

APPENDIX A

AUSTIN HOUSING FINANCE CORPORATION APPLICATION FOR BOND FINANCING OR TRANSFER

I, the undersigned duly authorized representative of _____
_____ (the "Applicant") the owner of the proposed residential development described Executive Summary attached and in the Residential Development Financing Questionnaire, do hereby make application to Austin Housing Finance Corporation (the "Austin HFC") in accordance with the Austin HFC's Rules and Regulations Regarding the Financing of Multi-Family Rental Residential Developments, dated July 13, 2001 (the " Rules"). In connection therewith, I do hereby declare and represent as follows:

1. The applicant intends to own, construct or rehabilitate and operate a multi-family rental residential development (the "Development") to be located within the City of Austin, Texas, and desires that the Issuer issue obligations to provide financing for such residential development in accordance with the Rules.

2. The Applicant has received a copy of the Rules, has reviewed the Rules and hereby agrees to comply with all terms and provisions of the Rules, except such provisions as may be expressly waived by the Board of Directors of the Austin HFC. Further Applicant agrees to comply with all terms and provisions of any rules finally approved by the Board prior to approval of an inducement resolution.

3. The Applicant has submitted herewith two completed copies of the Residential Development Financing Questionnaire as part of this Application for Financing. To the best of my knowledge, the information contained therein is true and correct. Additionally, the Applicant has submitted herewith:

- If applying for a portion of the State Bond Cap, a \$500.00 check payable to the Texas Bond Review Board.
- \$1,000.00 of the non-refundable processing fee (this amount is not credited against the Closing Fee even if Bonds are issued) required by the Rules. Upon approval by the State of Texas of:
 - Low Income Housing Tax Credits; or
 - Allocation of a portion of the State Bond Cap,the \$4,000.00 remaining balance of the total non-refundable fee will be paid within fifteen calendar days following issuance of an allocation letter from the Texas Bond Review Board;
or
- \$5,000 (this amount is not credited against the Closing Fee even if Bonds are issued).

5. The Applicant will (a) pay all Development cost which are not or cannot be paid or reimbursed from the proceeds of the bonds issued to provide funds to finance the Development and (b) at all times, indemnify, and hold harmless the Austin HFC against all losses, costs, damages, expenses, and liabilities of whatever nature (including, but not limited to, attorneys' fees, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments) directly or indirectly resulting from, arising out of or related to this Application, any Inducement Resolution adopted by the Austin HFC pursuant to this Application, the Development, or the issuance, offering, sale, or delivery of the bonds or other evidences of indebtedness issued to provide funds to finance the Development, or the design, construction, rehabilitation, installation, operation, use, occupancy, maintenance, or ownership of the Development.

Based on the foregoing, the Applicant requests that the Board of Directors of the Austin Housing Finance Corporation grant preliminary approval of this Application for Financing in accordance with the Rules.

WITNESS MY HAND ON _____, _____.

(NAME OF APPLICANT)

BY: _____

Title: _____

Executive Summary for

_____ Apartments

Project Name _____ Apartments

Location: _____ (address)

Developer: _____, Ltd.

% _____ Sponsor.

Proposed Bond Issue amount: \$ _____

Set Aside/ Lottery Priority: _____ first _____ second _____ third
with _____ % of units for families with incomes below
_____ of MFI

No. of Units and : _____ units with _____ eff _____ 1/2, _____ 2/1
And their composition
_____ 2/2, _____ 3/2, _____ 4/2

Rent Range: from \$ _____ to _____

Size of Units

Eff with _____ Square feet and proposed rents of _____
1/1 with _____ Square feet and proposed rents of _____
2/1 with _____ Square feet and proposed rents of _____
2/2 with _____ Square feet and proposed rents of _____
3/2 with _____ Square feet and proposed rents of _____
4/2 with _____ Square Feet and proposed rents of _____

Total Project Cost of \$ _____

**Austin Housing Finance Corporation
RESIDENTIAL PROJECT FINANCING QUESTIONNAIRE
(Rental Housing)**

This Questionnaire is designed to elicit information regarding the proposed multi-family residential rental project ("Development") which will enable Austin Housing Finance Corporation (the "Corporation") and its bond counsel, McCall, Parkhurst & Horton L.L.P., to evaluate your request that the Corporation issue tax-exempt private activity bonds ("the Bonds") to finance the Development. The Bonds will be subject, among other requirements, to the requirements of section 142(a)(7) of the Internal Revenue Code of 1986 (the "Code"). The applicant understands that the information provided in response to this questionnaire, including any attachments or documents, will be employed and relied upon by the Corporation and its bond counsel, McCall, Parkhurst & Horton L.L.P. for purposes of determining the Development's qualification with such requirements. **The acceptance of this application by the Corporation or its bond counsel should not be construed as, and is not intended to be, evidence of an intent by the Corporation to issue the Bonds or an approval by the Corporation or its bond counsel of the proposed transaction.**

These questions have been broadly stated to permit the applicant to provide a complete factual description. Questions should be answered completely, with additional pages attached where necessary. If there is uncertainty about any question, then such uncertainty should be noted, regardless of how the question is resolved. The applicant should consult with its legal counsel or may consult with McCall, Parkhurst & Horton L.L.P. during the course of completing the questionnaire. The applicant, however, should be aware that consultation with the firm of McCall, Parkhurst & Horton, L.L.P. does not constitute the establishment of an attorney/client relationship and that such firm will at all times be considered bond counsel for the Corporation.

