

Official Board Packet



December Board Meeting

To be held at the offices of
Texas State Affordable Housing Corporation
2200 East Martin Luther King Jr. Blvd.
Austin, TX 78702

Friday, December 17, 2010
10:00 a.m.

BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION
To be held at the offices of
Texas State Affordable Housing Corporation
2200 East Martin Luther King Jr. Blvd
Austin, Texas 78702
December 17, 2010 at 10:00 am

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

Bob Jones
Chair

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

PUBLIC COMMENT

AUDIT COMMITTEE REPORT

Jo Van Hovel

PRESIDENT'S REPORT

David Long

Tab A: Single Family Lending Reports
Tab B: Development Finance Report
Tab C: Annual Asset Oversight and Compliance Reports
Tab D: Monthly Budget and Investment Reports
Tab E: Texas Community Capital Update

ACTION ITEMS IN OPEN MEETING:

- Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held November 18, 2010.
- Tab 2 Presentation, Discussion and Possible Approval of the Annual Financial Report and Independent Auditor's Reports for the Fiscal Year Ending August 31, 2010.
- Tab 3 Presentation, Discussion and Possible Approval of the Audit Committee Guidelines.
- Tab 4 Presentation, Discussion and Possible Approval of Request for Proposal for Independent Financial Auditor.
- Tab 5 Presentation, Discussion and Possible Approval of two Resolutions Authorizing Applications to the United States Department of Housing and Urban Development through the Rural Housing and Economic Development program, and the United States Department of Agriculture's Section 515 Multi-Family Housing Preservation Revolving Loan Fund Demonstration Program.
- Tab 6 Presentation, Discussion and Possible Approval of the Corporation's Multifamily Housing Private Activity Bond Program and 501(c)(3) Bond Program Compliance Policy, Including the Assessment of Penalties for Noncompliance.
- Tab 7 Presentation, Discussion and Possible Approval for Publication and Comment the Draft of the Texas State Affordable Housing Corporation 2010 Annual Action Plan.

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 512-477-3560 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

TAB A



2009A Home Loan Program
As of December 26, 2009 through December 8, 2010

Month	# of Loans	% of Total Loans	Total Originated
Dec-09	0	0%	\$0
Jan-10	5	1%	\$717,391
Feb-10	26	4%	\$3,521,497
Mar-10	99	15%	\$12,535,180
Apr-10	104	16%	\$12,786,129
May-10	93	14%	\$11,819,824
Jun-10	59	9%	\$7,168,334
Jul-10	51	8%	\$6,239,166
Aug-10	33	5%	\$4,266,391
Sep-10	48	7%	\$5,912,710
Oct-10	60	9%	\$7,623,159
Nov-10	56	9%	\$6,588,375
Dec-10	17	3%	\$2,003,133
Totals	651	100%	\$81,181,289

Lender	Originated	# of Loans	Total %
Rocky Mountain Mortgage Co.	\$11,699,209	107	16%
Cornerstone Mortgage Company	\$10,364,879	75	12%
Universal American Mortgage Co	\$9,730,723	74	11%
DHI Mortgage Company, Ltd.	\$8,056,280	60	9%
K. Hovnanian American Mtg. LLC	\$6,278,566	49	8%
WR Starkey Mortgage	\$6,147,291	52	8%
Bank of America (Retail)	\$5,787,737	46	7%
First Continental Mortgage Ltd	\$3,988,400	31	5%
AmericaHomeKey, Inc.	\$3,230,747	24	4%
Affiliated Bank	\$2,952,265	25	4%
NTFN, Inc.	\$2,575,148	20	3%
Ameripro Funding Inc.	\$2,499,465	20	3%
Wells Fargo Bank, NA	\$2,492,864	19	3%
Imortgage.com	\$1,179,065	9	1%
Service First Mortgage	\$810,078	8	1%
Houstonian Mortgage Group Inc.	\$697,133	8	1%
SWBC Mortgage Corporation	\$486,361	4	1%
Hancock Mortgage Partners, LLC	\$465,355	5	1%
First National Bank Texas	\$432,404	4	1%
Colonial Savings, FA	\$328,191	3	0%
Hometrust Mortgage Company	\$327,477	3	0%
Capstar Lending, LLC	\$272,519	2	0%
NFM, Inc.	\$131,577	1	0%
Everett Financial, Inc	\$126,704	1	0%
Envoy Mortgage Limited	\$120,851	1	0%
Total Committed	\$81,181,289	651	100%

Total Allocation \$122,700,000
Remaining to Commit \$41,518,711

At a Glance	
Total Amount Originated	\$81,181,289
Average Annual Income	\$44,182
Average Purchase Price	\$126,919
Average Loan Amount	\$124,702
Loans at 5.25% Rate	310 (47%)
Loans at 5.00% Rate	173 (27%)
Loans at 4.50% Rate	169 (26%)
Average Household Size	2
New/Existing	
New	57%
Existing	43%
Professional Breakdown	
Professional Educator	37%
Texas Hero	11%
80% AMFI or below	52%
Type of Loan	
Conventional	0%
FHA	99%
VA	1%
USDA-RD	0%
Ethnicity	
American Indian/Alaskan Native	0.30%
Asian or Pacific Islander	2%
Black	18%
Hispanic	4%
White	60%
Other	15%
Not Defined	0.46%
Top Originating Counties	
Harris	143
El Paso	117
Bexar	85
Tarrant	57
Travis	53
Dallas	42
Montgomery	26
Brazoria	14
Fort Bend	13
Denton	12
Galveston	11
Williamson	10
Collin	7
Guadalupe	7
Hays	7
Comal	4
Ellis	4
Jefferson	4
Bell	3
Kaufman	3
McLennan	3
Wise	3
Chambers	2
Hidalgo	2
Kendall	2
Orange	2
Rockwall	2
Waller	2
Bastrop	1
Caldwell	1
Hopkins	1
Jim Wells	1
Kleberg	1
Madison	1
Midland	1
Nueces	1
Somervell	1
Taylor	1
Tom Green	1



**2010A Mortgage Credit Certificate Program
As of November 16, 2009 through December 6, 2010**

Month	# of Loans	% of Total Loans	Total Originated
Nov-09	73	17%	\$8,353,097
Dec-09	54	13%	\$6,592,662
Jan-10	34	8%	\$4,346,107
Feb-10	41	9%	\$4,964,381
Mar-10	89	21%	\$11,676,996
Apr-10	88	20%	\$10,777,171
May-10	10	2%	\$1,218,667
Jun-10	14	3%	\$1,791,175
Jul-10	8	2%	\$923,503
Aug-10	2	0%	\$239,528
Sep-10	8	2%	\$865,306
Oct-10	3	1%	\$397,192
Nov-10	6	1%	\$713,590
Dec-10	2	0%	\$274,832
Totals	432	100%	\$53,134,207

Lender	Originated	# of Loans	Total %
Cornerstone Mortgage	\$8,214,511	71	16%
TXL Mortgage	\$7,277,365	55	13%
Prime Lending	\$5,873,444	50	12%
NTFN/ dba Premier	\$4,392,011	38	9%
DHI Mortgage	\$3,780,130	28	6%
Universal American Mortgage	\$3,284,452	24	6%
Imortgage/MSH	\$2,065,145	16	4%
KB Home Mortgage	\$1,941,842	16	4%
America HomeKey	\$1,775,420	14	3%
Network Funding	\$1,604,289	13	3%
Bank of America	\$1,592,107	14	3%
Patriot Bank Mortgage	\$1,579,976	14	3%
First Continental Mortgage	\$1,488,186	9	2%
IHS Mortgage	\$1,310,115	11	3%
Ameripro Funding	\$919,836	7	2%
CMC Home Lending	\$496,902	3	1%
Shelter Mortgage Company	\$444,595	4	1%
First Choice Lending	\$424,136	3	1%
PNC Mortgage	\$405,635	3	1%
Service First Mortgage	\$402,652	3	1%
Allied Home Mortgage	\$383,486	5	1%
Fairway Independent Mrtg.	\$362,561	4	1%
Colonial National Mortgage	\$357,669	2	0%
WR Starkey Mortgage	\$349,359	3	1%
KBA Mortgage	\$276,497	2	0%
Town Square Mortgage	\$246,346	2	0%
Interlinc Mortgage	\$216,411	2	0%
Brazos National Bank	\$215,371	2	0%
Liberty Residential Mort.	\$215,140	2	0%
K. Hovnanian Amer. Mrtg	\$190,068	2	0%
Wells Fargo	\$169,321	2	0%
Taylor Morrison Home Funding	\$156,599	1	0%
Mission Mortgage of TX.	\$152,193	1	0%
RPM Mortgage	\$127,500	1	0%
Directors Mortgage	\$115,862	1	0%
SWBC	\$113,265	1	0%
National City Mortgage	\$83,943	1	0%
Texas Choice Finance	\$75,864	1	0%
Amarillo National Bank	\$54,003	1	0%
Total Committed	\$53,134,207	432	100%

Total Allocation \$53,571,429
Remaining to Commit \$437,222

At a Glance	
Total Amount Originated	\$53,134,207
Average Annual Income	\$36,857
Average Purchase Price	\$128,418
Average Loan Amount	\$122,996
Average Interest Rate	5.17%
Average Household Size	2
New/Existing	
New	58%
Existing	42%
Professional Breakdown	
Professional Educator	11%
Texas Hero	3%
80% AMFI or below	86%
Type of Loan	
Conventional	3%
FHA	76%
VA	5%
USDA-RD	16%
Ethnicity	
American Indian/Alaskan Native	0%
Asian or Pacific Islander	2%
Black	13%
Hispanic	19%
White	17%
Other	9%
Not Defined	40%
Top Originating Counties	
Harris	194
Travis	84
Dallas	32
Bexar	26
Williamson	20
Brazoria	13
Galveston	13
Hays	11
Collin	10
Austin	4
Guadalupe	4
Caldwell	2
Bastrop	1
Bell	1
Brazos	1
Brown	1
Cameron	1
El Paso	1
Fannin	1
Hidalgo	1
Hill	1
Kendall	1
Kingwood	1
Liberty	1
Lubbock	1
Potter	1
Rockwall	1
Smith	1
Titus	1
Webb	1
Wood	1



**2010B Mortgage Credit Certificate Program
As of May 1, 2010 through December 6, 2010**

Month	# of Loans	% of Total Loans	Total Originated
May-10	56	16%	\$6,377,979
Jun-10	56	16%	\$6,849,524
Jul-10	34	10%	\$4,162,883
Aug-10	40	12%	\$5,002,972
Sep-10	37	11%	\$4,572,556
Oct-10	56	16%	\$7,162,450
Nov-10	53	15%	\$6,415,280
Dec-10	10	3%	\$1,055,131
Totals	342	100%	\$41,598,775

Lender	Originated	# of Loans	Total %
TXL Mortgage	\$9,294,071	75	22%
Comerstone Mortgage	\$6,467,760	52	15%
Universal American Mortgage	\$3,523,689	26	8%
DHI Mortgage Company	\$3,408,373	23	7%
America HomeKey	\$2,612,172	20	6%
PrimeLending, a Plains Capital Company	\$2,221,817	19	6%
Ameripro Funding	\$2,071,421	18	5%
Interlinc Mortgage Services, LLC	\$1,563,241	13	4%
NTFN, Inc dba Premier Nationwide Lending	\$1,552,431	15	4%
KBA Mortgage	\$1,131,660	10	3%
Network Funding	\$1,022,715	8	2%
Service First Mortgage Company	\$817,080	8	2%
Bank of America	\$787,851	8	2%
First Continental Mortgage Company	\$632,743	4	1%
Town Square Financial	\$607,504	5	1%
IHS Mortgage, LLC	\$572,845	6	2%
Allied Home Mortgage Capital Corp	\$538,724	5	1%
WR Starkey Mortgage	\$477,042	5	1%
HomeTrust Mortgage Company	\$450,804	3	1%
Envoy Mortgage	\$401,027	4	1%
Patriot Bank Mortgage	\$391,484	4	1%
Colonial Savigs F.A.	\$213,901	2	1%
Highlands Residential Mortgage	\$213,276	3	1%
Affiliated Bank	\$160,641	2	1%
Taylor Morrison Home Funding	\$129,609	1	0%
Moncor, Inc.	\$120,918	1	0%
Encompass Lending Group	\$117,261	1	0%
Liberty Residential Mortgage	\$96,715	1	0%
Total Committed	\$41,598,775	342	100%

Total Allocation \$62,857,142
Remaining to Commit \$21,258,367

At a Glance	
Total Amount Originated	\$41,598,775
Average Annual Income	\$36,980
Average Purchase Price	\$125,656
Average Loan Amount	\$121,634
Average Interest Rate	4.77%
Average Household Size	2
New/Existing	
New	63%
Existing	37%
Professional Breakdown	
Professional Educator	11%
Texas Hero	3%
80% AMFI or below	86%
Type of Loan	
Conventional	4%
FHA	81%
VA	4%
USDA-RD	11%
Ethnicity	
American Indian/Alaskan Native	0%
Asian or Pacific Islander	4%
Black	14%
Hispanic	34%
White	20%
Other	9%
Not Defined	19%
Top Originating Counties	
Harris	204
Travis	49
Bexar	20
Dallas	19
Williamson	12
Brazoria	8
Mclennan	4
Galveston	4
Collin	4
Montgomery	3
Fayette	2
Comal	2
Caldwell	2
Rusk	1
Liberty	1
Lavaca	1
Lampasas	1
Grayson	1
El Paso	1
Ector	1
Bee	1
Bastrop	1

TAB B



Development Finance Programs Report December 17, 2010

Summary of Activities

Affordable Communities of Texas Program

Staff has been working diligently to complete the acquisition of our last 200 properties using NSP funds. We continue to hold weekly calls with TDHCA staff to discuss delays in the closing process and working with Sellers to get necessary extensions. While the process for acquisition has been much slower than we would like Sellers and Local Partners have been very understanding and continue to work closely with us.

In addition to our regular work, staff has been busy preparing for both the program federal single audit and an audit review by TDHCA scheduled for the week of December 6th. There is no projected timeline for the receipt of the results for either audits at this time.

Lending Programs

The Corporation's loan programs have been actively working towards preparing closing documents for the \$250,000 loan to Frameworks CDC to finance the rehabilitation of homes purchased through our NSP Land Bank and has finalized our commitment on the \$450,000 loan to DM Ministries approved at the last board meeting. Additionally, the Corporation has received payoffs on two loans in the past 45 days, Donna Meadows ICAP loan and Rainbow Apartment Multifamily direct loans, which account for more than \$1 million in total.

Bond Programs

Staff continues to work on the HDSA Texas Portfolio project with American Opportunity Foundation. The project received its allocation of private activity bond cap from the Texas Bond Review Board on November 11th and public hearings will be held on December 13th to 15th in Dallas, Houston, San Antonio and Austin. Staff has also begun negotiating specific deal points with the developer and intends to have substantially completed bond documents for the Corporation's January board meeting.

TAB C



Asset Oversight and Compliance Report

Annual Asset Oversight Report

The Annual Asset Oversight Report provides a summary of the findings, observations, and occupancy for each property from the 2010 reviews. The following portfolios have submitted corrective action for any findings on the Asset Oversight Reports: American Opportunity for Housing, Odyssey, Worthing Oaks, Rainbow, and the Asset Oversight Contract Properties.

As of December 7, 2010, five properties in the American Housing Foundation portfolio, one property in the South Texas Affordable Properties portfolio, and one property from the Common Wealth portfolio have not submitted corrective action in response to the findings on the Asset Oversight Properties. The owner and management staff for American Housing Foundation, South Texas Affordable Properties, and Common Wealth have been sent notifications to address the outstanding findings for each property. Asset Oversight and Compliance Staff continue to follow up with the owner and management staff to check the status of addressing the open findings.

Annual Compliance Report

The Annual Compliance Report provides a summary of the findings and observations for each property from the 2010 reviews. All thirty-eight properties have submitted corrective action to address findings on the Compliance Reports.

The South Texas Affordable Properties and Common Wealth portfolios continue to fluctuate on meeting the Safe Harbor Requirement. The properties continue to provide Income Certifications for all move-ins and re-certifications for each month that a property is not meeting the Safe-Harbor Requirement.

Annual Report Totals

The Annual Report totals reflect the number of findings, observations, and average occupancy by region and portfolio.

**TSAHC Portfolio
2010 Asset Oversight Review Summary**

American Housing Foundation (AHF)

Property Name	# of Units	Location	Audit Date	Occupancy as of Nov. 19 th	Average 12 month Occupancy	Annual Summary
Aston Brook Apartments	152	14101 Walters Rd Houston TX 77014	5.12.10	83%	82%	<p>Findings:</p> <ul style="list-style-type: none"> • According the police reports for the last three months, the criminal activity on the property has increased since the last report in March of 2009. The criminal activity on the property includes drugs, gunfire, disturbances, and other activity that should be addressed by management. As a result of those incidents, the owner must create a 12 month Crime Prevention Plan that explains in detail what steps will be taken to eliminate the criminal activity from occurring on the property. Along with the plan, the owner must submit to TSAHC on the 10th of each month, a detailed report for the previous months activities' explaining what was done to prevent crime, and the results until TSAHC gives written notice that reporting is no longer required. The monthly reporting should include a monthly crime statistics report from local police department, courtesy/security officer report, sign in sheets of crime watch or other related meetings attended by residents and any other supporting information. The first Crime Prevention report will be due on July 10, 2010. In response to this review, the owner must submit the Crime Prevention Plan on company letterhead to TSAHC before or on July 10, 2010. Cleared 7.15.10 • Management stated that units 604, 606, 705, 706, and 904 are down. In addition the Reviewer found units 216, 716, 1001, and 1012 to be down. These units should not be counted in the total number of units to meet the Safe Harbor Requirement until the units are available for rental to the general public on a continuous basis. The units must be deleted from the June 2010 Unit Status Report due July 10, 2010 until repairs are made. The units may be counted in the total number of units once repairs have been made. The unit designation must be market until a qualified household occupies the unit. In response to this review, the owner must submit proof in the form of invoices, work orders, pictures, and/or Tenant Income Certifications to TSAHC. Cleared 7.15.10 <p>Observations:</p> <ul style="list-style-type: none"> • On the day of the site, a few areas of deterioration wood were noticed on patios. The deteriorating wood negatively affects curb appeal to current and prospective residents. It is suggested that management walk the property to determine what wood repairs need to be made and then create an action plan complete repairs. • Several buildings were without one or both shutters on the windows. There are visible signs that shutters are missing which leads to poor curb appeal. It is suggested that Management take inventory of missing shutters and create and implement a plan to replace all missing shutters. • Window awnings throughout the property have peeling paint which decreases curb appeal for current and future residents. It is suggested that management strip the current paint from the awnings and have them re-painted to increase curb appeal.

						<ul style="list-style-type: none"> • On the day of the site visit, several residents had items on their patios that are not meant for outdoor use/storage. It is suggested that management review their current policy regarding this matter. This policy should be implemented as it directly affects the property's curb appeal for current and prospective residents. • Of the property's 24 work orders opened in the last month, 7 are currently outstanding; this is equal to 29% of work orders submitted within the previous month. It is suggested that management monitor work order completion times and maintenance staff activity as they directly affect the longevity of the property as well as resident satisfaction. Additionally, Management should keep residents updated regarding open work orders that are outstanding due part that have been ordered. It is also suggested that the work order report be updated daily so that it always reflects the most up to date information. • Brochures and Flyers are being tracked under the same Source in Onesite. It is suggested that Management separate Brochures from flyers so the effectiveness of For Rent magazine can be tracked more clearly. • The units reflected as made ready on the availability report are not made ready. It is suggested that Management take inventory of vacant units to determine the make ready status. The availability report should be updated to reflect the status of each unit so that the leasing staff can more effectively lease available units. • Management stated that company policy is to turn vacant units within 7 days. The property staff is clearly not following company policy on number of days to turn vacant units. It is suggested that the Owner re-evaluate the company policy on number of days to turn vacant units or the property should begin implementing the current policy. • The month end variance information was used instead of the year to date information. The year to date information was not available at the time of the site visit. Management stated that year to date information was not available due to the delay of the approval of the budget. The budget was due in November but was delayed to MBIA and Bond holder involvement. It is expected that the budget will be finalized in May. It is suggested that the final budget be uploaded to the software program as soon as possible so that it the budget can be used. A copy of the most recent variance report with both the month and year to date information needs to be submitted to TSAHC as soon as it is available.
Cimarron Park Apartments	162	2201 Montgomery Park Blvd. Conroe TX 77304	6.16.10	82%	75%	<p>Findings:</p> <ul style="list-style-type: none"> • The exterior building façade is deteriorating and is significantly decreasing the property's curb appeal. The owner must research potential exterior coverings for each building that are affordable, reliable, and resistant to extended exposure to the elements. A report of research performed, including possible replacements should be submitted to TSAHC by August 8, 2010. In addition to the report of possible replacements, the owner should also submit a letter specifying a timeline for installation and plan to fund the replacement. • On the day of the site visit, several buildings had missing shingles. This is detrimental to the lifespan of the roofs, and to the units themselves. It also decreases curb appeal for current and potential residents. The Owner must get bids to make roof repairs/replacements and submit them to TSAHC by August 8, 2010. In addition to bids the owner should a plan of action to pay for the repair/replacement. • The wood on a majority of patios was in disrepair. There were areas with

						<p>wood completely missing, rotted, or with algae growth. The owner must take inventory of all wood repairs needed throughout the property and then create and implement a plan to have the wood treated or replaced. A copy of both the inventory and plan of action to complete repairs must be submitted to TSAHC by August 8, 2010.</p> <ul style="list-style-type: none"> Units 1305 and 1306 are considered down and are not available for rental on a continuous basis to members of the general public. These units should not be counted in the total number of units to meet the Safe Harbor Requirement until the units are available for rental. The units must be deleted from the July 2010 Unit Status Report due August 10, 2010 until repairs are made. The units may be counted in the total number of units when repairs are made. The unit designation must be market until a qualified household occupies the unit. In response to this review, the owner must submit proof in the form of invoices, work orders, pictures, and/or Tenant Income Certifications to TSAHC. The Reviewer is unable to fully evaluate the budget at this time due to lack of information available to property staff. The Owner must provide budget information so that the properties are able to access it. The Owner must also submit a copy of the most recent Year-To-Date Variance report to TSAHC by August 8, 2010. Cleared <p>Observations:</p> <ul style="list-style-type: none"> Many of the stairway banisters throughout the property had peeling paint. This leads to poor curb appeal to current and prospective residents. It is suggested that management create and implement a plan to have all stairways repainted so that curb appeal can be increased. There are areas throughout the property that have very poor landscaping. Some areas are completely bare of ground cover and others with run off the covers entire side walks. It is suggested that management research landscaping methods that will help control run off. In addition, it is suggested that management work with the current landscape contractors to come up with a financially feasible solution that will allow for ground cover throughout the entire property. On the back side of the property there was a building with an exposed pipe on the second floor. It appears that there is a dryer vent cover missing in this area. With the dryer vent cover missing this allows for bugs and other unwanted pests to enter the unit. It is suggested that management replace the dryer vent as soon as possible. Management is in violation of Section 535.20(a) of the TREC rules containing an exception that allows a third party (i.e. a person who is not named as the resident on the lease that generates the locator's commission) to accept a very limited referral fee. (Information on the rule can be found on pages 528-531 in the TAA Redbook.) The rule was discussed with management during the asset oversight review and language from Section 535.20(a) was sent to management. It is suggested that management adhere to the Section 535.20(a) of the TREC rules.
Fountaingate Apartments	280	5210 Tower Dr Wichita Falls TX 76310	8.19.10	94%	75%	<p>Findings:</p> <ul style="list-style-type: none"> According to the police reports for the last three months, the number and types of criminal incidents on the property has not changed since the 2009 Asset Oversight report. The criminal activity on the property includes assaults, burglaries, disturbances, and other activity that should be addressed by management. As a result of those incidents, the owner must create a 12 month Crime Prevention Plan that explains in detail what steps will be taken to eliminate the criminal activity from occurring on the property.

						<p>Along with the plan, the owner must submit to TSAHC on the 10th of each month, a detailed report for the previous months activities' explaining what was done to prevent crime, and the results until TSAHC gives written notice that reporting is no longer required. The monthly reporting should include a monthly crime statistics report from local police department, courtesy/security officer report, sign in sheets of crime watch or other related meetings attended by residents and any other supporting information. The first Crime Prevention report will be due on October 10, 2010. In response to this review, the owner must submit the Crime Prevention Plan on company letterhead to TSAHC before or on October 7, 2010. Cleared 11.4.10</p> <ul style="list-style-type: none"> The three new personnel have not been trained in Fair Housing. One employee started in March and two employees started in August. According to management, the new personnel are scheduled to receive Fair Housing in September 2010. It is important that all personnel are trained in Fair Housing. The owner must submit a copy of the certification of completion for all three new personnel to TSAHAC before or on October 7, 2010. Cleared 11.4.10 <p>Observations:</p> <ul style="list-style-type: none"> The wood siding is not in acceptable condition. The paint is peeling on the wood siding on many of the buildings on the property. If the wood is not painted to protect the wood, the wood will begin to deteriorate. If the wood is not protected, the costs to make repairs will increase. Management stated that paint colors have been selected, but they are unable to start painting until funds are available. It is recommended that exterior building repairs and painting are budgeted to increase curb appeal to current and prospective residents and decrease the signs of deferred maintenance. The company policy on turning vacant units is seven business days. It does not appear that units are being turned immediately after being vacated. Five units have been vacant for over 100 days and only two units are near completion. Eleven units have been vacant for over 15 days and only two units are made ready. According to management, units are being turned in a timely manner when the make ready is started for each unit. The make ready board appears to be organized to assist management in turning and leasing vacant units. It is recommended that management follow the company policy to keep units made ready and available for move-in to decrease playing catch-up. The total accounts payable has increased \$18, 657 since the 2009 Asset Oversight Report. It is important that vendors are paid so that management can continue to operate the property. The regional manager stated that funding is received monthly from MBIA to pay vendors. It is recommended that management create a plan of action in order to get vendor accounts paid so that supplies and services can be purchased to maintain the property and properly make units ready.
Northwoods Apartments	200	18001 Cypress Trace Houston TX 77090	5.11.10	44%	49%	<p>Findings:</p> <ul style="list-style-type: none"> On the day of the site visit, roofs were missing shingles; one building was found with a tarp on the roof. Management stated that they have a bid to complete roof and siding repairs for more than \$200,000 however, they have not received funding thus far. The Owner must evaluate the condition of the property's roofs and siding and create and implement a plan to obtain funding to cure address the condition of the roofs and siding. A copy of the plan of action to obtain funding and complete the necessary repairs must be submitted to TSAHC by July 22, 2010.

