



Good Neighbors

San Diego
Housing Commission

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- ◆ San Diego, California 92113-1038
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- ◆ FAX: 619/544 9193
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REPORT

DATE ISSUED: August 31, 2005

ITEM 104

REPORT NO.: HCR05-088
For the Agenda of September 16, 2005

SUBJECT: Request to Extend Agreement Regarding Use of Section 8 Rents at
Creekside Villa Apartments (Council District 4)

SUMMARY

Issue 1: Should the Housing Commission agree to extend its Agreement with the owners of Creekside Villa Apartments regarding the collection and disposition of Section 8 rents?

Recommendation: Deny the request to extend the Regulatory Agreement with Creekside Holdings, Ltd., that allows collection of Section 8 rents in a bond-financed property, an exception to the bond program policy.

Fiscal Impact: None with this action.

Affordable Housing Impact: Creekside Villa Apartments consists of 144 units, of which 43 are rented at rates affordable at 50 percent of Area Median Income (AMI) (\$34,500 for a family of four).

Environmental Review: This action is categorically exempt and/or excluded from the provisions of NEPA and is not a project for the purposes of CEQA.

Previous Related Action(s): At its meeting of May 7, 1999, the Housing Commission voted to allow the owners to collect Section 8 Fair Market Rents on 43 bond-restricted units for a period of five years, provided that the "excess rent" collected would be dedicated to a capital improvement fund for the project. (See Attachment 1: Minutes of Housing Commission Meeting of May 7, 1999.)

Future Related Action: An exception to bond program policy would require Housing Authority approval.



A state agency authorized by the City of San Diego

BACKGROUND

On May 7, 1999, the Housing Commission approved the bond refunding of Creekside Villa Apartments, a 144-unit apartment complex located at 4685 Nogal Street. Under provisions of the refunding, rents on 30 percent of the units (43 units) are restricted at 50 percent Area Median Income (AMI) (\$34,500 for a family of four) through at least 2014 or while the 20-year bonds are outstanding (2019).

During discussion of the staff report, a request for changes in the Agreement was introduced by the developer. After much discussion, the Housing Commission agreed to allow Section 8 Fair Market rents for bond units, subject to Housing Authority approval.

DISCUSSION

Located at 4685 Nogal Street, Creekside Villa Apartments consist of one one-bedroom unit, 98 two-bedroom units, one three-bedroom unit (manager's office) and 44 four-bedroom units. The Creekside Villa Apartments are rent-restricted according to a bond regulatory agreement: 30 percent of the units (43 units) are affordable at 50 percent AMI (\$34,500 for a family of four) until the later of 2014 or the pay off of the bonds (2019).

The owner is Creekside Holdings, Ltd. ("Creekside"), a Utah limited partnership. Creekside is comprised of Casa Familiar Inc. and WTC Funding Group, LLC. Casa Familiar is the Managing General Partner with a 0.5 percent ownership interest. WTC Funding Group, LLC, is the Administrative General Partner of Creekside with a 0.5 percent ownership interest. The remaining 99 percent ownership interest is held by a group of limited partners listed in the "Developer's Statement for Public Disclosure" (Attachment 4). WTC is comprised of two individuals, Dell Loy Hansen (99%) and Tony R. Johnson (1%). Mr. Dell Loy Hansen is also president of Wasatch Property Management, which provides property management services for Creekside.

Creekside purchased the property from Creekside Villa Apartments, Ltd., a California limited partnership on July 29, 1998. When the Housing Commission gave its approval for the refunding of the bonds (May 7, 1999), the developer asked for and received permission to collect Section 8 Fair Market rents on the bond units if they were rented to families who hold a tenant-based Section 8 voucher. This approval was an exception to the Housing Commission Bond Program Policy (See Attachment 5, Housing Commission Bond Policy excerpt).

The owner contended that the rent increase would not be borne by the tenant families and that the additional funds were needed to repair and maintain the property, which gets a lot of use due to the number of children at the site.