1. Applicant Information

- 1.1. Name, address and telephone number of the Applicant, i.e., the entity that will own the residential development for which financing is requested (referred to hereinafter as the "Development").

Name_____

Address_____

City, State, Zip Code_____

Phone Number:_____

Form of organization of the Applicant.

- | | |
|--|--|
| <input type="checkbox"/> Corporation G 501(c)(3) Nonprofit | <input type="checkbox"/> General Partnership |
| <input type="checkbox"/> Limited Partnership | <input type="checkbox"/> Partnership |
| <input type="checkbox"/> Other _____ | |

- 1.2. Name, address and telephone number of the representative of the Applicant with whom the Issuer should communicate.

Name_____

Address_____

City, State, Zip Code_____

Phone Number:_____

- 1.3. Summarize prior development experience of the Applicant or its principals, indicating date of project, size of project, type of project, location of project and method of financing (Attach a separate sheet of paper, if necessary).

2. Description of the Ownership, Management and Control of the Development.
- 2.1. State the name of the corporation, partnership, trust or individual (hereinafter called the "Applicant") to be treated as the owner of the Development for federal income tax purposes and specify (a) the employer identification number of such Applicant, (b) the address of the principal place of business of such Applicant and (c) if the Applicant is a partnership, the name of the general partners of the Partnership. If the Applicant does not have an employer identification number, a number should be applied for on Form SS-4 and a copy of such form should be sent to McCall, Parkhurst & Horton L.L.P.
- 2.2. Name any person (hereinafter called the "Manager"), other than the Applicant, who will manage the Development or any portion thereof and describe the terms of such management arrangement (including, but not limited to, the initial term of any contract, any renewal provisions, the fee to be paid the Manager and the terms of the cancellation provisions). If a proposed management contract has been drafted, or a form of contract will be used, attach a copy of the document in lieu of describing its terms. Also, specify the address of the principal place of business of the Manager.
- 2.3. State the name of any related person, as defined in **EXHIBIT 1** to the Applicant or Manager.
- 2.4. Will any dwelling unit in the Development be occupied by the Applicant, Manager or any related person thereto? If "yes," will the Applicant or related person occupy a unit in a building with five or fewer units? For a definition of the term "related person" please refer to **EXHIBIT 1**.
- 2.5. State whether the Applicant has any present plans or arrangements to sell all or any portion of the Development prior to the final maturity date for the Bonds.

ANSWER THE FOLLOWING QUESTIONS 2.6 to 2.12, ONLY IF THE DEVELOPMENT IS AN EXISTING DEVELOPMENT, WHICH WILL BE ACQUIRED WITH THE PROCEEDS OF THE BONDS.

- 2.6. State the name of the seller of the Development and type of business entity (e.g., corporation, partnership, or trust) and attach a copy of the contract of sale and related documents that will be used to acquire the Development. If there have been any other owners of the Development during the previous five (5) years, list such other owners (and the type of business entity) and the period they owned the Development.
- 2.7. State the date on which the Development was originally placed in service by the seller or other prior owner.
- 2.8. State the date on which the Applicant proposes to close the acquisition of the Development.

- 2.9 List any persons or entities, other than the seller and any prior owners listed in response to question 6, that are or were within the previous five (5) years "substantial users" of the Development within the meaning of section 147(a) of the Code. (Generally, a person or entity is a "substantial user" if the facility was constructed or acquired specifically for such person or entity or if such person or entity regularly uses more than five (5) percent of a facility in its trade or business or derives gross revenue from the facility in excess of five (5) percent of all revenue derived from the facility by all users. Except in unusual circumstances, a "manager" of an apartment project is a "substantial user".)
- 2.10 State whether the seller, any other prior owners listed in response to question 2.06 or any "substantial users" listed in response to question 2.09 are related persons to the Applicant or the Manager. (A definition of related person is set forth in **EXHIBIT 1**.)
- 2.11 State whether the Applicant or any related person as defined in **EXHIBIT 1** had any rights in any portion of the Development prior to the Date of Official Action, as defined in 4.03 and, if so, the nature of such rights.
- 2.12 State whether the seller, any prior owners listed in response to question 2.06 or other substantial users listed in response to question 2.09 will have any rights with respect to the Development after the Bonds are issued and, if so, the nature of such rights.

