

LIMITED OFFERING MEMORANDUM
Dated April 7, 2006

NEW ISSUE

UNRATED

In the opinion of Vinson & Elkins L.L.P. (“Bond Counsel”), assuming compliance with certain covenants and based on certain representations, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, except with respect to interest on any Bond during any period while it is held by a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Interest on the Bonds, however, is an item of tax preference includable in alternative minimum taxable income for purposes of determining alternative minimum tax imposed on individuals and corporations. See “TAX MATTERS” herein for a discussion of Bond Counsel’s opinion and a description of alternative minimum tax consequences for individuals and corporations and other federal tax consequences of owning the Bonds.

\$6,800,000

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY HOUSING REVENUE BONDS
(BELLA VISTA APARTMENTS)
SERIES 2006

Interest Accrues from Date of Delivery

The \$6,800,000 Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Bella Vista Apartments) Series 2006 (the “Bonds”) are being issued by the Texas Department of Housing and Community Affairs (the “Issuer”) to provide funding for a mortgage loan (the “Mortgage Loan”) to be made by the Issuer to UHF Gainesville Housing, L.P., a Texas limited partnership (the “Borrower”), to provide a portion of the funds necessary for the acquisition, construction and equipping of a 144-unit multifamily rental housing project to be located in the City of Gainesville, Cooke County, Texas (the “Project”). The Bonds are being issued pursuant to a Trust Indenture dated as of April 1, 2006 (the “Indenture”) by and between the Issuer and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The Mortgage Loan will be made pursuant to a Loan Agreement dated as of April 1, 2006 (the “Loan Agreement”) by and between the Issuer and the Borrower. The Bonds are being issued as fully registered bonds and shall be sold initially in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof. The Bonds shall be sold initially only to Sophisticated Investors (as defined herein) and are not eligible for book-entry registration (unless certain conditions set forth in the Indenture are met).

Interest on the Bonds is due initially on October 1, 2006 and semiannually thereafter on each April 1 and October 1 and will be payable by check or draft mailed by the Trustee, as paying agent, to the registered Owner thereof, except in the case of Owners of \$1,000,000 or more in

aggregate principal amount of the Bonds who are entitled to receive payment by wire transfer to an account within the United States upon written instruction to the Trustee. Principal of the Bonds at maturity is payable to the registered Owner at the designated corporate trust office of the Trustee.

The Bonds are payable solely from and secured by an assignment of revenues derived from payments to be made pursuant to the Loan Agreement and certain other documents and moneys pledged therefor. See “SECURITY FOR THE BONDS” and “APPENDIX A-2—THE LOAN AGREEMENT”.

The Bonds are subject to sinking fund, optional, mandatory, extraordinary and special mandatory redemption prior to maturity as set forth herein. See “THE BONDS - Redemption” in this Limited Offering Memorandum.

The Bonds are being issued by the Issuer to provide funds for the Mortgage Loan to the Borrower to finance a portion of the costs of acquisition, construction and equipping of the Project. See “THE PROJECT” and “ESTIMATED SOURCES AND USES OF BOND PROCEEDS” herein.

THE ISSUER SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON, THE BONDS SOLELY OUT OF THE TRUST ESTATE. THE BONDS SHALL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE BONDHOLDERS THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE LIMITED OBLIGATIONS OF THE ISSUER GIVING RISE TO NO CHARGE AGAINST THE ISSUER’S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE BONDHOLDERS THEREOF AGAINST ONLY, THE TRUST ESTATE. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE ISSUER HAS NO TAXING POWER.

THE BONDS ARE SUBJECT TO A SIGNIFICANT DEGREE OF RISK. THE BONDS ARE SUITABLE FOR INVESTMENT CONSIDERATION ONLY FOR THOSE PURCHASERS WHO ARE SOPHISTICATED AND EXPERIENCED IN THE FIELD OF HIGH YIELD MULTIFAMILY HOUSING BONDS. NO RATING FOR THE BONDS HAS BEEN APPLIED FOR. SEE “SECURITY FOR THE BONDS” AND

“BONDHOLDERS’ RISKS” HEREIN. THE BONDS SHALL BE SOLD ONLY TO SOPHISTICATED INVESTORS (AS DEFINED HEREIN) WHO HAVE EXECUTED AND DELIVERED AN “INVESTMENT LETTER,” IN THE FORM SET FORTH AS EXHIBIT F-1 OR F-2, AS APPLICABLE, TO THE INDENTURE (UNLESS CERTAIN CONDITIONS SET FORTH IN THE INDENTURE HAVE BEEN MET). SEE “APPENDIX A-1—THE TRUST INDENTURE”.

The terms and conditions of the security for the Bonds, and the purchase and redemption of the Bonds are described more fully in this Limited Offering Memorandum and in the documents creating such terms and conditions. The Bonds are offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and subject to the delivery of certain legal opinions by Bond Counsel and certain other conditions.

MATURITY SCHEDULE

| <u>Maturity</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>CUSIP*</u> |
|-----------------|-------------------------|----------------------|---------------|
| April 1, 2046 | \$6,800,000 | 6.15% | 88275BNB0 |

The Bonds are offered when, as and if issued and received by the Underwriter. Delivery of the Bonds is subject to the approval of legality and certain other matters by Vinson & Elkins L.L.P., Austin, Texas, Bond Counsel and by the Attorney General of the State of Texas, and certain other conditions. Certain legal matters will be passed upon for the Borrower by its counsel, Eaton, Deaguero & Bishop, PLLC, and for the Underwriter by its counsel, Locke Liddell & Sapp LLP, Dallas, Texas. It is expected that delivery of the Bonds will be made on or about April 7, 2006.

NATIONAL ALLIANCE SECURITIES CORPORATION

Dated: April ___, 2006

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard & Poor’s CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS LIMITED OFFERING MEMORANDUM IN CONNECTION WITH THE OFFERING OF THE BONDS DESCRIBED HEREIN AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE ISSUER OR THE BORROWER. NEITHER THE DELIVERY OF THIS LIMITED OFFERING MEMORANDUM NOR ANY SALE OF THE BONDS DESCRIBED HEREIN SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR THE BORROWER SINCE THE DATE HEREOF. THE BORROWER HAS NOT AND WILL NOT ASSUME ANY RESPONSIBILITY AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM (OTHER THAN INFORMATION RELATING TO THE BORROWER AND THE PROJECT) WHICH HAS BEEN FURNISHED BY OTHERS. THE INFORMATION CONTAINED IN THIS LIMITED OFFERING MEMORANDUM HAS BEEN OBTAINED FROM THE BORROWER AND OTHER SOURCES BELIEVED BY THE BORROWER AND UNDERWRITER, TO BE RELIABLE; BUT SUCH INFORMATION IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE BORROWER OR THE UNDERWRITER. THIS LIMITED OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE BONDS OFFERED HEREBY, NOR SHALL THERE BE ANY OFFER OR SOLICITATION OF SUCH OFFER OR SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE ISSUER HAS NOT PROVIDED, APPROVED OR MADE ANY INDEPENDENT VERIFICATION OF ANY INFORMATION IN THIS LIMITED OFFERING MEMORANDUM EXCEPT WITH RESPECT TO THE INFORMATION UNDER THE CAPTIONS "THE ISSUER" AND "ABSENCE OF LITIGATION — THE ISSUER" AND TAKES NO RESPONSIBILITY FOR ANY OTHER INFORMATION CONTAINED IN THIS LIMITED OFFERING MEMORANDUM. WITHOUT LIMITING THE FOREGOING, THE ISSUER MAKES NO REPRESENTATION AS TO THE FEASIBILITY OR PERFORMANCE OF THE PROJECT OR THE FINANCIAL CONDITION OF THE BORROWER AND MAKES NO REPRESENTATION AS TO THE SUITABILITY OF THE BONDS FOR ANY INVESTOR OR COMPLIANCE WITH ANY SECURITIES, TAX OR OTHER LAWS OR REGULATIONS.

THIS LIMITED OFFERING MEMORANDUM, INCLUDING THE COVER PAGE HEREOF, IS PROVIDED FOR THE PURPOSE OF SETTING FORTH INFORMATION IN CONNECTION WITH THE ISSUANCE AND SALE OF THE BONDS. THIS LIMITED OFFERING MEMORANDUM SPEAKS ONLY AS OF ITS DATE, AND THE INFORMATION CONTAINED HEREIN IS SUBJECT TO CHANGE. THE DESCRIPTION OF THE BONDS AND THE DOCUMENTS AUTHORIZING AND SECURING SAME CONTAINED HEREIN DO NOT PURPORT TO BE COMPREHENSIVE OR DEFINITIVE.

ALL REFERENCES TO AND DESCRIPTION OF SUCH DOCUMENTS HEREIN ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO SUCH DOCUMENTS. COPIES OF SUCH DOCUMENTS NOT REPRODUCED IN THIS LIMITED OFFERING MEMORANDUM MAY BE OBTAINED FROM THE TRUSTEE, 1000 LOUISIANA STREET, SUITE 640, HOUSTON, TEXAS 77002.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE TRUST INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS LIMITED OFFERING MEMORANDUM AND ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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APPENDIX A
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**LIMITED OFFERING MEMORANDUM
RELATING TO

\$6,800,000
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY HOUSING REVENUE BONDS
(BELLA VISTA APARTMENTS)
SERIES 2006**

INTRODUCTION

This Limited Offering Memorandum, which includes the cover page and Appendices hereto, sets forth certain information in connection with the issuance and sale by the Texas Department of Housing and Community Affairs (the “Issuer”) of its \$6,800,000 Multifamily Housing Revenue Bonds (Bella Vista Apartments) Series 2006 (the “Bonds”). The Bonds are being issued by the Issuer to provide funding for a mortgage loan (the “Mortgage Loan”) to be made by the Issuer to UHF Gainesville Housing, L.P., a Texas limited partnership (the “Borrower”), to provide a portion of the costs of the acquisition, construction and equipping for an 144-unit multifamily rental housing project to be located in the City of Gainesville, Cooke County, Texas (the “Project”).

THE BONDS ARE SUBJECT TO A SIGNIFICANT DEGREE OF RISK. THE BONDS ARE SUITABLE FOR INVESTMENT CONSIDERATION ONLY FOR THOSE PURCHASERS WHO ARE SOPHISTICATED AND EXPERIENCED IN THE FIELD OF HIGH YIELD MULTIFAMILY HOUSING BONDS. NO RATING FOR THE BONDS HAS BEEN APPLIED FOR. SEE “SECURITY FOR THE BONDS” AND “BONDHOLDERS’ RISKS” HEREIN. THE BONDS SHALL BE SOLD ONLY TO SOPHISTICATED INVESTORS (AS DEFINED HEREIN) WHO HAVE EXECUTED AND DELIVERED AN “INVESTMENT LETTER,” IN THE FORM SET FORTH AS EXHIBIT F-1 OR F-2, AS APPLICABLE, TO THE INDENTURE (UNLESS CERTAIN CONDITIONS SET FORTH IN THE INDENTURE HAVE BEEN MET). SEE “APPENDIX A-1—THE TRUST INDENTURE”.