The revenue received that was in excess of bond rents was to be deposited in a capital account governed by Housing Commission staff and dedicated to capital improvements at the site. From inception of the program in June of 1999 through May 2004, approximately \$525,000 was set aside in this account. In August of 2004, Creekside took its first draw (approximately \$190,000) to repair damage to four units caused by an accidental fire. Subsequent draw requests (approximately \$130,000) have since been processed. In 2005, Wasatch estimates that it will deposit \$156,000 into the account.

In its letter of May 10, 2005 (Attachment 3) Wasatch Property Management states that the ownership has invested an additional \$555,000 in capital improvements, plus \$400,000 in repairs and maintenance over the past five years. Average investment per year per unit (capital improvements and repairs) is approximately \$800-\$900. Housing Commission Rehabilitation staff inspected the property (grounds and interiors of two units) on September 1, 2005 and found it to be in very good condition.

As of December 31, 2004, the balance of the account was \$357,033. As stated above, Wasatch estimates the 2005 contribution to be \$156,000. Wasatch expects to draw \$350,000 this year to complete \$380,000 in planned capital improvements as part of an 18-month plan that includes re-piping for slab leaks (\$224,000), landscaping upgrades (\$65,000), exterior painting (\$55,000), water heater replacement (\$36,000), playground installation (\$25,000) site lighting upgrades (\$20,000), and other items.

According to the December 2004 Balance Sheet submitted by Wasatch (unaudited), Owners' Contributions to December 31, 2004 totaled \$796,000 and Owners' Draws totaled \$2,353,333.

Section 3.3 of the Housing Commission's bond policy 300.301 (Multifamily Mortgage Revenue Bond Program) states that,

“The maximum rent for the set-aside units may not exceed 30% of one-twelfth of 50% of area median income...The affordability of restricted units in relation to the project's market rents will be considered as part of the Housing Commission's approval of the financing. The maximum rent amounts will also apply if the set-aside units are occupied by Section 8 tenants.”

The policy does not permit owners of properties with tax-exempt bond financing to collect rents higher than bond rents, even though state and federal tax law does not prohibit this practice. The policy's intent is to discourage the coupling of bonds and Section 8 vouchers so that housing subsidy resources can be spread out to benefit more families. The recent shift in the Section 8 program funding to a set dollar based allocation system, rather than a cost based allocation, have made this need even greater as bond rents cost the Section 8 program less than Fair Market Rents.

Creekside's Income Statement for 2004 includes net income of approximately \$400,000; 2003 was reported at \$654,102. Income and expenses for 2005 appear to indicate that net income

before depreciation could be approximately ten percent lower than 2004. The economic impact of the differential between bond rents and Section 8 rents on the 43 units appears to have averaged approximately \$100,000 per year during the five years of Creekside's ownership (1999 – 2004).

The Agreement with Creekside Holdings, Ltd expired in June of 2004. Since that time, the Agreement has remained in place while staff worked with Wasatch on behalf of Creekside Holdings, Ltd. As an incentive, Wasatch has offered: (1) to extend the current regulatory agreement for a period of ten years (through 2024); and, (2) to increase the percentage of units to be held available for rent at 50% AMI from 30% to 35% (an increase of 7 units).

Currently, average rents for the restricted units are as follows:

Unit Size	Area Market Rent	Creekside Section 8 Rent	Creekside Bond Unit Rent
Two Bedrooms	\$1,110	\$989	\$731
Four Bedrooms	\$1,460	\$1,325-\$1,425	\$862

Staff does not recommend approving this request because: 1) the cash flow from the project is adequate to maintain it in a reasonable state of repair; 2) it places an unnecessary cost burden on the Section 8 program, and 3) it exacerbates the differentiation between this project and all others in the Housing Commission bond portfolio.