3. Description and Location of Development.

- 3.1 Provide the street address of the Development and the state, county, and incorporated municipality, if any, in which the Development is located (Please attach a legal description of the boundaries of the Development site).
- 3.2 Amount of financing applied for: \$ _____
- 3.3 Estimated or actual date of commencement: _____/_____/____
- 3.4 Estimated date of completion: _____/_____/____
- 3.5 Describe any existing improvements presently located on the Development site. If none, please write "none".
- 3.6 Indicate the number of Tenants or residences or businesses displaced by the Development, if any (Applicant should attach a discussion of the procedures, which will be undertaken to minimize the impact of any displacement resulting from the Development).

3.7 If the Applicant presently owns the Development site, indicate: (include copy of Mortgage/Title).

Purchase Date: _____/_____/_____
 Purchase Price: \$ _____
 Balance of Existing Mortgage: \$ _____
 Holder of Existing Mortgage: _____

3.8 If the Applicant presently holds an option to purchase the Development site, indicate: (include copy of Option Contract).

Present Owner: _____
 Date of Option Agreement: _____/_____/_____
 Purchase Price: \$ _____
 Expiration Date of Option Agreement: _____/_____/_____

3.9 If the Applicant has executed a contract to purchase the Development site, indicate: (Include a copy of Contract to Purchase).

Present Owner: _____
 Date of Contract to Purchase: _____/_____/_____
 Purchase Price: \$ _____
 Settlement Date of Contract to Purchase: _____/_____/_____

NOTE: If the Development is to be financed with the assistance of mortgage insurance from the **Federal Housing Administration**, attach a current completed copy of FHA Form No. 2013 and **omit the following questions 3.10 through 3.14**

3.10 Indicate the number of units, type (number of bedrooms), approximate size (square footage), and projected rents of the dwelling units to be included in the Development. Also provide current rent range if an existing project. Please attach a site sketch showing the proposed location of the dwelling units on the Development site.

Number of Units	Type of Units	Size of Units	Monthly Rent
_____	_____	_____ sf	\$ _____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Totals	_____	_____ sf	\$ _____

3.11 Describe any additional facilities to be included in the Development, such as parking, laundry, office or recreational facilities. If any of such facilities are expected to generate income, indicated projected amount of such income.

3.12 Indicate which of the following, if any, tenants will be required to pay on an individual basis.

- | | | | |
|--------------------------|-----------------|--------------------------|----------------|
| <input type="checkbox"/> | Electricity | <input type="checkbox"/> | Gas |
| <input type="checkbox"/> | Water and Sewer | <input type="checkbox"/> | Garbage Pickup |

3.13 Provide a pro forma cash flow statement for the Development's first three years of occupancy. Include your assumptions and specifically the administrative costs, operating costs, maintenance costs, taxes, cash flow available, and debt service.

3.14 Please provide a full source and use of funds statement. Indicate the estimated costs of developing, constructing and equipping the Development and the source of the funds. Attach a separate sheet if necessary to provide a complete summary of Development costs. If an acquisition and development project, please outline in detail what will be rehabilitated and at what cost.

Land	\$ _____
Construction	_____
Design	_____
Surveys & Soil Testing	_____
Equipment	_____
Construction Insurance	_____
Construction Period Interest	_____
Other (Specify)	_____
TOTAL	\$ _____

3.15 Provide a discussion of the Development's proximity and convenience to places of employment.

3.16 Provide a map or diagram indicating the Development's proximity to public transportation.

3.17 What is the Development's:

density = _____ units/acre

height = _____ feet

3.18 Describe the exterior construction materials to be used.

3.19 Described the proposed landscaping plan.

3.20 Describe the energy or water conservation features to be incorporated into the Development including passive or active solar design systems or xeriscape.

3.21 Attached as **EXHIBIT 2** is a list of the design criteria imposed by Treas. Reg. ' 1.103-8(b) for a "project for residential rental property" and section 142(a)(7) of the Code. Describe any aspect of the design of the Development that is not specifically covered by such criteria or which deviates in any respect from such criteria. List any amenities or functionally related and subordinate facilities to be included in the Development other than swimming pools, recreational facilities, parking areas, heating and cooling equipment, trash disposal equipment, units for resident managers or maintenance personnel.

- | | |
|---|--|
| <input type="checkbox"/> Range | <input type="checkbox"/> Sink Disposal |
| <input type="checkbox"/> Refrigerator | <input type="checkbox"/> Carpet |
| <input type="checkbox"/> Air Conditioning | <input type="checkbox"/> Drapes |
| <input type="checkbox"/> Dishwasher | <input type="checkbox"/> Fireplace |
| <input type="checkbox"/> Washer | <input type="checkbox"/> Dryer |
| <input type="checkbox"/> Other _____ | |

3.22 Describe any portion of the Development (other than the functionally related and subordinate facilities described in the answer to question above) that will be used for a purpose other than to provide dwelling units.

