>0.08</b>	<b>0.000</b>	<b>1</b>
<b>Total and Average</b>	<b>23</b>	<b>6,268,322.56</b>	<b>6,213,432.56</b>	<b>100.00</b>	<b>5.123</b>	<b>62</b>

**Texas State Affordable Housing  
Fund BHDEBT - Bunker Hill Debt  
Investments by Fund  
February 28, 2007**

Patterson & Associates  
301 Congress Ave  
Suite 570  
Austin, TX 78701

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account		Bank of America									
999999991	0015		09/01/2006	22,308.33	22,308.33	22,308.33	0.900	0.887	0.900		1
			Subtotal and Average	22,308.33	22,308.33	22,308.33		0.888	0.900		1
			Total Investments and Average	22,308.33	22,308.33	22,308.33		0.888	0.900		1



**Fund BHOPER - Bunker Hill Operating**  
**Investments by Fund**  
**February 28, 2007**

Page 2

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
999999991	0015	Bank of America	09/01/2006	22,298.28	22,298.28	22,298.28	0.900	0.837	0.900		1
		<b>Subtotal and Average</b>		22,298.28	22,298.28	22,298.28		0.838	0.900		1
		<b>Total Investments and Average</b>		22,298.28	22,298.28	22,298.28		0.838	0.900		1

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**Fund BHSENIOR - Bunker Hill Senior  
Investments by Fund  
February 28, 2007**

Page 3

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
999999991	0003	Bank of America	09/01/2006	37,411.73	37,411.73	37,411.73	1.250	1.232	1.250		1
		<b>Subtotal and Average</b>		<b>37,411.73</b>	<b>37,411.73</b>	<b>37,411.73</b>		<b>1.233</b>	<b>1.250</b>		<b>1</b>
		<b>Total Investments and Average</b>		<b>37,411.73</b>	<b>37,411.73</b>	<b>37,411.73</b>		<b>1.233</b>	<b>1.250</b>		<b>1</b>

**Fund DISBURSE - Disbursement**  
**Investments by Fund**  
**February 28, 2007**

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
99999999	0007	Bank of America	09/01/2006	555.74	555.74	555.74	1.973	1.945	1.972		1
			Subtotal and Average	555.74	555.74	555.74		1.945	1.973		1
			Total Investments and Average	555.74	555.74	555.74		1.945	1.973		1



**Fund GENERAL - General Investments**  
**Investments by Fund**  
**February 28, 2007**

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Federal Agency Disc. -Amortizing</b>											
313396HX4	0017	FHLMC DN	01/05/2007	294,497.75	300,000.00	294,480.01		5.284	5.357	07/09/2007	130
313396JE4	0018	FHLMC DN	01/19/2007	549,141.99	560,000.00	549,135.99		5.299	5.372	07/16/2007	137
313396JUS	9031	FHLMC DN	01/03/2006	539,336.98	550,000.00	539,000.00		5.195	5.257	07/20/2007	141
313396CR2	9739	FHLMC DN	08/24/2006	524,696.98	525,000.00	524,685.01	5.145	5.356	5.431	03/05/2007	4
313396DGS	9730	FHLMC DN	09/26/2006	498,670.00	500,000.00	498,649.98	5.040	5.236	5.311	03/20/2007	19
313588FC4	0015	FNMA DN	01/03/2007	257,584.96	270,000.00	257,570.02		5.249	5.322	05/03/2007	63
313598KD6	19	FNMA DN	02/08/2007	757,485.00	775,000.00	757,562.50		5.290	5.364	08/08/2007	160
313598EE1	9807	FNMA DN	10/18/2006	1,088,853.52	1,065,000.00	1,088,539.54		5.254	5.338	04/11/2007	41
<b>Subtotal and Average</b>				<b>4,520,110.00</b>	<b>4,575,000.00</b>	<b>4,519,623.05</b>		<b>5.270</b>	<b>5.343</b>		<b>84</b>
<b>LOGIC</b>											
609999666	9005	Logic	09/01/2006	1,251,378.81	1,251,378.81	1,251,378.81	5.307	5.234	5.307		1
<b>Subtotal and Average</b>				<b>1,251,378.81</b>	<b>1,251,378.81</b>	<b>1,251,378.81</b>		<b>5.234</b>	<b>5.307</b>		<b>1</b>
<b>FHLB Dallas-Money Fund</b>											
609999955	9002	FHLB Money Market Fund	09/01/2006	32,272.64	32,272.64	32,272.64	5.192	5.121	5.192		1
<b>Subtotal and Average</b>				<b>32,272.64</b>	<b>32,272.64</b>	<b>32,272.64</b>		<b>5.121</b>	<b>5.192</b>		<b>1</b>
<b>Federated Money Market Fund</b>											
609341807	8	Bank of America Money Market	09/01/2006	74,354.96	74,354.96	74,354.96	4.945	4.877	4.945		1
<b>Subtotal and Average</b>				<b>74,354.96</b>	<b>74,354.96</b>	<b>74,354.96</b>		<b>4.877</b>	<b>4.945</b>		<b>1</b>
<b>Total Investments and Average</b>				<b>5,878,116.41</b>	<b>5,933,006.41</b>	<b>5,877,629.46</b>		<b>5.256</b>	<b>5.329</b>		<b>65</b>

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**Fund OPERATING - Operating Fund**  
**Investments by Fund**  
**February 28, 2007**

Page 6

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
999999961	0001	Bank of America	09/01/2006	113,597.72	113,597.72	113,597.72	2.465	2.431	2.465		1
		Subtotal and Average		113,597.72	113,597.72	113,597.72		2.432	2.466		1
		Total Investments and Average		113,597.72	113,597.72	113,597.72		2.432	2.466		1

Portfolio TSAH  
AP  
FI (PRT\_FI) SymRept v7.10.000  
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Fund PCLEAR - Payment Clearing  
Investments by Fund  
February 28, 2007

Page 7

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	0006	Bank of America	09/01/2006	15,809.26	15,809.26	15,809.26	1.755	1.740	1.764		1
			Subtotal and Average	15,809.26	15,809.26	15,809.26		1.741	1.765		1
			Total Investments and Average	15,809.26	15,809.26	15,809.26		1.741	1.765		1

**Fund SBAPT - Sagebrush Apartments**  
**Investments by Fund**  
**February 28, 2007**

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
699999991	0011	Bank of America	09/01/2006	39,513.94	39,513.94	39,513.94	1.250	1.232	1.250		1
		Subtotal and Average		39,513.94	39,513.94	39,513.94		1.233	1.250		1
		Total Investments and Average		39,513.94	39,513.94	39,513.94		1.233	1.250		1