“Sophisticated Investor” as used herein means a “qualified institutional buyer” as that term is defined under Rule 144A of the Securities and Exchange Commission or an “accredited investor” as that term is defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D of the Securities and Exchange Commission.

The Bonds are being issued pursuant to Chapter 2306, Texas Government Code, as amended (the “Act”), under and pursuant to a Trust Indenture, dated as of April 1, 2006 (the “Indenture”), between the Issuer and Wells Fargo Bank, National Association, as trustee (the “Trustee”) and pursuant to a resolution of the Issuer adopted on March 20, 2006 (the “Resolution”). See “APPENDIX A-1—THE TRUST INDENTURE”. Certain capitalized terms

used in this Limited Offering Memorandum are defined in Article I of the Indenture, Article I of the Loan Agreement and Section 1.1 of the Regulatory Agreement.

The Mortgage Loan will be made pursuant to the Loan Agreement dated as of April 1, 2006 (the “Loan Agreement”) between the Issuer and the Borrower. See “APPENDIX A-2—THE LOAN AGREEMENT”. The Mortgage Loan will be evidenced by a promissory note executed by the Borrower and made payable to the Issuer (the “Note”) and will be secured by, among other things, a Deed of Trust, Security Agreement, Assignment of Rents and Leases and Financing Statement, from the Borrower, in favor of the Issuer (the “Mortgage”), encumbering the Project. The Issuer will assign its rights (except for the Unassigned Issuer Rights) in the Note and the Mortgage to the Trustee.

Simultaneously with the closing of the Mortgage Loan, the Borrower will enter into a Regulatory and Land Use Restriction Agreement with the Issuer and the Trustee (the “Regulatory Agreement”) relating to the Project. Pursuant to the provisions of the Regulatory Agreement, the Borrower will agree, among other things, to rent the units in the Project so as to comply with applicable provisions of the Internal Revenue Code of 1986, as amended, and requirements of the Act and the Issuer. See “APPENDIX A-3—THE REGULATORY AGREEMENT”.

Description of the Bonds

Rating. The Bonds are unrated.

Interest Rate. The Bonds will bear interest at 6.15%.

Maturity. The stated maturity of the Bonds is April 1, 2046.

Payments. Interest on the Bonds is payable on April 1 and October 1, commencing October 1, 2006. Principal of the Bonds is payable on the April 1 of each year, commencing on April 1, 2008, through mandatory sinking fund redemption. See “THE BONDS—Redemption—Mandatory Sinking Fund Redemption”.

Extraordinary Redemption at Option of Significant Bondholder. The Bonds will be subject to extraordinary redemption on April 1, 2023, at the direction of Significant Bondholder, with notice given to the Borrower on or before October 1, 2022, at a price of 100% plus any accrued interest.

Optional Redemption. The Bonds are subject to optional redemption prior to maturity on or after April 1, 2016 in whole or in part in accordance with the Indenture and at the direction of the Borrower at the redemption price of 100% plus accrued interest.

Other Redemption. See “THE BONDS—Redemption”.

Denominations. The Bonds are issuable in denominations of \$100,000 and any integral multiples of \$5,000 in excess thereof.

Form of Bonds. The Bonds are not eligible to be held in a book-entry only system except as otherwise set forth in the Indenture.

Project Information

Project. The Project will be located in Gainesville, Texas and will consist of 144 apartments, comprised of the following mix of units:

| Number of Bedrooms | # of Units | Sq Ft |
|--------------------|------------|-------|
| 1 Bedroom/ 1 Bath | 48 | 750 |
| 2 Bedroom/ 2 Bath | 56 | 960 |
| 3 Bedroom/ 2 Bath | 40 | 1150 |

Developer. Unified Housing Foundation, a Texas non-profit corporation.

Property Manager. Pacific West Management, a California corporation.

Contractor. N.E. Construction, Ltd., a Texas limited partnership.

Financing Team:

| | |
|-----------------------------|---|
| Issuer: | Texas Department of Housing and Community Affairs |
| Bond Counsel: | Vinson & Elkins L.L.P. |
| Issuer's Financial Advisor: | RBC Capital Markets |
| Underwriter: | National Alliance Securities Corporation |
| Underwriter's Counsel: | Locke Liddell & Sapp LLP |
| Disclosure Counsel: | McCall, Parkhurst & Horton L.L.P. |
| Trustee: | Wells Fargo Bank, National Association |
| Investor Limited Partner: | WNC Holding, LLC |

No Availability of Continuing Information

In connection with the issuance of the Bonds, the Borrower will not enter into a continuing disclosure agreement obligating it to provide any financial information with respect to the Project or the Bonds.

Joint Funding Agreement

Pursuant to a Joint Funding Agreement among WNC Holding, LLC (the "Investor Limited Partner"), the Borrower and the Trustee, the Investor Limited Partner will agree, subject to certain conditions, that the capital contributions to be made by the Borrower pursuant to the Partnership Agreement shall be made by the dates set forth in the Partnership Agreement. Such

conditions include without limitation that the Loan has not been accelerated and that it appears reasonably likely that sufficient funding will otherwise be available for completion of the Project.

Absolute and Unconditional Guaranty of Completion, Stabilization, Debt Service Reserve and Recourse Obligations

The Guaranty of Completion, Stabilization, Debt Service Reserve and Recourse Obligations will be entered into by the General Partner and Syntek West, Inc., a Nevada corporation (collectively, the "Guarantors") for the benefit of the Trustee. In the Guaranty of Completion and Recourse Obligations, the Guarantors guaranty the Completion Guaranteed Obligations, the Recourse Guaranteed Obligations, Stabilization of the Project by October 1, 2008, and payment of certain deficiencies in the Debt Service Reserve Fund. The Completion Guaranteed Obligations include a guaranty that the Borrower constructs, equips and completes the Improvements substantially in accordance with the Plans on or before the Completion Date as set forth in the Construction Disbursing Agreement and complies with all of the terms, covenants and conditions of the Construction Disbursing Agreement with respect to the completion of the Improvements substantially in accordance with the terms of the Construction Disbursing Agreement, and that the Borrower pays all costs, expenses and liabilities incurred in connection with the construction, equipping and completion of the Improvements. Such guaranty of the Completion Guaranty Obligations is discharged when the Improvements are fully constructed and equipped, the Improvements are lien free and Certificates of Occupancy have been obtained for all buildings in the Project.

The Recourse Guaranteed Obligations include payment of certain fees, costs and expenses of the Issuer and the Trustee and all indemnity obligations of the Borrower relating to the Issuer, the Trustee, the Servicer and the Financial Monitor set forth in the Loan Documents other than payment of principal or interest under the Loan Documents.

Stabilization of the Project for purposes of this guaranty occurs when the Project has achieved a 1.15 Debt Service Coverage Ratio for six consecutive months.

Guarantors each, jointly and severally, agree to pay to the Trustee upon demand by the Trustee therefor, following expiration of the period granted under the Indenture for the Borrower to make such payment, any amount necessary to bring amounts then held in the Debt Service Reserve Fund of the Indenture up to the Debt Service Reserve Requirement. This Guaranty of payment to Debt Service Reserve Fund shall expire on that date which is three years following the date of Stabilization.

Guaranty of Operating Deficits

The Guaranty of Operating Deficits will be entered into by the Borrower and the Guarantors for the benefit of the Trustee. Under the Guaranty of Operating Deficits, the Borrower and the Guarantors will agree to advance funds required to fund Operating Deficits incurred by the Borrower during the Guaranty Period. The Guaranty Period is the period

commencing on the date of issuance of the Bonds and ending on the Project's achievement of a 1.15 Debt Service Coverage Ratio, as determined by the Financial Monitor, for a period equal to six consecutive months.

Environmental Indemnity

In the Environmental Indemnity, the Borrower and the General Partner indemnify the Issuer, the Trustee, the Significant Bondholder and their directors, officers, shareholders, employees and agents from certain liability and costs due to certain "Hazardous Substances" at the Project unless the same is caused by the Indemnitee. The Borrower and the General Partner are to be given notice and to be given an opportunity to defend against any such actions, claims or proceedings. The Environmental Indemnity also contains certain obligations of the Borrower and the General Partner to provide environmental audits/reports on the Project and to undertake certain Remedial Work.

THE ISSUER

General

The Issuer, a public and official governmental agency of the State and a body corporate and politic, was created pursuant to the Act, effective September 1, 1991. The Issuer is the successor agency to the Texas Housing Agency (the "Agency") and the Texas Department of Community Affairs (the "TDCA"), both of which were abolished by the Act and their functions and obligations transferred to the Issuer. One of the purposes of the Issuer is to provide assistance to individuals and families of low and very low income and families of moderate income and persons with special needs to obtain decent, safe and sanitary housing. Pursuant to the Act, the Issuer may issue bonds, notes or other obligations to finance or refinance residential housing and to refund bonds previously issued by the Agency, the Issuer or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the Agency become revenue bonds of the Issuer.

The Issuer is subject to the Texas Sunset Act (Chapter 325, Texas Government Code, as amended, hereinafter referred to as the "Sunset Act,") and its continued existence is subject to a review process that resulted in passage of legislation in the 2003 Texas legislative session which continues the Issuer in existence until September 1, 2011, at which time it will again be subject to review. The Sunset Act, however, recognizes the continuing obligation of the State to provide for the payment of bonded indebtedness incurred by a State agency abolished under the provisions thereof and provides that the Governor of the State shall designate an appropriate State agency to continue to carry out all covenants with respect to any bonds outstanding, including the payment of any bonds from the sources provided in the proceedings authorizing such bonds.

In the Act, the State also pledges and agrees with the holders of any bonds issued under the Act (such as the Bonds) that the State will not limit or alter the rights vested in the Issuer to

fulfill the terms of any agreements made with the holders thereof that would in any way impair the rights and remedies of such holders until such bonds, together with the interest thereon, interest on any unpaid installments of interest and all costs and expenses incurred in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged.

Organization and Membership

Governing Board

The Issuer is governed by a governing board (the "Board") consisting of seven public members, appointed by the Governor of the State, with the advice and consent of the State Senate. Board members hold office for six-year staggered terms. Each member serves until his or her successor is appointed and qualified. Each member is eligible for reappointment. Members serve without compensation, but are entitled to reimbursement for actual expenses incurred in performing their duties of office. The Act requires the Governor to make appointments so that the places on the Board are occupied by persons who have a demonstrated interest in issues related to housing and support services and who broadly reflect the geographic, economic, cultural, and social diversity of the State, including ethnic minorities, persons with disabilities, and women.

The Governor of the State designates a member of the Board to serve as the presiding officer (the "Chair") of the Board at the pleasure of the Governor. The Chair presides at all meetings and performs such other duties as may be prescribed from time to time by the Board and by the Act. In addition, the members of the Board elect one of its members as assistant presiding officer (the "Vice Chair") to perform the duties of the Chair when the Chair is not present or is incapable of performing such duties. The Board also elects a Secretary and a Treasurer (which offices may be held by one individual and neither office holder is required to be a Board member) to perform the duties prescribed by the Board.

The current members of the Board, their occupations and their terms of office are as follows:

ELIZABETH ANDERSON, Chair and Board Member. Marketing/Information Technology Consultant, Dallas, Texas. Her term expires January 31, 2007.