						<ul style="list-style-type: none"> • It was noted in the 2009 Asset Oversight Report that the exterior of the buildings were not in good condition. The exterior of the buildings were still found to be in bad condition during the 2010 review. The Owner must create a plan of action to clean up the exterior of all buildings on site. This plan should include power washing, making wood repairs, siding repairs, and painting. The owner must submit a copy of this plan of action to TSAHC by July 22, 2010. • The 2009 Asset Oversight Report noted that several patios and balconies were in need of wood replacement, repairs, and painting. The Reviewer found that the balconies and patios are still in need of repairs. The Owner must create an inventory of all repairs that need to be made and then create and implement a plan of action to make all necessary repairs. The inventory and plan of action must be submitted, in addition to a certified letter stating that repairs will be made, must be submitted to TSAHC by July 22, 2010. • The Summary Work Order Report submitted on the day of the site visit reflects that 88 work orders are currently open. It appears that work orders are not being completed or closed on a daily basis. The reviewer is unable to effectively review the maintenance program. The Owner must complete and close all work orders in the system and submit an accurate Summary Work Order Report to TSAHC by July 22, 2010. Management must also begin completing and closing work orders on a daily basis to accurately manage the maintenance program. • During the site visit, Management stated that the property was performing preventative maintenance. However, they were unable to produce preventative maintenance logs. It is imperative that preventative maintenance be performed on the property to extend the useful life of the property. The Owner must submit a copy of the Preventative Maintenance Program and Preventative Maintenance Logs from May 15, 2010-July 15, 2010 to TSAHC by July 22, 2010. • On the day of the site visit, unit 3101 had mold in one of the bedrooms. This is a health issue for residents and prospective residents. As this mold sits untreated it has the potential to spread throughout the unit and even into neighboring units. The Owner must remediate the mold in unit 3101. Pictures, invoices, and work orders may be submitted as proof of completed work to TSAHC by July 22, 2010. • The reviewer noticed a missing window in unit 3101 on the day of the site visit. This is unsafe as this opens access to unwanted visitors and pests from the outdoors. It also provides for very poor curb appeal from current and prospective residents. The Owner must replace the window in unit 3101. Pictures invoices and work orders must be submitted as proof of completed work to TSAHC by July 22, 2010. • Units 507, 607, 1108, 1606, 1607, 2702, 3101, and 3303 are considered down and are not available for rental on a continuous basis to members of the general public. These units should not be counted in the total number of units to meet the Safe Harbor Requirement until the units are available for rental. The units must be deleted from the June 2010 Unit Status Report due July 10, 2010 until repairs are made. The units may be counted in the total number of units when repairs are made. The unit designation must be market until a qualified household occupies the unit. In response to this review, the owner must submit proof in the form of invoices, work orders, pictures, and/or Tenant Income Certifications to TSAHC. Cleared • The Reviewer is unable to fully evaluate the budget at this time due to lack of information available to property staff. The Owner must input budget information into the OneSite software system so that the properties are able
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						<p>to access it, in addition to submitting a copy of the most recent Year-To-Date Variance report to TSAHC by July 22, 2010. Cleared</p> <p>Observations:</p> <ul style="list-style-type: none"> • The Monument sign is in need of a fresh coat of paint. Touch up painting marks are visible and paint is chipping from the sign. This leads to poor curb appeal for prospective residents. It is suggested that management re-paint the monument sign to increase curb appeal and potentially traffic. • There were areas throughout the property where the gutters have been pulled away from the building. This is detrimental not only to the drainage system but also potentially to the building foundations. It is suggested that management take inventory of gutter repairs that need to be made and begin to make the repairs to avoid any serious damage to the buildings. • On the day of the site visit, the landscaping was in good condition in certain areas while in others the ground was completely free of grass and exposed tree roots. This leads to poor curb appeal for current and prospective residents. It is suggested that management evaluate the current irrigation system and make the necessary repairs as well as evaluate options to create and maintain attractive ground cover throughout the entire property. • On the day of the site visit, the access gates were not in operable condition. This could lead to a false sense of security for residents. It is suggested that management have the access gates repaired or removed to avoid this potential liability. • Garage doors throughout the property do not appear to be in good condition. This leads to poor curb appeal to both current and prospective residents. It is suggested that management take inventory of repairs that are necessary for all garage doors and then create and implement a plan to make repairs to increase the property's curb appeal. • The Summary Work Order Report reflects that only two work orders were completed in the last 30 days. The effectiveness of the maintenance staff is important in several areas of the property's success. The industry standard to complete work orders is typically 24-48 hours. According to the Summary Work Order report, it does not appear that the maintenance staff is currently meeting that standard. Additionally, resident satisfaction and the longevity of building life is highly dependent upon the timely completion of work orders. It is recommended that management evaluate the work order completion policy and the effectiveness of maintenance staff. • There are currently 92 units that are vacant and not made ready and only 2 vacant made ready units. Of the vacant units, 64 have been vacant for more than 200 days. It is company policy to turn vacant units within 7 days. The property staff is clearly not following company policy on number of days to turn vacant units. It is suggested that the Owner re-evaluate the company policy on number of days to turn vacant units or the property should begin implementing the current policy.
One Willow Chase Apartments	136	8330 Willow Place Dr. South Houston TX 7070	5.18.10	82% (Occupancy includes both One Willow Chase and One Willow Park)	77%	<p>Findings:</p> <ul style="list-style-type: none"> • Unit 516 is considered down and is not available for rental on a continuous basis to members of the general public. These units should not be counted in the total number of units to meet the Safe Harbor Requirement until the units are available for rental. The units must be deleted from the June 2010 Unit Status Report due July 10, 2010 until repairs are made. The units may be counted in the total number of units when repairs are made. The unit designation must be market until a qualified household occupies the unit. In response to this review, the owner must submit proof in the form of invoices,

					<p>work orders, pictures, and/or Tenant Income Certifications to TSAHC. Cleared 7.26.10</p> <ul style="list-style-type: none"> The approved budget has not been implemented into the OneSite software so that a year to date variance sheet could be submitted as requested. The month end variance information was used instead of the year to date information. Management stated that year to date information was not available due to the delay of the inputting the budget into the OneSite software. The owner must input the budget information into the OneSite software for management use and submit a copy of the latest variance report reflecting the year to date information to TSAHC before or on July 22, 2010. Cleared 7.26.10 <p>Observations:</p> <ul style="list-style-type: none"> The controlled access gate at the entrance of the property is not being used. The gates have been removed; however the call box is still standing. The removed gates could be a liability for the property because it gives the residents a false sense of security. It is suggested that management inquire about the liabilities through legal consultation. The perimeter fence is not in acceptable condition. It does not appear that any improvements have been made to the fence since the 2009 Asset Oversight report. Management stated in 2009 that the fence was damaged by Hurricane Ike. During the 2010 Asset Oversight site visit, management stated that bids had been solicited for repairs and replacement of the perimeter fence and is waiting for funding approval to make the repairs. It is recommended that the perimeter fence is repaired to increase curb appeal for both current and prospective residents and decrease access to the property. The condition of the exterior of the buildings has not changed since the 2009 Asset Oversight report. The wood siding has many areas of missing wood or peeling paint. It is recommended that building exterior repairs and painting are budgeted to increase curb appeal to current and prospective residents and decrease the signs of deferred maintenance. The condition of the roofs has slightly improved since the last Asset Oversight report. Management stated that repairs were made to areas that were leaking, but the roofs will require additional repairs. The tarps that were covering the missing caps during the 2009 Asset Oversight site visit have been removed. It is highly recommended that management complete the roof repairs to prevent any leaks and/or damage to the buildings and units. Many of the patios and balconies are in acceptable condition. There are a few patios and balconies that are in need of power washing and/or paint. It is recommended that the patios and balconies are power washed and/or painted to increase the curb appeal to both current and future residents. The metal stairways appear to be in good condition, but the paint is peeling on some of the metal stairways. Management stated that the metal stairways are sometimes painted during the make ready. It is suggested that management paint the stairways to increase the curb appeal. According to the police report submitted for the last three months, the criminal activity has increased since the 2009 Asset Oversight report. The police reports reflect assaults, burglaries, and thefts. Management stated that there is a written crime prevention plan and they take pro-active measures to address the criminal activity on the property. It is recommended that management review and evaluate the current crime prevention plan, make any necessary changes, and request police reports
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						<p>on a monthly basis to monitor the criminal activity.</p> <ul style="list-style-type: none"> The Maintenance Summary Report reflects that only six service requests were completed in 24 hours. Management stated that the six service requests completed in twenty-four hours is not accurate because most service requests are completed in twenty-four to forty-eight hours. The exception to the twenty-four to forty-eight hour completion time is if the service request is called in over the weekend or if parts need to be ordered. Management stated that due to the number of computers in the office, the Maintenance Summary Report is usually updated on weekends by staff and the actual completion date is not entered into the report. For a more accurate evaluation of the maintenance program, it is recommended that management update the Maintenance Summary Report on regular basis or enter the actual completion date of the service request. According to the Lease Expiration Detail report, nine percent of the occupied units at One Willow Chase are on month to month leases. If all month-to-month leases were to move out next month, it would potentially cause the property financial hardship. According to management, three of the month-to-month residents are moving out and one month-to-month resident is on eviction. It is recommended that management evaluate the current renewal program and make any necessary changes to encourage residents to renew. It does not appear that management is following the company policy on turning vacant units in five business days. On the day of the site visit, the property did not have any make ready units to view with four units vacant over 300 days and eight units vacant over 20 days. Management stated that there have been many move ins and the maintenance personnel are playing catch up to turn vacant units. According to the Availability report that was submitted, seven units are leased and not made ready. Management's make ready board is organized to assist them with the make ready status of the vacant units. It is recommended that management keep units of each floor plan made ready for prospective residents to view and available for move in.
One Willow Park Apartments	178	8450 Willow Place Dr. North Houston TX 77070	5.18.10	82% (Occupancy includes both One Willow Chase and One Willow Park)	77%	<p>Findings:</p> <ul style="list-style-type: none"> The landing on building 15 near unit 1502 was not in acceptable condition. Management called the contractor the day of the site visit and scheduled the repair. According to management, the repair has been made. TSAHC has not received any documentation of the repair as of June 21, 2010. The landing on building 15 near unit 1502 must be repaired. The owner must submit to TSAHC a picture of the repair and copy of the invoice that the repair has been completed to TSAHC before or on June 25, 2010. Cleared 10.4.10 On the day of the site visit, unit 2512 was walked. The bathroom in the unit had mold growing on the walls and ceiling. For health and habitability reasons, this unit must be completely turned within 30 days. The owner must submit proof that the unit has been treated must to TSAHC before or on July 22, 2010. Cleared 10.4.10 Units 1803 and 2512 are considered down and are not available for rental on a continuous basis to members of the general public. These units should not be counted in the total number of units to meet the Safe Harbor Requirement until the units are available for rental. The units must be deleted from the June 2010 Unit Status Report due July 10, 2010 until repairs are made. The units may be counted in the total number of units when repairs are made. The unit designation must be market until a qualified household occupies the unit. In response to this review, the owner

					<p>must submit proof in the form of invoices, work orders, pictures, and/or Tenant Income Certifications to TSAHC. Cleared 10.4.10</p> <ul style="list-style-type: none"> The approved budget has not been implemented into the OneSite software so that a year to date variance sheet could be submitted as requested. The month end variance information was used instead of the year to date information. Management stated that year to date information was not available due to the delay of the inputting the budget into the OneSite software. The owner must input the budget information into the OneSite software for management use and submit a copy of the latest variance report reflecting the year to date information to TSAHC before or on July 22, 2010. Cleared 10.4.10 <p>Observations:</p> <ul style="list-style-type: none"> The controlled access gate at the entrance of the property is not being used. The gates have been removed; however the call box is still standing. The removed gates could be a liability for the property because it gives the residents a false sense of security. It is suggested that management inquire about the liabilities through legal consultation. The condition of the landscaping has improved since last year; however there are still areas with exposed tree roots and no ground cover. The areas of missing ground cover decreases the curb appeal of the property. It is recommended that management research landscaping options to improve the areas of missing ground cover and to increase the curb appeal of the property. The brick siding on the exterior of the buildings appears to be in acceptable condition, however the wood siding and trim has peeling paint. It is recommended that painting the wood siding and trim be budgeted for and completed to increase the curb appeal to both current and prospective residents. The gutters do not appear to be in good condition. During the 2009 Asset Oversight report, the damaged and missing gutters were observed. According to management, the gutters were damaged during Hurricane Ike, but have not been repaired. It is recommended that management repair and/or replace the damaged and missing gutters to increase the efficiency of the draining system to decrease the possibility of any damage to the building foundation. The roofs do not appear to be in good condition. Management stated that repairs were made to areas that were leaking, but the roofs will require additional repairs. The tarps that were covering the missing caps during the 2009 Asset Oversight site visit have been removed. It is highly recommended that management complete the roof repairs to prevent any leaks and/or damage to the buildings and units. The condition of the balconies and patios has not changed since the 2009 Asset Oversight report. Many balconies are in need of repairs and power washing and/or paint. The outside edge of the balcony in building 14 has shifted to point towards the ground at an angle. It is recommended that management create a prioritized inventory of needed balcony and patio repairs and paint. When the inventory is completed, repairs can be made to the balconies and patios to decrease any safety liabilities and increase curb appeal. The chimney caps do not appear to be in good condition. Management stated during the 2009 Asset Oversight report that the chimney caps were damaged during Hurricane Ike. The recommend repairs have not been completed, however management stated during the 2010 site visit that the
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						<p>chimney caps were being made and would be installed in 2010. The invoice for the completed work has not been submitted as of June 21, 2010. It is recommended that management completed the repairs to the chimney caps to increase the curb appeal.</p> <ul style="list-style-type: none"> • The metal stairways appear to be in good condition, but the paint is peeling on some of the metal stairways. Management stated that the metal stairways are sometimes painted during the make ready process. It is suggested that management paint the stairways to increase curb appeal. • According to the police report submitted for the last three months, the criminal activity has increased since the 2009 Asset Oversight report. The police reports reflect assaults, burglaries, and thefts. Management stated that there is a written crime prevention plan and they take pro-active measures to address the criminal activity on the property. It is recommended that management review and evaluate the current crime prevention plan, make any necessary changes, and request police reports on a monthly basis to monitor the criminal activity. • The Maintenance Summary Report reflects that only six service requests were completed in 24 hours. Management stated that the six service requests completed in twenty-four hours is not accurate because most service requests are completed in twenty-four to forty-eight hours. The exception to the twenty-four to forty-eight hour completion time is if the service request is called in over the weekend or if parts need to be ordered. Management stated that due to the number of computers in the office, the Maintenance Summary Report is usually updated on weekends by staff and the actual completion date is not entered into the report. For a more accurate evaluation of the maintenance program, it is recommended that management update the Maintenance Summary Report on regular basis or enter the actual completion date of the service request. • According to the Lease Expiration Detail report, ten percent of the occupied units at One Willow Chase are on month to month leases. If all month-to-month leases were to move out next month, it would potentially cause the property financial hardship. According to management, three of the month-to-month residents are moving out and one month-to-month resident is on eviction. It is recommended that management evaluate the current renewal program and make any necessary changes to encourage residents to renew. • It does not appear that management is following the company policy on turning vacant units in five business days. On the day of the site visit, the property did not have any make ready units to view with seven units vacant over 200 days and seven units vacant over 20 days. Management stated that there have been many move ins and the maintenance personnel are struggling to turn vacant units. According to the Availability report that was submitted, seven units are leased and not made ready. Management's make ready board is organized to assist them with the make ready status of the vacant units. It is recommended that management keep units of each floor plan made ready for prospective residents to view and available for move in.
Pine Creek Village Apartments	216	229 I-45 North Conroe TX 77304	6.16.10	71% (Occupancy includes both Pine Creek and Stone Creek)	73%	<p>Findings:</p> <ul style="list-style-type: none"> • The wood siding on the building near unit 1005 is in need of repair. There is a hole in the wood siding that exposes the building under to weather and pests. The exposure could increase the risk of deterioration of the building materials. The owner must submit a picture and completed work order of the repair to the wood siding to TSAHC before or on August 8, 2010.

					<ul style="list-style-type: none"> The roofs throughout the property are in bad condition. The roofs were damaged in 2008 by Hurricane Ike and have not been repaired. The roof repairs that were recommended during the 2009 Asset Oversight Report were not made. Management stated that there have not been any problems from the roof damage. A bid has been obtained for repairs, but funding has not been available to make all the repairs. The owner must submit a plan of action to obtain funding to complete the necessary repairs to TSAHC before or on August 8, 2010. According to the police reports for the last three months, the criminal activity on the property has increased both in number and in types of incidents since the last report. The criminal activity on the property includes assaults, burglaries, disturbances, and other activity that should be addressed by management. As a result of those incidents, the owner must create a 12 month Crime Prevention Plan that explains in detail what steps will be taken to eliminate the criminal activity from occurring on the property. Along with the plan, the owner must submit to TSAHC on the 10th of each month, a detailed report for the previous months activities' explaining what was done to prevent crime, and the results until TSAHC gives written notice that reporting is no longer required. The monthly reporting should include a monthly crime statistics report from local police department, courtesy/security officer report, sign in sheets of crime watch or other related meetings attended by residents and any other supporting information. The first Crime Prevention report will be due on September 10, 2010. In response to this review, the owner must submit the Crime Prevention Plan on company letterhead to TSAHC before or on August 8, 2010. Cleared Units 305, 513, 804, and 1509 are considered down and are not available for rental on a continuous basis to members of the general public. These units should not be counted in the total number of units to meet the Safe Harbor Requirement until the units are available for rental. The units must be deleted from the July 2010 Unit Status Report due August 10, 2010 until repairs are made. The units may be counted in the total number of units when repairs are made. The unit designation must be market until a qualified household occupies the unit. In response to this review, the owner must submit proof in the form of invoices, work orders, pictures, and/or Tenant Income Certifications to TSAHC. Cleared The approved budget has not been implemented into the OneSite software so that a year to date variance sheet could be submitted as requested. The month end variance information was used instead of the year to date information. Management stated that year to date information was not available due to the delay of the inputting the budget into the OneSite software. The owner must input the budget information into the OneSite software for management use and submit a copy of the latest variance report reflecting the year to date information to TSAHC before or on August 8, 2010. Cleared <p>Observations:</p> <ul style="list-style-type: none"> The perimeter fence is not in acceptable condition. The fence is missing boards in many areas throughout the property. The poor condition of the perimeter fence decreases the curb appeal and potentially allows access to the property by non-residents. It is recommended that management repair the perimeter fence to increase curb appeal and deter access to the property to by non-residents. The wood on the patios is poor condition throughout the property. Patios have rotting wood and peeling paint. The condition of the patios decreases
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						<p>the curb appeal to both current and prospective residents. If the patios do not receive any repairs, the deterioration will continue and repairs will be more extensive. It is recommended that management make an inventory of all needed repairs, make an action plan to prioritize the repair of the patios, and implement the action plan to make repairs.</p> <ul style="list-style-type: none"> • The wood siding on the buildings is not in acceptable condition. The paint is peeling on the wood siding throughout the property. Management stated that repairs to the siding are made in house as needed. A bid has been obtained to repair and paint the wood siding, but funding is not currently available to make the repairs. It is recommended that management continue making repairs to the siding and research options to improve the appearance of the siding to increase curb appeal. • It does not appear that management is following the company policy on turning vacant units in five business days. On the day of the site visit, the property had units available for prospective residents but there were many units that have been vacant for an extend period of time. According to the Availability report the following units have been vacant an extended period of time and not made ready: eight units have been vacant over 200 days, five units have been over 400 days, and six units have been over 500 days. It appears that management has a system to organize the vacant units and the make ready status of the units. Management stated that they continue to work on turning vacant units to have available for prospective residents. It is recommended that management follow the company policy on turning vacant units continue to have a selection of made ready units for prospective residents. • The total accounts payable has increased since the 2009 Asset Oversight Report. It is important that vendors are paid so that management can continue to operate the property. The regional manager stated that funding usually received in June had not been released at the time of the report. It is recommended that management create plan of action in order to get vendor accounts paid so that supplies and services can be purchased to maintain property's curb appeal and properly make units ready.
Settler's Cove Apartments	182	4045 Treadway Beaumont TX 77706	4.26.10	95%	89%	<p>Finding:</p> <ul style="list-style-type: none"> • The sidewalk in front of building 20 is elevated above the normal height. The increase in height of the sidewalk could be a potential trip hazard for any person on the property. Management stated that trip hazard repairs are included in the capital improvements. The tree next to the elevated sidewalk is going to be removed as part the repair to the sidewalk. The owner must submit a picture that the sidewalk has been repaired to remedy the trip hazard to TSAHC before or on June 14, 2010. <p>Observations:</p> <ul style="list-style-type: none"> • The parking lot is not in good repair. The parking lot of the property has several pot holes and is need of re-stripping. Management stated that repairs to the pot holes are included in capital improvements. It is recommended that management repair the holes in the parking lot to increase curb appeal and decrease risk of safety issues and other potential liabilities. • The exterior siding on the buildings is in need of repairs and paint. The end of building 22 has missing boards and had peeling paint. (See picture on pg. 11) Management stated that the orange marks on the buildings are indications of which areas are to be repaired and then painted. It is suggested that management repair and paint the siding on the property to increase curb appeal and decrease the risk of building deterioration from

						<p>weather and/or insects.</p> <ul style="list-style-type: none"> The month end variance information was used instead of the year to date information. The year to date information was not available at the time of the site visit. Management stated that year to date information was not available due to the delay of the approval of the budget. The budget was due in November but was delayed to MBIA and Bond holder involvement. It is expected that the budget will be finalized in April. It is suggested that the final budget be uploaded to the software program as soon as possible so that it the budget can be used. A copy of the most recent variance report with both the month and year to date information needs to be submitted to TSAHC as soon as it is available.
Shadowridge Village Apartments	144	9701 W. Ferris Branch Blvd. Dallas TX 75243	8.18.10	83%	76%	<p>No Findings.</p> <p>Observations:</p> <ul style="list-style-type: none"> The controlled access gates were not functioning on the day of the site visit. This could give residents a false sense of security. Access gates need to be in full function condition. During the 2009 Asset Oversight Report, it was recommended that the management make repairs to the access gates. According to management, the gates are in need of repair frequently and maintenance personnel make repairs when necessary. It is recommended that management have repairs made to the access gates as soon as possible. Many of the patios and balconies are in acceptable condition. There are a few patios and balconies that are in need of repairs and/or paint. During the physical inspection, the reviewer discussed with management the option to make repairs and paint the unit's patio or balcony during the make ready if time allowed. It is recommended that the patios and balconies are repaired and/or painted to increase the curb appeal to both current and future residents. According the Maintenance Summary Report, only one service request was completed in 24 hours. According to management, service requests are completed in a timely manner. It is important that management enter the actual completion dates to accurately evaluate the maintenance program. It is recommended that service requests are closed daily or the correct completion date be entered to accurately track service requests. The company policy on turning vacant units is seven business days. It does not appear that units are being turned immediately after being vacated because four units have been vacant for over 20 days and have not been made ready. Management has a make ready board that assists with keeping vacant leased and vacant not leased units organized. The number units made ready and the number of units in progress of being made ready has increased since the 2009 Asset Oversight Report. It is recommended that management try to keep units made ready and available for move-in to decrease playing catch up. The total accounts payable has increased \$57,014 since the 2009 Asset Oversight Report. It is important that vendors are paid so that management can continue to operate the property. The regional manager stated that funding is received monthly from MBIA to pay vendors. It is recommended that management create plan a of action in order to get vendor accounts paid so that supplies and services can be purchased to maintain the property and properly make units ready. On the day of the site visit, the maintenance personnel were not wearing a uniform or name tag and were not easily identifiable. Management stated that uniforms would be ordered for the maintenance personnel to make

						them easier to identify. It is recommended that maintenance personnel wear a uniform and/or name tag so that they are easily identified for resident and guest safety.
Stony Creek Apartments	252	231 I-45 North Conroe TX 77304	6.16.10	71% (Occupancy includes both Pine Creek and Stone Creek)	73%	<p>Findings:</p> <ul style="list-style-type: none"> The wood siding on the building near unit 21711 is in need of repair. There is a hole in the wood siding that exposes the building to weather and pests. The exposure could increase the risk of deterioration of the building materials. The owner must submit a picture and completed work order of the repair to the wood siding to TSAHC before or on August 8, 2010. The roofs throughout the property are in bad condition. The roofs were damaged in 2008 by Hurricane Ike and have not been repaired. The roof repairs that were recommended during the 2009 Asset Oversight Report were not made. Management stated that there have not been any problems from the roof damage. A bid has been obtained for repairs, but funding has not been available to make all the repairs. The owner must submit a plan of action to obtain funding to complete the necessary repairs to TSAHC before or on August 8, 2010. According to the police reports for the last three months, the criminal activity on the property has increased both in number and in types of incidents since the last report. The criminal activity on the property includes assaults, burglaries, gunfire, disturbances, and other activity that should be addressed by management. As a result of those incidents, the owner must create a 12 month Crime Prevention Plan that explains in detail what steps will be taken to eliminate the criminal activity from occurring on the property. Along with the plan, the owner must submit to TSAHC on the 10th of each month, a detailed report for the previous months activities' explaining what was done to prevent crime, and the results until TSAHC gives written notice that reporting is no longer required. The monthly reporting should include a monthly crime statistics report from local police department, courtesy/security officer report, sign in sheets of crime watch or other related meetings attended by residents and any other supporting information. The first Crime Prevention report will be due on September 10, 2010. In response to this review, the owner must submit the Crime Prevention Plan on company letterhead to TSAHC before or on August 8, 2010. Cleared Unit 21220 is considered down and is not available for rental on a continuous basis to members of the general public. This unit should not be counted in the total number of units to meet the Safe Harbor Requirement until the units are available for rental. The units must be deleted from the July 2010 Unit Status Report due August 10, 2010 until repairs are made. The units may be counted in the total number of units when repairs are made. The unit designation must be market until a qualified household occupies the unit. In response to this review, the owner must submit proof in the form of invoices, work orders, pictures, and/or Tenant Income Certifications to TSAHC. Cleared The approved budget has not been implemented into the OneSite software so that a year to date variance sheet could be submitted as requested. The month end variance information was used instead of the year to date information. Management stated that year to date information was not available due to the delay of the inputting the budget into the OneSite software. The owner must input the budget information into the OneSite software for management use and submit a copy of the latest variance report reflecting the year to date information to TSAHC before or on August

						<p>8, 2010. Cleared</p> <p>Observations:</p> <ul style="list-style-type: none"> • The perimeter fence is not in acceptable condition. The fence is missing boards in many areas throughout the property. The poor condition of the perimeter fence decreases the curb appeal and potentially allows access to the property by non-residents. It is recommended that management repair the perimeter fence to increase curb appeal and deter access to the property to by non-residents. • The condition of the landscaping is good in most areas of the property; however many tree roots are exposed in the front of the property. The areas of missing ground cover decrease the curb appeal. It is recommended that management research landscaping options to improve the curb appeal of the property. • The wood siding on the buildings is not in acceptable condition. The paint is peeling on the wood siding throughout the property. Management stated that repairs to the siding are made in house as needed. A bid has been obtained to repair and paint the wood siding, but funding is not currently available to make the repairs. It is recommended that management continue making repairs to the siding and research options to improve the appearance of the siding to increase curb appeal. • It does not appear that management is following the company policy on turning vacant units in five business days. On the day of the site visit, the property had units available for prospective residents but there were many units that have been vacant for an extend period of time. According to the Availability report the following units have been vacant an extended period of time and not made ready: eight units have been vacant over 200 days, three units have been vacant over 400 days, and three units have been vacant over 500 days. It appears that management has a system to organize the vacant units and the make ready status of the units. Management stated that they continue to work on turning vacant units to have available for prospective residents. It is recommended that management follow the company policy on turning vacant units continue to have a selection of made ready units for prospective residents. • The total accounts payable has increased since the 2009 Asset Oversight Report. It is important that vendors are paid so that management can continue to operate the property. The regional manager stated that funding usually received in June had not been released at the time of the report. It is recommended that management create plan of action in order to get vendor accounts paid so that supplies and services can be purchased to maintain property's curb appeal and properly make units ready.
Woodedge Apartments	126	10802 Green Creek Dr. Houston TX 77070	5.19.10	88%	86%	<p>No Findings.</p> <p>Observations:</p> <ul style="list-style-type: none"> • There are shutters randomly missing throughout the property. There are visible signs that the shutters are missing on the brick siding. A window maybe be missing one shutter or both, and it is visible where the shutters used to hang. During the 2009 asset oversight review, management stated that the shutters were removed by Hurricane Ike and would be repaired, but other projects were to be completed first. Management stated during the 2010 review that repairs and/or replacements to the shutters may be included in the 2010 capital improvements. It is encouraged that management research and evaluate options to replace the shutters to increase the curb appeal of the property or remove all shutters and create uniformity.