**Fund SBDEBT - Sagebrush Apartments - Debt**  
**Investments by Fund**  
**February 28, 2007**

Page 9

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
699998591	0013	Bank of America	09/01/2006	38,217.09	38,217.09	38,217.09	0.900	0.897	0.900		1
			Subtotal and Average	38,217.09	38,217.09	38,217.09		0.888	0.900		1
			Total Investments and Average	38,217.09	38,217.09	38,217.09		0.888	0.900		1

**Fund SBOPER - Sagebrush Apartments - Oper.**  
**Investments by Fund**  
**February 28, 2007**

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 355	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
969999991	0012	Bank of America	05/01/2006	22,647.13	22,647.13	22,647.13	0.900	0.887	0.900		1
		<b>Subtotal and Average</b>		22,647.13	22,647.13	22,647.13		0.888	0.900		1
		<b>Total Investments and Average</b>		22,647.13	22,647.13	22,647.13		0.888	0.900		1

**Fund TI - T & I**  
**Investments by Fund**  
**February 28, 2007**

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
999999991	0005	Bank of America	09/01/2006	3,413.78	3,413.78	3,413.78	1.979	1.952	1.979		1
		<b>Subtotal and Average</b>		3,413.78	3,413.78	3,413.78		1.952	1.979		1
		<b>Total Investments and Average</b>		3,413.78	3,413.78	3,413.78		1.952	1.979		1

**Fund TXHOME - TX Home Education  
Investments by Fund  
February 28, 2007**

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
999999981	0002	Bank of America	09/01/2006	14,588.15	14,588.15	14,588.15					1
			Subtotal and Average	14,588.15	14,588.15	14,588.15		0.000	0.000		1
			Total Investments and Average	14,588.15	14,588.15	14,588.15		0.000	0.000		1

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**Fund WELLS - Wells Fargo - CDC**  
**Investments by Fund**  
**February 28, 2007**

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Wells Fargo Bank</b>											
669930594	0014	Wells Fargo Bank	09/01/2006	4,955.00	4,955.00	4,955.00					1
		<b>Subtotal and Average</b>		4,955.00	4,955.00	4,955.00		0.000	0.000		1
		<b>Total Investments and Average</b>		4,955.00	4,955.00	4,955.00		0.000	0.000		1



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**Texas State Affordable Housing  
Cash Reconciliation Report**  
For the Period February 1, 2007 - February 28, 2007  
Grouped by Fund

Trans. Date	Investment #	Fund	Trans. Type	Security ID	Par Value	Security Description	Maturity Date	Purchases	Interest	Redemptions	Cash
<b>General Investments</b>											
02/05/2007	9735	GENERAL	Maturity	3133956N2	753,000.00	FMICDN 0.8M 5.33% Mat.	02/05/2007	0.00	0.00	753,000.00	753,000.00
02/09/2007	19	GENERAL	Purchase	313535KD5	775,000.00	FNIDN 0.8M 0.00% Mat. 08/09/2007	08/09/2007	-755,186.16	0.00	0.00	-755,186.16
						Subtotal		-755,186.16	0.00	753,000.00	-2,186.16
						Total		-755,186.16	0.00	753,000.00	-2,186.16



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**Texas State Affordable Housing  
Purchases Report  
Sorted by Fund - Fund  
February 1, 2007 - February 28, 2007**

CUSIP	Investment #	Fund	Sec. Type	Issuer	Original Par Value	Purchase Date	Payment Periods	Principal Purchased	Accrued Interest at Purchase	Rate at Purchase	Maturity Date	YTM	Ending Book Value
General Investments 313588KD5	19	GENERAL	AFD	FNDN	775,000.00	02/08/2007	08/08 - At Maturity	755,186.16			08/08/2007	5.291	757,485.00
					775,000.00			755,186.16	0.00			757,485.00	
					Total Purchases					775,000.00			755,186.16



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## Texas State Affordable Housing

### Maturity Report

Sorted by Maturity Date

Amounts due during February 1, 2007 - February 28, 2007

CUSIP	Investment #	Fund	Sec. Type	Issuer	Par Value	Maturity Date	Purchase Date	Rate at Maturity	Book Value at Maturity	Interest	Maturity Proceeds	Net Income
313395EN2	9735	GENERAL	AFD	FMCDN	753,000.00	02/06/2007	07/11/2006	5.325	753,000.00	0.00	753,000.00	0.00
Total Maturities					753,000.00				753,000.00	0.00	753,000.00	0.00

**Texas State Affordable Housing  
Interest Earnings  
Sorted by Fund - Fund  
February 1, 2007 - February 28, 2007  
Yield on Average Book Value**

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CUSIP	Investment #	Fund	Issuer	Ending Par Value	Beginning Book Value	Average Book Value	Maturity Date	Current Annualized Rate	Yield	Interest Earned	Adjusted Interest Amortization/ Accretion	Adjusted Interest Earnings
<b>Fund: Bunker Hill Debt</b>												
999999991	0015	BHDEBT	BOA	22,308.33	22,292.94	22,293.49		0.900	0.900	15.39	0.00	15.39
		<b>Subtotal</b>		<b>22,308.33</b>	<b>22,292.94</b>	<b>22,293.49</b>			<b>0.900</b>	<b>15.39</b>	<b>0.00</b>	<b>15.39</b>
<b>Fund: Bunker Hill Operating</b>												
999999991	0010	BHOPER	BOA	22,298.28	22,282.90	22,283.45		0.900	0.900	15.38	0.00	15.38
		<b>Subtotal</b>		<b>22,298.28</b>	<b>22,282.90</b>	<b>22,283.45</b>			<b>0.900</b>	<b>15.38</b>	<b>0.00</b>	<b>15.38</b>
<b>Fund: Bunker Hill Senior</b>												
999999991	0009	BHSENIOR	BOA	37,411.73	36,643.12	37,168.19		1.250	1.237	35.28	0.00	35.28
		<b>Subtotal</b>		<b>37,411.73</b>	<b>36,643.12</b>	<b>37,168.19</b>			<b>1.237</b>	<b>35.28</b>	<b>0.00</b>	<b>35.28</b>
<b>Fund: Disbursement</b>												
999999991	0007	DISBURSE	BOA	555.74	554.45	555.14		1.973	1.972	0.84	0.00	0.84
		<b>Subtotal</b>		<b>555.74</b>	<b>554.45</b>	<b>555.14</b>			<b>1.972</b>	<b>0.84</b>	<b>0.00</b>	<b>0.84</b>
<b>Fund: General Investments</b>												
313358BN2	9735	GENERAL	FMCDN	753,000.00	752,443.09	134,424.51	02/05/2007	5.325	5.401	0.30	555.91	556.91
313358CR2	9733	GENERAL	FMCDN	525,000.00	522,599.00	523,636.95	03/05/2007	5.145	5.230	0.30	2,100.88	2,100.88
313358DG5	9793	GENERAL	FMCDN	500,000.00	496,710.00	497,725.03	03/20/2007	5.040	5.133	0.30	1,950.00	1,950.00
313358EE1	9807	GENERAL	FNDN	1,095,000.00	1,084,369.83	1,086,603.71	04/11/2007	5.175	5.175	0.30	4,313.69	4,313.69
313358JJ3	9001	GENERAL	FMCDN	550,000.00	537,219.38	538,315.94	07/20/2007	5.128	5.128	0.30	2,117.50	2,117.50
999999695	9002	GENERAL	FHLMJM	33,272.64	36,799.68	32,148.95		5.192	5.201	128.27	0.00	128.27
999999906	9005	GENERAL	LOGIC	1,251,373.81	1,246,334.96	1,246,515.13		5.307	5.275	5,043.85	0.00	5,043.85
60934N807	8	GENERAL	BOAMM	74,354.96	148,739.25	127,332.67		4.945	6.303	515.71	0.00	615.71
313358FC4	0015	GENERAL	FNDN	270,000.00	266,526.08	267,079.62	05/03/2007	5.217	5.217	0.30	1,068.90	1,068.90
313358HX4	0017	GENERAL	FMCDN	300,000.00	293,312.65	293,926.35	07/09/2007	5.256	5.256	0.30	1,185.10	1,185.10
313358JE4	0018	GENERAL	FMCDN	560,000.00	546,922.83	548,072.04	07/16/2007	5.273	5.273	0.30	2,219.15	2,219.15
313358KD6	19	GENERAL	FNDN	775,000.00	0.00	557,292.74	08/28/2007	5.282	5.282	0.30	2,298.84	2,298.84