C. KENT CONINE, Vice Chair and Board Member. President, Conine Residential Group, Frisco, Texas. His term expires January 31, 2009.

SHADRICK BOGANY, Board Member. ERA Bogany Properties of Houston, Houston, Texas. His term expired January 31, 2005.

VIDAL GONZALEZ, Board Member. Banker, San Antonio, Texas. His term expired January 31, 2005.

NORBERTO SALINAS, Board Member. Mayor, City of Mission, Mission, Texas and President, S & F Developers and Builders. His term expired January 31, 2005.

DIONICIO VIDAL "SONNY" FLORES, Board Member. President and Owner, PEC Corporation, an engineering and construction management company. His term expires January 31, 2009.

All of the above Board members have been appointed by the Governor and confirmed by the State Senate. Any Board member whose term has expired continues to serve until his or her successor has been appointed. Texas law requires that confirmations of any such appointment be considered at the next legislative session, whether regular or special. One position currently remains vacant.

Administrative Personnel

The Act provides that the Issuer is to be administered by an Executive Director to be employed by the Board with the approval of the Governor. The Executive Director serves at the pleasure of the Board, but may also be removed by a newly elected Governor who did not approve the Executive Director's appointment by action taken within 90 days after such Governor takes office. The Executive Director is responsible for administering the Issuer and its personnel. The Executive Director may employ other employees necessary for the discharge of the duties of the Issuer, subject to the annual budget and the provisions of any resolution authorizing the issuance of the Issuer's bonds.

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Currently, the Issuer has 270 employees. The following is a biographical summary of certain of the Issuer's senior staff members who have responsibility with respect to multi-family housing matters:

WILLIAM DALLY, Acting Executive Director. The Board appointed Mr. Dally as the Acting Executive Director at its meeting of January 18, 2006, pursuant to the Act. Mr. Dally officially assumed the duties created by the absence of the former Executed Director on February 21, 2006. Mr. Dally will serve in this capacity until a permanent Executive Director is appointed. Mr. Dally joined the Department's Internal Audit staff in May 1994. On May 1, 1999, Mr. Dally was promoted to the position of Chief Financial Officer after serving as the Department's Controller since January 1996. Mr. Dally is presently responsible for overseeing the Department's housing programs and operations. Mr. Dally previously served as the Chief of Agency Administration. Mr. Dally earned a Bachelor of Business Administration degree in Accounting from the University of Texas at Austin, and is a Certified Public Accountant. Prior to his employment with the Department, Mr. Dally was a Senior Auditor with the firm of KPMG Peat Marwick and worked primarily with governmental entities.

BROOKE BOSTON, Director of Multifamily Finance Production. Ms. Boston joined the Issuer in June of 2000 as a Low Income Housing Tax Credit Planner in the Multifamily Program Division and was subsequently named the Co-Manager of the LIHTC Program. She was named to her current position in January, 2003. As Director, she is responsible for the application review, allocation, award and closing on all multifamily funding sources at the Issuer including Mortgage Revenue Bonds, Low Income Housing Tax Credit, preservation funds, the Housing Trust Fund and HOME funds. Prior to joining the Issuer, Ms Boston had been in the housing industry doing consulting on affordable housing development. Ms. Boston has a Master of Science in Planning from Florida State University, Tallahassee, Florida.

RUTH CEDILLO, Director of Portfolio Management and Compliance. Ms. Cedillo has been with the Department or its predecessor agencies in the Texas Community Development Block Grant Program for the past 19 years. She began as Assistant Chief of Special Programs Economic Development, and progressed to Director of the Texas Community Development Program. In March 2000, Ms. Cedillo was named Deputy Executive Director for the Department. She accepted the position of Director of Portfolio Management and Compliance as of July 1, 2005. Ms. Cedillo attended the University of St. Thomas in Houston, Texas and has extensive training in community and economic development.

KEVIN HAMBY, General Counsel and Secretary to the Board. Kevin Hamby was named General Counsel of the Department and became Secretary to the Board on September 1, 2005. In his role of Board Secretary, Mr. Hamby coordinates the recording of transcripts and minutes of Board actions as required by the Act. As General Counsel, Mr. Hamby is responsible for coordination of all internal and external legal counsel for the Department. Previously, he was with the Office of the Attorney General of Texas in the Administrative Law Division. After graduating from Catholic University of America, Columbus School of Law, Mr. Hamby joined the Dallas office of Fulbright & Jaworski, L.L.P. where he was involved in the Public Finance and Commercial Litigation Sections. After leaving the law firm, Mr. Hamby served as General

Counsel to several organizations while in private practice. Kevin received his undergraduate degree in government from the University of Texas.

The offices of the Issuer are located at 221 East 11th Street, Austin, Texas 78701-2410, and the telephone number for the Housing Finance Division of the Issuer is 512/475-3800.

THE BONDS, TOGETHER WITH INTEREST THEREON, ARE SPECIAL AND LIMITED OBLIGATIONS SOLELY OF THE ISSUER PAYABLE FROM THE REVENUES, RECEIPTS AND SECURITY PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, NOR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC OF THE STATE OR ANY AGENCY OF THE UNITED STATES OF AMERICA OR ANY ISSUER THEREOF, WILL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER OF THE ISSUER, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS WILL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE UNITED STATES OF AMERICA, THE STATE, THE ISSUER, OR ANY OTHER POLITICAL SUBDIVISION OR BODY CORPORATE AND POLITIC OF THE STATE, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE BONDS ARE NOT AN OBLIGATION, DEBT OR LIABILITY OF THE STATE, AND DO NOT CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH, CREDIT, OR TAXING POWER OF THE STATE.

Other Indebtedness of the Issuer

Single Family Mortgage Revenue Bonds. Since 1979, the year of creation of the Agency, there have been issued by the Agency or the Issuer, 27 series of Residential Mortgage Revenue Bonds, two series of GNMA Collateralized Home Mortgage Revenue Bonds, 38 series of Single Family Mortgage Revenue Bonds, four series of Junior Lien Single Family Mortgage Revenue Bonds, 11 series of Collateralized Home Mortgage Revenue Bonds, and 10 series of Single Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bonds). As of October 31, 2005, the aggregate outstanding principal amount of bonded indebtedness of the Issuer for single family purposes was \$1,036,230,000.

Multifamily Housing Revenue Bonds. The Issuer and the Agency have issued 179 series of multifamily housing revenue bonds which have been issued pursuant to separate trust indentures and are secured by individual trust estates which are separate and distinct from each other. As of October 31, 2005, 128 series were outstanding with an aggregate outstanding principal amount of \$1,046,379,723 of multifamily housing revenue bonds.

THE BONDS

General

The Bonds are being issued initially as fully registered bonds in denominations equal to \$100,000 or integral multiples of \$5,000 above \$100,000; provided that Bonds may be redeemed or defeased in denominations of integral multiples of \$5,000. Interest on the Bonds is due initially on October 1, 2006 and semiannually thereafter on each April 1 and October 1 and will be payable by check or draft mailed by the Trustee, as paying agent, to the respective Owners thereof, except in the case of Owners of \$1,000,000 or more in aggregate principal amount of the Bonds who are entitled to receive payment by wire transfer to an account within the United States upon written instruction to the Trustee made prior to a Record Date by such Owner together with CUSIP number identification with appropriate dollar amounts for each CUSIP number. The Bonds may not be held in a book-entry only system (unless certain conditions set forth in the Indenture are met). Principal of the Bonds at maturity or at earlier redemption is payable to the registered Owner at the designated corporate trust office of the Trustee. Interest on the Bonds shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

Redemption

Sinking Fund Redemption. The Bonds are subject to mandatory redemption in part by operation of a sinking fund. The Trustee will redeem on the applicable sinking fund payment date a principal amount of the Bonds in the amounts determined from the table below as provided in the Indenture; provided, however, that the principal amount of the Bonds to be redeemed on any particular sinking fund payment date shall be reduced by (1) the principal amount of any Bonds which (i) had been purchased (other than by purchase in lieu of redemption) by the Borrower or, at the Borrower's direction, the Trustee and canceled by the Trustee at least sixty (60) days prior to such sinking fund payment date and (ii) had not previously formed the basis for such reduction, and (2) the principal amount of any Bonds which (i) had been redeemed other than pursuant to mandatory sinking fund redemption and (ii) had not previously formed the basis for such reduction.

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Sinking Fund Payment Schedule

| Payment Date | Principal Amount |
|--------------|------------------|
| 04/01/08 | \$15,000 |
| 04/01/09 | 45,000 |
| 04/01/10 | 45,000 |
| 04/01/11 | 45,000 |
| 04/01/12 | 50,000 |
| 04/01/13 | 55,000 |
| 04/01/14 | 55,000 |
| 04/01/15 | 60,000 |
| 04/01/16 | 65,000 |
| 04/01/17 | 70,000 |
| 04/01/18 | 70,000 |
| 04/01/19 | 80,000 |
| 04/01/20 | 80,000 |
| 04/01/21 | 85,000 |
| 04/01/22 | 95,000 |
| 04/01/23 | 100,000 |
| 04/01/24 | 105,000 |
| 04/01/25 | 110,000 |
| 04/01/26 | 120,000 |
| 04/01/27 | 125,000 |
| 04/01/28 | 130,000 |
| 04/01/29 | 145,000 |
| 04/01/30 | 150,000 |
| 04/01/31 | 160,000 |
| 04/01/32 | 175,000 |
| 04/01/33 | 180,000 |
| 04/01/34 | 195,000 |
| 04/01/35 | 205,000 |
| 04/01/36 | 215,000 |
| 04/01/37 | 235,000 |
| 04/01/38 | 245,000 |
| 04/01/39 | 265,000 |
| 04/01/40 | 280,000 |
| 04/01/41 | 295,000 |
| 04/01/42 | 315,000 |
| 04/01/43 | 340,000 |
| 04/01/44 | 355,000 |
| 04/01/45 | 380,000 |
| 04/01/46* | 1,060,000 |
| | |
| Total | \$6,800,000 |

*Final Maturity

The redemption price for any such redemption shall be 100% of the principal amount of the Bonds or portions thereof so redeemed, plus accrued interest, if any, to the sinking fund payment date, and without premium. The particular Bonds or portions thereof to be redeemed on each particular sinking fund payment date shall be selected by the Trustee by lot or by such other random means as the Trustee shall determine in its discretion, in any case, to the extent possible, in a manner that results in Bonds that remain Outstanding to be in Authorized Denominations of not less than \$100,000.

It shall not be necessary to surrender a Bond for payment of principal due upon a mandatory sinking fund redemption other than the final installment due at maturity, but the Bonds shall have the remaining principal balance set forth upon the Bond register maintained by the Registrar, which entry upon the Bond register shall be deemed conclusive in the absence of clear and convincing evidence to the contrary.

Optional Redemption. The Bonds are subject to optional redemption, prior to maturity on or after April 1, 2016, at the direction of the Borrower (1) in whole on any date, or in part in minimum amounts of \$25,000, on any Bond Payment Date, from amounts prepaid on the Loan pursuant to the Loan Agreement solely to the extent of any optional prepayment by the Borrower of the Note, or (2) in whole on any date, from proceeds of refunding bonds or otherwise from other sources, in each case at the redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption.