						<ul style="list-style-type: none"> The paint is peeling on the wood siding and trim throughout the property. Some areas of the siding are peeling significantly and reduces the appearance of the buildings. Management stated in both 2009 and 2010 asset oversight reviews that painting was budgeted in the capital improvements. During the 2010 review, the regional manager stated that a bid was solicited to paint the buildings in 2010. It is recommended that management paint the wood siding to increase curb appeal and decrease the risk of building deterioration. The April month end variance information was used instead of the year to date information. The year to date information was not available at the time of the site visit. Management stated that year to date information was not available due to the delay of the approval of the budget. The budget was due in November but was delayed due to MBIA and Bond holder involvement. It is expected that the budget will be finalized in April. It is suggested that the final budget be uploaded to the software program as soon as possible so that it the budget can be used. A copy of the most recent variance report with both the month and year to date information needs to be submitted to TSAHC as soon as it is available.
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American Opportunity for Housing (AOH)

Property Name	# of Units	Location	Audit Date	Occupancy as of Nov. 19 th	Average 12 month Occupancy	Annual Summary
Briarcrest Apartments	376	25650 I-45 Spring TX 77386	4.12.10	76%	69%	<p>Findings:</p> <ul style="list-style-type: none"> On the day of the site visit, the reviewer found multiple areas throughout the property with exposed electrical and cable wiring. This is a health and safety concern and must be cured within 24 hours of receipt of this review. Pictures must be sent to TSAHC by May 17, 2010. Cleared 7.16.10 The entrance gate to the pool was broken on the day of the site visit. The broken gate is a safety issue and leads to poor curb appeal. The Owner must repair the fence and submit proof in the form of photographs, invoices, and/or work orders to TSAHC by June 14, 2010. Cleared 7.16.10 Near one of the shut off valves outside of Building 16 there were two missing sewer caps. This creates a trip hazard for residents and increases liability for the property. The Owner must add the sewer caps and provide documentation that they have been closed off to TSAHC by June 14, 2010. It is also suggested that the Owner perform an audit of the property to verify that there are not any other sewer missing caps that may cause a potential accident. Cleared 7.16.10 The Boiler Room near the back pool had a hole in the wall from the exterior brick that went all the way into the boiler room. This is a safety hazard for residents, it creates allows unwanted pests into the boiler room, and allows for potential criminal activity. The Owner must repair the Boiler Room wall and submit photographs and work orders/invoices to TSAHC by June 14, 2010. Cleared 7.16.10 On the day of the site visit, the Reviewer found graffiti on the side of one of the buildings (see picture at the end of this report). Not only is graffiti bad for curb appeal but it can potentially create poor resident retention and potentially invites criminal activity onto the property. Management should walk the property on a daily basis to verify that no buildings have been tagged and that the property is free from and signs of vandalism. The Owner must remove the graffiti and submit photos that the graffiti has been

						<p>removed to TSAHC by June 14, 2010. Cleared 7.16.10</p> <ul style="list-style-type: none"> • The Summary Work Order Report submitted on the day of the site visit did not contain any work orders for the month of March. Upon further review, Management realized that they had all been “deleted” from the system. However, upon reviewing the Summary Work Order Report for all of 2010 it was found that there were not any work orders from January 19, 2010-April 1, 2010. Of the work orders listed from April 1-April 12, all work orders had been closed on April 12. It is imperative that work orders be tracked not only to ensure that work is being completed to sustain the life of the apartment unit itself but also to ensure the resident satisfaction. The Owner must begin entering and closing work orders on a daily basis. A Summary Work Order Report dated April 12, 2010-May 30, 2010 must be submitted to TSAHC by June 14, 2010. Cleared 7.16.10 • The preventative maintenance log book does not have any information for February, March or April. Therefore, it is unclear if Preventative Maintenance is being completed which comes as a huge detriment to the property. The property is already suffering from serious lack of upkeep therefore; it is of high importance that Preventative Maintenance be performed regularly and thoroughly. The Owner must submit a copy of the completed preventative maintenance log for April and May to TSAHC by June 14, 2010. Cleared 7.16.10 • On the day of the site visit, unit 1820 did not have a front door. This opens the property to unwanted pests and increases the potential for unwanted criminal activity. The owner must replace the front door in unit 1820 and provide proof in the form of pictures and invoices to TSAHC by June 14, 2010. Cleared 7.16.10 • On the day of the site visit, unit 214 had a broken window (See picture at the end of this report). This allows the unit to be exposed to unwanted pests and increases the potential for unwanted criminal activity in this unit. The owner must replace the window in unit 214 and provide proof in the form of pictures and invoices to TSAHC by June 14, 2010. Cleared 7.16.10 • The front entry door of unit 202 had 3 holes in it (see picture at the end of this report). This allows for heat and air to escape the apartment, it allows for guests to view inside the apartment without permission of the resident which is a big safety concern, and it also allows for the potential entry of unwanted pests. The owner must repair or replace the front door of unit 202 and provide proof to TSAHC in the form of photos and invoices or work orders by June 14, 2010. Cleared 7.16.10 • Units 202, 214, 815, 822, 1213, 1316, 1323, 1415, 1702, and 1820 are considered down and are not available for rental on a continuous basis to members of the general public. These units should not be counted in the total number of units to meet the Safe Harbor Requirement until the units are available for rental. The units must be deleted from the June 2010 Unit Status Report due July 10, 2010 until repairs are made. The units may be counted in the total number of units when repairs are made. The unit designation must be market until a qualified household occupies the unit. In response to this review, the owner must submit proof in the form of invoices, work orders, pictures, and/or Tenant Income Certifications to TSAHC. Cleared 7.16.10 • The Aged Invoice report that was submitted on the day of the site visit reflects an outstanding balance of \$448,994 and an over 60 day balance of \$395,842. On the 2009 Asset Oversight review, the accounts payable was \$397,265. In the last year, the accounts payable has increased \$51,729 even though the average occupancy for twelve months has increased
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						<p>seventeen percent. In response to this review, management must submit to TSAHC on or before June 14, 2010, on company letterhead, an action plan to have vendors paid so that units can be made ready and the property can purchase the necessary supplies to keep the property operating efficiently on a day-to-day basis. Cleared 7.16.10</p> <p>Outstanding Findings:</p> <ul style="list-style-type: none"> • <i>“Due to issues with the sewer repairs at the property, management had three shut off valves installed. The valves and pipes emerge several feet out of the ground and have water filled holes surrounding them. Management indicated that these would be permanent fixtures on the property. Structures should be acquired to house these units to help deter tampering and possible liability of injury to children and other residents at the property. This problem should be addressed immediately and the owner must submit to TSAHC by June 7, 2009 evidence that the necessary repairs have been made.”</i> On the day of the 2010 site visit, the shut off valve in front of the leasing office was still exposed. Management discussed several options to enclose the structure with the Reviewer however, no decisions were made nor was there any indication of a possible solution coming in the near future. The shut off valve is still a liability of injury to persons on the property. The Owner must submit a picture of the shut off valve remedy to decrease the negative effect on curb appeal and potential liability. Proof must be submitted to TSAHC by June 14, 2010. Cleared 7.16.10 • <i>“It was suggested during last year’s review that the property was in need of a comprehensive crime prevention plan to help deter crime. This year the review found that there is still a high occurrence of criminal activity at the property and management has not implemented an effective crime prevention plan to address this issue. In response to this review, the owner must create and implement a crime prevention plan that explains in detail what steps will be taken to stop the criminal activity occurring on the property. Along with the plan, the owner must submit to TSAHC on the 10th of every month a detailed report for the previous month explaining what they did to prevent crime, and the results, until TSAHC gives written notice that they are no longer required to do so. This should include supplemental information, including but not limited to security company reports, police reports and crime watch meeting sign in sheets. In response to this review, the owner must submit on company letterhead the Crime Prevention Plan to TSAHC no later than June 7, 2009.”</i> The property has not submitted Crime reports regularly nor do they have a written crime prevention plan in effect. Due to the number and type of activities happening on the property, Monthly Crime Reporting must continue until the property is notified otherwise. The Owner must create and implement a crime prevention plan to TSAHC by June 14, 2010. Cleared 7.16.10 <p>Observations:</p> <ul style="list-style-type: none"> • The doors to the storage facility within the gate of the front pool are in poor condition. The reviewer was unable to determine if the door was off of its hinges or if the door that was hung was not the appropriate size. This reflects very poor curb appeal for the current and prospective residents. It also does not securely store the equipment that is within that facility. It is suggested that the Owner repair or replace the door that is currently in place. • On the day of the site visit, the pool at the back of the property was green and very dirty. Management stated that this was because the maintenance staff hadn’t cleaned it all weekend. It is suggested that the pool be cleaned and chemical levels maintained on a daily basis for the health and safety of
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						<p>the residents.</p> <ul style="list-style-type: none"> • Management is in violation of Section 535.20(a) of the TREC rules containing an exception that allows a third party (i.e. a person who is not named as the resident on the lease that generates the locator's commission) to accept a very limited referral fee. (Information on the rule can be found on pages 528-531 in the TAA Redbook.) The rule was discussed with management during the asset oversight review and language from Section 535.20(a) was sent to management. It is suggested that management adhere to the Section 535.20(a) of the TREC rules. • On the day of the site visit, the property staff didn't have any made ready units available to view. Management stated that this was because of several move ins over the weekend. It is suggested that one unit of each floor plan is made ready and available for immediate move in at all times. • The current delinquency balance is extremely high. It is suggested that Management reevaluate both the collection policy and rental criteria. It is important that residents are able to pay monthly rent and that management have strong collection policies to enforce rent collection.
Clover Hill Apartments	216	903 Road to Six Flags West Arlington TX 76012	4.28.10	88%	91%	<p>Findings:</p> <ul style="list-style-type: none"> • Management did not supply the reviewer with a copy of the Work Order Summary Report on the day of the site visit. The report was also not submitted after the site visit when the Reviewer requested the information again. The Reviewer is unable to evaluate the Maintenance program without this information. The Owner must submit a copy of the Work Order Summary Report for the previous 30 days by June 26, 2010 to TSAHC. Cleared 7.26.10 • Renewal information submitted prior to the site visit was incomplete. During the site visit the Reviewer asked for additional information that was not received, additional requests were made to obtain this information however, it was never received. The Reviewer is unable to evaluate the Renewal program without complete information. The Owner must submit a complete copy of the renewal information to TSAHC by June 26, 2010. Cleared 7.26.10 • Units 2623, 4401, 4003, and 3024 are currently occupied by Geo-fill Contractors. These units are currently designated as Low Income and Very Low Income units on the Unit Status Report. These units must be changed to Market Rate units on the June Unit Status Report, due on July 10, 2010, as they are not available for rental to the general public and can not be counted toward the Safe Harbor Requirement. If a qualified household moves into those units the units may take that designation. Cleared 7.26.10 • The Aged Invoice report that was submitted on the day of the site visit reflects an outstanding balance of \$147,068 and an over 60 day balance of \$105,698. On the 2009 Asset Oversight review, the accounts payable was \$74,528. In the last year, the accounts payable has increased \$72,540 even though the average occupancy for twelve months has increased six percent. In response to this review, management must submit to TSAHC on or before June 26, 2010, on company letterhead, an action plan to have vendors paid so that units can be made ready and the property can purchase the necessary supplies to keep the property operating efficiently on a day-to-day basis. Cleared 7.26.10 <p>No Observations.</p>
Hillcrest Apartments	310	1960 West Tarrant Rd. Grand Prairie TX 75050	4.27.10	64%	77%	<p>Findings:</p> <ul style="list-style-type: none"> • The poor condition of the parking lot was noted on the 2009 report and was

					<p>found to be in disrepair again this year. The needed repairs, especially those around the trash receptacles, are dire and are a hazard to the vehicles of residents. This also provides for poor curb appeal. The Owner must collect bids to make parking lot repairs and submit those in addition to a plan of action on company letter head that details specifically when and where repairs will be made to TSAHC by July 2, 2010. Cleared 7.14.10</p> <ul style="list-style-type: none"> • On the day of the site visit, the landscaping was in disrepair, which leads to poor curb appeal. The owner must create and implement solutions to upgrade the landscaping so that erosion and water run off are minimized. A written plan of action must be submitted to TSAHC detailing what the Owner intends to do to fix the issue of erosion, exposed irrigation piping, and run off and should also include any future plans to repair the landscaping so that curb appeal is enhanced by July 2, 2010. Cleared 7.14.10 • The exterior of the buildings is in bad condition. The paint is peeling from the buildings, the wooden patio/balcony wrap arounds are deteriorating, have missing wood planks, and have chipped paint. The curb appeal of the property is deteriorating dramatically due to the disrepair of the building exteriors. The Owner must create a plan outlining the repair of deteriorating wood throughout the property as well as a time frame in which the property will be painted in addition to the manner in which funding will be obtained to complete the paint. This plan of action must be submitted to TSAHC by July 2, 2010. Cleared 7.14.10 • Renewal information submitted prior to the site visit was incomplete. During the site visit, the Reviewer asked for additional information that was not received, additional requests were made to obtain this information however, it was never received. The Reviewer is unable to evaluate the Renewal program without complete information. The Owner must submit a complete copy of the renewal information to TSAHC by July 2, 2010. Cleared 7.14.10 • Units 501, 619, 904, 1107, 1501, and 1519 are considered down and are not available for rental on a continuous basis to members of the general public. These units should not be counted in the total number of units to meet the Safe Harbor Requirement until the units are available for rental. The units must be deleted from the May 2010 Unit Status Report due June 10, 2010 until repairs are made. The units may be counted in the total number of units when repairs are made. The unit designation must be market until a qualified household occupies the unit. In response to this review, the owner must submit proof in the form of invoices, work orders, pictures, and/or Tenant Income Certifications to TSAHC. Cleared 7.14.10 <p>Outstanding Findings:</p> <ul style="list-style-type: none"> • "Building foundation problems have been noted in the Asset Oversight reports since 2006. Building 11 was discussed in the previous reports, but buildings 1 and 4 also have foundation problems. Corrective action submitted for the finding on the report dated February 12, 2008 included a scheduled appointment with an engineer. Due to these foundation issues, several units are not available for rental to the general public and cannot be considered in the total number of units. The foundation problems must be addressed and corrected in order to include the units in the set aside requirements. In response to this review, the owner must submit an engineer's report indicating the level of damage in buildings 1, 4, and 11 and a written certification of the plan of action to TSAHC before or on July 19, 2009." <i>Building 1 has 2 units down, Building 4 has 2 units down, and Building 11 has 4 units down due to foundation issues. A written certification was never received in reference to this issue. The Owner must submit a written certification that includes a detailed summary of all foundation issues</i>
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						<p><i>throughout the property, an engineers report, bids to fix the issues, where funding will come from to support the work, when funding will be released and when construction from this issue will begin and end. This certification must be submitted to TSAHC by July 2, 2010.</i></p> <p>Observations:</p> <ul style="list-style-type: none"> • On the day of the site visit, the Reviewer noticed several areas that were without splash guards. This allows water to drain directly on to the building which could cause foundation issues. It is suggested that the Owner take inventory of how many splash guards are needed and then replace them all so that additional foundation issues are not created. • It appears that work orders are not being closed on a daily basis. It is suggested that in the future Management close work orders daily so that they are able to monitor the effectiveness of the maintenance program. • Management stated that company policy is to turn vacant units within 5-7 days. The property staff is clearly not following company policy on number of days to turn vacant units. It is suggested that the Owner re-evaluate the company policy on number of days to turn vacant units or the property should begin implementing the current policy. • It was noted in the 2009 review that accounts payables were high and that management should increase occupancy to decrease debt. Since the last review, occupancy has gone up 5% and Accounts Payables have also gone up \$9,346. Though the increase in payables is minimal, it is an indicator that increased occupancy will not be sufficient to cover the expenses of the property. It is suggested that the Owner evaluate other options to pay down accounts payable. • On the day of the site visit, property staff was not wearing uniforms or name tags. It is suggested that in the future management wear uniforms or nametags so that they are easily identifiable to current and prospective residents.
Mill Creek Apartments	174	16339 Stuebner Airline Rd Spring TX 77379	4.13.10	73%	89%	<p>Findings:</p> <ul style="list-style-type: none"> • The Summary Work Order Report that was submitted shows there have been 62 work orders between 3-15-2010 and 4-12-2010. The report reflects that no work orders have been completed. It is important that work orders be completed in a timely manner to keep residents satisfied. According to management, the internet has not been working at the property and has not allowed management to update the work order report. The owner must verify that the work orders have been completed and entered into the software. A copy of the Maintenance Summary Report for the last 30 days must be submitted to TSAHC before or on June 10, 2010. Cleared 6.14.10 • The Aged Invoice report that was submitted on the day of the site visit reflects an outstanding balance of \$151,277 and an over 60 day balance of \$106,259. On the 2009 Asset Oversight review, the accounts payable was \$65,392. In the last year, the accounts payable has increased \$85,885 even though the average occupancy for twelve months has increased thirteen percent. In response to this review, management must submit to TSAHC on or before June 10, 2010, on company letterhead, an action plan to have vendors paid so that units can be made ready and the property can purchase the necessary supplies to keep the property operating efficiently on a day-to-day basis. Cleared 6.14.10 • According to management, the delinquency report is not accurate and up to date due to accounting problems. Management stated that accounting problem is going to be addressed. The aged delinquency has increased

					<p>\$59,182 since the 2009 review. It is imperative that the owner gets the problem resolved. In response to this review, management must submit an accurate aging delinquency report to TSAHC before or June 10, 2010. Cleared 6.14.10</p> <p>Observations:</p> <ul style="list-style-type: none"> • The perimeter fence was missing boards and leaning in different areas. The missing sections decrease curb appeal and allows access to the property by non residents. It is recommended that management repair the fence to increase the curb appeal and decrease access to the property. • The parking lot is not in good repair. The drive way in the back of the property has several holes. Management stated that repairs are included in capital improvements. It is recommended that management repair the holes in the parking lot to increase curb appeal and decrease risk of safety issues. • The trim and fascia boards need to be addressed on buildings 9 and 11. The replaced trim on building 9 needs to be painted and there was hanging metal from the fascia boards on building 11. It is recommended that that management address these items increase curb appeal and decrease future deterioration. • During the physical inspection, it was noticed that several of the entry gates to the units were in need of repairs. The entry gates were missing trim and paint or were leaning so that it appeared opening the gate could be difficult. It is recommended that management survey the condition of the entry gates to the units on the property to ensure curb appeal and accessibility to the units. • On the day of the site visit, there was not a sign for the emergency phone by the pool. It is recommended that management replace the sign on the emergency phone to indicate to residents and guests where the phone is located in case of emergency. • Management submitted a copy of the current preventive maintenance schedule for 2010 calendar year. The schedule indicates what actions are going to be completed during the year using the letters W (weekly), M (monthly), Q (quarterly), SA (semi-annually), or A (annually). The schedule that was submitted does not indicate if these actions have been completed. It is important for the long term upkeep of the property, that preventative maintenance is performed and tracked appropriately. It is suggested that management maintain a log of dates next to the action items when they are completed. • Management is in violation of Section 535.20(a) of the TREC rules containing an exception that allows a third party (i.e. a person who is not named as the resident on the lease that generates the locator's commission) to accept a very limited referral fee. (Information on the rule can be found on pages 528-531 in the TAA Redbook.) The rule was discussed with management during the asset oversight review and language from Section 535.20(a) was sent to management. It is suggested that management adhere to the Section 535.20(a) of the TREC rules. • The company policy on turning vacant units is three to five business days. It does not appear that units are being turned immediately after being vacated because five units have been vacant for over 20 days and have not been made ready. Management has a make ready board that assists with keeping vacant leased and vacant not leased units organized. The make ready board does reflect that five units are made ready and the leased units are being turned in a timely manner. It is recommended that management try to keep units made ready and available for move-in to decrease playing
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						catch up.
One Westfield Lake Apartments	246	2800 Hirschfield Spring TX 77373	4.13.10	88%	78%	<p>Findings:</p> <ul style="list-style-type: none"> The sheet metal has been damaged and torn down from the bottom of building 9. The damaged metal noted on the 2009 Asset Oversight report has been repaired, but the wires are hanging again. Management stated the damaged metal is hanging due to corrosion from a previous leak. According to management, the wires are pulled down by the children playing on them. The sheet metal and wires need to be repaired in order to improve curb appeal, decrease any safety issues, and limit access to the building by pests. In response to this review, the owner must submit to TSAHC by June 10, 2010 documentation including pictures showing the damage has been repaired. Cleared 6.17.10 According to the police reports for the last three months, the criminal activity on the property has increased both in number and in types of incidents since the last report in March 2009. The criminal activity on the property includes assaults, arson, gunfire, disturbances, and other activity that should be addressed by management. As a result of those incidents, the owner must create a 12 month Crime Prevention Plan that explains in detail what steps will be taken to eliminate the criminal activity from occurring on the property. Along with the plan, the owner must submit to TSAHC on the 10th of each month, a detailed report for the previous months activities' explaining what was done to prevent crime, and the results until TSAHC gives written notice that reporting is no longer required. The monthly reporting should include a monthly crime statistics report from local police department, courtesy/security officer report, sign in sheets of crime watch or other related meetings attended by residents and any other supporting information. The first Crime Prevention report will be due on July 10, 2010. In response to this review, the owner must submit the Crime Prevention Plan on company letterhead to TSAHC before or on June 10, 2010. Cleared 6.17.10 On the day of the site visit, graffiti was seen on the basketball board. This is a deterrent to potential residents and current residents. It is suggested that management walk the property on a daily basis to ensure that the property is not being tagged or covered with graffiti. In response to this review, the owner must submit a picture of the remove graffiti to TSAHC before or on June 10, 2010. Cleared 6.17.10 According to the current Aged Invoice report that was submitted on the day of the site visit reflects an outstanding balance of \$305,052 and an over 60 day balance of \$305,076. On the 2009 Asset Oversight review, the accounts payable was \$271,152. In the last year, the accounts payable has increased \$86,900 even though the average occupancy for twelve months has increased twenty percent. In response to this review, management must submit to TSAHC on or before June 10, 2010, on company letterhead, an action plan to have vendors paid so that units can be made ready and the property can purchase the necessary supplies to keep the property operating efficiently on a day-to-day basis. Cleared 6.17.10 According to management, the delinquency report is not accurate and up to date due to accounting problems. Management stated that accounting problem is going to be addressed. The aged delinquency has increased \$21,010 since the 2009 review. It is imperative that the owner gets the problem resolved. In response to this review, management must submit an accurate aging delinquency report to TSAHC before or June 10, 2010. Cleared 6.17.10

					<p>Observations:</p> <ul style="list-style-type: none"> • The controlled access gate at the entrance of the property was broken for the last two years. Management stated that only one lane for entrance and exit will be open in efforts to reduce the traffic speed. The inoperable gates could be a liability for the property because it gives the residents a false sense of security. It is suggested management inquire about the liabilities through legal consultation. • Even though the parking lot is being repainted, the parking lot is in need of repair in a couple areas. The curb has broken away by buildings 7 and 8 and there is a piece of metal sticking out of the concrete on the backside of building 15. It is recommended that management repair the parking lot to decrease the risk of any safety issues. • The wood trim surrounding the windows on the exterior of the buildings is rotting and/or has peeling paint. The location and height of the wood areas on the buildings makes it difficult to repair and paint. It is recommended that management research and evaluate how to repair and paint the wood areas on the buildings to decrease deferred maintenance and increase curb appeal. • The walkways were dirty with trash and leaves. According to management the walkways are cleaned, but due to the increase number of move-ins, manpower has been used to make ready units. The walkways could benefit from power washing and trash removal to increase the curb appeal to both current and future residents. It is recommended that management clean the walkways to give the property a fresh look and increase curb appeal. • It was noted in last year's report that wood stairs and walkways were in need of repair/replacement. The wood stairs and walkways are still in need of repair/replacement and could potentially be a safety liability if not repaired. Management has started making repairs to the wood and iron stairways. Management stated the repairs, power washing, and painting are being done in-house. The increase in occupancy has demanded more time spent on turning units. Work will resume on the stairways when the time is allowed. It is recommended that the repairs continue throughout the property to increase curb appeal and decrease any safety liabilities. • During the physical inspection, shopping carts were being collected under a building. According to management, the residents use the shopping carts to bring back their items and the store comes to the property to pick up the shopping carts. The collection of shopping carts decreases curb appeal. It is suggested that management arrange to remove the shopping carts more frequently and research ways to discourage the residents from leaving the shopping carts on the property. • Management stated that preventive maintenance is being done, but the company form is not being completed on a regular basis. Preventive maintenance is critical for a property to assist in minimizing deterioration and service requests. It is recommended that management complete the required items on the preventive maintenance schedule on a regular basis. The completion of the preventive maintenance program will be reviewed during the next review. • Management is in violation of Section 535.20(a) of the TREC rules containing an exception that allows a third party (i.e. a person who is not named as the resident on the lease that generates the locator's commission) to accept a very limited referral fee. (Information on the rule can be found on pages 528-531 in the TAA Redbook.) The rule was discussed with management during the asset oversight review and language from Section 535.20(a) was sent to management. It is suggested
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						<p>that management adhere to the Section 535.20(a) of the TREC rules.</p> <ul style="list-style-type: none"> Due to the number of residents moving into the property, only one unit was made ready on the day of the site visit. Three units were near completion. The Apartment Occupancy Status that was submitted showed eleven units have been leased and management has a make ready board that assists with keeping vacant leased and vacant not leased units organized. The leased units are being made ready for the move in date. It is recommended that management try to keep units made ready and available for resident move in to decrease playing catch up.
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South Texas Affordable Properties

Property Name	# of Units	Location	Audit Date	Occupancy as of Nov. 19 th	Average 12 month Occupancy	Annual Summary
Remington Apartments	158	1570 Thousand Oaks Dr. San Antonio TX 78232	7.19.10	95%	96%	<p>No Findings.</p> <p>Observations:</p> <ul style="list-style-type: none"> The vacant units are not being turned in a timely manner. Only one unit was made ready on the day of the site visit. Management stated that due to a recent decrease in maintenance staff, units were not being made ready as quickly as before. According to the make ready board, six units are in progress of being made ready. It is recommended that management follow the policy on turning vacant units and try to keep units made ready and available for resident move in to decrease playing catch up. The total accounts payable has increased since the 2009 Asset Oversight Report. It is important that vendors are paid so that management can continue to operate the property. It is recommended that management create plan of action in order to get vendor accounts paid so that supplies and services can be purchased to maintain property's curb appeal and properly make units ready.
Summer Oaks Apartments	256	1400 Patricia Ln. San Antonio TX 78213	7.22.10	95%	93%	<p>Finding:</p> <ul style="list-style-type: none"> Accounts payable have increased by \$24,230 since the previous review. This is potentially detrimental to the property as the possibility of accounts being closed increases greatly with outstanding balances. When property accounts are closed it becomes highly difficult for the property function successfully. The owner must create a plan of action to decrease the accounts payables and submit a copy of the plan to TSAHC by September 11, 2010. <p>Observation:</p> <ul style="list-style-type: none"> It does not appear that Management is following company policy on number of days to turn a vacant unit. Six units have been vacant and not made ready for more than 20 days. It is suggested that management begin following company policy or make changes to the company policy so that it is more attainable.
The Charleston Apartments	312	2800 Dairy Ashford Houston, TX 77014	4.14.10	75%	87%	<p>Findings:</p> <ul style="list-style-type: none"> On the 2009 Asset Oversight Report, it was noted that there were areas throughout the property with deteriorating trim boards, fascia boards, and balconies. It was noticed again this year that there are areas throughout the property with deteriorating wood on the balconies. The Owner must make inventory of all wood repairs needed throughout the property and submit a plan of action to complete all exterior repairs that are needed to TSAHC by June 7, 2010. Cleared 7.12.10

						<ul style="list-style-type: none"> On the day of the site visit, unit 2211 was walked. The unit appeared to have a water leak which caused mold in the unit. For health and habitability reasons, this unit must be completely turned within 30 days. The owner must submit proof that the unit has been treated must to TSAHC before or on June 7, 2010. Cleared 7.12.10 According to management, unit 2221 previously had a water leak which resulted in all of the carpet being removed as well as the sheet rock being removed at about the mid wall height. The unit is not habitable and is not currently in the process of being made ready. The unit must be deleted from the Unit Status Report as it is currently being made available for the general public. The unit must remain Down until repairs are made and proof is submitted to TSAHC. Proof must be submitted before June 7, 2010 and it can be submitted in the form of work orders, invoices, pictures, and/or Tenant Income Certification. Cleared 7.12.10 Units 909, 1213, 1807, 2204, 2207, 2211, 2217, and 2226 are considered down and are not available for rental on a continuous basis to members of the general public. These units should not be counted in the total number of units to meet the Safe Harbor Requirement until the units are available for rental. The units must be deleted from the May 2010 Unit Status Report due June 10, 2010 until repairs are made. The units may be counted in the total number of units when repairs are made. The unit designation must be market until a qualified household occupies the unit. In response to this review, the owner must submit proof in the form of invoices, work orders, pictures, and/or Tenant Income Certifications to TSAHC. Cleared 7.12.10 The Aging Accounts Payable report has increased \$77,122 since the 2009 report while occupancy has decreased 11%. In response to this review, management must submit to TSAHC on or before June 7, 2010, on company letterhead, an action plan to have vendors paid so that units can be made ready and the property can purchase the necessary supplies to keep the property operating efficiently on a day-to-day basis. Cleared 7.12.10 <p>Observations:</p> <ul style="list-style-type: none"> On the day of the site visit, the Reviewer noticed several areas of significant erosion that has left areas completely free of grass and ground coverings. Management has begun to implement techniques to prevent further erosion such as installing timber edging along sidewalks. It is suggested that Management continue to implement such techniques throughout the property to maintain curb appeal. There are currently 63 units that are vacant and not made ready and only 7 vacant made ready units. Of the vacant units, 16 have been vacant for more than 100 days. Another 9 units, including both down units, have been vacant for more than 180 days. It is company policy to turn vacant units within 5 days. The property staff is clearly not following company policy on number of days to turn vacant units. It is suggested that the Owner re-evaluate the company policy on number of days to turn vacant units or the property should begin implementing the current policy.
The Rafters Apartments	250	11325 I-37 Corpus Christi TX 78410	2.25.10	90%	90%	<p>No Findings.</p> <p>Observation:</p> <ul style="list-style-type: none"> The total accounts payable for 2010 has increased \$28,435 since the 2009 Review. Of the \$28,435 increase \$23,467 is in aged accounts payable. It is suggested that the Owner monitor expenses more closely so that accounts payables do not increase further.

The Wharf Apartments	250	9320 South Padre Island Dr. Corpus Christi TX 78418	2.24.10	86%	93%	No Findings. Observation: <ul style="list-style-type: none"> The total accounts payable for 2010 has increased \$27,476 since the 2009 Review. Of the \$27,486 increase \$27,210 is in aged accounts payable. It is suggested that the Owner monitor expenses more closely so that accounts payables do not increase further.
Willowick Apartments	250	6947 Everhart Rd. Corpus Christi TX 78413	2.23.10	96%	92%	No Findings. Observation: <ul style="list-style-type: none"> During the 2009 Review the outstanding accounts payable was listed as \$53,059, which is an increase of \$35,019. The aging accounts payable has increased from \$32,819 to \$48,073 in 2010. The overall aged accounts payable has increased \$15,254. It is suggested that the Owner monitor expenses more closely in order to keep accounts payable as low as possible.

Common Wealth

Property Name	# of Units	Location	Audit Date	Occupancy as of Nov. 19 th	Average 12 month Occupancy	Annual Summary
White Rock Apartments	336	3110 Thousand Oaks San Antonio TX 78247	7.23.10	95%	90%	Finding: <ul style="list-style-type: none"> Accounts payable have increased by \$42,340 since the previous review. This is potentially detrimental to the property as the possibility of accounts being closed increases greatly with outstanding balances. When property accounts are closed it becomes highly difficult for the property to operate successfully. The owner must create a plan of action to decrease the accounts payables and submit a copy of the plan to TSAHC by September 11, 2010. Observations: <ul style="list-style-type: none"> According to the police reports for the last three months, criminal activity has increased since the 2009 Asset Oversight Report. The police reports reflect an increase in burglaries. Management stated that there are pro-active measures to address the criminal activity on the property. It is recommended that management review the current pro-active measures in addressing criminal activity on the property; make any necessary changes in the current measures, and request police reports on a monthly basis to monitor the criminal activity. According to management, preventive maintenance is being completed, but is not being tracked. It is important that all preventive maintenance tasks are completed and documented to ensure that the value of the asset is maintained, as well as to sustain the number of service request to a reasonable sum. Documenting the completion of each task ensures that each task was successfully completed and management can document any maintenance that may be needed. It is recommended that management document the completion date on all completed tasks.