**Texas State Affordable Housing  
Interest Earnings  
February 1, 2007 - February 28, 2007**

Page 2

CUSIP	Investment #	Fund	Issuer	Ending Par Value	Beginning Book Value	Average Book Value	Maturity Date	Current Annualized Rate Yield	Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings
			Subtotal	6,686,006.41	5,933,976.75	5,863,123.58		5.249	5,787.83	17,820.98	23,608.81
<b>Fund: Operating Fund</b>											
999999981	0001	OPERATN	BOA	113,597.72	183,608.19	178,593.72		2.466	384.24	0.00	384.24
			Subtotal	113,597.72	183,608.19	178,593.72		2.805	384.24	0.00	384.24
<b>Fund: Payment Clearing</b>											
999999991	0005	PCLEAR	BOA	15,609.26	15,708.25	15,714.68		1.765	22.12	0.00	22.12
			Subtotal	15,609.26	15,708.25	15,714.68		1.835	22.12	0.00	22.12
<b>Fund: Sagebrush Apartments</b>											
999999981	0011	SBAPT	BOA	39,513.94	30,245.19	31,843.20		1.250	31.03	0.00	31.03
			Subtotal	39,513.94	30,245.19	31,843.20		1.270	31.03	0.00	31.03
<b>Fund: Sagebrush Apartments - Debt</b>											
999999981	0013	SBDEBT	BOA	38,217.09	38,190.72	38,191.66		0.900	25.37	0.00	25.37
			Subtotal	38,217.09	38,190.72	38,191.66		0.900	25.37	0.00	25.37
<b>Fund: Sagebrush Apartments - Oper.</b>											
999999981	0012	SBOPER	BOA	22,647.13	22,631.50	22,632.06		0.900	15.63	0.00	15.63
			Subtotal	22,647.13	22,631.50	22,632.06		0.900	15.63	0.00	15.63
<b>Fund: T &amp; I</b>											
999999981	0008	TI	BOA	3,413.78	3,401.78	3,404.98		1.979	5.16	0.00	5.16
			Subtotal	3,413.78	3,401.78	3,404.98		1.975	5.16	0.00	5.16
			Total	7,001,779.41	6,309,535.79	6,235,804.14		5.051	5,339.27	17,820.98	24,160.25



**Texas State Affordable Housing  
 Amortization Schedule  
 February 1, 2007 - February 28, 2007  
 Sorted By Fund - Fund**

Patterson & Associates  
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 Austin, TX, 78701

Investment #	Fund	Maturity Date	Beginning Par Value	Purchase Principal	Original Premium or Discount	Ending Book Value	Amounts Amortized And Unamortized As of 02/01/2007	Amount Amortized This Period	Amt Amortized Through 02/28/2007	Amount Unamortized Through 02/28/2007
<b>General Investments</b>										
0017 FHLMC DN	GENERAL	07/09/2007	300,000.00	292,332.18	-7,660.82	294,497.75	973.47 -3,687.35	1,185.10	2,158.57	-5,502.25
0018 FHLMC DN	GENERAL	07/18/2007	560,000.00	545,892.51	-14,107.49	549,141.99	1,030.32 -13,077.17	2,219.16	3,249.46	-10,858.01
9001 FHLMC DN	GENERAL	07/20/2007	550,000.00	530,261.85	-19,738.12	539,335.98	5,957.50 -12,780.62	2,117.50	9,075.00	-10,663.12
9736 FHLMC DN	GENERAL	02/09/2007	753,000.00 5,325	729,609.94	-23,390.06	0.00	22,833.15 -555.91	555.91	23,390.06	0.00
9739 FHLMC DN	GENERAL	03/03/2007	525,000.00 5,145	510,518.97	-14,481.03	524,699.88	12,080.03 -2,401.00	2,103.88	14,180.91	-300.12
9790 FHLMC DN	GENERAL	03/20/2007	500,000.00 5,040	487,750.00	-12,250.00	498,670.00	9,960.00 -3,290.00	1,960.00	10,920.00	-1,330.00
0016 FMMA DN	GENERAL	05/03/2007	270,000.00	265,419.00	-4,581.00	267,594.99	1,107.09 -3,473.92	1,069.90	2,173.98	-2,493.92
15 FMMA DN	GENERAL	09/09/2007	735,000.00	735,695.65	-19,913.84	757,495.00	5.00 -19,813.84	2,299.94	2,299.94	-17,513.80
9807 FMMA DN	GENERAL	04/11/2007	1,066,000.00	1,068,039.43	-26,960.87	1,088,683.52	15,330.40 -10,630.17	4,313.69	20,644.06	6,316.48
			<b>Subtotal</b>	<b>5,185,017.07</b>	<b>-142,982.93</b>	<b>4,520,110.00</b>	<b>79,271.95 -72,710.98</b>	<b>17,820.98</b>	<b>88,092.93</b>	<b>-54,890.00</b>
			<b>Total</b>	<b>5,185,017.07</b>	<b>-142,982.93</b>	<b>4,520,110.00</b>	<b>79,271.95 -72,710.98</b>	<b>17,820.98</b>	<b>88,092.93</b>	<b>-54,890.00</b>