No notice of optional redemption shall be mailed to Owners of Bonds until moneys sufficient to pay the optional redemption price (including accrued interest and premium, if any) of the Bonds to be prepaid shall have been deposited with the Trustee.

Mandatory Redemption From the Project Fund. The Bonds are subject to mandatory redemption in whole or in part, in the event and to the extent that amounts on deposit in (A) the Bond Proceeds Subaccount of the Capitalized Interest Account of the Project Fund or (B) the Bond Proceeds Subaccount of the Mortgage Loan Account of the Project Fund are transferred to the Redemption Fund pursuant to the Indenture, on the first Business Day following such transfer for which thirty (30) days' notice of redemption can be given.

If so called for redemption, the Bonds shall be redeemed at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption.

Extraordinary or Special Mandatory Redemption. The Bonds are subject to extraordinary or special mandatory redemption:

- (a) In whole or in part, in the event the Project or any portion of it is damaged or destroyed or is taken in a condemnation proceeding to the extent of any Insurance Proceeds or Condemnation Award not used for the repair or restoration of the Project, as further described below;
- (b) In whole or in part, in the event of prepayment of the Loan at the direction of a trustee in bankruptcy for the Borrower;

(c) In whole, when any amounts in the Bond Fund not being held therein to redeem Bonds for which notice of redemption has previously been given, is sufficient to pay any unpaid amounts required to be paid by the Indenture and to redeem all Outstanding Bonds; and

(d) In whole, upon direction to the Trustee (with a copy to the Borrower) from the Significant Bondholder to redeem the Outstanding Bonds in whole on April 1, 2023; provided, that such direction to the Trustee (with a copy to the Borrower) shall be given by the Significant Bondholder on or before October 1, 2022.

If so called for redemption pursuant to the Indenture as described in (a) through (c) above, the Bonds shall be redeemed on the first Business Day for which thirty (30) days notice of redemption can be given at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption.

If so called for redemption pursuant to the Indenture as described in (d) above, the Bonds shall be redeemed on April 1, 2023 at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest to such date.

If the Project or any part thereof is damaged or destroyed as a result of fire or other casualty, or condemned or acquired for public use, the Borrower is required to repair or restore the Project in accordance with requirements of the Mortgage and of the Loan Agreement. The Trustee, within five (5) Business Days of receipt of written notice of such damage, destruction or condemnation, shall provide written notice to the Borrower, the Issuer, the Significant Bondholder, each Owner of the Bonds requesting the same at the address supplied to the Trustee by such Owner or its authorized representative and the Servicer, and the Servicer shall confirm that the Borrower has complied with the provisions of the Mortgage and the Loan Agreement applicable to such occurrence.

If the conditions for repair or restoration of the Project, as provided in the Loan Agreement, are not satisfied, the Trustee will apply the Net Casualty Proceeds of any insurance or condemnation to the reduction of indebtedness under the Note. In such event, the Trustee shall deposit such Net Casualty Proceeds in the Redemption Fund and apply such moneys to the redemption of Bonds in accordance with the terms of the Indenture described above.

Mandatory Redemption Resulting From Event of Default. The Bonds shall be subject to mandatory redemption in whole at the direction of the Trustee, pursuant to the exercise of remedies under the Loan Documents, at the earliest time for which notice under the Indenture can be given upon the occurrence of an Event of Default as set forth in Section 8.01 of the Indenture or an "Event of Default" as set forth in Section 7.01 of the Loan Agreement at a redemption price equal to the principal amount of Bonds Outstanding plus the accrued interest due thereon, from a distribution of the Trust Estate as a result of the realization by the Trustee of its rights and remedies under the Indenture with respect to the Trust Estate, in accordance with the Indenture.

Mandatory Redemption Resulting From Determination of Taxability. The Bonds shall be subject to mandatory redemption in the event of a Determination of Taxability in whole at a redemption price equal to 105% of the outstanding principal amount thereof plus accrued interest

to the redemption date; provided that if the Trustee receives an opinion of Bond Counsel stating that such redemption was not caused by any action of the Borrower, or by failure on the part of the Borrower to take action within its control, the redemption price will be equal to 100% of the outstanding principal amount of the Bonds to be redeemed.

The Trustee will give notice not more than ten (10) Business Days after the Determination of Taxability to the Borrower, the Significant Bondholder and each Owner of the Bonds requesting the same at the address supplied to the Trustee by such Owner or its authorized representative stating the aggregate redemption price which will be due on the redemption date, the total of all funds held by the Trustee which are available to pay the redemption price of the Bonds, and the difference between the two amounts, and the Borrower will promptly, and in any event within six (6) months of the date on which the Borrower receives such notice, pay to the Trustee any shortfall in the funds available to pay the redemption price of the Bonds. The Trustee will give notice of such redemption to Owners upon the earlier of (i) receipt of any such required funds from the Borrower and (ii) thirty (30) days prior to the date on which six (6) month period would expire. Other than the premium provided for in the Indenture as described in the immediately preceding paragraph, Owners shall not be entitled to any penalty or supplemental or additional interest of any nature in connection with a Determination of Taxability.

Mandatory Redemption from Operating Deficit Fund. The Bonds are subject to mandatory redemption on the first day following October 1, 2008, for which thirty (30) days' notice of redemption can be given, in part, from funds on deposit in the Operating Deficit Fund which are transferred to the Redemption Fund pursuant to the Indenture. If so called for redemption, the Bonds shall be redeemed at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption.

Notice of Redemption. Except in the case of an optional redemption by the Borrower and a mandatory redemption in the event of a Determination of Taxability, notice of redemption shall be given by the Trustee in writing to the Issuer and the Owners by first class mail not less than thirty (30) days, but not more than forty-five (45) days prior to, the date fixed for redemption. Receipt of such notice of redemption shall not be a condition precedent to such redemption and failure to mail such notice to any such registered Owners shall not affect the validity of the proceedings for the redemption of Bonds with respect to which no such failure occurred. Such notice shall be given in the name of the Issuer, shall be dated, shall set forth the Bonds Outstanding which shall be called for redemption and shall specify the redemption date and the redemption price. If less than all of the Bonds then Outstanding shall be called for redemption, the notice shall state the distinctive numbers and letters and CUSIP numbers, if any, of such Bonds to be redeemed and the portion of the principal amount thereof to be redeemed. Such notice shall further state that on the redemption date the Bonds called for redemption will be payable at the designated corporate trust office of the Paying Agent and from such date interest shall cease to accrue.

Notice of redemption having been given as provided in the Indenture and as described above and all conditions precedent, if any, specified in such notice having been satisfied, the Bonds or portions thereof to be redeemed shall become due and payable on the date fixed for redemption at the redemption price specified therein plus any accrued interest to the redemption

date, and upon presentation and surrender thereof at the place specified in such notice. On and after the redemption date (unless payment of the redemption price and accrued interest payable on the redemption date is not made), (i) such Bonds shall cease to bear interest, and (ii) such Bonds shall no longer be considered as Outstanding under the Indenture.

Selection of Bonds To Be Redeemed.

If less than all of the Bonds are to be redeemed, the particular Bonds or portions of the Bonds to be redeemed shall be selected by the Trustee, (i) with respect to redemptions under the Indenture as described under “Extraordinary or Special Mandatory Redemption,” “Mandatory Redemption Resulting From Event of Default” or “Mandatory Redemption Resulting From Determination of Taxability” above, on a pro rata basis based as nearly as practicable on the Outstanding principal amount of the Bonds, and (ii) with respect to redemptions pursuant to “Optional Redemption,” “Mandatory Redemption From Project Fund” and “Mandatory Redemption From Operating Deficit Fund” above, by lot in such manner as the Trustee in its discretion may deem fair and appropriate, in each case, to the extent possible, in a manner that results in Bonds that remain Outstanding to be Authorized Denominations of not less than \$100,000.

In making such selection by lot, the Trustee may treat each Bond to be redeemed as representing that number of Bonds of the lowest Authorized Denominations as is obtained by dividing the principal amount of such Bond by such denomination.

ESTIMATED SOURCES AND USES OF FUNDS

The following is a description of the sources and uses of proceeds of the Bonds and certain other amounts funded on the date of delivery of the Bonds:

Sources of Funds:

| | |
|---|---------------------|
| Par Amount of the Bonds | \$ 6,800,000 |
| Tax Credit Equity | 5,082,516 |
| General Partner Equity (Deferred Developer Fee) | 1,153,668 |
| Lease up income | 234,825 |
| Investment Income | <u>173,899</u> |
| TOTAL SOURCES:..... | <u>\$13,444,908</u> |

Estimated Use of Funds:

| | |
|--|---------------------|
| Deposit to Capitalized Interest Account of Project Fund | \$ 620,330 |
| Deposit to Mortgage Loan Account of Project Fund | 12,014,907 |
| Deposit to Debt Service Reserve Fund..... | 228,768 |
| Costs of Issuance | <u>580,903</u> |
| TOTAL USES:..... | <u>\$13,444,908</u> |

The Borrower will pay the purchase price of the Project site from proceeds of the Bonds. None of the Issuer, the Underwriter or Bond Counsel have approved or independently examined the above estimated sources and uses of funds.

THE BORROWER AND THE PROJECT

The following information was provided by the Borrower. The Issuer and the Underwriter, while having no reason to doubt the accuracy of the following information, specifically disclaim any responsibility therefor.

The Borrower

The Borrower is UHF Gainesville Housing, L.P., a Texas limited partnership, whose general partner is Unified Housing of Gainesville, LLC, a Texas limited liability company. Unified Housing Foundation, Inc., a Texas nonprofit corporation, is the sole member of the general partner of the Borrower. Clifton Phillips is the initial limited partner in the Borrower and will be replaced at or prior to bond closing by WNC Holding, LLC (“WNC”), as the 99.98% limited partner of Borrower and WNC Housing, L.P. as special limited partner with a 0.01% limited partnership interest. The Borrower through its affiliates have been involved with development, construction and operation of more than 5,000 multifamily apartment units, including multifamily apartment units financed by the Issuer. The Borrower has no material assets other than the Project and has covenanted not to engage in any activities unrelated to the Project. The Borrower and its general partner are newly formed entities with no experience.

The Borrower, subject to certain conditions set forth in the Borrower’s partnership agreement and related agreements, expects to receive equity contributions from its limited partner sufficient, when combined with the proceeds of the Bonds, to pay all acquisition, financing, development and construction costs of the Project, with the exception of certain fees that will be deferred and payable from cash flow of the Project. There is no assurance, however, that all conditions to equity funding will be met. See “Low Income Housing Tax Credit Based Equity Syndication” and “General Qualifications” below. Further, there is no assurance that all conditions to draws on the Bond proceeds will be met.

The Development Agent and Project Manager

The Borrower will enter into a Development Agreement prior to the issuance of the Bonds with Unified Housing Foundation, Inc., a Texas nonprofit corporation (the “Developer”) pursuant to which Developer will be responsible for the development of the Project. Developer will receive a substantial development fee for its services, part of which will be paid to Roundstone Development, LLC. A copy of Development Agreement is available from the Underwriter or the Borrower upon request.