Worthing Oaks

Property Name	# of Units	Location	Audit Date	Occupancy as of Nov. 19 th	Average 12 month Occupancy	Annual Summary
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Aguila Oaks	346	3270 Nacogdoches San Antonio TX 78217	7.19.10	95%	91%	<p>Finding:</p> <ul style="list-style-type: none"> Management stated that monthly preventive maintenance was not being completed in the last several months. Management has recently hired a new Lead Maintenance and received the new preventive maintenance policies and procedures to be completed. Even though the property is receiving many improvements to the exterior, it is important that preventive maintenance is performed and documented on the property. It is important management implement and completes the new preventive maintenance program to minimized deterioration of the property. The owner must complete tasks for August and submit a copy of the completed work to TSAHC before or on September 23, 2010. Cleared 9.15.10 <p>Observations:</p> <ul style="list-style-type: none"> The number of service requests completed in 24 hours has increased since the 2009 Asset Oversight report; however it does not appear that number of service requests completed in 24 hours is accurate. The work order directory reflects that only 116 service requests were completed in 24 hours. Since management stated many of the service requests are completed in 24 hours, it appears that the actual completion date for the service requests is not being entered. It is recommended that service requests should be closed in the system on a daily basis or imputed with the actual completion date in order to ensure that the maintenance program can be properly evaluated. Management is in violation of Section 535.20(a) of the TREC rules containing an exception that allows a third party (i.e. a person who is not named as the resident on the lease that generates the locator's commission) to accept a very limited referral fee. (Information on the rule can be found on pages 528-531 in the TAA Redbook.) The rule was discussed with management during the asset oversight review and language from Section 535.20(a) was sent to management. It is suggested that management adhere to the Section 535.20(a) of the TREC rules.
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Odyssey Properties

Property Name	# of Units	Location	Audit Date	Occupancy as of Nov. 19 th	Average 12 month Occupancy	Annual Summary
Marshall Meadows	250	1803 Marshall Cross San Antonio TX	3.17.10	91%	90%	<p>Findings:</p> <ul style="list-style-type: none"> The property only submitted 2 months of police reports. The reviewer is unable to perform a full review of the property's criminal activity. The Owner must submit a copy of the February 2010 911 reports to TSAHC by May 15, 2009. Cleared 6.10.10 The Summary Work Order Report submitted on the day of the site visit reflects that 38 work orders are currently open. It appears that work orders are not being completed or closed on a daily basis. The reviewer is unable to effectively review the maintenance program. Management must complete and close all work orders in the system and submit an accurate Summary Work Order Report to TSAHC by May 15, 2010. The Owner must also begin completing and closing work orders on a daily basis to accurately manage the maintenance program. Cleared 6.10.10 During the site visit, Management stated that the property was performing preventative maintenance and provided the reviewer with a copy of the preventative maintenance schedule. However, they were unable to produce preventative maintenance logs. It is imperative that preventative

						<p>maintenance be performed on the property to extend the useful life of the property. The Owner must submit a copy of the Preventative Maintenance Program and Preventative Maintenance Logs from March 17, 2010-April 30, 2010 to TSAHC by May 15, 2010. Cleared 6.10.10</p> <ul style="list-style-type: none"> Units 733 and 833 have both been vacant and not made ready for the general public for more than 200 days. The owner must submit a plan of action to turn these units on company letterhead to TSAHC before May 15, 2010. When the units have been made available for rent, proof of work must be submitted. Proof can be submitted in the form of invoices, work orders, pictures, and/or initial certifications. Cleared 6.10.10 The property did not submit a copy of the Aged Payable List. The reviewer was unable to complete the Accounts Payable section due to missing reports. The Owner must submit a copy of the Aged Accounts Payables to TSAHC by May 15, 2009. Cleared 6.10.10 <p>Observations:</p> <ul style="list-style-type: none"> The renewal program appears to be improving, however there were two months in 2009 in which zero residents renewed. It appears that several residents are going on month to month leases which puts the property in a vulnerable position to lose a lot of income as well as create a large influx in expenses at any given time. It is suggested that the Owner re-evaluate the renewal program to find ways to make it more effective. There are currently 42 units that are vacant and not made ready and only 3 vacant made ready units. Of the vacant units, 6 have been vacant for more than 100 days. It is company policy to turn vacant units within 7 days. The property staff is clearly not following company policy on number of days to turn vacant units. It is suggested that the Owner re-evaluate the company policy on number of days to turn vacant units or the property should begin implementing the current policy.
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Rainbow Project

Property Name	# of Units	Location	Audit Date	Occupancy as of Nov. 19 th	Average 12 month Occupancy	Annual Summary
Chaparral Village Apartments	80	1411 S. Grant Avenue Odessa, TX 79761	8.3.10	99%	99%	<p>Findings:</p> <ul style="list-style-type: none"> During the site visit, Management stated that the property was performing preventative maintenance. However, they were unable to produce preventative maintenance logs. It is imperative that preventative maintenance be performed on the property to extend the useful life of the property. The Owner must submit a copy of the Preventative Maintenance Program and Preventative Maintenance Logs from May 15, 2010-July 15, 2010 to TSAHC by September 23, 2010. Cleared 9.27.10 <p>No Observations.</p>
Cove Village Apartments	50	1102 Golf Course Road Copperas Cove, TX 76522	3.15.10	100%	100%	<p>No Findings.</p> <p>No Observations.</p>
El Nido Apartments	104	204 Alicia Drive El Paso, TX 79905	9.21.10	100%	99%	<p>No Findings.</p> <p>No Observations.</p>
Garden Apartments	62	1340 65 th Drive Lubbock, TX 79412	8.4.10	98%	100%	<p>No Findings.</p> <p>No Observations.</p>

High Plains Apartments	50	1607 Iola Avenue Lubbock, TX 79416	8.4.10	98%	98%	No Findings. No Observations.
Jose Antonio Escajeda Apartments	88	710 South Park El Paso, TX 79905	9.21.10	96%	100%	No Findings. No Observations.
Los Ebanos Apartments	65	2133 Barnard Road Brownsville, TX 78520	2.22.10	100%	100%	No Findings. No Observations.
Peppertree Apartments	148	6555 Sheridan Circle Fort Worth, TX 76134	9.16.10	98%	99%	No Findings. No Observations.
River Park Village East Apartments	50	1309 Central Texas Expressway Lampasas, TX 76550	3.15.10	100%	100%	No Findings. No Observations.
Salem Village Apartments	105	5201 John Stockbauer Drive Victoria, TX 77904	3.18.10	99%	96%	No Findings. Observation: <ul style="list-style-type: none"> During the 2009 Asset Oversight review, an observation was made that "All previous resident files are currently being kept in the maintenance shop. It is suggested that previous resident files be kept in a lockable fireproof cabinet or in offsite storage to prevent files from being damaged, stolen, or destroyed." During the 2010 Asset Oversight review, the previous resident files were still being stored in the maintenance shop. Management stated that employees sign a confidentially statement, however the files are still accessible. It is still suggested that management evaluate alternative storage options to decrease the risk of resident information from being damaged, stolen, destroyed, or accessible to unauthorized persons.
Sierra Vista Apartments	106	10501 Montwood El Paso, TX 79935	9.21.10	100%	100%	Finding: <ul style="list-style-type: none"> According to the police reports for the last three months, the number and types of criminal incidents on the property has significantly increased since the 2009 Asset Oversight report. The criminal activity on the property includes assaults, disturbances, drug activity, and other activity that should be addressed by management. As a result of those incidents, the owner must create a 12 month Crime Prevention Plan that explains in detail what steps will be taken to eliminate the criminal activity from occurring on the property. Along with the plan, the owner must submit to TSAHC on the 10th of each month, a detailed report for the previous months activities' explaining what was done to prevent crime, and the results until TSAHC gives written notice that reporting is no longer required. The monthly reporting should include a monthly crime statistics report from local police department, courtesy/security officer report, sign in sheets of crime watch or other related meetings attended by residents and any other supporting information. The first Crime Prevention report will be due on December 10, 2010. In response to this review, the owner must submit the Crime Prevention Plan on company letterhead to TSAHC before or on November 13, 2010. Cleared 10.20.10 Observation: <ul style="list-style-type: none"> Previous resident files are currently being kept in the maintenance shop. It is suggested that previous resident files be kept in a lockable fireproof cabinet or in offsite storage to prevent files from being damaged, stolen, or destroyed. It is recommended that management evaluate alternative storage options to decrease the risk of resident information from being

						damaged, stolen, destroyed, or accessible to unauthorized persons.
Spring Terrace Apartments	50	2600 S. Spring Street Amarillo, TX 79103	8.3.10	100%	98%	<p>Finding:</p> <ul style="list-style-type: none"> On the day of the site visit, graffiti was seen on the building next to unit 17. This is a deterrent to potential residents and current residents. It is suggested that management walk the property on a daily basis to ensure that the property is not being tagged or covered with graffiti. In response to this review, the owner must submit a picture of the remove graffiti to TSAHC before or on September 25, 2010. Cleared 9.23.10 <p>Observations:</p> <ul style="list-style-type: none"> Management stated in both 2009 and 2010 that no pro-active measures were implemented to address criminal activity on the property. Although management uses the HUD House Rules and the number of incidents and types of criminal activity has decreased since the last report, management is encouraged to implement pro-active measures to address criminal activity. It is recommended that management request police reports monthly to issue lease violations when necessary and hold crime watch meeting to deter criminal activity on the property. The maintenance program cannot be accurately reviewed. The actual number of days a service request is open cannot be determined because the service requests are submitted in paper form. The request date and/or the completion dates are not listed on all requests. Management stated that in the future, the request dates and completion dates will be included on all service requests with the maintenance personnel. It is recommended that management implement a more effective way of tracking the service request submitted and completed to accurately monitor the maintenance program. On the day of the site visit, unit 2 was walked and did not appear to be in acceptable condition. The unit was a new lease and the resident had not moved in yet. The unit had a small hole in the living room wall, the plumbing access door to the bathtub had fallen off, and a couple tiles in the bathroom needed to be replaced. Management and the resident completed the move in inspection of the unit and accepted the condition. It is recommended that management be more detailed when completing the make ready process.
Win-Lin Village Apartments	50	5700 Wabash Street Amarillo, TX 79109	8.3.10	100%	98%	<p>No Findings.</p> <p>Observations:</p> <ul style="list-style-type: none"> Management stated in both 2009 and 2010 that no pro-active measures were implemented to address criminal activity on the property. Although management uses the HUD House Rules and the number of incidents is minimal, management is encouraged to implement pro-active measures to address criminal activity. It is recommended that management request police reports monthly to issue lease violations when necessary and hold crime watch meeting to deter criminal activity on the property. The maintenance program cannot be accurately reviewed. The actual number of days a service request is open cannot be determined because the service requests are submitted in paper form. The request date and/or the completion dates are not listed on all requests. Management stated that in the future, the request dates and completion dates will be included on all service requests with the maintenance personnel. It is recommended that management implement a more effective way of tracking the service request submitted and completed to accurately monitor the maintenance program.

Asset Oversight Contract Properties						
Property Name	# of Units	Location	Audit Date	Occupancy as of Nov. 19 th	Average 12 month Occupancy	Annual Summary
Pebble Brook 1998-001	250	191 Duchess Denton, TX 76208	9.17.10	82%	81%	<p>Findings:</p> <ul style="list-style-type: none"> On the day of the site visit, the fence near the back of the property was in need of major repair. (See pictures at the end of this report.) Management stated that they had solicited bids for repair and would submit them to the reviewer, however those bids were never received. The Owner must submit bids to have work completed on the fence or provide documentation that the fence has been repaired. Proof can be submitted in the form of bids, invoices, work orders, and pictures, which must be submitted to TSAHC by November 15, 2010. Cleared 11.18.10 Management stated that the property did not have any 911 reports for the last 3 months. The types and number of incidents that occurred on the property in the last three months could not be completed because the police reports were not submitted. The owner must submit police reports for the last three months to TSAHC before or on November 15, 2010. When the report is submitted, additional findings or observations may be given. Cleared 11.18.10 Management stated that preventative maintenance is being completed but the inspection worksheets have not been completed since January 2010. It is imperative that preventative maintenance is being performed and documented to minimize deterioration of the property and to prolong the useful life of facilities and equipment. Management must submit completed preventative maintenance logs from September 17-November 1 to TSAHC by November 15, 2010. Cleared 11.18.10 On the day of the site visit, the Material Data Safety Sheet Binder was not available in the Maintenance area. These materials are important to have on site so that the property staff knows how to properly handle the materials and chemicals that are typically housed in the Maintenance area. The owner must submit a copy of materials collected and put into the binder by November 15, 2010. It appears that work orders are not being entered into the system on a daily basis, nor are they being closed daily. It is important that records be accurately kept of work order submission and completion dates for record keeping purposes. Management must begin entering work orders as they are submitted and completing them in the system as they are completed by maintenance staff. A Work Order Directory must be submitted reflecting these changes to TSAHC by November 15, 2010. Cleared 11.18.10 Accounts payable have increased by \$35,906 since the previous review. This is potentially detrimental to the property as the possibility of accounts being closed increases greatly with outstanding balances. When property accounts are closed it becomes highly difficult for the property function successfully. The owner must create a plan of action to decrease the accounts payables and submit a copy of the plan to TSAHC by November 15, 2010. Cleared 11.18.10 <p>Observations:</p> <ul style="list-style-type: none"> On the 2009 Asset Oversight report, it was noted that breezeways were in need of power washing. On the day of the site visit, breeze ways were dirty and had trash, resident belongings, debris, and bugs in them. The condition

						<p>of the breezeway decreased curb appeal and may be a deterrent to prospective residents. It is suggested that management clean and power wash all breezeways to increase curb appeal.</p> <ul style="list-style-type: none"> • The reports submitted for review do not reflect an accurate history of the renewal program. It is important that the renewals are tracked and monitored so that the renewal program can be evaluated and changed if it is not effective. It is suggested that management begin recording the exact number of leases expiring each month as well as the exact number of residents who have renewed and vacated. The renewal history will be reviewed during next years audit to determine whether appropriate changes have been made. • On the day of the site visit, there were only 3 units made ready. It may be beneficial to the property if prospective residents have a variety of units and floor plans to view that are available for immediate move in. It is suggested that Management have at least one unit of each floor plan made ready at all times.
Residence at the Oaks 1998-002	212	2740 Duncanville Rd Dallas, TX 75211	9.17.10	100%	98%	<p>Findings:</p> <ul style="list-style-type: none"> • On the day of the site visit, the Smoke Detector in the Laundry Room did not work. For the safety of residents and staff it is important to have a working smoke detector in community areas. The Owner must install a working smoke detector and provide proof that work has been completed to TSAHC by October 15, 2010. Cleared 10.15.10 <p>No Observations.</p>

TSAHC Portfolio
2010 Compliance Review Summary

American Housing Foundation (AHF)				
Property Name	# of Units	Location	Audit Date	Annual Summary
Aston Brook Apartments	152	14101 Walters Rd Houston TX 77014	5.12.10	<p>Findings:</p> <ul style="list-style-type: none"> The above units are not available for rental on a continuous basis and are considered Findings. The Unit Status Report should reflect changes on the June 2010 Unit Status Report due July 10, 2010. When the unit has been repaired and is available for rent, proof of work must be submitted. Proof can be submitted in the form of invoices, pictures, work orders, and/or initial certifications. Cleared 7.15.10 The file review resulted in findings. The above issues are considered findings and corrective action must be submitted to TSAHC before or on July 10, 2010. Cleared 7.15.10 <p>No Observations.</p>
Cimarron Park Apartments	162	2201 Montgomery Park Blvd. Conroe TX 77304	6.16.10	<p>Findings:</p> <ul style="list-style-type: none"> The above units are not available for rental on a continuous basis and are considered Findings. The Unit Status Report should reflect changes on the July 2010 Unit Status Report due August 10, 2010. When the unit has been repaired and is available for rent, proof of work must be submitted. Proof can be submitted in the form of invoices, pictures, work orders, and/or initial certifications. Cleared 8.25.10 The above issues are considered findings. The corrective action is due to TSAHC before or on August 8, 2010. Cleared 8.25.10 <p>No Observations.</p>
Fountaingate Apartments	280	5210 Tower Dr Wichita Falls TX 76310	8.19.10	<p>Finding:</p> <ul style="list-style-type: none"> The file review resulted in findings: The above issues are considered findings. The corrective action is due to TSAHC before or on October 7, 2010. Cleared 9.20.10 <p>No Observations.</p>
Northwoods Apartments	200	18001 Cypress Trace Houston TX 77090	5.11.10	<p style="text-align: center;">Property was not meeting the required set-asides at the time of the site visit.</p> <p>Findings:</p> <ul style="list-style-type: none"> According to the April 2010 Certificate of Continuing Program Compliance, the property was meeting the set-aside requirement. After the resident file review, the property is no longer meeting the set-aside requirement due to missing verification that changed the household qualification. The Owner must submit a written certification on company letterhead stating that no market rate units will be leased until the set aside requirement is met and reflected on the July 2010 Unit Status Report due August 10, 2010. The owner must also submit a copy of the Tenant Income Certifications for any new move ins and any new re-certifications that demonstrate that the set aside requirements have been met. Cleared 8.16.10 The above units are not available for rental on a continuous basis and are considered Findings. The Unit Status Report should reflect changes on the June 2010 Unit Status Report due July 10, 2010. When the unit has been repaired and is available for rent, proof of work must be submitted. Proof can be submitted in the form of invoices, pictures, work orders, and/or initial certifications. Cleared 8.16.10 The property was unable to produce files for units 103, 305, 1105, 2103, 2403, and 3604. The reviewer was unable to determine if these households were qualified and must be considered Market. These units must reflect the Market designation on the June 2010 Unit Status Report submitted by July 10, 2010. Once a household moves into these units, the unit can take the designation of that household. A copy of the Tenant Income Certification must be submitted to TSAHC for each of these households once the unit moves from their current Market designation. Cleared 8.16.10 The file review resulted in findings: The above issues are considered findings. The corrective action is due to TSAHC before or on July 22, 2010. Cleared 8.16.10

				<p>Observation:</p> <ul style="list-style-type: none"> The resident service activities continue to be limited in both the number of activities and types of activities. The decrease in resident service activities was mentioned in the 2009 Compliance Report and no improvement is noticed in the monthly reporting. During the site visit, options were discussed to improve the resident service program. It is recommended that management review previous activities and provide resident services that provide the potential for personal development in the following categories: career services, children's services, community awareness, domestic skills, medical and health services, and transportation services.
One Willow Chase Apartments	136	8330 Willow Place Dr. South Houston TX 7070	5.18.10	<p>Findings:</p> <ul style="list-style-type: none"> The above units are not available for rental on a continuous basis and are considered Findings. The Unit Status Report should reflect changes on the June 2010 Unit Status Report due July 10, 2010. When the unit has been repaired and is available for rent, proof of work must be submitted. Proof can be submitted in the form of invoices, pictures, work orders, and/or initial certifications. Cleared 7.26.10 The file review resulted findings. The above issues are considered findings. The corrective action is due to TSAHC before or on July 22, 2010. Cleared 7.26.10 <p>Observation:</p> <ul style="list-style-type: none"> The resident service activities continue to be limited in both the number of activities and types of activities. The decrease in resident service activities was mentioned in the 2009 Compliance Report and no improvement is noticed in the monthly reporting. During the site visit, options were discussed to improve the resident service program. It is recommended that management review previous activities and provide resident services that provide the potential for personal development in the following categories: career services, children's services, community awareness, domestic skills, medical and health services, and transportation services.
One Willow Park Apartments	178	8450 Willow Place Dr. North Houston TX 77070	5.18.10	<p>Findings:</p> <ul style="list-style-type: none"> The above units are not available for rental on a continuous basis and are considered Findings. The Unit Status Report should reflect changes on the June 2010 Unit Status Report due July 10, 2010. When the unit has been repaired and is available for rent, proof of work must be submitted. Proof can be submitted in the form of invoices, pictures, work orders, and/or initial certifications. Cleared 7.26.10 The file review resulted findings. The above issues are considered findings. The corrective action is due to TSAHC before or on July 22, 2010. Cleared 7.26.10 <p>Observation:</p> <ul style="list-style-type: none"> The resident service activities continue to be limited in both the number of activities and types of activities. The decrease in resident service activities was mentioned in the 2009 Compliance Report and no improvement is noticed in the monthly reporting. During the site visit, options were discussed to improve the resident service program. It is recommended that management review previous activities and provide resident services that provide the potential for personal development in the following categories: career services, children's services, community awareness, domestic skills, medical and health services, and transportation services.
Pine Creek Village Apartments	216	229 I-45 North Conroe TX 77304	6.16.10	<p>Findings:</p> <ul style="list-style-type: none"> The above units are not available for rental on a continuous basis and are considered Findings. The Unit Status Report should reflect changes on the June 2010 Unit Status Report due July 10, 2010. When the unit has been repaired and is available for rent, proof of work must be submitted. Proof can be submitted in the form of invoices, pictures, work orders, and/or initial certifications. Cleared 9.14.10 The file review resulted in findings: The above issues are considered findings. The corrective action is due to TSAHC before or on August 8, 2010. Cleared 9.14.10 <p>Observation:</p> <ul style="list-style-type: none"> Residents are participating in the resident service activities that are being provided; however, the number and variety of resident service activities has decreased over the last two years. During the site visit, the reviewer discussed with management possible options to increase the number of resident service activities. Management has not been reporting the monthly crime watch meetings. It is recommended that management report all activities provided and increase the number the variety of resident service activities provided.

Settler's Cove Apartments	182	4045 Treadway Beaumont TX 77706	4.26.10	<p>Findings:</p> <ul style="list-style-type: none"> The file review resulted in findings: The above issues are considered Findings and corrective action must be submitted to TSAHC before or on June 10, 2010. Cleared 6.21.10 <p>No Observations.</p>
Shadowridge Village Apartments	144	9701 W. Ferris Branch Blvd. Dallas TX 75243	8.18.10	<p>Finding:</p> <ul style="list-style-type: none"> The file review resulted in findings: The above issues are considered Findings and corrective action must be submitted to TSAHC before or on September 30, 2010. Cleared 10.12.10 <p>No Observations.</p>
Stony Creek Apartments	252	231 I-45 North Conroe TX 77304	6.16.10	<p>Findings:</p> <ul style="list-style-type: none"> The above unit is not available for rental on a continuous basis and is considered a Finding. The Unit Status Report should reflect changes on the July 2010 Unit Status Report due August 10, 2010. When the unit has been repaired and is available for rent, proof of work must be submitted. Proof can be submitted in the form of invoices, pictures, work orders, and/or initial certifications. Cleared 9.10.10 The file review resulted in findings: The above issues are considered findings. The corrective action is due to TSAHC before or on August 8, 2010. Cleared 9.10.10 <p>Observation:</p> <ul style="list-style-type: none"> Residents are participating in the resident service activities that are being provided; however, the number and variety of resident service activities has decreased over the last two years. During the site visit, the reviewer discussed with management possible options to increase the number of resident service activities. Management has not been reporting the monthly crime watch meetings. It is recommended that management report all activities provided and increase the number the variety of resident service activities provided.
Woodedge Apartments	126	10802 Green Creek Dr. Houston TX 77070	6.19.10	<p>Finding:</p> <ul style="list-style-type: none"> The file review resulted in findings. The above issues are considered findings. The corrective action is due to TSAHC before or on July 10, 2010. Cleared 6.17.10 <p>No Observations.</p>

American Opportunity for Housing (AOH)

Property Name	# of Units	Location	Audit Date	Annual Summary
Briarcrest Apartments	376	25650 I-45 Spring TX 77386	4.12.10	<p>Finding:</p> <ul style="list-style-type: none"> The above units are not available for rental on a continuous basis and are considered Findings. The Unit Status Report should reflect changes on the May 2010 Unit Status Report due June 10, 2010. When the unit has been repaired and is available for rent, proof of work must be submitted. Proof can be submitted in the form of invoices, pictures, work orders, and/or initial certifications. Cleared 6.10.10 <p>Observations:</p> <ul style="list-style-type: none"> Management stated that unit 1824 was down, however the units walked reviewed that units 214, 815, 818, 822, 1415, and 1702 were also down. The seven units must be subtracted from the total number units on the Unit Status Report and still must meet the 75% requirement using 2352 units. The file review along with the change of the previous stated units reflected the property is meeting the set aside requirement of 75%. The resident activities have increase in variety since the 2009 Compliance Review, however resident participation is low. The Resident Service program does not appear to be effective due to the low participation. It is suggested that management reach out to the residents to find out what activities would be beneficial to the residents and ways to increase resident participation.
Clover Hill Apartments	216	903 Road to Six Flags West Arlington TX 76012	4.28.10	<p>Findings:</p> <ul style="list-style-type: none"> The file review resulted in findings: The above issues are considered Findings and corrective action must be submitted to TSAHC before or on June 26, 2010. Cleared 6.30.10

				<p>Observation:</p> <ul style="list-style-type: none"> The property does not appear to be following the rental criteria in regards to income to rent ratio as well as number of occupants per bedroom. It is suggested that the property begin following the current rental criteria or re-evaluate and modify the current rental criteria so that the property is better able to follow it.
Hillcrest Apartments	310	1960 West Tarrant Rd. Grand Prairie TX 75050	4.27.10	<p>Findings:</p> <ul style="list-style-type: none"> The above issues are findings and corrective action must be submitted to TSAHC by June 26, 2010. Cleared 6.14.10 The above units are not available for rental on a continuous basis and are considered Findings. The Unit Status Report should reflect changes on the June 2010 Unit Status Report due July 10, 2010. When the unit has been repaired and is available for rent, proof of work must be submitted. Proof can be submitted in the form of invoices, pictures, work orders, and/or initial certifications. Cleared 6.14.10 <p>No Observations.</p>
Mill Creek Apartments	174	16339 Stuebner Airline Rd Spring TX 77379	4.13.10	<p>Finding:</p> <ul style="list-style-type: none"> The file review resulted in findings: The above issues are considered findings and corrective action must be submitted to TSAHC before or on June 7, 2010. Cleared 5.28.10 <p>No Observations.</p>
One Westfield Lake Apartments	246	2800 Hirschfield Spring TX 77373	4.13.10	<p>Finding:</p> <ul style="list-style-type: none"> The file review resulted in findings: The above issues are considered findings and corrective action must be submitted to TSAHC before or on June 7, 2010. Cleared 5.24.10 <p>No Observations.</p>

South Texas Affordable Properties

Property Name	# of Units	Location	Audit Date	Annual Summary
Remington Apartments	158	1570 Thousand Oaks Dr. San Antonio TX 78232	7.19.10	<p>Finding:</p> <ul style="list-style-type: none"> The file review resulted in findings: The above issues are considered Findings and corrective action must be submitted to TSAHC before or on September 11, 2010. Cleared 9.8.10 <p>No Observations.</p>
Summer Oaks Apartments	256	1400 Patricia Ln. San Antonio TX 78213	7.22.10	<p>Finding:</p> <ul style="list-style-type: none"> The file review resulted in findings: The above issues are considered Findings and corrective action must be submitted to TSAHC before or on September 11, 2010. Cleared 9.21.10 <p>No Observations.</p>
The Charleston Apartments	312	2800 Dairy Ashford Houston TX 77014	4.14.10	<p>Findings:</p> <ul style="list-style-type: none"> The above units are not available for rental on a continuous basis and are considered Findings and the Unit Status Report should reflect changes on the May 2010 Unit Status Report due June 10, 2010. When the unit has been repaired and is available for rent, proof of work must be submitted. Proof can be submitted in the form of invoices, pictures, work orders, and/or initial certifications. Cleared 6.10.10 The file review resulted in findings: The above issues are considered Findings and corrective action must be submitted to TSAHC before or on June 7, 2010. Cleared 6.10.10 <p>Observations:</p> <ul style="list-style-type: none"> Management is not following the Rental Criteria that was provided to TSAHC prior to the review. The number of occupants and the age of those occupants in a unit conflicts with the occupancy standard on the Rental Criteria. This is not only against management policy; it also allows room for discrimination. It is suggested that management evaluate the current rental criteria, make changes if necessary, and adhere to the rental criteria guidelines. Management stated that the property did not have any down units other than Building 16. After units were

				walked, units 909, 1213, 1807, 2204, 2207, 2211, 2217, 2221, 2226 were found to be down. The two units must be subtracted from the total number units on the Unit Status Report and still must meet the 75% requirement using the remainder 294 units. The file review in addition to the change of the previous stated units reflected the property is meeting the set aside requirement of 75%.
The Rafters Apartments	250	11325 I-37 Corpus Christi TX 78410	2.25.10	<p>Findings:</p> <ul style="list-style-type: none"> The file review resulted in findings: The property did not meet the Safe Harbor requirement during the months of October and November of 2009. It is TSAHC's policy that during the time a property is not meeting the Safe Harbor requirement all Income Certifications for new residents and residents who are re-certifying must be submitted for review. TSAHC has not received the Income Certifications for October and November. The Owner must submit a copy of all Income Certifications from October and November 2009 to TSAHC by April 24, 2010. Cleared 4.19.10 The above issues are findings and corrective action must be submitted to TSAHC by April 24, 2010. Cleared 4.19.10 <p>No Observations.</p>
The Wharf Apartments	250	9320 South Padre Island Dr. Corpus Christi TX 78418	2.24.10	<p>Findings:</p> <ul style="list-style-type: none"> The file review resulted in findings: The above issues are findings and corrective action must be submitted to TSAHC by April 24, 2010. Cleared 4.30.10 The property did not meet the Safe Harbor requirement during the months August 2009 through January 2010. It is TSAHC's policy that during the time a property is not meeting the Safe Harbor requirement all Income Certifications for new residents and residents who are re-certifying must be submitted for review. TSAHC has not received the Income Certifications for August 2009 through January 2010. The Owner must submit a copy of all Income Certifications to TSAHC by April 24, 2010. Cleared 4.30.10 <p>No Observations.</p>
Willowick Apartments	250	6947 Everhart Rd. Corpus Christi TX 78413	2.23.10	<p>Findings:</p> <ul style="list-style-type: none"> The file review resulted in findings: The above issues are findings and corrective action must be submitted to TSAHC by April 24, 2010. Cleared 4.22.10 During the 2009 review, the property was not meeting the Safe Harbor requirement. The property is currently meeting its Safe Harbor Requirement however, the finding from 2009 is still outstanding because the property has not submitted Income Certifications for residents who moved in or recertified during the months of non-compliance. The Owner must submit a copy of all Income Certifications from the months of non-compliance to TSAHC by April 24, 2010. Cleared 4.22.10 <p>No Observations.</p>
Common Wealth				
Property Name	# of Units	Location	Audit Date	Annual Summary
White Rock Apartments	336	3110 Thousand Oaks San Antonio TX 78247		<p>Property was not meeting the required set-asides at the time of the site visit.</p> <p>Findings:</p> <ul style="list-style-type: none"> According to the June 2010 Certificate of Continuing Program Compliance, the property was meeting the set-aside requirement. After the resident file review, the property is no longer meeting the set-aside requirement due to missing verification that changed the household qualification. The Owner must submit a written certification on company letterhead stating that no market rate units will be leased until the set aside requirement is met and reflected on the August 2010 Unit Status Report due September 11, 2010. The owner must also submit a copy of the Tenant Income Certifications for any new move ins and any new re-certifications that demonstrate that the set aside requirements have been met. Cleared 9.27.10 (still receiving monthly Tenant Income Certifications in an effort to clear the Safe Harbor deficiency.) The file review resulted in findings: The above issues are considered Findings and corrective action must be submitted to TSAHC before or on September 11, 2010. Cleared 9.27.10 <p>Observation:</p> <ul style="list-style-type: none"> The Criteria for Rental for the property states that Income must not be more than 33-40% of the resident's income.