**Texas State Affordable Housing  
Projected Cashflow Report  
Sorted by Monthly  
For the Period March 1, 2007 - September 30, 2007**

Patterson & Associates  
301 Congress Ave  
Suite 570  
Austin, TX, 78701

Projected Trans. Date	Investment #	Fund	Secure ID	Transaction Type	Issuer	Par Value	Original Cost	Principal	Interest	Total
<b>March 2007</b>										
03/05/2007	20	GENERAL	313384GHS	Purchase	FHLB/DN	531,000.00	524,315.30	-524,315.30	0.00	-524,315.30
03/05/2007	5739	GENERAL	313386CR2	Maturity	FHLMC DN	525,000.00	510,518.97	525,000.00	0.00	525,000.00
03/20/2007	5750	GENERAL	313386DGS	Maturity	FHLMC/DN	500,000.00	487,750.00	500,000.00	0.00	500,000.00
<b>Total for March 2007</b>						<b>1,556,000.00</b>	<b>1,522,584.27</b>	<b>500,684.70</b>	<b>0.00</b>	<b>500,684.70</b>
<b>April 2007</b>										
04/11/2007	5807	GENERAL	313388EE1	Maturity	FNMA DN	1,095,000.00	1,068,039.43	1,095,000.00	0.00	1,095,000.00
<b>Total for April 2007</b>						<b>1,095,000.00</b>	<b>1,068,039.43</b>	<b>1,095,000.00</b>	<b>0.00</b>	<b>1,095,000.00</b>
<b>May 2007</b>										
05/03/2007	0016	GENERAL	313388FC4	Maturity	FNMA DN	270,000.00	265,419.00	270,000.00	0.00	270,000.00
<b>Total for May 2007</b>						<b>270,000.00</b>	<b>265,419.00</b>	<b>270,000.00</b>	<b>0.00</b>	<b>270,000.00</b>
<b>June 2007</b>										
06/01/2007	20	GENERAL	313384GHS	Maturity	FHLB DN	531,000.00	524,315.30	531,000.00	0.00	531,000.00
<b>Total for June 2007</b>						<b>531,000.00</b>	<b>524,315.30</b>	<b>531,000.00</b>	<b>0.00</b>	<b>531,000.00</b>
<b>July 2007</b>										
07/09/2007	0017	GENERAL	313388HX4	Maturity	FHLMC DN	300,000.00	292,339.18	300,000.00	0.00	300,000.00
07/18/2007	0018	GENERAL	313386JE4	Maturity	FHLMC DN	560,000.00	545,892.51	560,000.00	0.00	560,000.00
07/20/2007	5001	GENERAL	313386JJ3	Maturity	FHLMC DN	550,000.00	530,261.88	550,000.00	0.00	550,000.00
<b>Total for July 2007</b>						<b>1,410,000.00</b>	<b>1,368,493.57</b>	<b>1,410,000.00</b>	<b>0.00</b>	<b>1,410,000.00</b>
<b>August 2007</b>										
08/08/2007	19	GENERAL	313388KD6	Maturity	FNMA DN	775,000.00	755,186.16	775,000.00	0.00	775,000.00
<b>Total for August 2007</b>						<b>775,000.00</b>	<b>755,186.16</b>	<b>775,000.00</b>	<b>0.00</b>	<b>775,000.00</b>
<b>GRAND TOTALS:</b>						<b>5,537,000.00</b>	<b>5,504,037.73</b>	<b>4,581,684.70</b>	<b>0.00</b>	<b>4,581,684.70</b>

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**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  
March 9, 2007 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 March 9, 2007, 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 A. Leeper, Vice Chair  
Charles G. Rencher, Member

**Members Absent**

Jesse A. Coffey, 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  
David Danenfelzer, Multifamily Programs Manager  
Janie Taylor, Manager of Marketing and Development  
Pat Corser, Asset Oversight & Compliance Manager  
Laura Ross, Corporate Secretary

**Public Comment**

No public comment was given

**Special Guests**

Mary Koelling, First Southwest Company  
Elena Pienado, Texas Department of Housing and Community Affairs (TDHCA)  
Chris Spelbring, Morgan Keegan  
Barton Withrow, RBC Dain Rauscher

## **Reports**

### **President's Report**

Mr. Long began by reporting that staff had met with different legislators at the Capitol to discuss legislation that impacted the Corporation. Mr. Long informed the Board that he would be giving testimony before the House Subcommittee on Housing the following Thursday. Mr. Long stated that staff had met with and made a presentation to the Bond Review Board ("BRB") regarding the Corporation's upcoming programs.

### **Executive Vice President's Report**

Ms. Closmann began by stating that staff was continuing to look at PILOT payment options. Ms. Closmann reported that she had been working with the trustee to determine whether money was available in the accounts to make the payments, and they had concluded that there wasn't. Ms. Closmann stated that the payments were cash flow obligations and the properties weren't cash flowing. Ms. Closmann informed the Board that she had been contacted by several taxing entities with inquiries about the payments. Ms. Closmann stated that she would continue looking at payment options and would have more to report in the future months.

Ms. Closmann then turned the Board's attention to the default notices that were provided at the beginning of the meeting. Ms. Closmann proceeded to go through the notices for the Board's benefit. Ms. Closmann informed the Board that she would be giving a presentation relating to the default notices at the BRB meeting the following Tuesday. Discussion followed.

### **Single Family Lending Report**

Ms. McGilloway deferred her report to Tab 2.

### **Multifamily Lending Report**

Mr. Danenfelzer began by informing the Board that since the Board had awarded the funds through the Corporation's Private Activity Bond ("PAB") Program, staff had notified the applicants of the awards, produced reservation detail packages and continued to maintain regular communications with the awardees. Mr. Danenfelzer noted that he anticipated further action would be brought before the Board for approval at the April meeting.

Mr. Danenfelzer also stated that he had been working to re-establish the Corporation's Direct Lending Program. Mr. Danenfelzer informed the Board that he had been in communication with a number of people who were interested in the program. Mr. Danenfelzer stated that a new application process had been developed and both financial partners, Community Development Trust of New York and Federal Home Loan Bank of Dallas, had been informed of the staff's intent to reinstate the program. Mr. Danenfelzer noted that a new marketing strategy would be developed focusing on strategic alliances, partnerships and direct marketing to rural and small community developers. Mr. Danenfelzer also noted that materials and information on the website would be updated over the next few weeks.