3.23 State any limitations, other than income limitations, which the Applicant proposes to impose on tenants in order for such tenants to occupy a dwelling unit in the Development, including any minimum period that such dwelling unit must be occupied or any requirement that such tenant be a member of a specified group or class of persons.

3.24 Please list the expected income levels of expected tenants, including the distribution and percentage of such tenants throughout the Development. Please refer to **EXHIBIT 3** for a description of the income limitations which would be imposed on the Development were the Bonds to be issued.

3.25 Does the Applicant anticipate using "rent skewing" as a method of rent subsidy for low- income tenants?

3.26 Indicate the type and amount of costs expended or incurred (including orders for any Development equipment) with respect to the Project prior to the current date. If non, please write "none".

3.27 Describe any restrictions to be imposed by the Applicant on Development tenants, including family size, pets or others.

3.28 The Applicant has made application for HUD housing assistance payments under Section 8 of the United States Housing Act of 1937 with respect to what percentage of the Development units? If existing, what percentage of the units are rented to Section 8 tenants. Will the Project continue to accept Section 8 tenants?

- _____ 100% of the Project units
- _____ 20% of the Project units
- _____ None

Please attach a copy of HUD approval letter, if any.

3.29 Has the Applicant made, or does the Applicant intend to make, application for FHA mortgage insurance under Section 221 of the National Housing Act of 1934?

- 9 Yes, for insurance of advances.
- 9 Yes, for insurance upon completion only.
- 9 No.

Please attach a copy of FHA SAMA letter, conditional commitment or firm commitment, if any.

3.30 Indicate any other rent supplement, loan guarantee, grant or mortgage insurance for which the Applicant has made, or intends to make, application with respect to the Development. If none, please write "none".

3.31 Indicate the percentage of the Development costs for which the Applicant desires financing and the amount of equity investment in the Development which the Applicant proposes to make.

3.32 If the Applicant is a limited partnership, indicate whether it is anticipated that there will be a syndicated offering of partnership shares.

3.33 Indicate what percentage of the requested financing is to be applied to refinance any existing mortgage or outstanding loan. If none, please write "none".

3.34 Indicate whether the Applicant desires that the Issuer issue obligations to provide:

- 9 Permanent financing only
- 9 Both construction and permanent financing.

If permanent financing only, indicate source of construction financing.

- 3.35 If available, indicate the identity of the entity, which is expected to purchase the Issuer's bonds to provide financing for the Development. Please attach a copy of any letter of commitment or letter of intent from such prospective purchaser.
- 3.36 If the identity of the prospective purchaser of the Issuer's obligations is not yet available, describe the proposed method of sale (i.e., private placement of bonds, public offering of bonds, mortgage loan).
- 3.37 Attach audited financial statements or other information for the preceding three years for the Applicant, and Guarantor, or sponsor, if any.
- 3.38 Attach unaudited financial statements, current within 90 days, if the audited financial information is not current within 90 days (Form 10-Q available).
- 3.39 Detail any changes subsequent to the date of the most recent financial statements which may have a material effect on the Applicant's financial position.

4. Costs of the Development and the Bond.

- 4.1 Complete the attached **SCHEDULES A through D** for the Development using the Applicants present expectations regarding the amount of anticipated costs in each category listed on such schedules. The term "Development Costs" is defined in **EXHIBIT D**. "Qualified Development Costs" are Development Costs which are incurred for the purpose of providing a project for residential rental property and facilities functionally related and subordinate thereto, within the meaning of section 142(a)(7) of the Code and Treas. Reg. ' 1.103-8, but only to the extent that such costs are paid or incurred by the Applicant after the Date of Official Action and only to the extent that such costs are chargeable to the Development's capital account for federal income tax purposes or would be so chargeable either with a proper election (under the Code) by the Applicant or but for a proper election by the Applicant to deduct such costs.
- 4.2 Calculate and specify the anticipated investment earnings on the Bond proceeds pending their expenditure on the Development. This calculation should take into account the drawdowns listed on **SCHEDULE C** and should provide for compounding of investment earnings. Attach workpapers showing method of calculation and rates used.
- 4.3 State the date on which you wish the Corporation to adopt its resolution of intent to issue the Bonds (the "Date of inducement resolution or Official Action") and the expected date of Tax Equity Financial Responsibility Act (TEFRA) Public Hearing, and projected date of issuance of the Bonds.
- 4.4 Specify the date construction or rehabilitation of the Development commenced or is expected to commence.
- 4.5 Specify the expected date of completion of the construction or rehabilitation of the Development. If the construction of the Development will be completed in stages (i.e., some units will be available for occupancy before all units are completed), complete the following schedule of staged completion:

<u>Number of Units</u>	<u>Percentage of Project</u>	<u>Completion Date</u>
_____	_____	____/____/____
_____	_____	____/____/____
_____	_____	____/____/____
_____	_____	____/____/____
_____	_____	____/____/____
_____	_____	____/____/____
_____	_____	____/____/____