				The reviewer noted that some residents are paying much more than that. It is suggested that Management begin following their rental criteria or adjust the criteria to decrease any risk of discrimination in the future.
Odyssey Properties				
Property Name	# of Units	Location	Audit Date	Annual Summary
Marshall Meadows	250	1803 Marshall Cross San Antonio, TX 78214	3.17.10	Finding: <ul style="list-style-type: none"> On the day of the site visit, the property was unable to produce the move out file for unit 733. The reviewer is unable to determine if that file was properly qualified. That unit must be changed to Market on the TSAHC April 2010 Unit Status Report that should be submitted on May 10, 2010. If at any time the file can be produced, a copy can be submitted for review to TSAHC, if the file was found to be qualified the unit can take its original designation. If a new resident moves into unit 733 and is properly qualified, the unit may take the appropriate designation. Cleared 5.14.10 No Observations.
Worthing Oaks				
Property Name	# of Units	Location	Audit Date	Annual Summary
Aguila Oaks	346	3270 Nacogdoches San Antonio TX 78217	7.20.10	Finding: <ul style="list-style-type: none"> The file review resulted in findings: The above issues are considered Findings and corrective action must be submitted to TSAHC before or on September 11, 2010. Cleared 9.8.10 Observation: <ul style="list-style-type: none"> The resident service activities do not appear to cater to residents at the property. Many of the resident service activities that are reported are directed to the children and youth on the property. There were not many other resident services available to other residents. According to the monthly reporting residents are participating in the resident service activities being offered. It is recommended that the resident service program be evaluated and that a variety of services are offered and that a larger demographics of residents are served. The approved resident services include career services, children's services, community awareness, domestic skills, medical and health services, personal development, and transportation services. If further assistance is needed, please contact TSAHC staff.
Rainbow Project				
Property Name	# of Units	Location	Audit Date	Annual Summary
Chaparral Village Apartments	80	1411 S. Grant Avenue Odessa, TX 79761	8.3.10	Finding: <ul style="list-style-type: none"> The file review resulted in findings: The above issues are considered Findings and corrective action must be submitted to TSAHC before or on September 23, 2010. Cleared 10.12.10 No Observations.
Cove Village Apartments	50	1102 Golf Course Road Copperas Cove, TX 76522	3.15.10	No Findings. No Observations.
El Nido Apartments	104	204 Alicia Drive El Paso, TX 79905	9.22.10	No Findings. No Observations.
Garden Apartments	62	1340 65 th Drive Lubbock, TX 79412	8.4.10	Finding: <ul style="list-style-type: none"> The file review resulted in findings: The above issues are considered Findings and corrective action must be submitted to TSAHC before or on September 25, 2010. Cleared 9.20.10 No Observations.
High Plains Apartments	50	1607 Iola Avenue Lubbock, TX 79416	8.4.10	Finding:

				<ul style="list-style-type: none"> The file review resulted in findings: The above issues are considered Findings and corrective action must be submitted to TSAHC before or on September 25, 2010. Cleared 9.20.10 No Observations.
Jose Antonio Escajeda Apartments	88	710 South Park El Paso, TX 79905	9.22.10	No Findings. No Observations.
Los Ebanos Apartments	65	2133 Barnard Road Brownsville, TX 78520	2.22.10	No Findings. No Observations.
Peppertree Apartments	148	6555 Sheridan Circle Fort Worth, TX 76134	9.16.10	No Findings. No Observations.
River Park Village East Apartments	50	1309 Central Texas Expressway Lampasas, TX 76550	3.15.10	No Findings. No Observations.
Salem Village Apartments	105	5201 John Stockbauer Drive Victoria, TX 77904	3.18.10	Finding: <ul style="list-style-type: none"> The file review resulted in findings: The above issues are considered Findings and corrective action must be submitted to TSAHC before or on May 9, 2010. Cleared 5.17.10 No Observations.
Sierra Vista Apartments	106	10501 Montwood El Paso, TX 79935	9.21.10	No Findings. No Observations.
Spring Terrace Apartments	50	2600 S. Spring Street Amarillo, TX 79103	8.3.10	Finding: <ul style="list-style-type: none"> The file review resulted in findings: The above issues are considered Findings and corrective action must be submitted to TSAHC before or on September 25, 2010. Cleared 9.20.10 No Observations.
Win-Lin Village Apartments	50	5700 Wabash Street Amarillo, TX 79109	8.3.10	Finding: <ul style="list-style-type: none"> The file review resulted in findings: The above issues are considered Findings and corrective action must be submitted to TSAHC before or on September 25, 2010. Cleared 9.24.10 No Observations.

**TSAHC Asset Oversight Portfolio
2010 Annual Report Totals**

Average Totals by Region

Region	Number of Properties	Number of Findings in 2010	Number of Observations for 2010	Average Occupancy on November 19, 2010
Amarillo	2	1	5	100%
Beaumont	1	1	3	95%
Brownsville	1	0	0	100%
Copperas Cove	1	0	0	100%
Corpus Christi	3	0	3	91%
Dallas/Fort Worth Area	6	17	14	86%
El Paso	3	1	1	99%
Houston Area	12	59	79	76%
Lampasas	1	0	0	100%
Lubbock	2	0	0	98%
Odessa	1	1	0	98%
San Antonio	5	8	9	94%
Victoria	1	0	1	99%
Wichita Falls	1	2	3	94%
Totals	38	90	118	90%

Average by Portfolio

Portfolio	Number of Properties	Number of Findings in 2010	Number of Observations for 2010	Average Occupancy on November 19, 2010
American Housing Foundation	11	35	67	80%
American Opportunity for Housing	5	32	27	78%
Asset Oversight Contract	2	7	3	91%
Common Wealth	1	1	2	95%
Worthing Oaks	1	1	2	95%
Odyssey Properties	1	5	2	91%
Rainbow	13	3	7	99%
South Texas	6	6	8	90%
Totals	38	90	118	90%

TAB D

TEXAS STATE AFFORDABLE HOUSING CORPORATION
UNAUDITED STATEMENT OF NET ASSETS
As of October 31, 2010

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 3,656,005
Building Maintenance Reserve	39,622
Computer Equipment and Furniture Reserve	13,847
Foundations Fund	250,000
Custodial Cash and Cash Equivalents, Current	87,519
Restricted Assets Held by Bond Trustee:	
Cash and Cash Equivalents	76,976,452
Short-term Investments, at Fair Market Value	1,672,045
Accrued Interest	677,437
Investments, at Fair Market Value	1,242,072
Accounts Receivable & Accrued Revenue, Net of uncollectible amts. of \$1,001,518	894,823
Accrued Interest Receivable	84,309
Loans Receivable, Current Portion	95,000
Notes Receivable, Current Portion	560,020
Downpayment Assistance, Current Portion	1,383,070
Prepaid Expenses	17,564
Total Current Assets:	<u>87,649,785</u>

Noncurrent Assets

Loans Receivable, Net of uncollectible amounts of \$91,726	1,058,058
Notes Receivable	2,347,824
Mortgage Servicing Rights, Net of Accumulated Amortization of \$1,993,396	734,666
Fixed Assets, Net of Accumulated Depreciation of \$307,498	1,461,562
Owned Real Estate, Federal Programs	892,715
Custodial Cash and Cash Equivalents	213,636
Bond Issuance Costs, Net of Amortization of \$1,888,432	4,062,805
Downpayment Assistance	7,603,515
Restricted Investments Held by Bond Trustee, at Fair Market Value	226,463,678
Total Noncurrent Assets:	<u>244,838,459</u>

TOTAL ASSETS: **\$ 332,488,244**

LIABILITIES & NET ASSETS

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 127,604
Notes Payable, Current Portion	398,904
Other Current Liabilities	65,957
Payable from Restricted Assets Held by Bond Trustee:	
Bonds Payable, Current Portion	11,312,980
Warehousing Funds	-
Accrued Interest on Bonds	1,151,025
Total Current Liabilities:	<u>13,056,470</u>

Noncurrent Liabilities

Multifamily Custodial and Reserve Funds	213,726
Notes Payable	4,151,345
Revenue Bonds Payable	284,861,767
Deferred Revenue	402,672
Total Noncurrent Liabilities:	<u>289,629,510</u>
Total Liabilities:	<u>302,685,980</u>

Net Assets

Invested in Capital Assets	676,225
Restricted Assets	13,810,258
Unrestricted Net Assets	15,315,781
Total Net Assets:	<u>29,802,264</u>

TOTAL LIABILITIES & NET ASSETS **\$ 332,488,244**

TEXAS STATE AFFORDABLE HOUSING CORPORATION
UNAUDITED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
for the 2 months ending October 31, 2010

Operating Revenues

Interest and Investment Income	\$	2,022,914
Net Increase in Fair Value of Investments		823,212
Single Family Income, Net of bad debt of \$0		382,325
Asset Oversight and Compliance Fees, Net of bad debt of \$0		42,068
Loan Servicing Fees, Net of subservicer fees of \$17,062 and bad debt of \$0		40,045
Multifamily Bond Fees		11,562
Federal and State Grants		145,185
Fundraising Income		-
Other Operating Revenue		-
Total Operating Revenues	\$	<u>3,467,311</u>

Operating Expenses

Interest Expense on Bonds and Notes Payable	\$	1,806,223
Down Payment Assistance Program		148,418
Salaries, Wages and Payroll Related Costs		226,540
Professional Fees and Services		15,896
Amortization		105,695
Office and Equipment Rental and Maintenance		7,196
Travel and Meals		10,393
Depreciation		8,729
Program and Loan Administration		110,493
Foundation Fund Grants		-
Grant Expenditures		209,892
Other Operating Expenses		25,032
Total Operating Expenses		<u>2,674,507</u>

Net Income 792,804

Total Net Assets, Beginning 29,009,460

Total Net Assets, Ending **29,802,264**



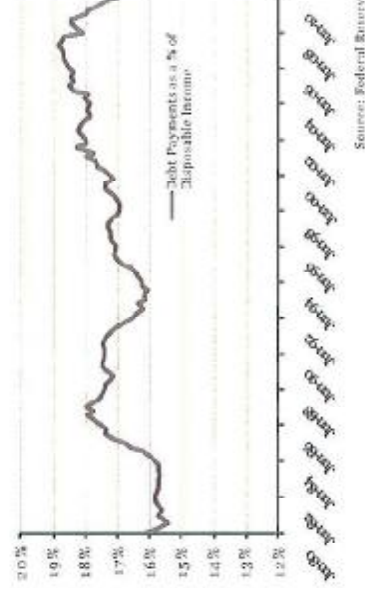
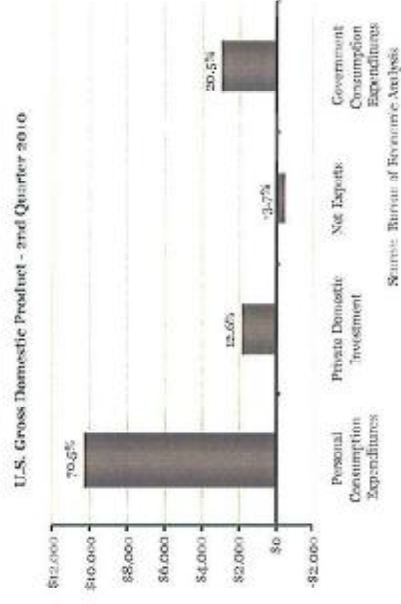
Monthly Investment Report

October 31, 2010



Is it QEII or the Titanic?

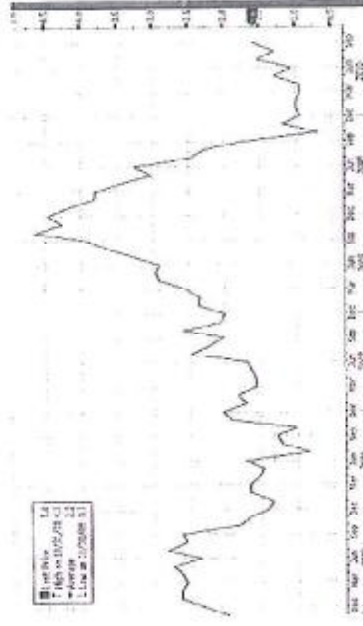
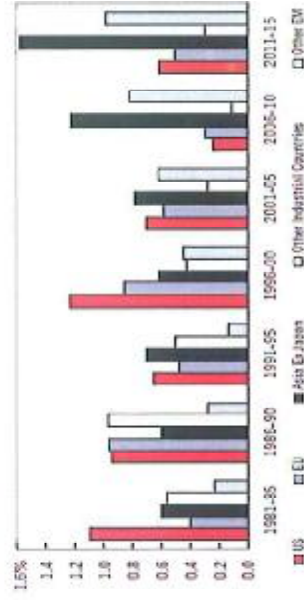
- The GDP rose in the third quarter but, as expected, it remains sub-par and is not robust enough to encourage job creation.
- GDP is at 2% (with revisions expected) but we need to see 4%-6% to start attacking the job situation.
- The lack of jobs slows consumers, which then slows manufacturers. And, consumers whittling down their debt (de-leveraging) stifles demand further. Consumer spending was up in the quarter however.
- The November elections may change attitudes and push more investors to riskier investments (stocks), but the effect is not assured as the Fed well knows.
- The Fed is poised to act on its QE – quantitative easing- in November. The bond market has been anticipating such a huge purchase of bonds by running prices higher.



Consumer De-leveraging Slows Demand

Turning this boat will take time

Figure 5. Global — IMF Estimates of Contributions to Global GDP Growth by Region, 1981-2015



PPI Slowly Creeping Up

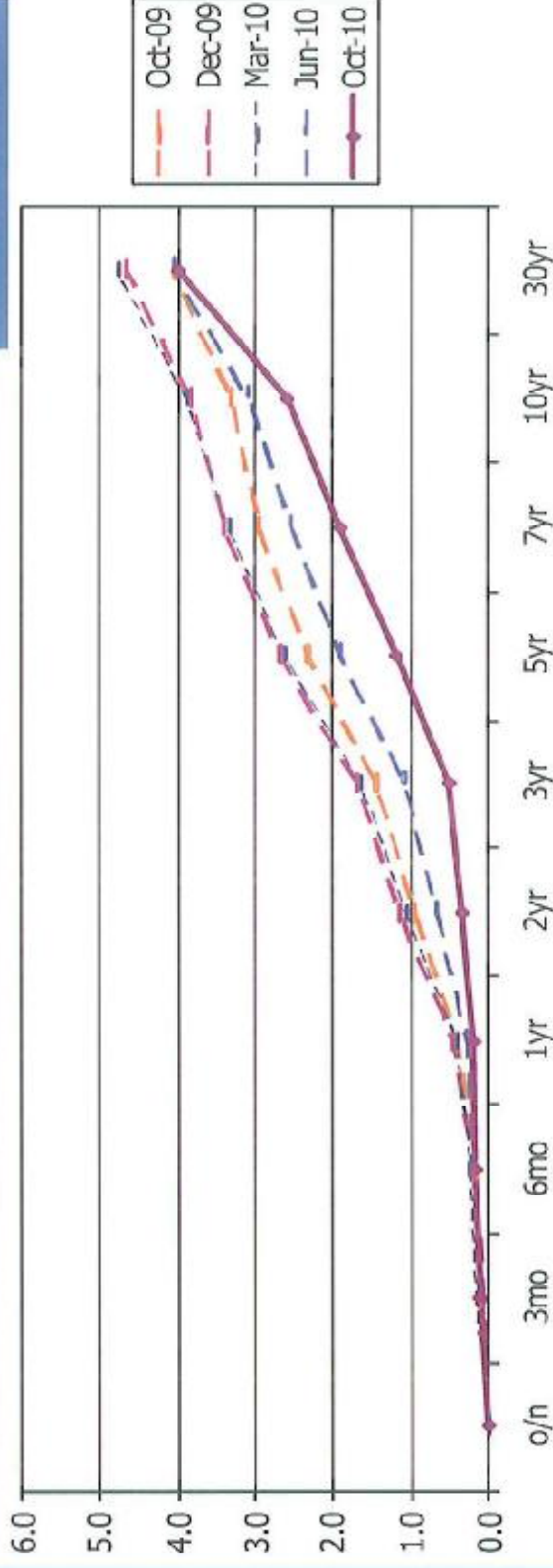
- The QE is designed to flush funds into the economy but like its predecessors, the QE1 and the Titanic we know, it takes a long time to turn something as big as the US economy.

- Other central banks are also trying to QE and many are using it to export their way back to health. This makes for inefficient and messy currency wars.

- Key to the slow move is the depth of the mortgage mess — regardless of who is responsible — and the uncertainty that remains from what and how quickly changes will be made in DC after the election.

- A key concern has become deflation even though there is growth in the economy. Unfortunately when everyone is fearful of deflation, we might see inflation creeping up slowly and unnoticed.

Short Term Rates



- The Fed's position was clarified after the September FOMC meeting. They are widely expected to start a QE buying spree in November.
- News of the intent has already lowered rates significantly. The move is designed to also drive investors to riskier equity positions.
- If the Fed does not move with 'shock and awe', rates may move up a bit very quickly.
- With the Fed action, the hope that rates could rise in mid-2011 has been dashed and no movement is now expected for perhaps 18 months, unless a major change takes hold and there is little evidence of any such change on the horizon.
- The two-year area has been dragged down now as investors, seeing the possibility of weakness well into 2012, will exchange risk for safety.

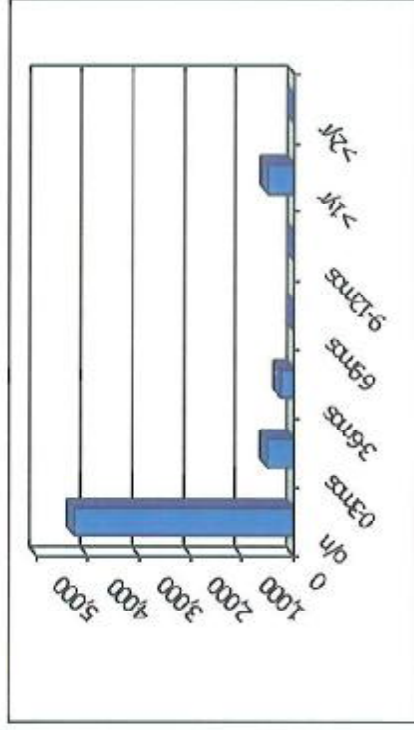
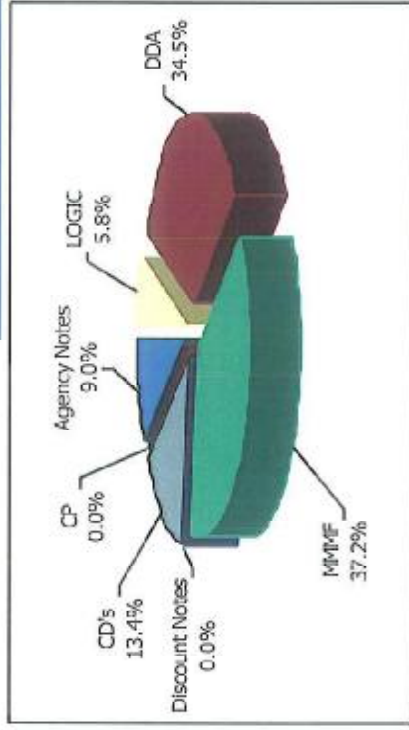
Your Portfolio

As of October 31, 2010

- P&A constantly reviews your portfolio for optimal asset allocation and controlled average maturity because a diversified portfolio can better adjust to volatile market conditions.
- The extremely low short-term rates make diversification difficult and they are expected to continue now probably into 2012.
- Collateralized CDs are disappearing as an option as banks remain *uninterested* in new funds. It appears that the Financial Regulations bill will not change this. Basel III but not for awhile.
- Banks are flush with funds on their balance sheets. They are concerned with credit quality on loans and must monitor risk for the regulators.

tsahc

T E X A S
State Affordable Housing Corporation





Patterson & Associates
 301 Congress Ave
 Suite 370
 Austin, TX 78701

**Texas State Affordable Housing
 Portfolio Management
 Portfolio Summary**
 October 31, 2010

Investments	Per Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 365 Equiv.
Certificates of Deposit - Bank	742,196.89	742,196.89	742,196.89	13.42	310	85	1.196
Federal Agency Coupon Securities	500,000.00	500,055.50	496,903.47	9.04	731	563	0.553
LOGIC	322,224.58	322,224.58	322,224.58	5.82	1	1	0.229
FHLB Dallas-Money Fund	49,922.24	49,922.24	49,922.24	0.90	1	1	0.034
Money Market Fund	2,009,982.76	2,009,982.76	2,008,982.76	36.33	1	1	0.346
Bank of America-Checking Account	1,024,474.43	1,024,474.43	1,024,474.43	18.52	1	1	0.350
Bank Accounts	863,863.87	863,863.87	863,863.87	15.98	1	1	0.013
Investments	5,532,664.77	5,532,740.27	5,532,586.24	100.00%	108	63	0.419

	October 31	Month Ending	Fiscal Year To Date
Total Earnings			
Current Year		2,587.93	4,772.79
Average Daily Balance		4,523,414.90	4,825,986.76

The following reports are submitted in accordance with the Public Funds Investment Act (Texas Gov't Code 2356). 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 11/29/2010
 Melinda Smith, Chief Financial Officer

Reporting period 10/01/2010-10/31/2010

Run Date: 11/16/2010 - 12:47

Portfolio TSAH
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 ReportVer: 7.1.4



**Texas State Affordable Housing
Summary by Type
October 31, 2010
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 385	Average Days to Maturity
Fund: Bunker Hill Debt						
Bank Accounts	1	22,804.66	22,804.56	0.41	0.050	1
Subtotal	1	22,804.66	22,804.56	0.41	0.050	1
Fund: Bunker Hill Operating						
Bank Accounts	1	22,794.29	22,794.29	0.41	0.050	1
Subtotal	1	22,794.29	22,794.29	0.41	0.050	1
Fund: Bunker Hill Replacement Res						
Bank Accounts	1	63,804.17	63,804.17	1.15	0.050	1
Subtotal	1	63,804.17	63,804.17	1.15	0.050	1
Fund: General Investments						
Certificates of Deposit - Bank	3	742,196.89	742,196.89	13.42	1.189	85
Bank Accounts	1	570,805.54	570,805.54	10.32	0.000	1
FHLB Dallas-Money Fund	1	48,922.24	48,922.24	0.90	0.034	1
Federal Agency Coupon Securities	1	500,000.00	496,803.47	9.04	0.563	563
Money Market Fund	3	2,009,892.76	2,006,982.76	36.33	0.349	1
LOGIC	1	105,288.65	105,288.65	1.90	0.229	1
Subtotal	10	3,978,196.08	3,978,099.55	71.91	0.477	87
Fund: NFMC Account						
Bank Accounts	1	13,460.62	13,460.62	0.24	0.000	1
Subtotal	1	13,460.62	13,460.62	0.24	0.000	1
Fund: Neighborhood Stabilization Prog.						
Bank Accounts	1	45,279.03	45,279.03	0.82	0.000	1
Subtotal	1	45,279.03	45,279.03	0.82	0.000	1
Fund: Operating Fund						

Texas State Affordable Housing
 Summary by Type
 October 31, 2010
 Grouped by Fund

Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average YTM 365	Average Days to Maturity
Fund: Operating Fund						
Bank of America-Checking Account	1	1,024,474.43	1,024,474.43	18.52	0.350	1
Subtotal	1	1,024,474.43	1,024,474.43	18.52	0.350	1
Fund: Sagebrush Apartments - Debt						
Bank Accounts	1	39,077.91	39,077.91	0.71	0.050	1
Subtotal	1	39,077.91	39,077.91	0.71	0.050	1
Fund: Sagebrush Apartments - Oper.						
Bank Accounts	1	23,151.13	23,151.13	0.42	0.050	1
Subtotal	1	23,151.13	23,151.13	0.42	0.050	1
Fund: Sagebrush Replacement Res						
Bank Accounts	1	42,004.25	42,004.25	0.76	0.050	1
Subtotal	1	42,004.25	42,004.25	0.76	0.050	1
Fund: Texas Foreclosure Prevention						
Bank Accounts	1	26,795.48	26,795.48	0.48	0.000	1
LOGIC	1	216,935.93	216,935.93	3.92	0.229	1
Subtotal	2	243,731.41	243,731.41	4.40	0.204	1
Fund: TX Home Education						
Bank Accounts	1	9,054.39	9,054.39	0.16	0.050	1
Subtotal	1	9,054.39	9,054.39	0.16	0.050	1
Fund: Wells Fargo - CDC						
Bank Accounts	1	4,852.50	4,852.50	0.09	0.000	1
Subtotal	1	4,852.50	4,852.50	0.09	0.000	1
Total and Average	23	5,532,684.77	5,532,588.24	100.00	0.419	63



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

**Texas State Affordable Housing
 Fund BHDEBT - Bunker Hill Debt
 Investments by Fund
 October 31, 2010**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
591399C16	76	Frost Bank Checking	04/20/2010	22,804.56	22,804.56	22,804.56	0.050	0.049	0.050		1
			Subtotal and Average	22,804.56	22,804.56	22,804.56	0.049	0.049	0.050		1
			Total Investments and Average	22,804.56	22,804.56	22,804.56	0.049	0.049	0.050		1

Portfolio TSAH
 AP
 FI (PRF - FI) 7.1.1
 Report Ver. 7.1.4

Fund BHOPER - Bunker Hill Operating
Investments by Fund
October 31, 2010

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
591398251	75	Frost Bank Checking	04/20/2010	22,794.29	22,794.29	22,794.29	0.050	0.049	0.050		1
		Subtotal and Average		22,794.29	22,794.29	22,794.29	0.049	0.049	0.050		1
		Total Investments and Average		22,794.29	22,794.29	22,794.29	0.049	0.049	0.050		1

Fund BHRR - Bunker Hill Replacement Res
Investments by Fund
October 31, 2010

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
591393288	77	Frost Bank Checking	04/09/2010	63,804.17	63,804.17	63,804.17	0.050	0.049	0.050		1
		Subtotal and Average		63,804.17	63,804.17	63,804.17	0.050	0.049	0.050		1
		Total Investments and Average		63,804.17	63,804.17	63,804.17	0.050	0.049	0.050		1