Mr. Romero inquired as to the total amount of funds awarded to the projects and Mr. Danenfelzer stated that the total was approximately \$44 million, which equated to the entire volume cap allotted to the Corporation.

Following Mr. Danenfelzer's report, Ms. Closmann introduced Ms. Corser to the Board as the new Asset Oversight and Compliance Manager. Mr. Romero welcomed Ms. Corser to the Corporation.

### **Marketing and Development Report**

Ms. Taylor began by discussing the surveys that were conducted regarding the Nursing Faculty Home Loan Program ("Nursing Program") and the proposed Allied Health Faculty Program. Ms. McGilloway stated that the survey regarding the Nursing Program had been conducted as a means to see where the program could be changed to better assist those that were eligible. Ms. McGilloway noted that the results of the survey found many of the targeted professionals were already homeowners and were well over the income limits allowed under the program. Ms. McGilloway informed the Board that the results had been provided to the legislators for their reference.

Ms. Taylor then referred the Board to the handout from Gallery Watch and noted that Senator Nelson had filed Senate Bill 202 that created a new program for Allied Health Professionals with the same structure and amount as the Nursing Program. Ms. Taylor noted that staff had met with Senator Nelson's staff where the new program, as well as Nursing Program was discussed. Ms. Taylor informed the Board that a survey was then done regarding the new program and the results had been given to Senator Nelson's office. As a result, Ms. Taylor informed the Board that Senate Bill 1185 had been filed which combined the Nursing Program and Allied Health Faculty Program with the Professional Educators Home Loan Program ("Professional Educators Program") and also moved their allotted \$5 million each to the Professional Educators Program for a program total of \$35 million. Ms. Taylor then referred the Board to the packet that was handed out regarding current legislation affecting the Corporation. Discussion followed.

Ms. Taylor turned the Board's attention to marketing. Ms. Taylor reported that an article about the Professional Educators Program had been included in the spring issue of a publication put out by the Association of Texas Professional Educators ("ATPE") and interest had been generated because of it. Ms. Taylor also noted that she would be putting a half page ad in their summer issue which she hoped would trigger more calls and interest. Ms. Taylor informed the Board that she and Ms. McGilloway would be participating in ATPE's annual conference in March. Ms. Taylor also noted that a story had been included in the Texas Federation of Teachers' weekly newsletter. Ms. Taylor made the Board aware that she had been in contact with the Texas Jail Association ("TJA") which was comprised of 95% county jailers, a group eligible for the Firefighter and Law Enforcement or Security Officers Home Loan Program ("Homes for Texas Heroes Program"). Ms. Taylor noted that staff would be attending TJA's conference in May to promote the program. Ms. Taylor stated that she was in talks with TJA staff about including information on the program in one of their newsletters. Ms. Taylor also noted other conferences that staff would be attending.

Mr. Romero inquired if there were professional organizations for EMS and juvenile correctional officers. Ms. Taylor noted that the group overseeing the juvenile correctional officers was the Texas Youth Commission and that EMS did not have a specific group, although a section under the Department of Health worked with them and that she was already in talks with them about the possibility of marketing through their newsletter and magazine.

Mr. Rencher inquired if the full allocation for the Homes for Texas Heroes Program had been used and Ms. McGilloway stated that \$1 million remained in the 2006 program. Mr. Rencher inquired about marketing strategies for the programs over the next year and Ms. McGilloway and Ms. Taylor discussed the marketing plan for targeting groups designated under the programs.

Ms. Taylor informed the Board that the Corporation's updated website would go live that afternoon.

## **Financial Report**

Ms. Smith began by turning the Board's attention to the budget report and noting that as of January 31, 2007, the Corporation had a cash profit of \$186,788. Mr. Romero inquired about the Investment Revenue and Ms. Smith explained that the Investment Revenue line item had been increased from \$127,000 to \$260,000 based on actual revenue receipts and a projection done by Ms. Patterson of Patterson & Associates. Ms. Smith noted that the Single Family Revenue which was at 23% had increased to 42% after the receipt of issuer fees at the beginning of February. Ms. Smith turned the Board's attention to expenditures and noted that the Corporation was right on or below budget with everything except the furniture, equipment and software line item which was due to the purchase made at the beginning of the year.

### **Tab 1            Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on January 19, 2007.**

Mr. Leeper made a motion to approve the minutes of the Board Meeting held on January 19, 2007. Mr. Rencher seconded the motion. Motion passed.

### **Tab 2            Presentation and Discussion of the Texas State Affordable Housing Corporation Single Family Mortgage Revenue Bonds Series 2007A (Professional Educators Home Loan Program) Transaction.**

Ms. McGilloway began by stating that the 2007A program had been priced on January 30, 2007, and closed on February 22, 2007, with an initial release of \$35 million of which \$6.4 had already been originated. Ms. McGilloway refreshed the Board's memory regarding the Corporation's new master servicer, Countrywide, and announced how pleased she was with the service they were providing. Ms. McGilloway stated that the trainings they had hosted had gone well and that currently there were 46 lenders signed up for the program. Mr. Romero inquired if the state was covered well by the lenders and Ms. McGilloway stated that it was and that with Countrywide, brokers could participate in the program which would go to further increase the pool of lenders the borrowers would have available to them. Mr. Romero inquired how this would be marketed and Ms. McGilloway stated that Countrywide would do this on the Corporation's behalf. Mr. Romero inquired about broker qualifications and the review process and Ms. McGilloway stated that Countrywide took care of this on behalf of the Corporation. Ms. McGilloway stated that after a period of time if no loans were originated by the broker then they would no longer be approved.

Mr. Withrow with RBC Dain Rauscher introduced himself to the Board. Mr. Withrow stated that the pricing of the transaction had gone very well. Mr. Romero inquired after the amount issued under the 2007A transaction and Mr. Withrow confirmed that the 2007A-1 was for \$35 million and that when 2007A-2 was released it would be for the balance remaining. Mr. Withrow referred the Board to the pricing book and proceeded to go through and explain what had

occurred with the 2007A transaction. Mr. Romero inquired about the Corporation's contribution to the transaction and Mr. Withrow stated that it was \$60,000. Mr. Withrow continued to go through the pricing book. Discussion followed.

Ms. McGilloway thanked Mr. Withrow for his presentation.

**Tab 3                    Presentation and Discussion of the Texas State Affordable Housing Corporation Single Family Mortgage Revenue Bonds Series 2007C (Fire Fighter and Law Enforcement or Security Officer Home Loan Program) Transaction.**

Ms. McGilloway stated that as of today there was roughly \$1 million left in the 2006 program. Ms. McGilloway stated that the pricing of the 2007 program would occur on March 27, 2007, and the closing would occur on May 2, 2007. Ms. McGilloway noted the projected rate and issuer contribution. Mr. Romero inquired whether a lower rate would result in more people participating in the program and Ms. McGilloway stated that she felt the grant that came with the loan was more of a draw than the rate. Discussion followed regarding this issue.