Pacific West Management, a California corporation, will serve as the project manager of the Project (the “Manager”). The Manager is not affiliated with the Borrower. The Manager will receive customary management fees in connection with its activities related to the Project. A

copy of the Property Management Agreement between the Borrower and the Manager is available from the Underwriter and the Borrower upon request.

The Manager manages real estate with an estimated value in excess of \$1,000,000,000 and annual scheduled income of over \$100,000,000. The Manager's apartment communities normally range in size from 50 to 900 units and are typically one to three story "garden" style properties. The Manager currently manage or have managed 75-year-old complexes, high rises, garden style apartments, and has extensive experience in the lease up of new properties. The Manager's management portfolio includes senior communities, tax credit projects, HUD and Section 8 properties, as well as conventional complexes with market rate rents. This apartment management experience includes over 170 communities totaling more than 40,000 units of which approximately 50% of these units are low-income apartment units. These properties are located throughout the western United States primarily in California, Colorado, Texas, Oklahoma and Arizona.

The previous experience of the Borrower's limited partner and the Manager is no assurance that the Project will be successful. Investors should independently evaluate the Project and the development team members for determining the risks associated with the purchase of the Bonds.

The Project

The Project will be located on approximately 13.51 acres and will be comprised of a total of 144 units to be located in 8 buildings. The Project will contain approximately 135,760 net rentable square feet and one office/clubhouse. Basic construction will be wood frame with an Italian style featuring stone and stucco exterior walls with Hardi-Plank accents. The foundation will be concrete slabs on grade. The roofs will be of fiberglass shingle. Interior floor coverings will consist of vinyl flooring in the entry, kitchen, laundry and bath areas, and carpet in all other areas. The Project is expected to contain 48 one-bedroom units, 56 two-bedroom units and 40 three-bedroom units.

The complex is proposed to include a single story office/clubhouse and amenity center (business center, library, community room, and fitness center) with an estimated 3,000 SF, perimeter fencing with gated access, pool, Jacuzzi, playground, BBQ grills, picnic tables, 38 covered parking spaces, 20 detached garages, 40 storage units as well as 242 open and public parking. Unit amenities will include ceiling fans, nine foot ceilings with crown molding, garden tubs, built-in desks, walk-in closets, full size washer/dryer connections, and patio/balconies with storage.

Project Architect

Galier, Tolson, French Design Associates, L.L.C. (the "Architect"), a full service architecture firm, has been retained to design the Project. The Architect has represented that it has previous experience in all phases of residential rental property development, from initial site analysis and master planning through construction administration and post-occupancy review. The previous experience of the Architect is no assurance that the Project will be successful. A copy of the agreement between the Architect and the Borrower is available from the Underwriter or the Borrower upon request.

Project Construction Company

The Borrower will enter into a construction contract with N. E. Construction, Ltd. (the "Contractor") pursuant to which the Contractor will be responsible for the construction of the Project. The Contractor will receive a general contractor's fee for its services. The Contractor and its affiliates have been responsible for the construction of more than 1,586 apartment units, including low-income units, and currently has approximately 624 units under construction. The previous experience of the Contractor, its owners and principals is not assurance that the Project will be successful.

A project schedule has been prepared for the Project that includes all aspects of design, development and construction activities. The schedule will be updated and monitored monthly. During the construction phase, the Contractor will provide full time on site management of all work performed. A copy of the Construction Contract and related documents (including plans and specifications) are available from the Underwriter or the Borrower upon request.

Appraisal, Environmental Site Assessments and Geotechnical Report

The Borrower has obtained an appraisal (the "Appraisal"), environmental site assessment reports and a geotechnical engineering report for the Project. A complete copy of each report can be obtained by contacting the Underwriter or the Borrower.

An Appraisal was completed on February 21, 2006 by Deverick & Associates, Inc. The Appraisal used the Cost Approach, the Income Approach, and the Sales Comparison Approach, as the three approaches to value. The valuation determination, based on the stabilization of the Project (the time following the lease-up period), as restricted by the tax-exempt bond and tax credit programs, and with a capitalization rate that reflects the appraiser's assessment of prevailing market terms, rates and conditions, as of the Appraisal date was \$7,780,000. The value determination, based on stabilization of the Project utilizing market rate rents as of the Appraisal date was \$6,330,000. The foregoing is not intended to be a complete summary of the Appraisal. The Borrower assumes no responsibility for the Appraisal or the conclusions set forth therein.

The Phase I audit for the Project (December 19, 2005 (Report #E051201) was prepared by Alpha Testing, Inc. The Phase I audit concluded that no environmental concerns were reported on or in the vicinity of the site on which the Project will be located. The foregoing is not intended to be a complete summary of the environmental site assessment. The Borrower assumes no responsibility for the environmental site assessment or the conclusions set forth therein.

The geotechnical report (Report #GEO5-925) for the Project, dated January 2006, was prepared by Fargo Consultants, Inc. The report determined that the site for the Project was suitable from a geotechnical engineering perspective for the construction of the proposed multi-story multifamily residential structures and recommended the use of post-tensioned slab foundations. The foregoing is not intended to be a complete summary of the geotechnical report. The Borrower assumes no responsibility for the geotechnical report or the conclusions set forth therein.

The Marketing Plan

The objective of the Project and the related marketing plan is to market to singles, couples and families within Cooke County in a 20 mile radius who desire a quality community at affordable rates.

One hundred percent of the units in the Project must be rented to individuals earning less than sixty percent (60%) of the Cooke County area median income, adjusted for family size, and units must be rent restricted as a result of the Project's participation in the low-income housing tax credit program. See "ADDITIONAL RESTRICTIVE COVENANTS" herein. The current 2005 median income for Cooke County is \$53,900, according to the Texas Department of Housing and Community Affairs. The foregoing is not intended to be a complete description of the marketing plan.

Operating Projections

Attached as Appendix C hereto are estimated operating results of the Project prepared by the Borrower, including revenues, expenses, net operating income and debt service coverage for the year of stabilization and the immediately succeeding four years. The information in Appendix C has not been compiled by professionals nor is it intended to be a complete summary of the intended results of operations or the assumptions made to reach such results. The information in Appendix C is forward looking and there is no assurance that such results will be obtained. The Underwriter has not verified the financial condition of the Borrower or the Project and does not assume any responsibility for the accuracy of the foregoing information. No assurance can be given as to the performance of the Project. In particular, there can be no assurance that the revenues generated by the Project ("Project Revenues") will be sufficient to pay the Project's operating expenses, debt service on the Note, and the Trustee's Fee, the Issuer Fees, the Asset Oversight Agent's Fee and all other obligations of the Borrower with respect to the Project and the Bonds (collectively, the "Project Obligations"). The Borrower's ability to pay Project Obligations may be materially and adversely affected to the extent that the Borrower is unable to increase Project Revenues by increasing rents or otherwise, if expenses incurred in operating the Project are higher than anticipated, or if occupancy of the Project decreases. See "BONDHOLDER RISKS" herein. Any potential investor in the Bonds should not rely upon the Borrower's estimates set forth in Appendix C. Such investor should conduct its own market analysis of similar properties and make its own estimates of revenues, expenses and debt service coverage.

Low Income Housing Tax Credit Based Equity Syndication

Simultaneously with the issuance of the Bonds, the Borrower expects to admit WNC Holding, LLC (the "Tax Credit Investor") as the owner of a 99.98% limited partnership interest and WNC Housing, L.P. as the special limited partner with a 0.01% limited partnership interest in exchange for the Tax Credit Investor's agreement to make seven equity capital contributions totaling \$5,082,516. The arrangements for the funding of the tax credit equity, governed by the Borrower's Partnership Agreement, are expected to be, (a) \$1,271,010 at or prior to the closing of the Bonds; (b) \$1,270,502 at 50% construction completion; (c) \$1,371,126 at 75% construction completion; (d) \$660,661 upon the following: (i) lien free construction completion;

(ii) the issuance of a permanent certificate of occupancy; (iii) payoff letter from the Contractor; and (iv) insurance required during operations; (e) \$253,084 upon the following: (i) verification the Project has maintained a debt service coverage of 1.15 (based on the Investor Limited Partner's methodology which has been achieved based on the underwriting) for 90 consecutive days; (ii) an updated title insurance policy; (iii) 90% tax credit qualified occupancy and 90% actual occupancy for 90 consecutive days; (iv) construction cost certification; and (v) an as-built survey; (f) \$231,133 upon the following: (i) verification that all the conditions referenced above have been met; (ii) tenant files to determine that 100% of the tax credit apartment units in the Project qualify under Section 42 of the Internal Revenue Code; (iii) a fully executed IRS Form 8609 and the first year tax return in which Tax Credits are taken; and (iv) a copy of the Borrower's property audit; and (g) \$25,000 will be payable upon receipt and approval of initial tenant files. The availability of this equity funding is subject to numerous conditions as set forth in the Partnership Agreement. The failure of the Borrower to meet all or any portion of these conditions may result in no equity funding being available, or in the amounts being funded and/or the timing of such funding varying significantly from the estimates set forth above and no representation is made as to the availability of such funds. The Borrower, the Tax Credit Investor and the Trustee have entered into the Joint Funding Agreement in which the Tax Credit Investor has agreed, subject to certain conditions, to fund the installment of the tax credit equity by the dates set forth in the Partnership Agreement. See "INTRODUCTION—Joint Funding Agreement".

General Qualifications

All documents, instruments and agreements referenced herein should be reviewed in their entirety prior to investing in the Bonds. Further, any investor should conduct its own real estate, tax credit and tax-exempt bond due diligence with respect to the Borrower and the Project. The matters addressed above in this section are not intended to be a complete summary of all material matters relating to the Borrower and the Project.

This Limited Offering Memorandum and the documents incorporated herein by reference (including the Appraisal referenced above under "Appraisal, Environmental Site Assessments and Geotechnical Report" and the projections included in Appendix C) contain forward-looking statements. These statements relate to, among other things, outlook for future periods, assumptions as to general economic circumstances, rental rates and market forces, long-term objectives of the Borrower and other statements of expectations concerning matters that are not historical facts. Predictions of future results contain a measure of uncertainty and, accordingly, actual results could differ materially due to various factors. Some of the factors that could change forward-looking statements are described under "BONDHOLDER RISKS". Because these statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements. Potential purchasers of the Bonds are cautioned not to place undue reliance on these forward looking statements. The Borrower does not undertake any responsibility to update Owners on the occurrence of any unanticipated events which may cause actual results to differ from those expressed or implied by the forward-looking statements contained in this Limited Offering Memorandum.

SECURITY FOR THE BONDS

Pledge of Trust Estate

Pursuant to the Indenture, the Issuer has assigned and pledged the property described below (the "Trust Estate") to the Trustee to secure the payment of the principal of, premium, if any, and interest on the Bonds when the same become due and payable:

- (a) All moneys in and investments of all funds created in the Indenture (other than the Rebate Fund, the Costs of Issuance Fund and the Administrative Expenses Account, all of which will not be subject to the lien of the Indenture).
- (b) All of the Issuer's right, title and interest in, to and under the Loan Agreement, the Note, the Mortgage and the Borrower Guaranties (except for the Unassigned Issuer Rights), including all payments due under the Loan Agreement and the Note, and the right to receive the same.
- (c) Any and all property, rights and interests of every kind or description which from time to time hereafter may be sold, transferred, conveyed, assigned, pledged, mortgaged or delivered to the Trustee as additional security under the Indenture, including any deed in lieu of foreclosure.
- (d) All of the Issuer's right, title and interest in, to and under any Additional Security.