Fund GENERAL - General Investments
Investments by Fund
October 31, 2010

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Certificates of Deposit - Bank											
4016000306A	82	Certificate of Deposit	04/26/2010	248,375.76	248,375.76	248,375.76	1.100	1.084	1.100	01/21/2011	81
52591932	66	Hilcrest Bank CD	03/29/2010	245,000.00	245,000.00	245,000.00	1.500	1.479	1.500	03/25/2011	144
9500729A	65	Plains Capital Bank CD	02/05/2010	248,821.13	248,821.13	248,821.13	1.000	0.986	1.000	12/02/2010	31
		Subtotal and Average		742,196.89	742,196.89	742,196.89		1.162	1.199		85
Federal Agency Coupon Securities											
3134G15D5	81	FHLMC Step Note	05/17/2010	499,903.47	500,000.00	500,055.50	0.550	0.554	0.562	05/17/2012	563
		Subtotal and Average		499,903.47	500,000.00	500,055.50		0.555	0.563		563
LOGIC											
989959995	9005	Logic	09/01/2008	105,288.65	105,288.65	105,288.65	0.229	0.226	0.229		1
		Subtotal and Average		105,288.65	105,288.65	105,288.65		0.226	0.229		1
FHLB Dallas-Money Fund											
989959995	9002	FHLB Money Market Fund	09/01/2006	49,922.24	49,922.24	49,922.24	0.034	0.033	0.034		1
		Subtotal and Average		49,922.24	49,922.24	49,922.24		0.034	0.034		1
Money Market Fund											
20115859	52	Hilcrest Bank MM	07/31/2009	761,412.22	761,412.22	761,412.22	0.250	0.246	0.250		1
5001506	83	Liberated Bank MM	10/20/2010	245,084.58	245,084.58	245,084.58	1.060	1.045	1.060		1
4011012038	81	Texas Capital NOW Account	10/13/2009	1,003,485.96	1,003,485.96	1,003,485.96	0.250	0.246	0.250		1
		Subtotal and Average		2,009,982.76	2,009,982.76	2,009,982.76		0.344	0.349		1
Bank Accounts											
591359967	69	Frost Bank Checking	03/05/2010	570,805.54	570,805.54	570,805.54					1
		Subtotal and Average		570,805.54	570,805.54	570,805.54		0.000	0.000		1
		Total Investments and Average		3,978,059.55	3,978,196.08	3,978,251.58		0.470	0.477		87

Fund NFMC - NFMC Account
Investments by Fund
October 31, 2010

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 385	Maturity Date	Days To Maturity
Bank Accounts											
591359924	68	Frost Bank Checking	03/16/2010	13,460.62	13,460.62	13,460.62					1
			Subtotal and Average	13,460.62	13,460.62	13,460.62		0.000	0.000		1
			Total Investments and Average	13,460.62	13,460.62	13,460.62		0.000	0.000		1

Fund NSP - Neighborhood Stabilization Prog.
 Investments by Fund
 October 31, 2010

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Per Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
581359832	71	Frost Bank Checking	04/20/2010	45,279.03	45,279.03	45,279.03					1
		Subtotal and Average		45,279.03	45,279.03	45,279.03		0.000	0.000		1
		Total Investments and Average		45,279.03	45,279.03	45,279.03		0.000	0.000		1

Fund OPERATING - Operating Fund
Investments by Fund
October 31, 2010

CLISIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
999999991	0001	Bank of America	09/01/2006	1,024,474.43	1,024,474.43	1,024,474.43	0.350	0.345	0.350		1
		Subtotal and Average		1,024,474.43	1,024,474.43	1,024,474.43		0.345	0.350		1
		Total Investments and Average		1,024,474.43	1,024,474.43	1,024,474.43		0.345	0.350		1

**Fund SBDEBT - Sagebrush Apartments - Debt
Investments by Fund
October 31, 2010**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Per Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
591398253	79	Frost Bank Checking	04/20/2010	39,077.91	39,077.91	39,077.91	0.050	0.049	0.050		1
		Subtotal and Average		39,077.91	39,077.91	39,077.91	0.049	0.049	0.050		1
		Total Investments and Average		39,077.91	39,077.91	39,077.91	0.049	0.049	0.050		1

**Fund SBOPER - Sagebrush Apartments - Oper.
Investments by Fund
October 31, 2010**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
591369237	78	Frost Bank Checking	04/20/2010	23,151.13	23,151.13	23,151.13	0.050	0.049	0.050		1
		Subtotal and Average		23,151.13	23,151.13	23,151.13		0.049	0.050		1
		Total Investments and Average		23,151.13	23,151.13	23,151.13		0.049	0.050		1

Fund SBRR - Sagebrush Replacement Res
Investments by Fund
October 31, 2010

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
591398245	80	Frost Bank Checking	04/09/2010	42,004.25	42,004.25	42,004.25	0.050	0.049	0.050		1
		Subtotal and Average		42,004.25	42,004.25	42,004.25		0.049	0.050		1
		Total Investments and Average		42,004.25	42,004.25	42,004.25		0.049	0.050		1

**Fund TXFORE - Texas Foreclosure Prevention
Investments by Fund
October 31, 2010**

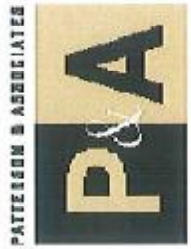
CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
LOGIC											
999999993	54	Logic	09/01/2009	216,935.93	216,935.93	216,935.93	0.229	0.226	0.229		1
		Subtotal and Average		216,935.93	216,935.93	216,935.93	0.226	0.226	0.229		1
Bank Accounts											
591339940	73	Frost Bank Checking	01/11/2010	26,795.48	26,795.48	26,795.48					1
		Subtotal and Average		26,795.48	26,795.48	26,795.48	0.000	0.000	0.000		1
		Total Investments and Average		243,731.41	243,731.41	243,731.41	0.201	0.201	0.204		1

Fund TXHOME - TX Home Education
Investments by Fund
October 31, 2010

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
591398091	74	Frost Bank Checking	04/20/2010	9,054.39	9,054.39	9,054.39	0.050	0.049	0.050		1
		Subtotal and Average		9,054.39	9,054.39	9,054.39		0.049	0.050		1
		Total Investments and Average		9,054.39	9,054.39	9,054.39		0.049	0.050		1

Fund WELLS - Wells Fargo - CDC
Investments by Fund
October 31, 2010

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank Accounts											
98999934	0014	Wells Fargo Bank	09/01/2005	4,852.50	4,852.50	4,852.50					1
		Subtotal and Average		4,852.50	4,852.50	4,852.50		0.000	0.000		1
		Total Investments and Average		4,852.50	4,852.50	4,852.50		0.000	0.000		1



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**Texas State Affordable Housing
 Cash Reconciliation Report
 For the Period October 1, 2010 - October 31, 2010
 Grouped by Fund**

INVESTMENT PROFESSIONALS

Trans. Date	Investment #	Fund	Trans. Type	Security ID	Par Value	Security Description	Maturity Date	Purchases	Interest	Redemptions	Cash
General Investments											
10/12/2010	70	GENERAL	Call	3128X94H0	1,000,000.00	0.0M 0.50%	04/1/2012	0.00	0.00	1,000,000.00	1,000,000.00
10/14/2010	57	GENERAL	Maturity	107569	55,000.00	LIBCD 0.1M 1.60% Mat. 10/14/2010	10/14/2010	0.00	0.00	55,000.00	55,000.00
10/14/2010	58	GENERAL	Maturity	107608	95,000.00	LIBCD 0.1M 1.60% Mat. 10/14/2010	10/14/2010	0.00	0.00	95,000.00	95,000.00
10/14/2010	59	GENERAL	Maturity	107640	95,000.00	LIBCD 0.1M 1.60% Mat. 10/14/2010	10/14/2010	0.00	0.00	95,000.00	95,000.00
					Subtotal			0.00	0.00	1,245,000.00	1,245,000.00
					Total			0.00	0.00	1,245,000.00	1,245,000.00



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**Texas State Affordable Housing
 Purchases Report
 Sorted by Fund - Fund
 October 1, 2010 - October 31, 2010**

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
5001506	83	GENERAL	RR3 LIEMM	245,000.00	10/20/2010	- Monthly	245,000.00		1.050		1.060	245,084.58
			Subtotal	245,000.00			245,000.00	0.00				245,084.58
			Total Purchases	245,000.00			245,000.00	0.00				245,084.58

Portfolio TSAH
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 PU (PRF, PU) 7.1.1
 Report Ver. 7.1.4



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**Texas State Affordable Housing
 Maturity Report**

Sorted by Maturity Date
 Amounts due during October 1, 2010 - October 31, 2010

CUSIP	Investment #	Fund	Sec. Type	Issuer	Par Value	Maturity Date	Purchase Date at Maturity	Rate	Book Value at Maturity	Interest	Maturity Proceeds	Net Income
107569	57	GENERAL	BCD	LIBCD	55,000.00	10/14/2010	10/14/2009	1.600	55,000.00	880.00	54,880.00	880.00
107808	58	GENERAL	BCD	LIBCD	95,000.00	10/14/2010	10/14/2009	1.600	95,000.00	1,520.00	96,520.00	1,520.00
107840	59	GENERAL	BCD	LIBCD	95,000.00	10/14/2010	10/14/2009	1.600	95,000.00	1,520.00	96,520.00	1,520.00
Total Maturities					245,000.00				245,000.00	3,920.00	248,920.00	3,920.00



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**Texas State Affordable Housing
 Sales/Call Report**
Sorted by Maturity Date - Fund
October 1, 2010 - October 31, 2010

CUSIP	Investment #	Fund	Issuer Sec. Type	Purchase Date	Redem. Date	Par Value	Rate at Redem.	Book Value at Redem.	Redemption Principal	Redemption Interest	Total Amount	Net Income
04/12/2012	70	GENERAL	FHLMCS FAC	04/7/2010	10/12/2010	1,000,000.00	0.500 V	995,437.50	1,000,000.00	2,500.00	1,002,500.00	3,062.50
3128X94H0					04/12/2012						1,002,500.00 Call	3,062.50
			Subtotal			1,000,000.00		995,437.50	1,000,000.00	2,500.00	1,002,500.00	3,062.50
			Total Sales			1,000,000.00		995,437.50	1,000,000.00	2,500.00	1,002,500.00	3,062.50

V - Security with variable rate change

Run Date: 11/16/2010 - 12:49

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 SA (PRF, SA) 7.1.1
 Report Ver 7.1.4



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**Texas State Affordable Housing
Interest Earnings**
Sorted by Fund - Fund
October 1, 2010 - October 31, 2010
Yield on Average Book Value

CUSIP	Investment #	Fund	Issuer	Ending Per Value	Beginning Book Value	Average Book Value	Maturity Date	Current Annualized Rate	Yield	Interest Earned	Adjusted Interest Earnings	
											Amortization/ Accrion	Adjusted Interest Earnings
Fund: Bunker Hill Debt												
591338018	76	BHDEBT	FBC	22,804.56	22,803.59	22,803.52		0.050	0.050	0.97	0.00	0.97
		Subtotal		22,804.56	22,803.59	22,803.52			0.050	0.97	0.00	0.97
Fund: Bunker Hill Operating												
591338281	75	BHOPER	FBC	22,794.29	22,793.32	22,793.35		0.050	0.050	0.97	0.00	0.97
		Subtotal		22,794.29	22,793.32	22,793.35			0.050	0.97	0.00	0.97
Fund: Bunker Hill Replacement Res												
591338288	77	BHRR	FBC	63,804.17	63,068.14	63,068.23		0.050	0.050	2.70	0.00	2.70
		Subtotal		63,804.17	63,068.14	63,068.23			0.050	2.70	0.00	2.70
Fund: General Investments												
999999986	9005	GENERAL	LOGIC	105,288.65	105,288.14	105,270.12		0.229	0.229	20.51	0.00	20.51
999999995	9002	GENERAL	FHLBWM	49,922.24	50,632.18	50,632.32		0.034	0.030	1.44	0.00	1.44
4016000300A	82	GENERAL	CD	248,375.76	248,375.76	248,375.76	01/21/2011	1.100	1.100	232.04	0.00	232.04
20115959	52	GENERAL	HBM	761,412.22	761,250.58	761,255.79		0.250	0.250	161.64	0.00	161.64
4011012038	51	GENERAL	TCNOW	1,003,465.93	1,003,272.92	1,003,275.79		0.250	0.250	213.04	0.00	213.04
62591932	86	GENERAL	HBCD	245,000.00	245,000.00	245,000.00	03/25/2011	1.500	1.500	312.12	0.00	312.12
3134G1ED5	81	GENERAL	FHLMCS	500,000.00	499,898.26	499,901.04	05/17/2012	0.550	0.552	229.17	5.21	234.38
3128X94H0	70	GENERAL	FHLMCS	1,000,000.00	999,426.04	364,637.27	04/12/2012	1.500	0.545	152.78	11.46	164.24
107540	59	GENERAL	LIBCD	95,000.00	95,000.00	39,838.71	10/14/2010	1.600	1.600	54.14	0.00	54.14
107508	58	GENERAL	LIBCD	95,000.00	95,000.00	39,838.71	10/14/2010	1.600	1.600	54.14	0.00	54.14
107569	57	GENERAL	LIBCD	55,000.00	55,000.00	23,084.52	10/14/2010	1.600	1.600	31.34	0.00	31.34
8900729A	55	GENERAL	PCBCD	248,821.13	248,821.13	248,821.13	12/02/2010	1.000	1.000	211.33	0.00	211.33
5001506	83	GENERAL	LIDMMA	245,034.58	0.00	84,846.89		1.060	1.050	84.58	0.00	84.58
		Subtotal		4,652,390.54	4,412,945.01	3,720,762.05			0.562	1,758.27	16.87	1,774.94

Texas State Affordable Housing
Interest Earnings
October 1, 2010 - October 31, 2010

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: Operating Fund												
999599990	0001	OPERATIN	BOA	1,024,474.43	22,157.39	22,157.39		0.350	10.565	198.81	0.00	198.81
		Subtotal		1,024,474.43	22,157.39	22,157.39			10.565	198.81	0.00	198.81
Fund: Sagebrush Apartments - Debt												
591398253	79	SBDEBT	FBC	39,077.91	39,076.25	39,076.30		0.050	0.050	1.66	0.00	1.66
		Subtotal		39,077.91	39,076.25	39,076.30			0.050	1.66	0.00	1.66
Fund: Sagebrush Apartments - Oper.												
591398237	78	SBOPER	FBC	23,151.13	23,150.15	23,150.18		0.050	0.050	0.98	0.00	0.98
		Subtotal		23,151.13	23,150.15	23,150.18			0.050	0.98	0.00	0.98
Fund: Sagebrush Replacement Res												
591398245	80	SBRR	FBC	42,004.25	41,002.49	41,002.55		0.050	0.051	1.76	0.00	1.76
		Subtotal		42,004.25	41,002.49	41,002.55			0.051	1.76	0.00	1.76
Fund: Texas Foreclosure Prevention												
999599998	54	TXFORE	LOGIC	216,935.93	216,893.57	216,897.76		0.229	0.229	42.26	0.00	42.26
		Subtotal		216,935.93	216,893.57	216,897.76			0.229	42.26	0.00	42.26
Fund: TX Home Education												
591398061	74	TXHOME	FBC	9,054.39	9,054.01	9,054.02		0.049	0.049	0.38	0.00	0.38
		Subtotal		9,054.39	9,054.01	9,054.02			0.049	0.38	0.00	0.38
		Total		6,116,491.60	4,872,944.02	4,180,765.46			0.570	2,008.76	16.87	2,025.43



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**Texas State Affordable Housing
 Amortization Schedule
 October 1, 2010 - October 31, 2010
 Sorted By Fund - Fund**

Investment #	Fund	Maturity Date	Beginning Par Value	Purchase Principal	Original Premium or Discount	Ending Book Value	Amounts Amortized And Unamortized As of 10/01/2010	Amount Amortized This Period	Ant Amortized Through 10/31/2010	Amount Unamortized Through 10/31/2010
General Investments										
70	GENERAL	04/12/2012	1,000,000.00	999,250.00	-750.00	3.00	176.04	11.46	187.50	0.00
	FHLMC Step Note	04/12/2012	1.500				-573.96			
81	GENERAL	05/17/2012	500,000.00	499,875.00	-125.00	499,803.47	23.26	5.21	28.47	-96.53
	FHLMC Step Note	05/17/2012	0.550				-101.74			
	Subtotal			1,499,125.00	-875.00	499,903.47	199.30	16.67	215.97	-96.53
	Total			1,499,125.00	-875.00	499,903.47	199.30	16.67	215.97	-96.53

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**Texas State Affordable Housing
 Projected Cashflow Report**
 Sorted by Fund
 For the Period November 1, 2010 - May 31, 2011

Projected Trans. Date	Investment #	Fund	Secure ID	Transaction Type	Issuer	Par Value	Original Cost	Principal	Interest	Total
General Investments										
11/17/2010	81	GENERAL	3134G13D5	Interest	FHLMC Slip Note	500,000.00	499,875.00	0.00	1,375.00	1,375.00
11/17/2010	81	GENERAL	3134G13D5	Call	FHLMC Slip Note	500,000.00	499,875.00	500,000.00	0.00	500,000.00
12/02/2010	86	GENERAL	8600729A	Maturity	Plains Capital Bank CD	248,821.13	248,821.13	248,821.13	2,048.11	250,869.24
01/12/2011	70	GENERAL	3128X94H0	Call	FHLMC Slip Note	1,000,000.00	999,250.00	1,000,000.00	0.00	1,000,000.00
01/21/2011	82	GENERAL	4016000309A	Maturity	Certificate of Deposit	248,375.76	248,375.76	248,375.76	2,021.33	250,397.09
03/25/2011	66	GENERAL	52591932	Maturity	Hilicrest Bank CD	245,000.00	245,000.00	245,000.00	3,634.73	248,634.73
Total for General Investments						2,742,196.89	2,741,196.89	2,242,196.89	9,875.87	2,251,272.76
GRAND TOTALS:						2,742,196.89	2,741,196.89	2,242,196.89	9,875.87	2,251,272.76

Portfolio TSAH
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 PC (PRE-PC) 7.1.1
 Report Ver. 7.1.4

TAB E

Discussion

BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION
Held at the offices of
Texas State Affordable Housing Corporation
2200 E. Martin Luther King Jr. Blvd.
Austin, TX 78702
November 18, 2010 at 10:00 am

Summary of Minutes

Call to Order, Roll Call
Certification of Quorum

The Board Meeting of the Texas State Affordable Housing Corporation (the “Corporation”) was called to order by Bob Jones, Chair, at 10:15 am, on November 18, 2010 at the offices of Texas State Affordable Housing Corporation, 2200 E. Martin Luther King Jr. Blvd, Austin, TX 78702. Roll Call certified that a quorum was present.

Members Present

Bob Jones, Chair
Jo Van Hovel, Vice Chair
Jeran Akers, Member
Cynthia Leon, Member

Members Absent

William H. Dietz, Jr., Member

Staff Present

David Long, President
Liz Bayless, Executive Vice President
Nick Lawrence, Controller
Betsy Lau, Accountant
Paige McGilloway, Single Family Programs Manager
David Danenfelzer, Development Finance Programs Manager
Mindy Green, Asset Oversight and Compliance Specialist
Sarah Schildmier-Bloom, Asset Oversight and Compliance Specialist
Janie Taylor, Manager of Marketing and Development
Cynthia Gonzales, Office Manager and Assistant Corporate Secretary
Laura Ross, Corporate Secretary

Special Guests

Mary Koelling, First Southwest Company
Don Mikeska, Mikeska Monahan & Peckham
Elena Peinado, Texas Department of Housing and Community Affairs (TDHCA)
Chip Rainey, Greenberg Traurig
Jerry Romero, Wells Fargo

Public Comment

Mr. Mikeska briefly updated the board on the status of the audit. He noted that the auditors were in the process of completing the field work and confirmations had been sent to the banks, financial institutions, and the bond trustee associated with the Corporation, as well as all employees. He noted that the confirmations sent to the employees were whistle-blower confirmations, which was an internal control requirement. Mr. Mikeska added that he had contacted Ms. Van Hovel, chair of the Audit Committee, in advance of beginning the field work and they had discussed the audit planning procedures.

President's Report

Mr. Long began by referring the board to the Texas Community Capital (TCC) board minutes that were handed out. He noted that these were made available to the board at the request of Ms. Leon who was a TCC board member. Mr. Long added that the next TCC board meeting would take place that afternoon at 3pm.

Referring to the single family reports, Ms. Leon asked about the increase in originations in El Paso County. Mr. Long spoke to the possible reasons for this increase. Mr. Akers commented on the increase in originations in rural areas under the Mortgage Credit Certificate (MCC) programs, noting how glad he was to see it.

Referring to the Affordable Communities of Texas (ACT) program under the Development Finance Report, Mr. Akers observed that 100 acquisitions had been completed and 200 were remaining. Mr. Long explained that this meant they were pending contracts. Because most of these were NSP projects, they were funded by TDHCA and we were working with them to streamline the process. He also added that contracts on some the properties had expired because of delays, but they had been replaced with new properties. Mr. Akers expressed his happiness to see 300 properties under the program. Mr. Long praised Mr. Crawford and Mr. Danenfelzer for the excellent job that they had done on the program.

Mr. Long informed the board that staff had received the Corporation's Sunset report the previous day and it had been made public today. Mr. Long noted that the report had been emailed to the board and if they had questions to please let him know. Mr. Akers suggested to his fellow members that they contact their local representatives to discuss the report and the benefits of TSAHC. Mr. Long stated that staff continued to meet with legislators and their staff. It was noted that the Sunset public hearings would take place on December 15th and 16th and Mr. Long encouraged the board members to attend if possible. He also noted that the December board meeting would be scheduled to accommodate the hearings.

Discussion turned back to the single family reports and loans originated in certain counties. It was noted that a list of lenders was made available on our website and it was up to the borrower to determine what lender to go with. Mr. Long discussed that Ms. Koelling and Ms. McGilloway conducted lender trainings and with the help of Ms. Taylor, they marketed the programs across the state.

Mr. Jones referred back to TCC, asking how the CDFI application was progressing. Mr. Long reported that Ms. Howard was working on the application with the help of the staff at Texas Association of Community Development Corporations (TACDC). Loans had been done recently

that would be included in the application and would give it more strength. The full application would be submitted in January so that financial information from 2010 could be included.

Mr. Jones referred back to the Single Family reports and inquired if borrowers were required to list their ethnicity on the loan applications. Ms. McGilloway stated that this was not a requirement, though a section on the application was included where it could be listed.

Mr. Long turned the board's attention to meetings and conferences that had occurred over the last month. He informed the board that he and Ms. Bayless had attended the Texas Association of Local Housing Finance Agencies (TALHFA) conference in Odessa at the end of October.

Also at the end of October, Mr. Long noted that the Foreclosure Prevention Task Force had taped a public service announcement at KLRU in Austin. He stated that the taping had been free and would be shown across Texas on Public Television Station affiliates. Loan scam mitigation was the topic of the taping and the viewers were encouraged to contact a counselor if they encountered loan scams. The hotline number was provided.

On the topic of the Task Force, Mr. Long also informed the board that he and Ms. Howard had attended a counselor recognition ceremony the previous day at a Neighborworks training in Dallas. He informed the board that Neighborworks had been able to document over one million borrowers that had been counseled nationally through the National Foreclosure Mitigation Counseling (NFMC) program; the reception was a way to thank the counselors for their efforts. Mr. Long also added that the resource guide, made possible by a grant from Fannie Mae, was forever available to the counselors in both English and Spanish so that they could then be provided to the people they helped.

Referring back to conferences attended, Mr. Long informed the board that Ms. Green, Ms. Schildmier and Mr. Crawford had attended asset management training in San Antonio, and Ms. Taylor and Ms. McGilloway would be attending the EMS conference in Austin the following week. Mr. Long also noted that Ms. McGilloway had made a presentation at the City of Austin Housing Forum on October 29th.

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held October 21, 2010.

Mr. Jones made a motion to approve the minutes of the Board Meeting held on October 21, 2010. Ms. Van Hovel seconded the motion. Mr. Akers and Ms. Leon abstained from voting. A vote was taken and the motion passed.

Tab 2 Presentation, Discussion and Possible Approval of a loan under the Corporation's Interim Construction and Acquisition Loan Program to DM Ministries for the Construction of 11 new Affordable for-sale Homes in Lufkin and Nacogdoches, Texas

Mr. Danenfelzer explained that staff was requesting board approval of a loan to DM Ministries under the Interim Construction and Acquisition Loan Program (ICAP). He informed the board that DM Ministries currently had a loan through the Corporation that was in the closing process in Lufkin. Referring back to the loan being presented today, Mr. Danenfelzer explained that it was for the construction of eleven single family homes on lots purchased through the Corporation's NSP Land Banking Program. Mr. Danenfelzer then gave a brief background on

DM Ministries and its partner organization, Piney Woods Home Team, and their experience in affordable housing.

Mr. Danenfelzer explained that the loan structure was unique for this loan in the fact that it would be secured against a ground lease estate. The reason for this was that the land had been purchased with NSP funds, and because of that there was a lien against the land through TDHCA. Mr. Danenfelzer explained how the first lien would be secured for construction activities and noted that once the homes were built they would be sold and the loan would be repaid. Mr. Danenfelzer discussed the security of our position in the loan, given that we would own the property and would have a lien against the improvements being constructed. Mr. Danenfelzer discussed the reasons for this loan structure. Discussion briefly followed regarding the NSP program. Mr. Danenfelzer further explained the transaction, presenting it as though it was a commercial transaction so as to paint a clearer picture. Discussion followed regarding how the homes that were built would be priced and then sold. He noted that the lots had been purchased at a fairly low price.

Mr. Danenfelzer informed the board of the Loan Committee's recommendation, which was to move forward with the loan as presented. He added that the Committee's only request was that the interest on the outstanding principle balance be paid back on a monthly basis so as to avoid a large accrual of interest over time. Ms. Leon inquired as to how the NSP funding was repaid, and Mr. Danenfelzer explained that it was repaid when the properties were sold. Mr. Danenfelzer noted that funds used for this loan would probably be blended between the program related investment (PRI) from the Meadows Foundation and the PRI funds from Wells Fargo. Because there was an interest rate attached to the PRI from Wells Fargo, the monies paid back by the borrowers would be put towards paying the interest on that PRI while we waited for the properties to be sold.

Mr. Jones inquired as to the thought process for establishing this loan scenario and Mr. Danenfelzer spoke to how staff had been brainstorming about the process ever since the NSP program had been created and staff had learned of how the state would structure the NSP loans. Mr. Danenfelzer noted that the loan structure being presented had been vetted with legal counsel. Mr. Akers noted his approval of the sound business principles that were used to formulate this loan structure.

Mr. Danenfelzer stated that the loan would be for a total of \$450,000 with a term of 24 months. Mr. Long added that this would allow the funds to keep revolving. Discussion followed.

Mr. Akers made a motion to approve a loan under the Corporation's Interim Construction and Acquisition Loan Program to DM Ministries for the construction of 11 new affordable for-sale homes in Lufkin and Nacogdoches, Texas. Ms. Van Hovel seconded the motion. Motion passed unanimously.

Tab 3 Presentation, Discussion and Possible Approval of the Guidelines, Scoring Criteria and Targeted Housing Needs for the Allocation of Qualified Residential Rental Project Bond Funds under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2011.

Mr. Danenfelzer explained that the Corporation was required by statute to annually update both of the Private Activity Bond (PAB) Program Request for Proposals (RFP) and the 501(c)(3)

Bond Program policies. He recalled that the board had approved the policies to be published for public comment at the October board meeting. Mr. Danenfelzer reported that no public comment had been received and staff had made no significant changes. He briefly pointed out what had been changed. Under targeted housing needs, language had been combined and streamlined regarding senior and assisted living developments. Also, the language regarding the hurricane affected areas of the state had been updated so that instead of being specific to two hurricanes, Ike and Dolly, it now encompassed any federal disaster emergency in the state. Discussion followed. Mr. Danenfelzer clarified again that the policies were updated on an annual basis, usually at the end of the year, so that they could then be made available in January for the next program cycle. Mr. Danenfelzer noted that if approved the final policies would then be published on the Corporation's website.

Mr. Danenfelzer answered questions posed by the board. He explained that the Land Use Restriction Agreement (LURA) secured the affordability requirements of the property. Mr. Danenfelzer noted that staff, with the help of bond counsel and issuer counsel, drafted the LURA so that it met specific requirements under the federal and state code.

Mr. Danenfelzer briefly spoke about Metropolitan Statistical Areas (MSAs) and their impact on rural and non-metro area definitions due to how big they were and how much area they encompassed. Mr. Danenfelzer explained that statute dictated how rural areas were defined and Mr. Rainey interjected that the MSAs were defined by the United States Department of Commerce.

Mr. Akers inquired about the targeted area definition regarding federal disaster areas and asked if this might leave out areas hard hit by hurricanes or disasters that were not declared as federal disasters. Mr. Danenfelzer noted that the Board could choose to look at each project on a case by case basis, and/or amend the policies so as to accommodate these projects. Mr. Danenfelzer added that though the policies closely followed federal and state policies, no requirements existed at either level that would prohibit the Corporation from taking on a project of this nature. Discussion followed regarding statutory requirements for those who were served by these projects. Discussion also followed about the relocation threshold. Mr. Danenfelzer spoke to the stipulation that developers could be called to provide testimony at a board meeting regarding the project he or she was seeking funding for. Mr. Danenfelzer pointed out that the developers were usually asked to be present at the meeting where the board considered inducement resolutions and also when the final bonds were approved.

Mr. Danenfelzer discussed the deadlines for application submissions and closings, noting that these were dictated by statute. Discussion followed. Mr. Danenfelzer then briefly addressed children's services and holiday safety courses provided at the properties.

Ms. Van Hovel made a motion to approve the Guidelines, Scoring Criteria and Targeted Housing Needs for the allocation of qualified residential rental project bond funds under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for calendar year 2011. Ms. Leon seconded the motion. Motion passed unanimously.