**Tab 4                    Presentation and Discussion of the Corporation's Single Family Drawdown Bond Program.**

Ms. McGilloway introduced Mr. Spelbring with Morgan Keegan, the Corporation's Underwriter for the Single Family Drawdown Bond Program. Mr. Spelbring informed the Board that he had met with Corporation staff about the program to explain its framework, and how it would be administered. Mr. Spelbring stated that he and Ms. McGilloway would be speaking the following week and putting together a timeline for the program. Mr. Romero inquired whether this program required further approval from Board and Ms. McGilloway stated that it didn't. Discussion followed regarding when the Corporation would be able to issue funds through the program.

**Closed Meeting**

Mr. Romero, Board Chair, called the Board into closed session at 11:40 am. The Board came out of closed session and into open session at 11:45 am.

**Open Meeting**

The Board of Directors came out of closed session and into open session at 11:45 am. Mr. Romero noted that in closed session the Board had ratified the evaluation of the President of the Corporation and would be taking appropriate actions to compensate him accordingly. After discussion, it was determined that the next Board Meeting would be held on April 13, 2007, at 10:30 am.

**Adjournment**

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

The Texas State Affordable Housing Corporation Board Meeting was officially adjourned at 11:50 am.

Respectfully submitted by \_\_\_\_\_  
Laura Ross, Corporate Secretary



**RESOLUTION NO. \_\_\_\_**

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**

**RESOLUTION AUTHORIZING THE AMENDMENT OF THE  
ALTERNATIVE LENDING PROGRAM TO ALLOW ACCESS TO  
ALTERNATIVE LENDING PROGRAM FUNDS BY THE SINGLE FAMILY  
INTERIM CONSTRUCTION/LAND ACQUISITION PROGRAM**

WHEREAS, Texas State Affordable Housing Corporation (the “Corporation”) has been duly created and organized pursuant to and in accordance with the provisions of the Texas Government Code, Chapter 2306, Subchapter Y, Section 2306.551 et seq., as amended (the “Act”), for the purpose of facilitating the provision of housing and making affordable loans to individuals and families of low, very low, and extremely low income; and

WHEREAS, the Board of Directors of the Corporation previously implemented an Alternative Lending Program (also known as “The Affordable Homeownership Program for Texas”) (the “Program”) pursuant to Resolution 03-11 adopted on December 10, 2003, which provides for down payment assistance to individuals and families that are not able to access traditional lending markets due to prior credit issues or insufficient credit history or both in a total amount not to exceed \$2,000,000 (“Program Funds”); and

WHEREAS, the Board of Directors has determined that it is desirable to amend the Program to permit access to Program Funds by the Corporation’s program known as the Single Family Interim Construction/Land Acquisition Loan Program; and

WHEREAS, it is deemed necessary and advisable that this Resolution be adopted;

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

Section 1. Approval of Amendment to Program. The Corporation hereby approves the amendment of the Program (as amended, the “Amended Program”) to allow access to the Program Funds by the Corporation’s program known as the Single Family Interim Construction/Land Acquisition Loan Program and authorizes the Interim Manager (or any future president or chief executive officer of the Corporation) to proceed with the finalization of the terms and conditions of the Amended Program.

Section 2. Contracts with Third Parties. The Corporation is authorized to enter into (and the Interim Manager or any future president or chief executive officer is authorized to sign) contracts with third parties..

Section 3. Use of the Corporation’s Funds. The use of remaining Program Funds in order to implement and operate the Amended Program is hereby authorized.

Section 4. Prior Resolution. Resolution 03-11 shall remain in effect except to the extent modified by this Resolution.

Section 5. Public Purposes of Program. The Corporation hereby finds, determines, recites and declares that the adoption and implementation of the Amended Program will promote the public purposes set forth in the Act, including, without limitation, assisting persons of low, very low, and extremely low income in acquiring and owning adequate, safe, sanitary and affordable housing.

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

Section 7. Severability. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Resolution.

ADOPTED AND APPROVED this 13th day of April, 2007.

**TEXAS STATE AFFORDABLE HOUSING  
CORPORATION**

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Jerry Romero  
Chair, Board of Directors

ATTEST:

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Laura J. Ross  
Corporate Secretary

## **Texas State Affordable Housing Corporation**

Board Agenda Item for Multifamily Programs

April 13, 2007

### **Agenda Item:**

Resolution Regarding the Submission of a calendar year 2007 Application for Allocation of Private Activity Bonds, Notice of Intention to Issue Bonds and State Bond Application to the Texas Bond Review Board and Declaration of Expectation to Reimburse Expenditures with Proceeds of Future Debt for the Rainbow/Texas Portfolio Project

### **Summary:**

On January 19, 2007 the Corporation's Board of Directors preliminarily awarded approximately \$35 million in private activity bond volume cap to Rainbow Housing Assistance Corp (the "Borrower"). The Borrower's proposal identifies 13 properties, totaling 1014 units of housing that will be purchased and rehabilitated. All of the properties are being purchased as a pooled transaction from Hunt Properties, from El Paso, Texas. All 13 properties meet the Corporation's targeted housing need for rehabilitation of multifamily properties. Additionally, 3 of the properties are rural developments. The transaction will involve more than \$64 million dollars in acquisition, rehabilitation and debt assumption costs for an average cost of \$63,000 per unit. The financing includes private activity bonds, 4% housing tax credits and federal refinancing.

All of the properties are currently under U.S. Department of Housing and Urban Development (HUD) Section 8 Housing Assistance Program contracts. A summary of the properties involved in this Application follows:

<b>Property Name</b>	<b>City</b>	<b>Units</b>
Chaparral Village	Odessa, TX	80
Cove Village	Copperas Cove, TX	50
El Nido Apartments	El Paso, TX	104
Garden Apartments	Lubbock, TX	62
High Plains	Lubbock, TX	50
Jose Antonio Escajeda Apartments	El Paso, TX	94
Los Ebanos Apartments	Brownsville, TX	65
Peppertree Acres	Fort Worth, TX	148
River Park Village East	Lampasas, TX	50
Salem Village	Victoria, TX	105
Sierra Vista	El Paso, TX	106
Spring Terrace	Amarillo, TX	50
Win-Lin Village	Amarillo, TX	50
<b>Totals</b>		<b>1014</b>

The Borrower has completed 12 bond financed properties and controls more than 4,000 units in five states. Of this total, 1,764 units are located in the State of Texas. The Borrower has committed to providing a wide array of supportive services, energy efficiency upgrades and a superior standard of living to all of the subject properties.