Limited Liability

THE ISSUER SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON, THE BONDS SOLELY OUT OF THE TRUST ESTATE. THE BONDS SHALL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE BONDHOLDERS THEREOF AGAINST THE TRUST ESTATE, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE INDENTURE. THE BONDS, TOGETHER WITH INTEREST THEREON, SHALL BE LIMITED OBLIGATIONS OF THE ISSUER GIVING RISE TO NO CHARGE AGAINST THE ISSUER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE BONDHOLDERS THEREOF AGAINST ONLY, THE TRUST ESTATE. THE BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE ISSUER, THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE SPECIFICALLY PLEDGED THERETO. NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE ISSUER HAS NO TAXING POWER.

BONDHOLDER RISKS

Purchase of the Bonds offered by this Limited Offering Memorandum involves a high degree of risk. Prospective purchasers of the Bonds should give careful consideration to the matters referred to in the following summary:

1. General. The Bonds and the obligations of the Issuer under the Indenture are limited obligations of the Issuer to be paid and satisfied solely from the revenues and assets pledged therefor under the Indenture, including receipts to be derived by the Issuer from the repayment of the Note and by a first mortgage lien on the Project. The inability of the Borrower to construct and fully lease up the Project would prevent the Borrower from achieving the forecasted revenues and could adversely affect the Borrower's ability to make payments under the Loan Agreement. The prospects for uninterrupted payment of the principal and interest due on the Bonds in accordance with the terms thereof are almost solely dependent upon the Borrower's success in operating the Project in a profitable manner, including Borrower's ability to construct and to lease up, and maintain lease up, of the Project.

No representations or assurances can be made that the receipts derived from the operation of the Project, as presently estimated or otherwise, will be realized by the Borrower, the Issuer, or the Trustee on behalf of the Bondholders, or any other party, in amounts necessary to pay the principal of, premium, if any, and interest on the Bonds. The estimates of revenues and expenses associated with the Project are subject to change due to social and economic shifts in the market area of the Project, as well as other unforeseeable circumstances.

2. Completion of Project. There is no credit enhancement to guarantee completion of the Project. The Guaranty of Completion will be executed by the Guarantors, all of whom are affiliated with the General Partner of Borrower. The ability to require the Guarantors to honor the obligation to complete could be affected by the financial condition of the Guarantors at the time of default or by their willingness to honor the commitment to guarantee completion. Audited financial statements of the Guarantors have not been obtained and only certain business assets of the Guarantor(s) are subject to exposure. In the event that the acquisition and construction of the Project is not completed by October 1, 2007, the Bonds may be subject to redemption. See "THE BONDS—Redemption—Mandatory Redemption Resulting from Event of Default".

3. Normal Risks Attending Any Investment in Real Estate. There are many diverse risks attending any investment in real estate, which may have a substantial bearing on the profitability and financial feasibility of the Project, and which may affect the operating results of the Project, the realizable value of the real estate and other collateral securing payment of the Bonds. Such risks include possible adverse use of adjoining land, fire or other casualty, condemnation, increased taxes, changes in demand for such facilities, increases in utility rates, adverse general and local economic conditions, energy shortages, a decline in the value of the Project, increases in operating costs due to inflation, non-compliance of tenants with the terms of their leases, unfavorable governmental regulation (such as enactment of rent controls), force majeure and uninsurable risks, construction strikes and decrease in the relative popularity of real estate

investments as contrasted with other investments. These risks cannot be controlled by the Borrower.

4. Management. The successful operation of the Project will depend, to a large extent, upon the management services provided by the Manager and upon the ability of the Borrower to lease the units and to keep the Project substantially occupied through the term of the Bonds. There is no assurance that the Manager will operate the Project on a profitable basis. There can be no assurance that the Project will be operated in a manner which provides sufficient moneys to pay principal and interest on the Bonds and to operate and maintain the Project.

5. Forecasted Information. Information with regard to the Project has been obtained from the Borrower. Much of that information involves predictions with regard to future events; no guarantee can be made that such future events will in fact come to pass.

6. Lack of Secondary Market. No applications for credit ratings for the Bonds have been made. There is no existing secondary market for the Bonds and there can be no assurance that such a market will develop. In these circumstances, purchasers may not be able to resell or dispose of the Bonds at a price approximating the purchase price, and, therefore, the purchase of the Bonds should be regarded as a long-term investment. In addition, the Bonds may be resold only in minimum denominations of \$100,000 (except as otherwise set forth in the Indenture) and only to investors who will execute an Investment Letter. See "THE BONDS - General" herein. In addition, adverse developments in the financial condition of the Project or in economic conditions generally may have an unfavorable impact upon the bid and asked price for the Bonds in any secondary market. Accordingly, a purchaser of the Bonds should be prepared to have funds committed for an indefinite period of time, perhaps until the Bonds mature or are redeemed.

7. Limited Property Value and Enforceability of Remedies. The fair market value of the Project may be less than the amount of the Bonds outstanding at any point in time. No assurance can be given that, in the event of a default and foreclosure, sufficient proceeds would be realized to pay all claims of the holders of the then outstanding Bonds. The Bonds are payable from the payments to be made under the Loan Agreement. Pursuant to the Indenture, the Bonds are secured by an assignment to the Trustee of the Mortgage. The practical realization of value from this Project upon any default will depend upon the exercise of various remedies specified by the Loan Agreement, the Mortgage and the Indenture. These and other remedies may, in many respects, require judicial actions, which are often subject to discretion and delay. Under existing law (including particularly the Federal Bankruptcy Code), the remedies specified by the Loan Agreement, the Mortgage or the Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of some or all of the covenants contained in the Loan Agreement, the Mortgage or the Indenture. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights generally.

8. Liquidation of Security May Not Be Sufficient in the Event of a Default or Upon Redemption. The Bondholders are dependent, primarily, upon the success of the Project and its value for the payment of the principal of, premium, if any, and interest on the Bonds. In the event the revenues from the Project are insufficient to pay the Bonds, then once the other security for the Bonds has been exhausted, the Bondholders have no assurance of being able to look to any other person or entity to pursue for any deficiency which may exist. Investors should take note that it is possible that the actual value of the Project may be less than the amount of the Bonds outstanding.

9. Risk of Loss Upon Redemption. The rights of Bondholders to receive interest will terminate on the date, if any, on which such Bonds are to be redeemed pursuant to a call for redemption, notice of which has been given under the terms of the Indenture, the Loan Agreement and the Regulatory Agreement. Failure of any Bondholder to present its Bond in such eventuality could result in a loss of interest until such Bond is presented for payment. Certain Bond Proceeds will have been expended for construction and other developmental costs and will not be available for the redemption of the Bonds. There can be no assurance that the Borrower will be able to pay amounts in addition to what is available under the Indenture.

10. Limited Recourse Obligation. Pursuant to the provisions of the Loan Agreement, the Issuer, the Trustee and Bondholder will have recourse only to the Trust Estate and the mortgaged Project in the Event of Default and shall have no recourse to any other assets of the Borrower. The Borrower has no obligation to fund operating deficits to cover any losses in the event of a Project default on the Bonds or otherwise to invest its own funds in the Project or to continue the Project in operation, except that the Borrower and certain other parties have certain obligations to fund operating deficits under the Guaranty of Operating Deficits.

11. Taxation of Bonds. An opinion of Bond Counsel has been obtained to the effect that interest earned on the principal of the Bonds is excludable from gross income for federal income tax purposes under current provisions of the Code, and applicable rules and regulations of the Internal Revenue Service; however, application for a ruling from the Internal Revenue Service regarding the tax-exempt status of the Bonds has not been made. Such opinion is based on the assumption that the Borrower and the Issuer will comply with certain covenants contained in the Indenture, the Loan Agreement and the Regulatory Agreement. There can be no guarantee that the Issuer or the Borrower will not violate such covenants and thereby cause interest on the Bonds to become taxable. In addition, there can be no guarantee that present provisions of the Code or the rules and regulations thereunder will not be adversely amended or modified, thereby rendering the interest earned on the Bonds taxable for federal income tax purposes. In the event interest on the Bonds is determined to be taxable, due to failure of the Borrower to comply with certain covenants, the Loan Agreement provides for an acceleration of the Note to redeem all of the outstanding Bonds at a 5% premium. See “THE BONDS—Redemption—Mandatory Redemption Resulting from Determination of Taxability”. Other than such premium, there is no additional remedy for penalty, supplemental, or additional interest. There can be no assurance that the Borrower will provide sufficient funds for the payment of such premium.

Interest earned on the principal amount of the Bonds may or may not be subject to state or local income taxes under applicable state or local tax laws. Each purchaser of the Bonds should

consult his or her own tax advisor regarding the taxable status of the Bonds in a particular state or local jurisdiction.

12. Bankruptcy of the Borrower. In the event of the bankruptcy of the Borrower, payment of principal and interest made by the Borrower through the Trustee to the Bondholders within ninety-one days of the filing of the petition in bankruptcy with respect to the Borrower may be determined to be voidable preferences subject to claim by a debtor in possession or a trustee in bankruptcy, or may be subject to applicable State law regarding fraudulent conveyances.

13. Limitations on Leasing. The Regulatory Agreement requires that, in order to maintain the tax exempt status of the Bonds, 40% of the units of the Project be rented or held available to persons earning not more than 60% of the median income for the Cooke County area, adjusted for family size. In addition, the Regulatory Agreement contains certain other restrictions on leasing all of the units in the Project to “Eligible Tenants” and at least 5% of the units in the Project to “Persons with Special Needs.” See, “APPENDIX A-3 —REGULATORY AGREEMENT”. In order to qualify for Low Income Housing Tax Credits (“Housing Credits”) for the entire Project the Borrower is required to set aside 100% of the residential rental units in the Project for rental to persons or families having incomes at or below 60% of the area median gross income, adjusted for family size. Qualifications for Housing Credits also require the Borrower to restrict rent rates on the Project. These restrictions may limit the ability of the Borrower to increase the rates charged to the tenants of the Project.

14. Environmental Conditions. The Project will be subject to risks arising out of environmental law considerations generally associated with ownership of real estate. Such risks include, in general, a decline in property values in the Project resulting from possible violations of applicable federal or state environmental laws and regulations, including, but not limited to, the Comprehensive Environmental Compensation and Liability Act of 1980, as amended (CERCLA), the Resource Conservation and Recovery Act of 1976, as amended (RCRA), and Texas laws. These risks may be associated with contamination of the Project from hazardous substances located in, on, around or in the vicinity of each Project.

15. Uninsured Losses. The Borrower has arranged for comprehensive insurance coverage which is customary for apartment properties of a similar nature. There are certain types of losses which are not insured or insurable, such as “force majeure”. Should such a catastrophic casualty occur, the Borrower would suffer a loss for which insurance benefits would not be available. Further, there is no assurance that insurance proceeds where available will be sufficient to repay the Bonds.