Tab 4 Presentation, Discussion and Possible Approval of updated program policies for the Corporation's Interim Construction and Acquisition Loan Program and Multifamily Direct Loan Program.

Mr. Danenfelzer began by referring the board to the black line and clean copies of the ICAP policy that were handed out. Mr. Danenfelzer explained that most of the changes made to the policy were non-substantial. He explained that the changes were made mostly for clarification and greater flexibility. Referring to the copies that were handed out, Mr. Danenfelzer noted that the fee structure had been discussed during the last Loan Committee meeting and after these discussions, staff had decided to change the structure so that instead of being broken out into 3 separate fees, only an origination fee was specified that was equal to 1 percent of the approved loan amount or \$7,500, whichever was greater. Mr. Danenfelzer discussed how fees had been waived in the past in certain cases due to the loan amount, and how this change to the Policy would allow for greater flexibility. Mr. Danenfelzer also noted that the board had the ability to waive any item in the policy on a case by case basis.

Mr. Akers made a motion to approve the updated policies for the Corporation's Interim Construction and Acquisition Loan Program. Ms. Leon seconded the motion. Motion passed unanimously.

Mr. Danenfelzer then handed out new black line and clean copies of the Multifamily Direct Lending Program policy. Mr. Danenfelzer noted that the changes made to this policy were identical to the changes made to the previous policy.

Mr. Akers made a motion to approve the updated policies for the Corporation's Multifamily Direct Lending Program. Ms. Leon seconded the motion. Motion passed unanimously.

Tab 5 Presentation, Discussion and Possible Approval for Publication and Public Comment the Corporation's Multifamily Housing Private Activity Bond Program and 501(c)(3) Bond Program Compliance Policy, Including the Assessment of Penalties for Noncompliance.

Ms. Green informed the board that staff had recently made changes to the Compliance Policy which hadn't been updated since 2007. She stated that staff was asking the board for approval to publish the Policy for public comment. Mr. Long asked that if the board had any comments on the Policy to please let staff know.

Mr. Akers made a motion to approve for publication and public comment the Corporation's Multifamily Housing Private Activity Bond Program and 501(c)(3) Bond Program Compliance Policy, including the assessment of penalties for noncompliance. Ms. Leon seconded the motion. Motion passed unanimously.

Tab 6 Presentation, Discussion and Possible Appointment of a Member to the Advisory Council Created by the Board of Directors of the Corporation.

Mr. Long refreshed the board's memory that the Advisory Council currently consisted of three members and one staff member. Mr. Long recalled that after Ms. Closmann left the Corporation Ms. McGilloway had been appointed to fill the staff position until a new Executive Vice President was hired. Mr. Long stated that the resolution before the board asked that the staff position now be filled by Ms. Bayless, TSAHC's new Executive Vice President.

Ms. Bayless briefly spoke about the role of the Advisory Council in soliciting and reviewing applications for grants under the Texas Foundations Fund. She recalled how Ms. Closmann had served on the Advisory Council as part of her duties as Executive Vice President and after she

left, Ms. McGilloway had filled that position on an interim basis. Referring to the resolution, she pointed out that in addition to making her the staff liaison to the Advisory Council, it also confirmed the other members of the Council as being Mr. Romero (Chair), Mr. Vandenberg and Ms. Carrington, with one position remaining vacant.

Ms. Leon made a motion to appoint Ms. Bayless to the Advisory Council created by the Board of Directors of the Corporation. Ms. Van Hovel seconded the motion. Motion passed unanimously.

Open Meeting

Mr. Long reminded the board that the December board meeting would be scheduled once the agenda for the Sunset Commission hearings was published. He then introduced the guests in attendance at the meeting today: Ms. Peinado with TDHCA, Ms. Koelling with First Southwest Company, and Mr. Romero who was Chair of the Advisory Council.

Mr. Jones thanked the staff for their hard work. Discussion followed about the board room.

Adjournment

Mr. Jones declared the meeting adjourned at 11:25 am.

Respectfully submitted by _____
Laura Ross, Corporate Secretary

Tab 2

Presentation, Discussion and Possible Approval of the Annual Financial Report and Independent Auditor's Reports for the Fiscal Year Ending August 31, 2010.

A copy of the reports will be provided prior to the Board Meeting

TEXAS STATE AFFORDABLE HOUSING CORPORATION
AUDIT COMMITTEE GUIDELINES
(Approved December 17, 2010)

These guidelines are intended to define the purposes, membership and responsibilities of the Audit Committee of the Texas State Affordable Housing Corporation (“the Corporation”).

I. PURPOSES

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee’s primary duties and responsibilities are to:

1. Monitor the integrity of the Corporation’s financial reporting process and systems of internal controls regarding finance, accounting, legal and ethics compliance.
2. Monitor the independence and performance of the Corporation’s independent financial auditors who shall report directly to the Audit Committee.
3. Facilitate communication among the independent auditors, management, the CFO and the Board of Directors.
4. Monitor compliance by the Corporation and its directors, officers and employees with applicable laws and the Corporation’s code of ethics and conflict of interest policies.
5. Establish procedures for the receipt, retention and treatment of financial matters complaints and the confidential anonymous submission by employees regarding questionable accounting, fraud or abuse.
6. Report on its activities to the Board of Directors.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and it has direct access to the independent auditors as well as anyone at the Corporation. The Audit Committee has the ability to retain, at the Corporation’s expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties. However, it is not the duty or responsibility of the Audit Committee or its members to conduct auditing or accounting review or procedures, and each member of the Audit Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Corporation from which it receives information and (ii) the accuracy of

the financial and other information provided to the Audit Committee by such persons or organizations.

II. COMPOSITON AND MEETINGS

The Audit Committee shall be comprised of three members made up of three directors as determined by the Board of Directors. One additional board member will be selected as an alternate member of the Audit Committee and will serve if one of the other member board directors is absent from a meeting. The Corporation's President and Chief Financial Officer will serve as Ad Hoc members of the Committee. The three member board directors shall be free from any relationship that would interfere with the exercise of his or her independent judgment. All members of the Audit Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements, and at least one member of the Audit Committee shall have accounting or related financial management expertise.

Audit Committee members shall be appointed on recommendation by the full Board of Directors. If a Chair of the Audit Committee is not designated or present, the members of the Audit Committee may designate a Chair by majority vote of the Audit Committee.

Audit Committee members will be reimbursed for travel and other actual and reasonable expenses incurred in the conduct of official Audit Committee business. No member of the Audit Committee may accept any additional consulting, advisory or other compensatory fee from the Corporation or other organization.

The Audit Committee shall meet a minimum of two times annually or more frequently if circumstances dictate.

III. RESPONSIBILITIES AND DUTIES

To carry out its purposes, the Audit Committee shall have the following duties and responsibilities:

Review Procedures

1. Review and assess the adequacy of these guidelines at least annually and submit any proposed changes to the Board of Directors for approval.
2. Review the audited financial statements with management, prior to distribution. Review should include discussion with management and independent auditors of significant issues regarding accounting and auditing principles, practices and judgments.

3. In consultation with the management, the CFO and independent auditors, consider the integrity of the company's financial reporting processes and controls. Discuss significant financial and non-financial risk exposures and the steps management has taken to monitor, control, and report such exposures. Review significant findings prepared by the independent auditors together with management's responses.
4. Consider and approve, if appropriate, major changes to the Corporation's accounting principles as suggested by the independent auditors, management or CFO and any items required to be communicated by the independent auditors in accordance with Statement on Auditing Standards No. 115.

Independent Auditors

1. The independent auditors are ultimately accountable to the Audit Committee and the Board of Directors. The Audit Committee shall review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the independent auditors or approve any discharge of auditors when circumstances warrant.
2. On an annual basis, the Audit Committee should review and discuss with the independent auditors all significant relationships they have with the Corporation that could impair the auditors' independence.
3. Prior to releasing the audit report, discuss the results of the audit with the independent auditors. Discuss certain matters required to be communicated to the Audit Committee in accordance with Statement on Auditing Standards No. 114 and No. 115.
4. Review with the independent auditor any management letter provided by the auditor and the Corporation's response to that letter.

While the Audit Committee has the responsibilities and powers set forth in these guidelines, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations.



The Texas State Affordable Housing Corporation is requesting proposals for audit, tax and accounting consulting services for the three fiscal years ending August 31, 2011, 2012 and 2013.

I. Background of Corporation

The Texas State Affordable Housing Corporation (“Corporation”) was incorporated in May 1994 under the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq., Vernon’s Annotated Texas Civil Statutes, as amended. The Corporation does not receive State appropriated funding. Under Government Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, the Corporation is a component unit of the State of Texas for financial reporting purposes.

The Corporation’s primary purpose is to facilitate the provision of affordable housing for low income Texans who do not have comparable housing options through conventional financial channels. A five-member board of directors appointed by the Governor with the advice and consent of the Senate oversees the business of the Corporation. All operations of the Corporation are conducted within the State of Texas and corporate offices are located in Austin, Texas. Enabling legislation, as amended, may be found in the Texas Government Code, Chapter 2306, Subchapter Y, Sections 2306.551 et seq.

The Corporation is organized, operated and administered as a non-profit organization in accordance with Section 501(c)(3) of the Internal Revenue Code.

The Corporation engages in the following primary types of business.

1. Loan Servicing
2. Asset Oversight & Compliance Monitoring
3. Issuance of Tax Exempt Single Family Mortgage Revenue Bonds
4. Issuance of Tax Exempt Multifamily Mortgage Revenue Bonds
5. Multifamily Direct and Interim Construction Lending
6. Administration of Federal Neighborhood Stabilization Program Grant

II. Scope of Services – the Corporation is requesting proposals for:

- A. Performance of the annual financial audit for the three (3) fiscal years ending August 31, 2011; August 31, 2012 and August 31, 2013. The audits should be conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Consolidated Audit Guide for Audits of HUD Programs*.

All audit field work must be completed and the final audit report issued no later than December 7th of each year. Draft financial statements and footnotes must be completed by November 20th of each year for submission to the Comptroller of Public Accounts.

- B. Performance of review for compliance with the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) using the guidelines provided by the Texas State Auditor’s Office for the two (2) fiscal years ending August 31, 2011 and August 31, 2013.
- C. Preparation of the Corporation’s annual Form 990 tax return for the three (3) fiscal years ending August 31, 2011; August 31, 2012 and August 31, 2013.
- D. Provision of consultation and technical assistance on general accounting and tax issues.

III. Proposal Format and Content - Firms are directed to organize their proposals as follows:

- A. Proposal information should be numbered and sequentially ordered so that it corresponds to the numbering and order of this RFP.
- B. Narrative answers to questions are to be limited to one side of a single 8 ½ by 11 typed page.
- C. Each page must be numbered consecutively and identify the firm's name.
- D. All proposals must contain the following information and/or address the following issues:
 1. A cover letter stating the name of the firm, address, telephone number and contact person.
 2. A description of the firm's understanding of the work to be done.
 3. Evidence of the firm's ability to provide the specified services in a professional and timely manner, including:
 - a. Documentation that the firm is properly licensed for public practice in the State of Texas.
 - b. Evidence of the firm's experience in performing financial audits of non-profit organizations and audits in compliance with *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Consolidated Audit Guide for Audits of HUD Programs*.
 4. Describe the proposed audit team in terms of job position within the firm.
 5. List names of firm member(s) who will direct the audit including educational background and professional licenses held.
 6. Describe the level of assistance that will be expected from Corporation personnel.
 7. State and describe the type of the firm's most recent peer review and provide a copy of the most recent peer review report.
 8. Provide at least three client references, preferably non-profit organizations.
 9. Include a projected time-line covering major audit events, including delivery of the final audit report.
 10. A statement of the firm's affirmative action policy.
 11. If the firm does not desire proprietary information in its proposal to be disclosed, the firm must identify all proprietary information in the proposal, at the time the proposal is submitted. If a firm fails to identify information as proprietary, the firm agrees by submission of its proposal that information contained therein is nonproprietary and may be made available upon public request.
 12. Provide a detailed cost proposal, including estimated hours and hourly rates by level of personnel. Also include other itemized direct costs, printing and out-of-pocket costs and any anticipated travel costs. Rates for nonrecurring work should also be itemized.

This RFP does not commit the Corporation to award a contract to an Offeror or to pay any costs incurred in the preparation or mailing of an Offeror's Response or in participating in this RFP process. In addition, the Corporation reserves the right to accept or reject any or all Responses received as a result of this RFP, to obtain information concerning any or all Offerors from all sources, and to request an oral presentation from any or all Offerors. In addition, the Corporation expressly reserves the right to negotiate with some, all, or none of the Offerors with respect to any term or terms of the responses or contracts.

Responses that do not comply with the conditions specified in this RFP may be rejected. The Corporation also may reject a Response that does not include all requested information.

PLEASE DELIVER 2 COPIES TO:	TEXAS STATE AFFORDABLE HOUSING CORPORATION 2200 EAST MARTIN LUTHER KING JR. BLVD. AUSTIN, TX 78702 ATTN: MELINDA SMITH, CPA CHIEF FINANCIAL OFFICER 512-904-1399
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RESPONSE DEADLINE

JUNE 30, 2011
5:00 P.M.

Development Finance Programs

December 17, 2010

Agenda Item

Presentation, Discussion and Possible Approval of two Resolutions Authorizing Applications to the United States Department of Housing and Urban Development through the Rural Housing and Economic Development Program, and the United States Department of Agriculture's Section 515 Multi-Family Housing Preservation Revolving Loan Fund Demonstration Program.

Background

In recent discussions with housing advocates and partner organizations, the Corporation has been made aware of two possible funding opportunities for which staff is recommending the Corporation make application.

The first opportunity is to obtain grant funds from the US Department of Housing and Urban Development's (HUD) Rural Innovation Fund. The RIF offers grants of up to \$2 million to support innovative housing and economic development activities. Eligible applicants include federally recognized Indian tribes, state community development and housing agencies (such as the Corporation), or consortia of these groups. Grantees can use their grant funding to support a variety of housing and economic development activities including construction, land acquisition, homeownership counseling, and financial assistance.

The Corporation is considering various possible activities to be carried out with the support and possible participation of other statewide nonprofit organizations. The application deadline for the Rural Innovation Fund program had not been announced as of December 8, 2010, but the draft NOFA and application instructions have been released by HUD, and the likely application deadline will be February 8, 2011 (60 days after the anticipated publication date in the Federal Register).

The second opportunity comes from the US Department of Agriculture's Section 515 Multi-Family Housing Preservation Revolving Loan Fund, the purpose of which is to provide loans to intermediary private non-profit organizations and state and local housing finance agencies to carry out a demonstration program to provide revolving loans for the preservation and revitalization of low-income multi-family housing (MFH). Housing that is assisted by this demonstration program must be financed by the USDA's Rural Development through its MFH loan program under Sections 515, 514 and 516 of the Housing Act of 1949. The maximum amount that an intermediary may borrow in fiscal year 2011 is a little more than \$2 million. Intermediaries will provide loans to ultimate eligible recipients for the preservation and revitalization of low-income affordable housing. The deadline for applications is January 10, 2011.

While the Corporation is still in discussions with potential partner organizations, both of the applications described above require evidence of prior approval from the Corporation's Board of Directors in order to submit application materials.

Recommendation

Staff is recommending that the Board of Directors approve resolutions authorizing that applications be submitted by the Corporation to obtain grants, loans or other funds from and pursuant to programs



Development Finance Programs

December 17, 2010

administered by: (i) the United States Department of Housing and Urban Development for the Rural Innovation Fund, and (ii) the United States Department of Agriculture's Section 515 Multi-Family Housing Preservation Revolving Loan Fund Demonstration Program.

MINUTES AND CERTIFICATION

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

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

1. The Board of Directors of said corporation convened on the 17th day of December, 2010, at the designated meeting place in Austin, Texas, and the roll was called of the duly constituted members of said Board and officers, to wit:

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>
Robert Elliot James	Chairperson
Jo Van Hovel	Vice Chairperson
Cynthia Leon	Director
William H. Dietz	Director
Jeran Akers	Director

OFFICERS

<u>Name</u>	<u>Office</u>
David Long	President (non-Board member)
Elizabeth Bayless	Executive Vice President (non-Board member)
Melinda Smith	Chief Financial Officer and Treasurer (non-Board member)
Laura Ross	Secretary (non-Board member)
Cynthia Gonzales	Assistant Secretary (non-Board member)

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

RESOLUTION NO. 10-__

TEXAS STATE AFFORDABLE HOUSING CORPORATION

“Resolution authorizing an application to be submitted by the Corporation seeking a loan in an amount to be determined by the President ranging from \$500,000 to \$2 million from the United States Department of Agriculture’s Section 515 Multi-Family Housing Preservation Revolving Loan Fund Demonstration Program.”

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

___ AYES

___ NOES

___ ABSTENTIONS

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

SIGNED this 17th day of December, 2010

Secretary, Texas State Affordable Housing Corporation

RESOLUTION NO. 10 - ____

**BOARD RESOLUTION
OF
TEXAS STATE AFFORDABLE HOUSING CORPORATION**

RESOLUTION AUTHORIZING AN APPLICATION TO BE SUBMITTED BY THE CORPORATION SEEKING A LOAN IN AN AMOUNT TO BE DETERMINED BY THE PRESIDENT RANGING FROM \$500,000 TO \$2 MILLION FROM THE UNITED STATES DEPARTMENT OF AGRICULTURE'S SECTION 515 MULTI-FAMILY HOUSING PRESERVATION REVOLVING LOAN FUND DEMONSTRATION 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 (the "Public Purpose"); and

WHEREAS, the Corporation currently sponsors, administers and oversees a program to provide loans for the rehabilitation of multi-family properties to meet the Corporation's Public Purpose; and

WHEREAS, the Board, after due consideration, has determined that an application for a loan may be made to the United States Department of Agriculture's Section 515 Multi-Family Housing Preservation Revolving Loan Fund Demonstration Program for the Corporation to serve as an intermediary to further loan such funds to eligible ultimate recipients for the purpose of preserving affordable housing through the provision of rehabilitation loans to existing affordable housing projects in rural Texas, subject to approval of a loan agreement to be presented to the Board if a loan is awarded the Corporation, and any other condition or conditions acceptable to the President or Executive Vice President of the Corporation;

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

Section 1. Approval of Application. That the Corporation hereby approves the making of an application in an amount to be determined by the President ranging from \$500,000 to \$2 million to obtain a loan of funds from the United States Department of Agriculture's Section 515 Multi-Family Housing Preservation Revolving Loan Fund Demonstration Program;

Section 2. Loan Documentation Authorized. That the Board of Directors of the Corporation authorizes the President and the Executive Vice President of the Corporation to negotiate a memorandum of agreement, loan agreement, or similar type document with the United States Department of Agriculture Rural Development, or its designee, together with any ancillary documents reasonably necessary to satisfy the terms of the loan, if the application is awarded to the Corporation to provide funds to further promote the Public Purpose of the

Corporation set forth above, subject to approval by the Board of the memorandum of agreement, loan agreement, or similar type document once negotiated;

Section 3. Execution and Delivery of Other Documents. That the President and Executive Vice President of the Corporation are each hereby authorized to consent to, accept, execute and attest such other certificates, documents, instruments, letter of instruction, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution;

Section 4. Ratification of Certain Prior Actions. That all prior actions taken by or on behalf of the Corporation in connection with the purposes of this Resolution are hereby authorized, ratified, confirmed and approved;

Section 5. Purposes of Resolution. That the Board of Directors of the Corporation has expressly determined and hereby confirms that the purposes of this Resolution accomplish a valid public purpose of the Corporation as set forth in the Act;

Section 6. Conflicting Prior Actions. That all orders, resolutions, or any actions or parts thereof of the Board of Directors of the Corporation in conflict herewith are hereby expressly repealed to the extent of any such conflict;

Section 7. Effective Date. That this Resolution shall be in full force and effect from and upon its adoption; and

Section 8. Severability. That 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.

APPROVED AND EFFECTIVE this 17th day of December, 2010.

Texas State Affordable Housing Corporation

ATTEST:

Laura Ross
Secretary to the Board

MINUTES AND CERTIFICATION

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

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

1. The Board of Directors of said corporation convened on the 17th day of December, 2010, at the designated meeting place in Austin, Texas, and the roll was called of the duly constituted members of said Board and officers, to wit:

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>
Robert Elliot James	Chairperson
Jo Van Hovel	Vice Chairperson
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William H. Dietz	Director
Jeran Akers	Director

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<u>Name</u>	<u>Office</u>
David Long	President (non-Board member)
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Laura Ross	Secretary (non-Board member)
Cynthia Gonzales	Assistant Secretary (non-Board member)

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

RESOLUTION NO. 10-__

TEXAS STATE AFFORDABLE HOUSING CORPORATION

“Resolution authorizing an application to be submitted by the Corporation seeking a grant in an amount to be determined by the President ranging from \$300,000 to \$2 million from the United States Department of Housing and Urban Development through the Rural Innovation Fund program.”

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

___ AYES

___ NOES

___ ABSTENTIONS

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

SIGNED this 17th day of December, 2010

Secretary, Texas State Affordable Housing Corporation

RESOLUTION NO. 10 - ____

**BOARD RESOLUTION
OF
TEXAS STATE AFFORDABLE HOUSING CORPORATION**

RESOLUTION AUTHORIZING AN APPLICATION TO BE SUBMITTED BY THE CORPORATION IN PARTNERSHIP WITH OTHER SELECT ENTITIES SEEKING A GRANT IN AN AMOUNT TO BE DETERMINED BY THE PRESIDENT RANGING FROM \$300,000 TO \$2 MILLION FROM THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT THROUGH THE RURAL INNOVATION FUND 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 (the “Public Purpose”); and

WHEREAS, the Board, after due consideration, has determined that an application for a grant may be made to the United States Department of Housing and Urban Development’s Rural Innovation Fund program for the purpose of the Corporation to participate in RIF-eligible housing and economic development activities in rural Texas, subject to approval of a memorandum of agreement or grant contract to be presented to the Board if an award is granted, and any other condition or conditions acceptable to the President or Executive Vice President of the Corporation;

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

Section 1. Approval of Application. That the Corporation hereby approves the making of an application in an amount to be determined by the President ranging from \$300,000 to \$2 million to obtain a grant of funds from the United States Department of Housing and Urban Development’s Rural Innovation Fund program;

Section 2. Grant Documentation Authorized. That the Board of Directors of the Corporation authorizes the President and the Executive Vice President of the Corporation to negotiate a memorandum of agreement, loan agreement, grant contract or similar type document with the United States Department of Housing and Urban Development, or its designee, together with any ancillary documents reasonably necessary to satisfy the terms of the grant, if the application is awarded to the Corporation to provide funds to further promote the Public Purpose of the Corporation set forth above, subject to approval by the Board of the memorandum of agreement, loan agreement, grant contract or similar type document once negotiated;

Section 3. Execution and Delivery of Other Documents. That the President and Executive Vice President of the Corporation are each hereby authorized to consent to, accept, execute and attest such other certificates, documents, instruments, letter of instruction, written

requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution;

Section 4. Ratification of Certain Prior Actions. That all prior actions taken by or on behalf of the Corporation in connection with the purposes of this Resolution are hereby authorized, ratified, confirmed and approved;

Section 5. Purposes of Resolution. That the Board of Directors of the Corporation has expressly determined and hereby confirms that the purposes of this Resolution accomplish a valid public purpose of the Corporation as set forth in the Act;

Section 6. Conflicting Prior Actions. That all orders, resolutions, or any actions or parts thereof of the Board of Directors of the Corporation in conflict herewith are hereby expressly repealed to the extent of any such conflict;

Section 7. Effective Date. That this Resolution shall be in full force and effect from and upon its adoption; and

Section 8. Severability. That 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.

APPROVED AND EFFECTIVE this 17th day of December, 2010.

Texas State Affordable Housing Corporation

ATTEST:

Laura Ross
Secretary to the Board

**MULTI-FAMILY 501(C)(3) AND PRIVATE ACTIVITY BOND PROGRAM
COMPLIANCE POLICY**

FOR THE

TEXAS STATE AFFORDABLE HOUSING CORPORATION

This MULTIFAMILY 501(C)(3) AND PRIVATE ACTIVITY BOND COMPLIANCE POLICY was adopted on the 17th day of December, 2010 by the Board of Directors of the Texas State Affordable Housing Corporation, a Texas public non-profit corporation (together with its successors and assigns the “**Corporation**”). This Compliance Policy shall be binding on the employees of the Corporation.

Section 1. **Affordability Requirements.** Any applicant, developer, owner or borrower (collectively defined as the “**Borrower**” hereafter) that utilizes the benefits of qualified 501(c)(3) bonds or private activity bonds issued by the Corporation for the development of affordable multi-family housing shall agree to provide all requested documentation and complete all on-line reporting according to the terms and conditions set forth in any agreement between the Borrower and the Corporation (or any other applicable agreement, including any tax or other regulatory agreement) to show compliance with affordability and habitability requirements set forth in any such agreement.

Section 2. **Section 8 Policy:** The Borrower shall agree that with respect to any prospective resident who qualifies for and intends to supplement their monthly rent with funds and/or other assistance under the United States Housing Act of 1937, 42 U.S.C.A. Section 1437(f), and the regulations promulgated pursuant thereto (“**Section 8 Residents**”), such prospective resident shall only be required to provide evidence to the Borrower that such resident’s monthly income is two and one-half times greater than the actual out-of-pocket amounts to be paid by such resident rather than two and one-half times greater than the actual monthly rent for the applicable unit, in order to qualify for such unit. For project-based Section 8 properties, the Borrower shall agree to accept a HUD form 50058 or 50059 as adequate income certification.

Section 3. **Asset Oversight Agent Agreement.** The Borrower shall agree to enter into an asset oversight agent agreement (the “**Asset Oversight Agreement**”) between the Corporation, or an agent of the Corporation, and the Borrower, pursuant to which the Corporation or such agent shall conduct a review of the Borrower’s related development or developments and its compliance records and other documents and records as specified by the Corporation.

Section 4. **Resident Services.** The Borrower shall provide a minimum of six resident services (chosen from the Corporation’s Resident Services Program Guidelines) for each calendar year quarter and such resident services shall be free of charge and available to all residents. The Borrower shall also submit a resident services program plan (the “**Program Plan**”) that explains the services to be provided on an annual basis

and which is subject to review and approval by the Corporation. The Borrower shall submit an updated Program Plan on or before December 1st of each year. The Program Plan may be amended throughout the year upon written request of the Borrower and the written approval by the Corporation. A line-item budget must accompany the Program Plan and the Borrower shall maintain a dedicated budget for such resident services. To the extent feasible, the budget should include salaries for on-site staff to provide or coordinate resident services, and if services are provided off-site, transportation costs (which transportation costs may not be charged to the residents).

Section 5. **Management of the Properties.** The Corporation shall have the following rights and remedies with respect to the related properties, subject to reasonable limitations:

- (a) To approve all managers, including the initial manager, which approval shall not be unreasonably withheld, conditioned or delayed;
- (b) To approve all management agreements including those that may be assigned to the Corporation as bond issuer, if an event of default has occurred and is continuing under any agreement entered into in accordance with this Compliance Policy;
- (c) The Corporation shall have the authority to remove the manager in the event that:
 - (i) the related properties are not maintained in a manner which complies with Section 2306.186 of the Texas Government Code, as required by Section 2306.269 of the Texas Government Code; or
 - (ii) the Borrower does not follow the reasonable recommendations of the Corporation, or its agent in accordance with the Asset Oversight Agreement or as required by any agreement entered into in accordance with this Compliance Policy; or
 - (iii) The Borrower does not correct the findings noted within the applicable Asset Oversight Observation Report and Compliance Observation Report, within the timeframes set forth in this Compliance Policy.

Section 6. **Replacement Reserves.** The Borrower shall maintain the related properties and make necessary repairs thereto, and shall otherwise comply with Section 2306.186(e), (f) and (g) of the Texas Government Code (the Corporation shall be considered the “Department” under such statute) and the related Asset Oversight Agreement. The Borrower shall grant the Corporation any and all rights to enter upon the related properties and such right of access thereto as necessary to comply with Section

2306.186(e), (f) and (g) of the Texas Government Code, this Compliance Policy and the Asset Oversight Agreement.

The Borrower shall further agree, subject to reasonable limitations, to grant the Corporation the right to withdraw an amount from available replacement reserves equal to the reasonable cost to maintain the physical needs of the development in order to comply with Section 2306.186(e), (f) and (g) of the Texas Government Code, the Asset Oversight Agreement and all requirements of any agreement entered into in accordance with this Compliance Policy. The Corporation may begin the process of withdrawing funds from the replacement reserves 90 days after the initial corrective action period ends.

Section 7. **Annual Compliance Audit.** The Corporation, or a third party compliance monitoring agent selected by the Corporation (the “**Independent Consultant**”), will conduct an annual audit to verify compliance with one or more of the agreements entered into in accordance with this Compliance Policy, including the Asset Oversight Agreement and any tax regulatory or other agreement. The Borrower shall agree to provide any documentation or information requested either by the Corporation or the Independent Consultant related to such audit that is reasonably available to the Borrower. The costs related to any annual audit (excluding the costs incurred by the Borrower in providing information to the Corporation or the Independent Consultant) will be paid from the fees and other amounts payable to the Corporation or the Independent Consultant under the related agreements.

The Corporation will provide the Borrower with its preferred resident file organization standard to be used for each related property. The Corporation will work with the Borrower to determine what file standard will satisfy the requirements for all relative financing arrangements and management company policies. Any changes to the file organization standard must be approved by the Corporation in writing.