- 4.6 Describe all preparatory work done, and all progress made, prior to the Date of Official Action, in respect of the design, acquisition or construction of the Development. Identify any costs of the Development that were paid or incurred prior to the Date of Official Action or which will be paid or incurred pursuant to contracts, agreements, purchase orders, commitments, internal work orders and similar evidences of commitment entered into prior to such date. Attach copies of such contracts. For this purpose, (i) any amount paid or incurred by any manufacturer, vendor, or seller with respect to any custom-made components of the Development pursuant to any agreement with the Applicant or any Related Person to the Applicant and (ii) the amount of any cancellation penalties, liquidated damages, down payments or deposits for which the Applicant or any Related Person to the Applicant was obligated or had made an expenditure, shall be treated as an amount "paid or incurred." (A definition of related person is set forth in **EXHIBIT 1**.)
- 4.7 If the contract of sale for any used property to be financed with the proceeds of the Bonds specifies an allocation of the purchase price between land, equipment and buildings, then state the manner in which such allocation was made.
- 4.8 **[To Be Completed if the Development is Pre-existing]** Complete **SCHEDULE E** to show the allocation of that portion of the purchase price allocable to any used property to be acquired with the proceeds of the Bonds and the amount of budgeted rehabilitation expenditures with respect to each building comprising the Development. Describe the method used to make such allocations.
- 4.9 Describe in detail the nature of the proposed rehabilitation expenditures to be incurred. Specify whether the nature of the expenditures to be incurred for each building are the same and, if not, describe the differences. "Rehabilitation expenditures" must be incurred for property (or additions or improvements to property) in connection with the rehabilitation of a building comprising a part of the Development and, in the case of an integrated operation contained in such a building before its acquisition by the Applicant, the rehabilitation of existing equipment in such building or the replacement of such equipment with substantially similar equipment. Expenditures described in section 48(g)(2)(B) of the Code (other than clause (i) thereof) do not qualify as "rehabilitation expenditures." See Treas. Reg. 1.48-11(b) for a definition of "rehabilitation." Note that this definition is subject to applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of Treasury or the Internal Revenue Service with respect to the rehabilitation of existing buildings financed with the proceeds of obligations described in section 142(a) of the Code.
- 4.10 Please provide estimates of the economic useful life of each separate property in the Development, together with the placed-in-service date and the expected cost thereof financed with the proceeds of the Bonds.

5. Description of Bonds.

- 5.1 Please provide the names and addresses of the financial investment firm or company which the Applicant has recommended or expects to recommend to the Corporation to underwrite, sell or purchase the Bonds.
- 5.2 Please provide the names and addresses of the legal counsel and financial advisors, if any, to be used by the Applicant in connection with the issuance of the Bonds (**NOTE:** Corporation will retain at Applicant's expense its bond counsel and financial advisor in addition to any firm's retained by Applicant).
- 5.3 Please provide the name and address of the bank, which is to be the trustee for the Bonds (**NOTE:** Corporation will retain at Applicant's expense trustee for the Bonds).
- 5.4 Please provide the names and addresses of any obligor or guarantor, other than the Applicant, for the Bonds, including any provider of a letter of credit or bond insurance.
- 5.5 List all recurring fees, such as letter of credit fees, servicing fees, trustee fees, etc., that the Applicant is required to pay or reimburse in connection with the proposed financing.
- 5.6 Identify any other issue of governmental obligations ("Other Issues") that has been or will be sold within 15 days before or after the expected date of sale of the Bonds and with respect to which there is common security for purposes of paying debt service. Security is common when the same funds are available to, and the same person may, pay debt service on such obligation, or when such obligations are or will be guaranteed by the same person (including the United States of America or an agency or instrumentality thereof) or pledge of the same assets. Provide the (actual or expected) identity of the issuer, face amount, date of issue, interest rate, and purchaser of the other issues.
- 5.7 If there are any Other Issues, state whether each Other Issue and the Bonds will be used with respect to two or more developments which have, or will have, as the same principal user the same person or a related person. (The term "related person" is defined in **EXHIBIT 1**.) For purposes of the preceding sentence, a principal user includes any person (or group of related persons) which (i) guarantees, arranges, participates in or assists with the issuance (or pays any portion of the cost of issuance) of any obligation the proceeds of which are to be used to finance or refinance a facility, and (ii) provides any property or any franchise, trademark, or trade name that is to be used in connection with the facility.