## **Texas State Affordable Housing Corporation**

Board Agenda Item for Multifamily Programs

April 13, 2007

Today, the board will be considering the merits of the Borrower's reservation detail package and possible adoption of an inducement resolution not to exceed \$36 million in private activity bonds to be reserved for the Rainbow Housing Assistance Corporation's pooled transaction. If approved, the Corporation will make application to the Texas Bond Review Board to reserve the full amount of volume cap for this development.

### **Feasibility Analysis**

Staff has completed a review of the financial structure and feasibility of the proposed project using information provided by the Borrower. After reviewing the purchase price, projected operating expenses and projected income for the properties, staff believes that the project would be financially feasible as proposed. At this time, staff has not had access to market analysis or property condition assessments. It should be noted that staff will review these documents prior to returning to the board for final approval of the bonds, and to determine whether there is sufficient market demand for the properties, and whether the projected rehabilitation costs are sufficient to bring the properties in line with the Corporation's rehabilitation standards.

### **Community Support**

Staff did not receive any letter of support for the proposed properties from local or state officials with the reservation package. The borrower did supply proxy votes on behalf of a sufficient number of residents of the properties to indicate broad support among the residents for the proposed rehabilitation. Staff will be requesting copies of all notifications to and letters from local officials during the public hearing process. Staff will attend, along with a representative of the Borrower, hearings in each of the nine affected communities.

### **Staff's Recommendation:**

After reviewing the reservation detail package, staff recommends that the Board approve the Inducement Resolution regarding the submission of a calendar year 2007 Application for Allocation of Private Activity Bonds, Notice of Intention to Issue Bonds and State Bond Application to the Texas Bond Review Board and Declaration of Expectation to Reimburse Expenditures with Proceeds of Future Debt for the Rainbow/Texas Portfolio Project.

RESOLUTION NO. 07-\_\_\_\_\_

RESOLUTION Regarding the Submission of a calendar year 2007 Application for Allocation of Private Activity Bonds, Notice of Intention to Issue Bonds and State Bond Application to the Texas Bond Review Board and Declaration of Expectation to Reimburse Expenditures with Proceeds of Future Debt for the Rainbow/Texas Portfolio Project

WHEREAS, the Board of Directors of the Texas State Affordable Housing Corporation (the "Corporation") desires to submit a calendar year 2007 Application for Allocation of Private Activity Bonds (the "Application") to the Texas Bond Review Board in connection with qualified residential rental housing bonds (the "Bonds") relating to the projects referenced in **Exhibit A** attached hereto (the "Project");

WHEREAS, the Corporation intends to issue the Bonds and loan the proceeds to the borrowers referenced in Exhibit A (collectively, the "Borrower"), which will use the proceeds for the Project and further intends to make certain capital expenditures with respect to the Project and currently desires and expects to reimburse the capital expenditures with proceeds of such debt;

WHEREAS, under Treas. Reg. § 1.150-2 (the "Regulation"), to fund such reimbursement with proceeds of tax-exempt obligations, the Corporation must declare its expectation to make such reimbursement; and

WHEREAS, the Corporation desires to preserve the ability of the Borrower to reimburse the capital expenditures with proceeds of tax-exempt obligations.

WHEREAS, the Board desires to make all other appropriate filings and requests to the Texas Bond Review Board to enable the Corporation to issue the Bonds;

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

1. That the President of the Corporation or any officer of the Corporation is hereby authorized and directed to execute and deliver one or more 2007 Applications for Allocation of Private Activity Bonds to the Texas Bond Review Board in connection with requesting an allocation for the Bonds, together with any documents, certificates or instruments related thereto.

2. That the President of the Corporation or any other officer of the Corporation is hereby authorized and directed to file with the Texas Bond Review Board one or more Notices of Intent to Issue Bonds and one or more State Bond Applications in connection with the Bonds and such officers are further authorized and directed to request that the applications be approved by the Executive Director of the Texas Bond Review Board in accordance with Section 181.9(e) of the Rules of the Texas Bond Review Board.

3. That the President of the Corporation is hereby authorized and directed to take any and all other actions necessary or incidental to securing the private activity bond allocations and the approval of the Bonds from the Texas Bond Review Board.

4. That the Corporation reasonably expects that the Borrower will reimburse capital expenditures with respect to the Project with proceeds of debt hereafter to be incurred by the Corporation, and that this resolution shall constitute a declaration of official intent under the Regulation. The maximum principal amount of obligations expected to be issued for the Project is \$36,000,000.

PASSED, APPROVED AND EFFECTIVE this April 13, 2007.

TEXAS STATE AFFORDABLE  
HOUSING CORPORATION

\_\_\_\_\_  
Chairperson

ATTEST:

\_\_\_\_\_  
Secretary

EXHIBIT A  
PROJECT



## Exhibit A

# Texas State Affordable Housing Corporation

## Multifamily Private Activity Bond Program - Rainbow Housing Assistance Corporation, Texas Portfolio

<b>Property</b>	Chaparral Village Apartments	
<b>Borrower</b>	Rainbow - Texas, LP, the sole general partner of	<b>Bond Amount</b> \$4,535,000.00
<b>Owner</b>	RHAC-Chaparral, LLC, to be formed, or other entity	<b>Units</b> 80
<b>Activity Notes</b>	Acquisition and rehabilitation of a 50-unit multifamily affordable rental housing project located at 1411 S. Grant Avenue, Odessa, Ector County, Texas; and rehabilitation of units of low income housing.	
<b>Property</b>	Cove Village Apartments	
<b>Borrower</b>	Rainbow - Texas, LP, the sole general partner of	<b>Bond Amount</b> \$1,260,000.00
<b>Owner</b>	RHAC-Cove, LLC, to be formed, or other entity	<b>Units</b> 50
<b>Activity Notes</b>	Acquisition and rehabilitation of a 50-unit multifamily affordable rental housing project located at 1102 Golf Course Road, Copperas Cove, Coryell County, Texas.	
<b>Property</b>	El Nido Apartments	
<b>Borrower</b>	Rainbow - Texas, LP, the sole general partner of	<b>Bond Amount</b> \$5,150,000.00
<b>Owner</b>	RHAC-El Nido, LLC to be formed, or other entity	<b>Units</b> 104
<b>Activity Notes</b>	Acquisition and rehabilitation of a 104-unit multifamily affordable rental housing project located at 204 Alicia Drive, El Paso, El Paso County, Texas.	
<b>Property</b>	Garden Apartments	
<b>Borrower</b>	Rainbow - Texas, LP, the sole general partner of	<b>Bond Amount</b> \$1,405,000.00
<b>Owner</b>	RHAC-Garden, LLC, to be formed, or other entity	<b>Units</b> 62
<b>Activity Notes</b>	Acquisition and rehabilitation of a 62-unit affordable multifamily rental housing project located at 1340 65th Drive, Lubbock, Lubbock County, Texas	
<b>Property</b>	High Plains Apartments	
<b>Borrower</b>	Rainbow - Texas, LP, the sole general partner of	<b>Bond Amount</b> \$2,070,000.00
<b>Owner</b>	RHAC-High Plains, LLC, to be formed, or other	<b>Units</b> 50
<b>Activity Notes</b>	Acquisition and rehabilitation of a 50-units multifamily affordable rental project located at 1607 Lola, Lubbock, Lubbock County, Texas.	
<b>Property</b>	Jose Antonio Escajeda Apartments	
<b>Borrower</b>	Rainbow - Texas, LP, the sole general partner of	<b>Bond Amount</b> \$4,360,000.00
<b>Owner</b>	RHAC-JAE, LLC, to be formed, or other entity	<b>Units</b> 94
<b>Activity Notes</b>	Acquisition and rehabilitation of a 94-unit multifamily affordable rental housing project located at 204 Alicia Drive, El Paso, El Paso County, Texas.	