16. Investment of Bond Proceeds. Certain of the proceeds of the Bonds will be invested in Eligible Investments, at a rate below that borne by the Bonds. The amounts held in the Bond Fund, the Operating Deficit Fund and the Project Fund, are anticipated to be invested in a guaranteed investment contract whose provider shall initially be rated at least in the “AA-” or “Aa3” category of one of the nationally recognized rating agencies. In the event of an insolvency of such provider, these funds could become inaccessible to the Bondholders.

EXTENDED LOW-INCOME HOUSING AGREEMENT

In connection with the Low Income Housing Tax Credits (“LIHTC”) being allowed to the Borrower in connection with the Project, the Borrower will execute an Extended Low-Income Housing Agreement for the Project in compliance with the requirements of Section 42 of the Code (the “Extended Low-Income Housing Agreement”). The Extended Low-Income Housing Agreement extends the low-income housing tax credit targeting and rent restrictions for the Project under Section 42 of the Code for at least 15 years beyond the initial 15 year compliance period, subject only to a few exceptions. The Extended Low-Income Housing Agreement will be executed by the Borrower and the Texas Department of Housing and Community Affairs before the end of the first year of the credit period (as defined in Section 42 of the Code) and recorded in the land records as a covenant running with the land. The Extended Low-Income Housing Agreement for the Project will, among other things, require that 100% of the completed and occupied dwelling units, except for manager units, in the Project must be occupied by tenants whose gross income is at or below 60% of the area median gross income, adjusted for family size and the units must be rent-restricted under Section 42(g)(2) of the Code throughout the extended use period as defined in the Code. Generally, the maximum permitted rent is 30% of the maximum qualifying income for occupants.

Under the Code, the extended use period terminates prior to its expiration date if the Project is acquired by foreclosure. Notwithstanding the foregoing, the Code requires that any termination of the extended use period due to foreclosure shall not permit before the close of a three year period following such foreclosure (i) the eviction or termination of tenancy of an existing tenant without cause or (ii) any increase in the gross rent of such units.

THE SERVICER AND THE FINANCIAL MONITOR

The following has been provided by America First Real Estate Group, LLC (“America First”), and neither the Issuer, the Borrower nor the Underwriter will assume any responsibility for the accuracy and completeness of such information.

America First, with offices in Omaha, Nebraska, will act as the Servicer and the Financial Monitor and will provide the services set forth in the Construction Disbursing and Servicing Agreement dated April 1, 2006 for the Project. America First has significant experience in raising, financing and operating multifamily communities.

America First has established ownership positions in more than 145 real estate projects in 36 states and raised over \$1.2 billion in ten different publicly traded real estate funds. America First manages over 10,511 apartment units located in twenty states including Texas.

America First is a wholly owned subsidiary of the Burlington Capital Group LLC (formerly America First Companies), one of the largest investment banking firms in the Midwest.

TAX MATTERS

In the opinion of Bond Counsel, assuming compliance with certain covenants and based on certain representations, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, except with respect to interest on any Bond during any period while it is held by a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code. The Bonds are “private activity bonds” under the Code and, therefore, interest on the Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include, among other things, limitations on the use of the bond-financed project, limitations on the use of bond proceeds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States, and a requirement that the issuer file an information report with the Internal Revenue Service. The Issuer and the Borrower have covenanted in the Indenture, Loan Agreement and Regulatory Agreement that they will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Indenture, Loan Agreement and Regulatory Agreement pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the Issuer, the Borrower and the Underwriter with respect to matters solely within the knowledge of the Issuer, the Borrower and the Underwriter, respectively, which Bond Counsel has not independently verified. If the Issuer or the Borrower should fail to comply with the covenants in the Indenture, Loan Agreement and Regulatory Agreement or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income for federal income from the date of original delivery of the Bonds, regardless of the date on which the event causing such includability occurs.

In the case of bonds used to provide residential rental housing, such as the Bonds, Section 142 of the Code requires that such bonds also satisfy the tenant eligibility requirements applicable to “qualified residential rental projects” under Section 142(d) of the Code. Section 142(d) of the Code requires that at all times during the Qualified Project Period a certain percentage of the units in the Project are to be occupied by individuals with income below certain levels as provided in Section 142(d) of the Code. The “Qualified Project Period” for the Project will commence on the first day on which 10 percent of the units in the Project are occupied and will end on the latest of the following: (1) the date that is 15 years after the date on which at least 50 percent of the units in the Project are first occupied; (2) the date on which no tax-exempt private activity bond (as defined in Section 141 of the Code) remains outstanding; or (3) the date on which any assistance provided with respect to each such project under Section 8 of the United States Housing Act of 1937, as amended, terminates. The United States Department of Treasury issued regulations (the “Regulations”) setting forth requirements for compliance with a comparable provision of the predecessor of Section 142 of the Code. The Regulations require, among other things, that (1) the low-income set aside requirement of this predecessor provision

must be met on a continuous basis during the Qualified Project Period, and (2) all of the units in the Project must be rented or available for rental to the general public on a continuous basis during the Qualified Project Period. Under the Regulations, the failure to satisfy the foregoing requirements on a continuous basis or the failure to satisfy any of the other requirements of the Regulations will, unless corrected within a reasonable period of not more than 60 days after such non-compliance is first discovered or would have been discovered by the exercise of reasonable diligence, cause interest on the Bonds to be includable in gross income for federal income tax purposes as of the date of their original issue, irrespective of the date such non-compliance actually occurred.

The Issuer has established requirements, procedures and safeguards that it believes to be sufficient to ensure compliance with the requirements of the Code and the Regulations with respect to the Project. Such requirements, procedures and safeguards are incorporated into the Regulatory Agreement, the Loan Agreement and the Indenture. In addition, the Issuer and the Trustee have each covenanted in the Indenture to follow and enforce such procedures to ensure compliance with such requirements. However, no assurance can be given that in the event of a breach of any of the provisions or covenants described above, the remedies available to the Issuer and the Trustee can be judicially enforced in such manner as to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income for federal income tax purposes of the interest on the Bonds. Furthermore, if the Borrower fails to comply with the Regulatory Agreement or the Loan Agreement, the enforcement remedies available to the Issuer, the Trustee and the holders of the Bonds are severely limited and may be inadequate to prevent the loss of the excludability from gross income for federal income tax purposes of the interest on the Bonds retroactive to the date of issuance of the Bonds.

The Code imposes an alternative minimum tax on the "alternative minimum taxable income" of an individual, if the amount of such alternative minimum tax is greater than the amount of such individual's regular income tax. Generally, the alternative minimum tax rate for individuals is 26 percent of such taxable excess as does not exceed \$175,000 plus 28 percent of so much of such taxable excess as exceeds \$175,000. The Code also imposes a 20 percent alternative minimum tax on the "alternative minimum taxable income" of a corporation, if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of an individual or corporation will include items of tax preference under the Code, such as the amount of interest received on "private activity bonds," such as the Bonds, issued after August 7, 1986. Accordingly, Bond Counsel's opinion will state that interest on the Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations and the environmental tax imposed on corporations.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on Bonds, received or accrued during the year.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt

obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profit tax” on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds.

BOND COUNSEL’S OPINIONS ARE BASED ON EXISTING LAW, WHICH IS SUBJECT TO CHANGE. SUCH OPINIONS ARE FURTHER BASED ON BOND COUNSEL’S KNOWLEDGE OF FACTS AS OF THE DATE THEREOF. BOND COUNSEL ASSUMES NO DUTY TO UPDATE OR SUPPLEMENT ITS OPINIONS TO REFLECT ANY FACTS OR CIRCUMSTANCES THAT MAY THEREAFTER COME TO BOND COUNSEL’S ATTENTION OR TO REFLECT ANY CHANGES IN ANY LAW THAT MAY THEREAFTER OCCUR OR BECOME EFFECTIVE. MOREOVER, BOND COUNSEL’S OPINIONS ARE NOT A GUARANTEE OF RESULT AND ARE NOT BINDING ON THE INTERNAL REVENUE SERVICE (THE “SERVICE”); RATHER, SUCH OPINIONS REPRESENT BOND COUNSEL’S LEGAL JUDGMENT BASED UPON ITS REVIEW OF EXISTING LAW AND IN RELIANCE UPON THE REPRESENTATIONS AND COVENANTS REFERENCED ABOVE THAT IT DEEMS RELEVANT TO SUCH OPINIONS. THE SERVICE HAS AN ONGOING AUDIT PROGRAM TO DETERMINE COMPLIANCE WITH RULES THAT RELATE TO WHETHER INTEREST ON STATE OR LOCAL OBLIGATIONS IS INCLUDABLE IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. NO ASSURANCE CAN BE GIVEN WHETHER OR NOT THE SERVICE WILL COMMENCE AN AUDIT OF THE BONDS. IF AN AUDIT IS COMMENCED, IN ACCORDANCE WITH ITS CURRENT PUBLISHED PROCEDURES THE SERVICE IS LIKELY TO TREAT THE ISSUER AS THE TAXPAYER AND THE OWNERS MAY NOT HAVE A RIGHT TO PARTICIPATE IN SUCH AUDIT. PUBLIC AWARENESS OF ANY FUTURE AUDIT OF THE BONDS COULD ADVERSELY AFFECT THE VALUE AND LIQUIDITY OF THE BONDS DURING THE PENDENCY OF THE AUDIT REGARDLESS OF THE ULTIMATE OUTCOME OF THE AUDIT.

ABSENCE OF LITIGATION

The Issuer

There is not now pending or, to the knowledge of the Issuer threatened, any proceeding or litigation against the Issuer restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence, nor the title of the present members or other officers of the Issuer to their respective offices is being contested.

The Borrower

There is not now pending or to the Borrower's knowledge, threatened any proceeding or litigation against the Borrower affecting the ability of the Borrower to enter into or deliver the Loan Agreement, the Note, the Mortgage Loan or the Regulatory Agreement, seeking to restrain or enjoin the Borrower's participation in the transactions described in this Limited Offering Memorandum, or contesting the existence or powers of the Borrower with respect to the transactions described in this Limited Offering Memorandum.

CERTAIN LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of Vinson & Elkins L.L.P., Bond Counsel, which will be furnished at the expense of the Borrower upon delivery of the Bonds, in substantially the form set forth as Appendix B (the "Bond Opinion"). The Bond Opinion will be limited to matters relating to authorization and validity of the Bonds and to the tax-exempt status of interest on the Bonds as described in the section "TAX MATTERS". Bond Counsel has not been engaged to investigate the financial resources of the Borrower or its ability to provide for payment of the Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Limited Offering Memorandum or any other information that may have been relied on by anyone in making the decision to purchase Bonds. Certain legal matters will be passed upon by the Attorney General of the State of Texas, and for the Borrower by its counsel, Eaton, Deaguero & Bishop, PLLC. Certain legal matters will be passed upon for the Underwriter by its counsel, Locke Liddell & Sapp LLP, Dallas, Texas.

Payment of the fee of Locke Liddell & Sapp LLP is contingent upon the issuance of the Bonds.

NO CONTINUING DISCLOSURE

The Borrower has not undertaken all responsibilities for any continuing disclosure concerning the Borrower and the Project to the Owners of the Bonds, and the Issuer is to have no liability to the Owners of the Bonds or any other person with respect to continuing disclosure.