6. Private Participation Information

6.1 The Contractor for this Development will be (summarize prior development experience of the Contractor or its principals, indicating date of project, size of project, type of project, location of project and method of financing):

Name: _____

Address: _____

City, State, Zip Code: _____

Phone Number: _____

6.2 The Design Architect will be (summarize prior development experience of the Design Architect or its principals, indicating date of project, size of project, type of project, location of project and method of financing):

Name: _____

Address: _____

City, State, Zip Code: _____

Phone Number: _____

6.3 The Inspecting Architect will be:

Name: _____

Address: _____

City, State, Zip Code: _____

Phone Number: _____

6.4 The Managing Agent for this project will be (summarize prior development experience of the Managing Agent or its principals, indicating date of project, size of project, type of project, location of project and method of financing):

Name: _____

Address: _____

City, State, Zip Code: _____

Phone Number: _____

I hereby certify that I am familiar with the Development and am authorized by the Applicant to provide the foregoing information, which information is true to the best of my knowledge.

SIGNATURE OF PERSON
COMPLETING THIS FORM:

Printed Name: _____

Title: _____

Date: ____/____/____

Telephone No.: _____ / _____ - _____

Date of Form: 6/04/98

EXHIBIT 1

Definition of Related Person

Individual: "Related persons" to an individual include but are not limited to:

- (1) members of his family (spouse, brothers, sisters, ancestors and lineal descendants);
- (2) a corporation more than 50% in value of the outstanding stock of which is owned, directly or indirectly, by or for such individual. Stock is indirectly owned if it is owned by the individual's family, the individual's partner, or a corporation, partnership or trust in which the individual is a shareholder, partner or beneficiary (however, only a proportionate share of any stock owned by such partnership, corporation or trust is considered to be owned by the individual). If, for example, Corporation X owns 100 shares of Corporation Y and an individual owns 25% of Corporation X, the individual will be deemed to own 25 shares of Corporation Y;
- (3) a partnership, if the individual owns, directly or indirectly, more than 50% of the capital interest or the profits interest in such partnership;
- (4) a trust as to which the individual is either grantor or beneficiary, or which has the same grantor as a trust as to which the individual is beneficiary.

Partnership: "Related persons" to a partnership include:

- (1) a partner that owns, directly or indirectly, more than 50% of the capital interest or the profits interest in such partnership;
- (2) another partnership, if the same person or persons own, directly or indirectly, more than 50% of the capital interest or the profits interest in both partnerships;
- (3) a corporation, if the same person or persons that own more than 50% in value of the outstanding stock of such corporation own more than 50% of the capital interest or the profits interest in the partnership.

Corporation: "Related persons" to a corporation include:

- (1) an individual who owns, directly or indirectly, more than 50% in value of the outstanding stock of the corporation;
- (2) a partnership, if any partner owns more than 50% in value of the outstanding stock of the corporation;
- (3) a partnership, if the same person or persons that own more than 50% in value of the outstanding stock of such corporation own more than 50% of the capital interest or the profits interest in the partnership;
- (4) another corporation that owns more than 50% of the voting power or value of the corporation;
- (5) another corporation, if more than 50% of the voting power or value of its stock is owned by the corporation;
- (6) another corporation, if five or fewer individuals own stock possessing more than 50% of the value of both corporations;
- (7) a subchapter S corporation, if the same persons own 50% in value of both the subchapter S corporation and the corporation;

- (8) a trust or its grantor either of which owns more than 50% in value of the outstanding stock of the corporation.

Subchapter S Corporation: "Related persons" to a subchapter S corporation include:

- (1) an individual who owns, directly or indirectly, more than 50% in value of the outstanding stock of the subchapter S corporation;
- (2) a partnership, if the same person or persons that own more than 50% of the capital interest or the profits interest of such partnership own more than 50% in value of the outstanding stock of the subchapter S corporation;
- (3) another corporation, if more than 50% of the voting power or value of its stock is owned by the subchapter S corporation;
- (4) another corporation (whether or not a subchapter S corporation), if the same persons own 50% in value of both that corporation and the subchapter S corporation;
- (5) a trust or its grantor either of which owns more than 50% in value of the outstanding stock of the subchapter S corporation.

Trust: "Related persons" to a trust include:

- (1) a grantor or beneficiary of the trust;
- (2) another trust, if the same person is a grantor for both trusts;
- (3) a beneficiary of another trust, if the same person is a grantor of both trusts;
- (4) a corporation more than 50% in value of the outstanding stock of which are owned, directly or indirectly, by the trust or the grantor of the trust.

When used herein, the term "person" means an individual, a trust, estate, partnership, association, company or corporation.