# Texas State Affordable Housing Corporation

## Multifamily Private Activity Bond Program - Rainbow Housing Assistance Corporation, Texas Portfolio

<b>Property</b>	Los Ebanos Apartments	
<b>Borrower</b>	Rainbow - Texas, LP, the sole general partner of	<b>Bond Amount</b> \$2,120,000.00
<b>Owner</b>	RHAC-Los Ebanos, LLC, to be formed, or other	<b>Units</b> 65
<b>Activity Notes</b>	Acquisition and rehabilitation of a 65-unit multifamily affordable rental housing project located at 2133 Barnard Road, Brownsville, Cameron County, Texas	
<b>Property</b>	Peppertree Acres Apartments	
<b>Borrower</b>	Rainbow - Texas, LP, the sole general partner of	<b>Bond Amount</b> \$4,250,000.00
<b>Owner</b>	RHAC-Peppertree, LLC, to be formed, or other entity	<b>Units</b> 148
<b>Activity Notes</b>	Acquisition and rehabilitation of a 148-unit multifamily affordable rental housing project located at 6555 Sheridan Circle, Fort Worth, Tarrant County, Texas	
<b>Property</b>	River Park Village East Apartments	
<b>Borrower</b>	Rainbow - Texas, LP, the sole general partner of	<b>Bond Amount</b> \$850,000.00
<b>Owner</b>	RHAC-River Park, LLC, to	<b>Units</b> 50
<b>Activity Notes</b>	Acquisition and rehabilitation of a 50-units multifamily affordable rental housing project located at 1309 Central Texas Expressway, Lampasas, Lampasas County, Texas.	
<b>Property</b>	Salem Village Apartments	
<b>Borrower</b>	Rainbow - Texas, LP, the sole general partner of	<b>Bond Amount</b> \$2,500,000.00
<b>Owner</b>	RHAC-Salem, LLC, to be formed, or other entity	<b>Units</b> 105
<b>Activity Notes</b>	Acquisition and rehabilitation of a 105-unit multifamily affordable rental housing project located at 5201 John Stockbauer Drive, Victoria, Texas.	
<b>Property</b>	Sierra Vista Apartments	
<b>Borrower</b>	Rainbow - Texas, LP, the sole general partner of	<b>Bond Amount</b> \$3,460,000.00
<b>Owner</b>	RHAC-Sierra, LLC, to be	<b>Units</b> 106
<b>Activity Notes</b>	Acquisition and rehabilitation of a 106-unit multifamily affordable rental housing project located at 10501 Montwood, El Paso, El Paso County, Texas.	
<b>Property</b>	Spring Terrace Apartments	
<b>Borrower</b>	Rainbow - Texas, LP, the sole general partner of	<b>Bond Amount</b> \$1,640,000.00
<b>Owner</b>	RHAC-Spring, LLC, to be formed, or other entity	<b>Units</b> 50
<b>Activity Notes</b>	Acquisition and rehabilitation of a 50-unit multifamily affordable rental housing project located at 2600 S. Spring Street, Amarillo, Randall County, Texas.	

# Texas State Affordable Housing Corporation

## Multifamily Private Activity Bond Program - Rainbow Housing Assistance Corporation, Texas Portfolio

**Property** Win-Lin Village Apartments

**Borrower** Rainbow - Texas, LP, the sole general partner of

**Bond Amount** \$1,190,000.00

**Owner** RHAC-Win-Lin, LLC, to

**Units** 50

**Activity Notes** Acquisition and rehabilitation of a 50-unit multifamily affordable rental housing project located at 5700 Wabash Street, Amarillo, Randall County, Texas.

**Total Bond Amount** \$34,790,000.00

**Total Units** 1014

**Contact Person** Chris Porter

**Contact Address** 556 Commercial Street, Suite 200

**Contact City** San Francisco

**Contact State** CA

**Contact Zip** 94111

**Contact Phone** 415-788-0700



# **INVESTMENT POLICY**

APRIL 13, 2007

# **TEXAS STATE AFFORDABLE HOUSING CORPORATION**

## **INVESTMENT POLICY**

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**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 is 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 Authorized Broker/Dealer List**

April 2007

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.

Barclay's Capital  
Citigroup-Smith Barney  
Goldman Sachs  
JP Morgan Chase  
Merrill Lynch  
Mizuho Securities  
Wells Fargo



## **Tab 6**

### **Presentation and Discussion of the Corporation's 2006 Annual Report.**

The Annual Report will be provided at the meeting.

**RESOLUTION NO. \_\_**

**TO CONFIRM LAURA ROSS (PREVIOUSLY LAURA SMITH) AS SECRETARY OF THE CORPORATION**

WHEREAS, Texas State Affordable Housing Corporation (the "Corporation") was duly created and organized pursuant to and in accordance with the provisions of the Texas Government Code, Title 10, Chapter 2306, Subchapter Y;

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

1. Confirmation of Secretary of the Corporation. Laura Ross (previously known as Laura Smith) is hereby confirmed and ratified as the Secretary of the Corporation. Laura Ross, as Secretary of the Corporation, is authorized to execute and deliver, on behalf of the Corporation, any and all documents or instruments necessary to carry out her functions as Secretary of the Corporation.
2. Effective Date. This Resolution shall be in full force and effect from and after the date of its adoption.

Adopted and approved this 13th day of April, 2007.

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Jerry Romero  
Chair, Board of Directors

ATTEST:

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