UNDERWRITING

The Bonds are being purchased by National Alliance Securities Corporation (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of 100% of the par amount of the Bonds. Upon delivery of the Bonds, the Underwriter will be paid a fee equal to \$242,000 (inclusive of expenses other than the fee of Underwriter's counsel). The Purchase Contract provides that the Underwriter will purchase all of the Bonds, if any are purchased; the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel. The "initial public offering prices" may be changed from time to time by the Underwriter.

The Borrower has agreed to indemnify the Issuer and the Underwriter with respect to information in this Limited Offering Memorandum relating to the Borrower and the Project.

MISCELLANEOUS

The use of this Limited Offering Memorandum has been duly authorized by the Borrower. This Limited Offering Memorandum is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Limited Offering Memorandum involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Limited Offering Memorandum is not to be construed as a contract or agreement between the Issuer and the purchasers or holders of any of the Bonds.

The Issuer (except for the information in “THE ISSUER” and in “ABSENCE OF LITIGATION — The Issuer”) makes no representations or warranty as to and has no responsibility for, the accuracy or completeness of the information contained in this Limited Offering Memorandum.

APPENDIX A-1

THE TRUST INDENTURE

APPENDIX A-2

THE LOAN AGREEMENT

APPENDIX A-3

THE REGULATORY AGREEMENT

APPENDIX B

FORM OF BOND COUNSEL OPINION

April 7, 2006

Texas Department of Housing and
Community Affairs
Austin, Texas

Wells Fargo Bank, National Association
Forth Worth, Texas

National Alliance Securities Corporation
Dallas, Texas

Ladies and Gentlemen:

We have represented the Texas Department of Housing and Community Affairs (the "Issuer") in connection with the issuance by the Issuer of its \$6,800,000 Multifamily Housing Revenue Bonds (Bella Vista Apartments) Series 2006 (the "Bonds") pursuant to a resolution adopted by the governing board of the Issuer on March 20, 2006 (the "Bond Resolution") and a Trust Indenture dated as of April 1, 2006 (the "Indenture"), by and between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Bonds bear interest at the rate and mature on the date as provided in the Indenture. The Bonds are subject to mandatory and optional redemption prior to maturity as set forth in the Indenture. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Indenture, in the Loan Agreement dated as of April 1, 2006 (the "Loan Agreement") among the Issuer, the Trustee and UHF Gainesville Housing, L.P., a Texas limited partnership (the "Borrower"), or in the Regulatory and Land Use Restriction Agreement dated as of April 1, 2006 (the "Regulatory Agreement"), among the Issuer, the Trustee and the Borrower.

The Bonds are being issued for the purpose of obtaining funds to make a loan (the "Loan") to the Borrower to provide financing for the acquisition, construction and equipping of a residential rental project located within Cooke County, Texas (the "Development"), to be occupied by individuals and families of low, very low and extremely low income and families of moderate income, as determined by the Issuer, and persons with special needs, all as required by the Act, and to be occupied at least partially (at least 40 percent) by Low-Income Tenants.

We have assumed with your permission and without independent verification (i) the genuineness of certificates, records and other documents submitted to us and the accuracy and completeness of the statements contained therein; (ii) the due authorization, execution and delivery of the Indenture by the parties thereto, and the validity and binding effect of the Indenture on such parties; (iii) that all documents and certificates submitted to us as originals are accurate and complete; (iv) that all documents and certificates submitted to us as copies are true and correct copies of the originals thereof; and (v) that all information submitted to us and on which we have relied was accurate and complete.

Our opinions also assume continuous compliance with all covenants and requirements set forth in the Indenture, the Loan Agreement and the Regulatory Agreement pertaining to those

sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

The scope of our representation extends solely to an examination of the facts and law incident to rendering an opinion with respect to the legality and validity of the Bonds and the security therefore and with respect to the exclusion from gross income for federal income tax purposes of interest on the Bonds. We have participated in the preparation of and have examined a transcript of certain materials pertaining to the Bonds, including certain certified proceedings of the Issuer, the State of Texas, the Trustee and the Borrower, and customary certificates, opinions, affidavits and other documents executed by officers, agents and representatives of the Issuer, the State of Texas, the Trustee, the Borrower and others. We have also examined the fully-executed Bond numbered R-1.

Based on said examination, and subject to the assumptions, qualifications and limitations set forth herein, it is our opinion that, under existing law:

1. The Issuer has duly authorized the issuance, execution and delivery of the Bonds. The Bonds constitute legal, valid and binding limited obligations of the Issuer and are entitled to the benefit and security of the Indenture.
2. Interest on the Bonds is excludable from gross income for federal income tax purposes except with respect to the interest on any Bond for any period during which such Bond is held by a "substantial user" of the Development or a "related person," as those terms are defined for purposes of Section 147(a) of the Code.
3. Interest on the Bonds is an item of tax preference includable in alternative minimum taxable income for purposes of determining the alternative minimum tax on individuals and corporations.

In providing the opinions set forth in paragraphs 2 and 3 above, we have relied on, and assumed the accuracy and completeness of, representations made as of the date hereof by, among others, the Issuer, the Borrower and National Alliance Securities Corporation, with respect to matters solely within the respective knowledge of such parties, which matters we have not independently verified. Furthermore, in providing the opinions set forth in paragraphs 2 and 3 above, we have also assumed that there will be continuing compliance with the procedures, safeguards and covenants in the Indenture, the Loan Agreement, the Regulatory Agreement and the Tax Certificate pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete or the Issuer or the Borrower fails to comply with the foregoing procedures, safeguards and covenants, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of original delivery of the Bonds, regardless of the date on which the event causing such includability occurs.

Certain other actions may be taken or omitted subject to the terms and conditions set forth in the Indenture and related documents, upon the advice or with an approving Opinion of Bond Counsel. We will express no opinion with respect to Bond Counsel's ability to render an opinion

that such actions, if taken or omitted, will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds. Furthermore, we express no opinion as to whether any person treated as the owner of a Bond under the Indenture is also properly treated as the owner of such Bond for federal income tax purposes.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Limited Offering Memorandum or other offering material relating to the Bonds and we express no opinion relating thereto (excepting only the matters set forth as our supplemental opinion of Bond Counsel of even date herewith). We have not assumed any responsibility with respect to the financial condition or capability of the Issuer or Borrower or the disclosure thereof.

We express no opinion as to the priority or perfection of the security interest granted by the Issuer in the Trust Estate.

The enforceability of certain provisions of the Bonds, the Bond Resolution, the Indenture and the Loan Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors. Furthermore, availability of equitable remedies under the Bonds, the Bond Resolution, the Indenture and the Loan Agreement may be limited by general principles of equity that permit the exercise of judicial discretion.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits" tax on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

The opinions set forth above speak only as of their date and only in connection with the Bonds and may not be applied to any other transaction. Such opinions are specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures

the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer and the Borrower have covenanted in the Indenture and the Loan Agreement not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Very truly yours,

APPENDIX C

OPERATING PROJECTIONS

The estimates set forth in the following table reflect the current goals of the Borrower with respect to revenues, expenses and debt service coverage after lease up and stabilization, which may or may not occur. The Borrower's goals and estimates are based upon certain assumptions and the existence of certain conditions, including, but not limited to, continued average occupancy levels, capital and operating costs, and rental levels. While the Borrower believes that these assumptions are reasonable, they are dependent upon future events and market conditions (most of which are not within the control of the Borrower). To the extent that actual future conditions differ (which differences will inevitably occur) from those assumed for the Borrower's goals and estimates, the actual results will vary from those set forth in the following table. Potential investors in the Bonds are cautioned that any such projections are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those set forth as a result of various factors.

No assurance can be given as to the future performance of the Project. In particular, there can be no assurance that the revenues generated by the Project ("Project Revenues") will be sufficient in the future to pay the Project's operating expenses, debt service related to the Bonds and the Trustee's fees and expenses and all other obligations of the Borrower with respect to the Project and the Bonds (collectively, the "Project Obligations"). The Borrower's ability to pay Project Obligations may be materially and adversely affected to the extent that the Borrower is unable to increase Project Revenues by increasing rents or otherwise, if expenses incurred in operating the Project are higher than anticipated, or if occupancy of the Project decreases.

The Issuer, the Underwriter and the Financial Advisor do not represent or warrant to the information in the table.

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APPENDIX C

Borrower's Operating Projections

5 year operating proforma

| INCOME | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| POTENTIAL GROSS RENT | 1,098,912.00 | 1,131,879.36 | 1,165,835.74 | 1,200,810.81 | 1,236,835.14 |
| Secondary Income: laundry, etc. | 11,819.52 | 12,174.11 | 12,539.33 | 12,915.51 | 13,302.97 |
| Secondary Income: garages | 4,800.00 | 4,944.00 | 5,092.32 | 5,245.09 | 5,402.44 |
| Secondary Income: carports | 4,500.00 | 4,635.00 | 4,774.05 | 4,917.27 | 5,064.79 |
| Secondary Income: storage | 4,800.00 | 4,944.00 | 5,092.32 | 5,245.09 | 5,402.44 |
| EFFECTIVE GROSS RENT | 1,124,831.52 | 1,158,576.47 | 1,193,333.76 | 1,229,133.77 | 1,266,007.79 |
| Vacancy & Collection Loss | -78,738.21 | -81,100.35 | -83,533.36 | -86,039.36 | -88,620.54 |
| Interest Income | 10,944.00 | 10,944.00 | 10,944.00 | 10,944.00 | 10,944.00 |
| EFFECTIVE GROSS INCOME | 1,057,037.31 | 1,088,420.11 | 1,120,744.40 | 1,154,038.41 | 1,188,331.24 |
| EXPENSES | | | | | |
| General & Administrative | 51,408.00 | 53,464.32 | 55,602.89 | 57,827.01 | 60,140.09 |
| Management | 47,074.20 | 48,957.17 | 50,915.45 | 52,952.07 | 55,070.15 |
| Payroll & Payroll Tax | 128,835.00 | 133,988.40 | 139,347.94 | 144,921.85 | 150,718.73 |
| Repairs & Maintenance | 59,760.00 | 62,150.40 | 64,636.42 | 67,221.87 | 69,910.75 |
| Utilities | 19,863.36 | 20,657.89 | 21,484.21 | 22,343.58 | 23,237.32 |
| Water, Sewer & Trash | 55,814.40 | 58,046.98 | 60,368.86 | 62,783.61 | 65,294.95 |
| Insurance | 35,297.60 | 36,709.50 | 38,177.88 | 39,705.00 | 41,293.20 |
| Property Tax | 93,600.00 | 97,344.00 | 101,237.76 | 105,287.27 | 109,498.76 |
| Replacement Reserves | 36,000.00 | 37,440.00 | 38,937.60 | 40,495.10 | 42,114.91 |
| Servicing and Monitoring | 5,000.00 | 5,000.00 | 5,000.00 | 5,000.00 | 5,000.00 |
| TOTAL EXPENSES | 532,652.56 | 553,758.66 | 575,709.01 | 598,537.37 | 622,278.86 |
| NET OPERATING INCOME | 524,384.75 | 534,661.45 | 545,035.39 | 555,501.04 | 566,052.38 |