EXHIBIT 2

Design Criteria For Development

- (a) The Development must consist of one entire building or structure or may consist of several proximate and interrelated buildings or structures. The building(s) or structure(s) must be a discrete edifice or other man-made construction consisting of an independent foundation, outer walls and a roof. A single unit which is not a complete building does not qualify. The buildings or structures must be (i) located on a single tract of land or two or more parcels of land that are contiguous (i.e., their boundaries met at one or more points) except for the interposition of a road, street, stream or similar property, (ii) owned by the same person for federal tax purposes, and (iii) financed pursuant to a common plan, that is generally the issuance of the Bonds. Of course, a combination of tax-exempt financing and taxable loans or equity contributions can be used.
- (b) Substantially all (at least, 95 percent) of the Development must consist of similarly constructed dwelling units together with functionally related and subordinate facilities for use by Development tenants.
- (c) Each dwelling unit in the Development must contain complete facilities for living, sleeping, eating, cooking and sanitation, e.g., a living area, a sleeping area, bathing and sanitation facilities, and cooking facilities equipped with a cooking range, refrigerator and sink, all of which are separate and distinct from other units.
- (d) Facilities that are functionally related and subordinate such as swimming pools, other recreational facilities, parking areas, heating and cooling equipment, trash disposal equipment, units for resident managers or maintenance personnel and other facilities that are reasonably required for the Development. The land and the facilities that are functionally related and subordinate to the dwelling units comprising the Development must be of a size and character which is commensurate with the size and number of such dwelling units.
- (e) The dwelling units must be used other than on a transient basis and be available for members of the general public. No portion of the Development consists of a hotel, motel dormitory, fraternity or sorority house, rooming house, hospital, nursing home, sanitarium, rest home, trailer park or court for use on a transient basis.

EXHIBIT 3

Income Limitations for Low-Income Units

1. **20-50 Test** -20 percent or more of the units in the Development will be occupied by tenants whose income is 50 percent or less of area median gross income.

or

2. **40-60 Test** - 40 percent or more of the units in the Development will be occupied by tenants whose income is 60 percent or less of the area median gross income.

3. **Definition of area median income.** Income is determined in the same manner as determinations of lower income families and area median gross income under section 8 of the United States Housing Act of 1937 (or similar program). The Internal Revenue Service periodically updates these limits in a revenue procedure, which may be obtained from McCall, Parkhurst & Horton, L.L.P.

4. **Continuous Requirement.** Except as stated below, a tenant who satisfies the requirement on the date of commencement of the occupancy is considered to continue to satisfy the limitation throughout the occupancy. The preceding sentence shall not apply if the tenant's income exceeds 140 percent of the applicable income limit and after the determination another comparable or smaller dwelling unit in the Development is occupied by a new tenant whose income exceeds to applicable income limit. The determination of qualification of a tenant as a low-income individual is made at least annually on the basis of the current income of the resident.

5. **Rent Skewing.** In the case of a Development employing "rent skewing" the continuous requirement shall be determined when the existing tenants income exceeds 170 percent. "Rent skewing" (A) 15 percent of the dwelling units are occupied by low-income tenants whose income is 40 percent of area median income, (B) the gross rent (including section 8 assistance and utility allowances under section 8) for the low income dwelling unit does not exceed 30 percent of the applicable income limit, and (C) the gross rent of the low-income dwelling unit does not exceed 1/2 of the average gross rent for comparable units in the Development.

Definition of Development Costs

"Development Costs" shall mean and include the following costs:

- (a) the costs of architectural and engineering services related to the Development, including, without limitation, the costs of preparation of studies, surveys, reports, tests, plans, and specifications;
- (b) the costs of legal, accounting, marketing and other special services related to the Development;
- (c) fees and charges incurred in connection with applications to federal, state and local governmental agencies for any requisite approval or permits regarding the acquisition and construction of the Development;
- (d) costs incurred in connection with the acquisition of the site for the Development, including any necessary rights-of-way, easements or other interests in real or personal property;
- (e) costs incurred in connection with the acquisition, construction, improvement or extension of the buildings, structures and facilities comprising the Development;
- (f) costs incurred in connection with the acquisition and installation of any machines, equipment, appliances, fixtures, appurtenances or personal property of any kind or nature (including equipment for cooking, heating and refrigeration), which are to comprise a part of the Development;
- (g) premiums for any necessary casualty, title and other insurance purchased in connection with the Development;
- (h) interest on the Applicant's note accruing prior to and upon the date that is one year after the Scheduled Completion Date; and

- (I) other costs and expenses relating to the Development that fall within the definition of "development costs" contained in the Texas Housing Finance Corporations Act, Chapter 394, Texas Local Government Code, as amended.

SCHEDULE A

Mortgage Costs and Costs of Issuance

Issuance Costs [e. g., underwriters discount, bond counsel fees, trustee acceptance, arbitrage verification, local counsel, bond printing, official statement printing, estimated closing costs, economic consultant] [attach itemized breakdown] _____

Legal and accounting fees incurred in connection with obtaining Mortgage Loan _____

Other financing fees and costs in connection with obtaining Mortgage Loan¹ _____

Initial mortgage insurance premium, if any _____

Other [specify] _____

Total Neutral Costs

\$ _____

Qualified Development Costs

Land cost _____

Acquisition cost (Existing Projects only) _____

Construction/Rehabilitation costs _____

Personal property installed in Development and not included in Construction/Rehabilitation or Acquisition costs _____

Architect and Development engineering fees _____

Inspection fees _____

Legal and accounting fees incurred in connection with acquisition and construction of Development _____