Section 8. **Corporation’s Compliance/Asset Oversight Agent Fees.** For monitoring services to be performed by the Corporation, or its agent, for compliance and asset oversight, the Borrower shall pay all fees at least annually to TSAHC directly as an “operating expense” of the related property or properties and prior to the payment of any related bond or other debt service, except as otherwise agreed to in writing by the Corporation.

Section 9. **Default; Enforcement by the Corporation.** Following the declaration of an event of default (after any applicable cure period) as set forth and defined in any agreement entered into in accordance with this Compliance Policy (each an “Event of Default”), the Corporation, subject to being indemnified to its satisfaction with respect to the costs and expenses of any proceeding may, at its option, take any one or more of the following steps:

- (a) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform their

obligations and covenants or enjoin any acts or things which may be unlawful or in violation of the rights of the Corporation;

(b) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the properties during regular business hours following reasonable notice;

(c) pursuant to Section 5, remove the manager and replace the manager with a manager reasonably acceptable to the Corporation;

(d) pursuant to Section 6, withdraw funds from replacement reserves to make repairs/replacements to the related property or properties;

(e) pursuant to Section 10, undertake the ex parte appointment of a receiver;

(f) pursuant to Section 11, assess reasonable penalties for non-compliance; and

(g) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower;

The Borrower shall agree that specific enforcement of any Agreement entered into in accordance with this Compliance Policy may be the only means by which the Corporation may obtain the benefits of such agreements made by the Borrower, and the Borrower therefore shall agree to the imposition of the remedy of specific performance against them in the case of any Event of Default by the Borrower.

Section 10. **Appointment of Receiver; Corporation in Possession.** As provided in Section 2306.125(b) of the Texas Government Code, if and only if all of the following have occurred; (i) a “Material Event of Default”, defined below, has occurred and is continuing, and (ii) the Corporation has already pursued any remedies in accordance with Section 5 and 6 above and such Material Event of Default still remains, the Borrower shall agree that the Corporation as a matter of strict right and without notice to the Borrower, without the showing of any insolvency, fraud or mismanagement on the part of the Borrower and without the necessity of filing any judicial or other proceeding other than for the appointment of a receiver, the Corporation shall be entitled to the ex parte appointment of a receiver to take possession of, protect, control, manage and operate any development in order to remedy the Material Event of Default with respect to such development but for only so long as the Material Event of Default is continuing and remains uncured. The Borrower shall irrevocably agree, consent to, waive any notice of or defense to the appointment of a receiver for any development subject to any agreement entered into in accordance with this Compliance Policy. The Borrower shall further agree that, following an Extraordinary Additional Cure Period, the equitable appointment of a receiver hereunder is the only remedy available for the Corporation to ensure compliance with the terms of any agreement entered into in accordance with this Compliance Policy and the safety and well-being of the residents of the development

owned by the Borrower who has committed a Material Event of Default. Any receiver appointed shall have all usual powers and duties in such matters as ordered by a court, including, without limitation, the power to take possession of, enter upon, hold, develop, rent, lease, manage, maintain, operate and otherwise use and operate the development upon such terms and conditions as the receiver may deem to be prudent and reasonable under the circumstances in order to remedy the Material Event of Default with respect to such development.

During an Extraordinary Additional Cure Period, the Corporation shall agree to cooperate fully with all parties (or their successors and assigns) that are named parties in the transaction and hold a significant financial interest in the development to rectify the Event(s) of Default in a diligent manner.

“**Material Event of Default**” means an Event of Default that materially adversely affects the health, welfare and/or safety of the tenants of the development that is continuing after the Extraordinary Additional Cure Period has passed.

“**Extraordinary Additional Cure Period**” means a period of an additional 90 days from the cure periods provided in any agreement entered into in accordance with this Compliance Policy that begins on the date that the Borrower receives written notice from the Corporation that it intends to appoint a receiver as an enforcement remedy for a Material Event(s) of Default. If corrective action is instituted to cure such Material Event(s) of Default within this 90 day period, the Corporation shall agree this Extraordinary Additional Cure Period shall last so long as, in the reasonable discretion of the Corporation, the Borrower is diligently pursuing a remedy for such Material Event(s) of Default; provided, however in no event shall the Extraordinary Additional Cure Period last for more than one year from the date the Borrower receives notice as described above.

Section 11. **Assessment of Penalties by Corporation.** The Borrower shall grant to the Corporation the right to assess reasonable penalties for non-compliance against the defaulting Borrower. All penalties assessed will be for the compliance action and amounts per time period as provided in Appendix A attached hereto (the “**Penalties**”); provided that these amounts and time periods may be changed by the Corporation from time to time in its sole, but reasonable, discretion. All Penalties assessed shall be paid by the Borrower within 30 days of receipt of a written complaint and assessment of penalties provided by the Corporation to the Borrower. If any penalty remains unpaid for a period of 60 days after receipt by the Borrower of any written complaint and assessment of Penalties, additional Penalties may be assessed by the Corporation. Upon receipt of the written complaint and assessment of Penalties by the Borrower from the Corporation, the Borrower shall have ten days to request an appearance before the Board of Directors of the Corporation (the “**Board**”) to contest the assessment of such Penalties by the Corporation by written notice to the Corporation within such ten-day period.

Section 12. **Assessment Lien.** The payments due under any agreement made in accordance with this Compliance Policy shall be made a charge on the property of the

development and, in order to secure the payment of the sums due, the Borrower shall grant a subordinate continuing lien (an “**Assessment Lien**”) upon such property against which the payments are due, and shall also be the continuing obligation of the Borrower. The Borrower shall further agree that any such Assessment Lien may be foreclosed upon by non-judicial foreclosure pursuant to the provisions of Section 51.002 of the Texas Property Code (or any successor statute).

Section 13. **Compliance Agreement and Asset Oversight Agreement.** A representative form of a compliance agreement and an asset oversight agreement that is consistent with this Compliance Policy shall be available on the Corporation’s website; however, the form provided on the website shall be merely for illustrative purposes and the Corporation reserves the right to revise and/or modify any such agreement at any time in whole or in part.

Section 14. **Indemnification.** Any agreement made between the Corporation and the Borrower shall include an indemnification provision that shall indemnify the Corporation from and against all liability, losses, damages, costs, expenses arising in any manner from the Corporation’s exercise of its rights under said agreement.

Section 15. **Board Waivers.** The Board may consider and approve a waiver to one or more of the provisions of this Compliance Policy at any time. A Borrower may request that the Board consider a waiver one or more of the provisions of this Compliance Policy at a public meeting of the Board.

APPENDIX A

SCHEDULE OF PENALTIES

(Penalty Amounts and Time Periods Subject to Change)

<u>Compliance Action</u>	<u>Required Action to Regain Compliance</u>	<u>Potential Penalty for Continued Non-compliance and Time Periods</u>
Units leased to households that are not eligible because their income is in excess the allowable limit; occupied by non-eligible full time students; or noncompliance with senior age restrictions.	Change unit designation to market if the household is not qualified within 30 days of initial notification. .	Compliance penalty of \$500 for failure to change unit designation; Compliance penalty of \$500 for repeated violation.
Failure to meet set-aside requirement as stated in the compliance and/or regulatory agreements.	Only qualified households are eligible for move in. No market households should be moved in until the set aside requirement is met.	Compliance penalty of \$500 for each market household moved in during the time the set aside requirement is not being met.
Rents charged exceed allowable limits or improperly calculated utility allowance.	Borrower/manager demonstrates reduction in rent and/or recalculation of utility allowance and refund difference to tenants.	Compliance penalty of the amount of uncorrected overcharge.
Failure to submit reports timely and or failure to execute and record program documents.	The Borrower must provide corrective action within 30 days after receiving a notice of failure to submit reports/documents.	Compliance penalty of \$250 for every 30 days of non-response.
Failure to follow fair housing or federal laws providing access by the general public or failure to comply with Section 8 minimum income to rent standard.	Borrower must enter into a corrective action agreement and amend leasing requirements if appropriate.	Report for possible fair housing violation. Compliance penalty of \$250 per violation.
Failure to maintain adequate documentation or certification for compliance.	Borrower to recertify accordingly and provide documentation within 30 days of initial notification.	Compliance penalty of \$100 per 15 day period of failure to provide documentation.
Low income units used on transient basis, unless otherwise approved by the Corporation.	Borrower should execute at least six month lease and provide evidence of such lease. If Borrower is unable to extend lease terms, the unit must take market designation. If the unit is being held vacant and was previously occupied by a qualified household on a transient basis, the unit designation must be changed to Market.	Compliance penalty of up to \$100 per 15 days for failure to provide documented lease.

<u>Compliance Action</u>	<u>Required Action to Regain Compliance</u>	<u>Potential Penalty for Continued Non-compliance and Time Periods</u>
The property has physical condition violations.	Appropriate repairs must be completed and evidence must be provided. (Health and Safety violations must be completed within 24 hrs, and all other violations must be completed within 30 days.)	Compliance penalty of \$500 per violation.
Failure to provide the minimum number of agreed to resident services.	If the minimum number of resident services is not provided in any quarter the deficit of that quarter must be made up in the following quarter.	Compliance penalty of \$500 per listed service not provided per quarter.
Failure to pay compliance review fees or compliance penalties timely.	Fees due and payable must be submitted 30 days after initial notice.	Begin collection proceedings. Add State maximum interest rate and additional penalty of up to \$250 per 30 day period of nonpayment.
Failure to meet minimum rehabilitation standards.	If discovered during development, the Borrower would be required to make necessary corrections per the specifications in the related loan agreement. If discovered after building, establish an account to fund necessary modifications.	Compliance penalty up to \$500 per 30 day period of non-compliance.
Failure to remove manager or replacement of manager.	Remove manager or replace manager pursuant to Section 5.	Compliance penalty of \$500 per 30 day period of non-compliance.
Failure to correct Findings under the Asset Oversight Observation Report and/or Compliance Observation Report.	Complete corrective actions required in the Asset Oversight Observation Report and/or Compliance Observation Report.	Compliance penalty of \$500 per 30 day period of non-compliance.
Determination of material non-compliance for more than the sum of all cure periods provided in the related compliance agreement.	After notice of violation, corrective action plan developed with bond issuer.	Institution of appointment of receivership and possession by bond issuer proceedings with all costs payable by Borrower.

**MULTI-FAMILY 501(C)(3) AND PRIVATE ACTIVITY BOND PROGRAM
COMPLIANCE POLICY**

FOR THE

TEXAS STATE AFFORDABLE HOUSING CORPORATION

This MULTIFAMILY 501(C)(3) AND PRIVATE ACTIVITY BOND COMPLIANCE POLICY was adopted on the 17th day of December, 2010 by the Board of Directors of the Texas State Affordable Housing Corporation, a Texas public non-profit corporation (together with its successors and assigns the "**Corporation**"). This policy Compliance Policy shall be binding on the employees of the Corporation.

Section 1. **Affordability Requirements.** Any applicant, developer, owner or borrower (collectively defined as the "Borrower" hereafter) that utilizes the benefits of qualified 501(c)(3) bonds or private activity bonds issued by the Corporation for the development of affordable multi-family housing (~~the "Applicant"~~) shall agree to provide all requested documentation and complete all on-line reporting according to the terms and conditions set forth in any agreement between the ApplicantBorrower and the Corporation (or any other applicable agreement, including any tax or other regulatory agreement) to show compliance with affordability and habitability requirements ~~therein or set forth~~ in any regulatory ~~such~~ agreement ~~related to the Applicant's development~~.

Section 2. **Section 8 Policy:** The ApplicantBorrower shall agree that with respect to any prospective resident who qualifies for and intends to supplement their monthly rent with funds and/or other assistance under the United States Housing Act of 1937, 42 U.S.C.A. Section 1437(f), and the regulations promulgated pursuant thereto ("**Section 8 Residents**"), such prospective resident shall only be required to provide evidence to the ApplicantBorrower that such ~~Section 8 Residents~~ resident's monthly income is two and one-half times greater than the actual out-of-pocket amounts to be paid by ~~the Section 8 Resident~~ such resident rather than two and one-half times greater than the actual monthly rent for the applicable unit, in order to qualify for such unit. For project-based Section 8 properties, the ApplicantBorrower shall agree to accept a HUD form 50058 or 50059 as adequate income certification.

Section 3. **Asset Oversight Agent Agreement.** The ApplicantBorrower shall agree to enter into an asset oversight agent agreement (the "**Asset Oversight Agreement**") between the Corporation, or an agent of the Corporation, and the Borrower, pursuant to which the Corporation or such agent shall conduct a review of the Applicant's development and provide recommendations ~~Borrower's related development or developments and its compliance records and other documents and records as specified by the Corporation.~~

Section 4. **Resident Services.** The ApplicantBorrower shall provide a minimum of five ~~six~~ resident services (chosen from the TSAHC Corporation's Resident Services Program Guidelines) for the applicable ~~each~~ calendar year) ~~offered at least once~~

~~per quarter to the residents for any service provided. And such resident services shall be free of charge and available to all residents. The Borrower shall also submit a resident services program plan (the "Program Plan") that explains the services to be provided on an annual basis and which is subject to review and approval on an annual basis (and can be by the Corporation. The Borrower shall submit an updated Program Plan on or before December 1st of each year. The Program Plan may be amended throughout the year upon written request) by the Issuer to show the upcoming years activities (the "Program Plan") of the Borrower and the written approval by the Corporation. A line-item budget must accompany the resident service Program Plan. The Applicant and the Borrower shall maintain a dedicated budget for such resident services, and to. To the extent feasible, the budget should include salaries for on-site staff to provide or coordinate resident services. If, and if services are provided off-site, transportation costs (which transportation costs may not be charged to the residents).~~

Section 5. **Management of the Properties.** The Corporation shall have the following rights and remedies with respect to the related properties, subject to reasonable limitations:

~~(b) To approve any management agreement that may be assigned to the Issuer if an Event of Default has occurred and is continuing under any agreement entered into in accordance with this policy;~~

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~~(b)(a) the Corporation shall have the authority to approve all Managersmanagers, including the initial Managermanager, which approval shall not be unreasonably withheld, conditioned or delayed;~~

~~(b) theTo approve all management agreements including those that may be assigned to the Corporation as bond issuer, if an event of default has occurred and is continuing under any agreement entered into in accordance with this Compliance Policy;~~

(c) The Corporation shall have the authority to remove the Managersmanager in the event that:

(i) the Propertiesrelated properties are not maintained in a manner which complies with Section 2306.186 of the Texas Government Code, as required by Section 2306.269 of the Texas Government Code; or

(ii) the ApplicantBorrower does not follow the reasonable recommendations of an asset oversight agent of the Corporation, or its agent in accordance with the Asset Oversight Agreement or as required by any agreement entered into in accordance with this policy.Compliance Policy; or

(iii) The Borrower does not correct the findings noted within the applicable Asset Oversight Observation Report and

Compliance Observation Report, within the timeframes set forth in this Compliance Policy.

Section 6. **Replacement Reserves.** The ApplicantBorrower shall maintain the developmentrelated properties and make ~~repairs as necessary~~ repairs thereto, and shall otherwise comply with Section 2306.186(e), (f) and (g) of the Texas Government Code (the Corporation shall be considered the “~~department~~Department” under such statute) and the related Asset Oversight Agreement. The ApplicantBorrower shall grant the Corporation any and all rights to enter upon the Propertiesrelated properties and such right of access thereto as necessary to comply with Section 2306.186(e), (f) and (g) of the Texas Government Code, this Compliance Policy and the Asset Oversight Agreement.

The ApplicantBorrower shall further agree, subject to reasonable limitations, to grant the Corporation the right to withdraw an amount from available replacement reserves equal to the reasonable cost to maintain the physical needs of the development in order to comply with Section 2306.186(e), (f) and (g) of the Texas Government Code, the Asset Oversight Agreement and all requirements of any agreement entered into in accordance with this ~~policy~~Compliance Policy. The Corporation may begin the process of withdrawing funds from the replacement reserves 90 days after the initial corrective action period ends.

Section 7. **Annual Compliance Audit.** The Corporation, or a third party compliance monitoring agent selected by the Corporation (the “**Independent Consultant**”), will conduct ~~at its own cost (other than cost of providing information)~~ an annual audit to verify compliance with ~~any agreement one or more of the agreements~~ entered into in accordance with this Compliance Policy ~~(, including the Asset Oversight Agreement)~~ and any ~~further agreements between the Corporation and the Applicant~~tax regulatory or other agreement. The ApplicantBorrower shall agree to provide any documentation or information requested either by the Corporation or ~~by~~ the Independent Consultant related to such audit that is reasonably available to the ApplicantBorrower. The costs related to any annual audit (excluding the costs incurred by the Borrower in providing information to the Corporation or the Independent Consultant) will be paid from the fees and other amounts payable to the Corporation or the Independent Consultant under the related agreements.

The Corporation will provide the Borrower with its preferred resident file organization standard to be used for each related property. The Corporation will work with the Borrower to determine what file standard will satisfy the requirements for all relative financing arrangements and management company policies. Any changes to the file organization standard must be approved by the Corporation in writing.

Section 8. **Corporation’s Compliance/Asset Oversight Agent Fees.** For monitoring services to be performed by the Corporation, or its agent, for compliance and asset oversight, the ApplicantBorrower shall pay all fees at least annually to TSAHC directly as an “~~Operating Expense~~operating expense” of the related property or properties

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and prior to the payment of any development-related bond or other debt service, except as otherwise agreed to in writing by the Corporation.

Section 9. **Default; Enforcement by the Corporation.** Following the declaration of an ~~Event of Default~~event of default (after any applicable cure period) as set forth and defined in any agreement entered into in accordance with this ~~policy~~Compliance Policy (each an “Event of Default”), the Corporation, subject to being indemnified to its satisfaction with respect to the costs and expenses of any proceeding may, at its option, take any one or more of the following steps:

- (a) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the ~~ApplicantBorrower~~ to perform their obligations and covenants or enjoin any acts or things which may be unlawful or in violation of the rights of the Corporation;
- (b) have access to and inspect, examine and make copies of all of the books and records of the ~~ApplicantBorrower~~ pertaining to the ~~Properties~~properties during regular business hours following reasonable notice;
- (c) pursuant to Section 5, remove the ~~Manager~~manager and replace the ~~Manager~~manager with a ~~Manager~~manager reasonably acceptable to the Corporation;
- (d) pursuant to Section 6, withdraw funds from replacement reserves to make repairs/replacements to the ~~development(s)-related property or properties~~;
- (e) pursuant to Section 10, undertake the ex parte appointment of a receiver;
- (f) pursuant to Section 11, assess reasonable penalties for non-compliance; and
- (g) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the ~~ApplicantBorrower~~;

The ~~ApplicantBorrower~~ shall agree that specific enforcement of any Agreement entered into in accordance with this ~~policy~~Compliance Policy may be the only means by which the Corporation may obtain the benefits of such agreements made by the ~~ApplicantBorrower~~, and the ~~ApplicantBorrower~~ therefore shall agree to the imposition of the remedy of specific performance against them in the case of any Event of Default by the ~~ApplicantBorrower~~.

Section 10. **Appointment of Receiver; Corporation in Possession.** As provided in Section 2306.125(b) of the Texas Government Code, if and only if all of the following have occurred; (i) a “Material Event of Default”, defined below, has occurred

and is continuing, and (ii) the Corporation has already pursued any remedies in accordance with Section 5 and 6 above and such Material Event of Default still remains, the ApplicantBorrower shall agree that the Corporation as a matter of strict right and without notice to the ApplicantBorrower, without the showing of any insolvency, fraud or mismanagement on the part of the ApplicantBorrower and without the necessity of filing any judicial or other proceeding other than for the appointment of a receiver, the Corporation shall be entitled to the ex parte appointment of a receiver to take possession of, protect, control, manage and operate any development in order to remedy the Material Event of Default with respect to such development but for only so long as the Material Event of Default is continuing and remains uncured. The ApplicantBorrower shall irrevocably agree, consent to, waive any notice of or defense to the appointment of a receiver for any development subject to any agreement entered into in accordance with this policyCompliance Policy. The ApplicantBorrower shall further agree that, following an Extraordinary Additional Cure Period, the equitable appointment of a receiver hereunder is the only remedy available for the Corporation to ensure compliance with the terms of any agreement entered into in accordance with this policyCompliance Policy and the safety and well-being of the residents of the development owned by the ApplicantBorrower who has committed a Material Event of Default. Any receiver appointed shall have all usual powers and duties in such matters as ordered by a court, including, without limitation, the power to take possession of, enter upon, hold, develop, rent, lease, manage, maintain, operate and otherwise use and operate the development upon such terms and conditions as the receiver may deem to be prudent and reasonable under the circumstances in order to remedy the Material Event of Default with respect to such development.

During an Extraordinary Additional Cure Period, the Corporation shall agree to cooperate fully with all parties (or their successors and assigns) that are named parties in the transaction and hold a significant financial interest in the development to rectify the Event(s) of Default in a diligent manner.

“Material Event of Default” means an Event of Default that materially adversely affects the health, welfare and/or safety of the tenants of the development that is continuing after the Extraordinary Additional Cure Period has passed.

“Extraordinary Additional Cure Period” means a period of an additional 90 days from the cure periods provided in any agreement entered into in accordance with this policyCompliance Policy that begins on the date that the ApplicantBorrower receives written notice from the Corporation that it intends to appoint a receiver as an enforcement remedy for a Material Event(s) of Default. If corrective action is instituted to cure such Material Event(s) of Default within this 90 day period, the Corporation shall agree this Extraordinary Additional Cure Period shall last so long as, in the reasonable discretion of the Corporation, the ApplicantBorrower is diligently pursuing a remedy for such Material Event(s) of Default; provided, however in no event shall the Extraordinary Additional Cure Period last for more than one year from the date the ApplicantBorrower receives notice as described above.

Section 11. **Assessment of Penalties by Corporation.** The ApplicantBorrower shall grant to the Corporation the right to assess reasonable penalties for non-compliance against the defaulting ApplicantBorrower. All penalties assessed will be for the compliance action and amounts per time period as provided in Appendix A attached hereto (the “**Penalties**”); provided that these amounts and time periods may be adjustedchanged by the Corporation from time to time in its sole, but reasonable, discretion. All Penalties assessed shall be paid by the ApplicantBorrower within 30 days of receipt of a written complaint and assessment of penalties provided by the Corporation to the ApplicantBorrower. If any ~~penalties remain~~penalty remains unpaid for a period of 60 days after receipt by the ApplicantBorrower of any written complaint and assessment of Penalties, additional Penalties may be assessed by the Corporation. Upon receipt of the written complaint and assessment of Penalties by the ApplicantBorrower from the Corporation, the ApplicantBorrower shall have ~~10~~ten days to request an appearance before the Board of Directors of the Corporation (the “**Board**”) to contest the assessment of such Penalties by the Corporation by written notice to the Corporation within such ~~10~~ten-day period.

Section 12. **Assessment Lien.** The payments due under any agreement made in accordance with this ~~policy~~Compliance Policy shall be made a charge on the property of the development and, in order to secure the payment of the sums due, the ApplicantBorrower shall grant a subordinate continuing lien (~~thean~~ “**Assessment Lien**”) upon such property against which the payments are due, and shall also be the continuing obligation of the ApplicantBorrower. The ApplicantBorrower shall further agree that ~~theany such~~ Assessment Lien may be foreclosed upon by non-judicial foreclosure pursuant to the provisions of Section 51.002 of the Texas Property Code (or any successor statute).

Section 13. **Compliance Agreement and Asset Oversight Agreement.** A representative form of a compliance agreement and an asset oversight agreement that ~~accords tois consistent with~~ this policyCompliance Policy shall be available on the Corporation’s website; however, the form provided on the website ~~is-shall be~~ merely for illustrative purposes and the Corporation reserves the right to revise and/or modify ~~theany such~~ agreement at any time in whole or in part ~~and in all respects~~.

Section 14. **Indemnification.** Any agreement made between the Corporation and the ApplicantBorrower shall include an indemnification provision that shall indemnify the Corporation from and against all liability, losses, damages, costs, expenses arising in any manner from the Corporation’s exercise of its rights under said agreement.

Section 15. **Board Waivers.** The Board may consider and approve a waiver to one or more of the provisions of this Compliance Policy at any time. A Borrower may request that the Board consider a waiver one or more of the provisions of this Compliance Policy at a public meeting of the Board.

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APPENDIX A

SCHEDULE OF PENALTIES

(Penalty Amounts and Time Periods Subject to Change)

<u>Compliance Action</u>	<u>Required Action to Regain Compliance</u>	<u>Potential Penalty for Continued Non-compliance and Time Periods</u>
Units leased to households that are not eligible because their income is in excess the allowable limit; occupied by non-eligible full time students; or noncompliance with senior age restrictions.	Lease labeled "Do not renew lease as soon as possible, lease the unit to eligible household;" Lease to eligible household-Change unit designation to market if the household is not qualified within 30 days of initial notification..	Compliance penalty up to of \$500 for violation of do not renew restriction failure to change unit designation ; Compliance penalty of up to \$500 for repeated violation.
Failure to meet set-aside requirement as stated in the compliance and/or regulatory agreements.	Only qualified households are eligible for move in. No market households should be moved in until the set aside requirement is met.	Compliance penalty of \$500 for each market household moved in during the time the set aside requirement is not being met.
Rents charged exceed allowable limits or improperly calculated utility allowance.	Borrower/manager demonstrates reduction in rent and/or recalculation of utility allowance and refund difference to tenants.	Compliance penalty up to of the amount of uncorrected overcharge.
Failure to submit reports timely and or failure to execute and record program documents.	After written notice of failure to receive report owner The Borrower must provide corrective action support within 30 days after receiving a notice of failure to submit reports/documents.	Compliance penalty of up to \$250 per additional notice sent for every 30 days of no-non -response.
Failure to follow fair housing or federal laws providing access by the general public or failure to comply with Section 8 minimum income to rent standard.	Borrower must enter into a corrective action agreement and amend leasing requirements if appropriate.	Report for possible fair housing violation. Compliance penalty of up to \$250 per violation.
Failure to maintain adequate documentation or certification for compliance.	Borrower to recertify accordingly and provide documentation upon completion within 30 days of initial notification.	Compliance penalty of up to \$100 per request per 15 day period of failure to provide documentation.
Low income units used on transient basis, unless otherwise approved by the Corporation.	Borrower should execute at least six month lease and provide evidence of such lease. If Borrower is unable to extend lease terms, the unit must take	Compliance penalty of up to \$100 per request per day 15 days for failure to provide documented lease.

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<u>Compliance Action</u>	<u>Required Action to Regain Compliance</u>	<u>Potential Penalty for Continued Non-compliance and Time Periods</u>
<u>The property has physical condition violations.</u>	<u>market designation. If the unit is being held vacant and was previously occupied by a qualified household on a transient basis, the unit designation must be changed to Market.</u> <u>Appropriate repairs must be completed and evidence must be provided. (Health and Safety violations must be completed within 24 hrs, and all other violations must be completed within 30 days.)</u>	<u>Compliance penalty of \$500 per violation.</u>
Property condition violations	Appropriate repairs completed and provide evidence.	Compliance penalty based on severity of violation up to \$500 per violation.
<u>Failure to provide the minimum number of agreed to resident services.</u>	<u>If the minimum number of resident services is not provided in any quarter the deficit of that quarter must be made up in the following quarter.</u>	<u>Compliance penalty of \$500 per listed service not provided per quarter.</u>
Failure to provide agreed to resident services	Corrective action within 30 days.	Compliance penalty of up to \$500 per listed service not provided per month.
<u>Failure to pay compliance review fees or compliance penalties timely.</u>	After notice of fees <u>Fees due and payable within must be submitted 30 days of after initial notice.</u>	<u>Begin collection proceedings. Add State maximum interest rate and additional penalty of up to \$250 per 30 day period of nonpayment.</u>
<u>Failure to meet minimum Rehabilitation Standards rehabilitation standards.</u>	<u>If discovered during development, potential correction of building, the Borrower would be required to make necessary corrections per the specifications in the related loan agreement</u> <u>If discovered after building, establish an account to fund necessary modifications.</u>	Penalty <u>Compliance penalty up to \$500 per 30 day period of non-compliance.</u>
<u>Failure to remove Manager/manager or replacement of Manager/manager.</u>	<u>Remove Manager/manager or replace Manager/manager pursuant to Section 7 of the Compliance Agreement.5.</u>	Penalty up to <u>Compliance penalty of \$500 per 30 day period of non-compliance.</u>
<u>Failure to follow recommendations correct Findings under the Asset Oversight Agreement/Observation Report</u>	Complete Actions required in recommendation of Asset Oversight Agreement or request such recommendations be	Penalty up to <u>Compliance penalty of \$500 per 30 day period of non-compliance.</u>

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<u>Compliance Action</u>	<u>Required Action to Regain Compliance</u>	<u>Potential Penalty for Continued Non-compliance and Time Periods</u>
<u>and/or Compliance Observation Report.</u>	modified Complete corrective actions required in the Asset Oversight Observation Report and/or Compliance Observation Report.	Institution of Appointment <u>appointment</u> of Receivership <u>receivership</u> and Possession <u>possession</u> by Issuer <u>bond issuer</u> proceedings with all costs payable by Borrower.

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Tab 7

Presentation, Discussion and Possible Approval for Publication and Comment the Draft of the Texas State Affordable Housing Corporation 2010 Annual Action Plan.

A draft of the Annual Action Plan will be provided prior to the board meeting