Insurance during construction _____

Real estate taxes during construction _____

Surveys and soil-testing costs _____

Site preparation _____

Utility, sewage and similar improvements (whether or not off-site) _____

Off-site improvements (not included in prior category) _____

Other [specify] _____

Total Qualifying Costs (exclusive of interest during construction)

\$ _____

Gross Interest (without reduction for investment earnings) during construction or rehabilitation at the rate of _____ percent per annum. (This calculation should take into account any partial completion described in answer to question 14). ATTACH WORKPAPERS SHOWING CALCULATION. _____

Total Qualifying Costs

\$ _____

¹ Deed recording, title insurance, appraisal, architects inspecting fee, review of plans, administration of funds, surveyor, builder's risk insurance, Letter of Credit fees.

SCHEDULE B

Non-qualifying Costs

Land costs, construction costs, and any other expenditures paid or incurred prior to the Issuer's passage of a resolution expressing its intention to issue bonds to provide financing for the Development (including architects' fees, costs of plans and specifications and legal and financing charges) _____

Actual costs of construction of any portion of the Development not deemed to be "residential rental property" under section 1.103-8(b) of the Regulations promulgated under section 142(a)(7) of the Code; or if the actual cost related to such portion is undeterminable, the costs of construction allocable to such portion, which shall bear the same proportion to the total costs of construction as the rental value of such portion bears to the rental value of the Development taken as a whole _____

Post-Construction Interest _____

Post-Construction Insurance and Marketing Fees _____

Real Estate Taxes after Completion of Construction _____

Prepaid management fee _____

Other Costs not listed in **SCHEDULE A** [specify] _____

Total Non-qualifying Costs \$ _____

SCHEDULE C

Anticipated Cost Drawdown

<u>Period</u>	<u>Amount</u>
Year _____	
January	\$ _____
February	_____
March	_____
April	_____
May	_____
June	_____
July	_____
August	_____
September	_____
October	_____
November	_____
December	_____
Total for _____	\$ _____

<u>Period</u>	<u>Amount</u>
Year _____	
January	\$ _____
February	_____
March	_____
April	_____
May	_____
June	_____
July	_____
August	_____
September	_____
October	_____
November	_____
December	_____
Total for _____	\$ _____

	<u>Period</u>	<u>Amount</u>
Year _____		
	January	\$ _____
	February	_____
	March	_____
	April	_____
	May	_____
	June	_____
	July	_____
	August	_____
	September	_____
	October	_____
	November	_____
	December	_____
Total for _____		\$ _____

	<u>Period</u>	<u>Amount</u>
Year _____		
	January	\$ _____
	February	_____
	March	_____
	April	_____
	May	_____
	June	_____
	July	_____
	August	_____
	September	_____
	October	_____
	November	_____
	December	_____
Total for _____		\$ _____

SCHEDULE D

ACRS and Depreciation Summary

<u>Project Component</u>	<u>Cost</u>	<u>ACRS Period</u>	<u>Estimated Economic Life*</u>
Land	\$ _____	_____	_____
Land improvements (e.g., landscaping, driveways, etc.)	_____	_____	_____
Structures	_____	_____	_____
Personal property installed in Project	_____	_____	_____
Interest during construction	_____	_____	_____
Other [Specify]	_____	_____	_____
Total Qualified Development Costs	\$ _____	_____	_____
Weighted average estimated economic life of land**, land improvements, structures and personal property:			_____

* The economic lives to be shown in column three are the useful lives that would have been used for depreciation purposes under section 167 of the Code prior to the enactment of the ACRS system under section 168 of the Code (i.e., the mid-point lives under the Class Life Asset Depreciation Range System of section 167(m) of the Code where applicable and the guideline lives under Rev. Proc. 62-21, 1962-2 C.B. 418, in the case of structures) reduced proportionately by the period of time that has elapsed since the assets were originally placed in service.

** If land cost equals or exceeds 25 percent of Bond proceeds, assign 50 years as economic life for purposes of "weighted average economic life" computation. If less than 25 percent, eliminate from calculation.

[Fill out only if Development is an existing development which will be rehabilitated.]

SCHEDULE E

Allocation of Rehabilitation Expenditures

Building (including
integrated equipment)

Acquisition
Cost

Rehabilitation
Expenditure

Accommodation of Tenants

Date or projected date of first meeting with tenants. _____

Date of posing of TEFRA hearing notice at apartment complex. _____

Future plans for the project with respect to rents, phasing in of any expected rent increases, set asides for 50%, 60% 80% of MFI or for Section 8 tenants, implementation of rent increases, displacement, level of rehabilitation, additional services to tenants to be provided, plans with regard to retaining of current management or installation of new management, etc.

Plans for meeting tenant repair needs.

Extent of tenant participation in operation of the project. (CHDO designation for non profit owers.)

Describe any plans for accesibility and or visitability improvements or modifications. Pojected cost, expected completion date.