Termination of the Agreement will not adversely affect those tenants who are using Section 8 vouchers to pay their rent subsidy at the site. Their rent contribution will remain unchanged while the Section 8 subsidy to the owners is reduced. This economic impact could, however, encourage the owners to curtail or discontinue their participation in the Section 8 program.

ALTERNATIVES

Accept the developer's proposal as stated in Wasatch's letter of May 10, 2005 (Attachment 3). This action would require Housing Authority approval of a waiver of the Housing Commission bond policy.

Respectfully submitted,

Approved by,

Cissy Fisher
Director, Housing Finance & Development

Elizabeth C. Morris
President & Chief Executive Officer

- Attachment 1: Minutes of Housing Commission Meeting of May 25, 1999 (pages 6-10)
- Attachment 2: Letter from Wasatch Property Management Requesting Reconsideration

For the Agenda of September 16, 2005
Request to Extend Rental Agreement for Creekside Villa Apartments
Page 5

Attachment 3: Letter from Wasatch Property Management Requesting Extension
Attachment 4: Public Disclosure Statement
Attachment 5: Housing Commission Bond Policy Excerpt

Distribution of these attachments may be limited. Copies available for review during business hours at the Housing Commission offices at 1625 Newton Avenue.

Fisher: 619.578.7585

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CERTIFICATION

I (We) R. Curtis Anderson certify that this Developer's Statement for Public Disclosure and the attached evidence of the developer's qualifications and financial responsibility, including financial statements, are true and correct to the best of my (our) knowledge and belief.

Date: _____

Date: 8/9/05

Signature

R. Curtis Anderson
Signature

Title: _____

Title: Vice President

Address & ZIP Code

399 North Main, Suite 200

Logan, UT 84321



DEVELOPER'S STATEMENT FOR PUBLIC DISCLOSURE

(add extra **sheets** if you need more **space**)

1. Name of developer: Creekside Holdings, Ltd.
2. Address, phone number and ZIP Code:
**399 North Main, Suite 200
Logan, UT 84321**
3. IRS Number of Developer: **87-0615670**
4. If the developer is not an individual doing business under his own name, the developer has the status indicated below and is organized or operating under the laws of California as:

 A corporation
 A nonprofit or charitable institution or corporation
 A partnership known as: **Creekside Holdings, Ltd.**
 A business association or a joint venture known as _____
 A Federal, State or local government or instrumentality thereof.
 Other (explain) _____
5. If the developer is not an individual or a government agency or instrumentality, give date of organization: **June 22, 1998**
6. Names, addresses, phone numbers, title of position (if any) and nature and extent of the interest of the officers and principal members, shareholders, and investors of the developer, other than a government agency or instrumentality, are set forth as follows:



DISCLOSURE STATEMENT: PAGE 2

- a. If the developer is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.

- b. If the developer is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body.

- c. If the developer is a partnership, each partner, whether a general or limited partner, and either the percent of interest or a description of the character and extent of interest.

(See Attached Exhibit A)

- d. If the developer is a business association or a joint venture, each participant and either the percent of interest or a description of the character and extent of interest.

- e. If the developer is some other entity, the officers, the members of the governing body, and each person who has an interest of more than 10%.

<u>Name, Address & Zip Code</u>	<u>Phone Number</u>	<u>Position Title (if any) and percent of interest or description of character and extent of interest</u>
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DISCLOSURE STATEMENT: PAGE 3

7. Name, address and nature and extent of interest of each person or entity (not named in response to Item 6) who has a beneficial interest in any of the shareholders or investors named in response to Item 6 which gives such person or entity more than a computed 10% interest in the developer (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the developer; or more than 50% of the stock in a corporation which holds 20% of the stock of the developer):

<u>Name, Address and Zip Code</u>	<u>Description of character and extent of interest</u>
---------------------------------------	--

N/A

8. Names (if not given above) of officers and directors or trustees of any corporation or firm listed under Item 6 or Item 7 above:

Dell Loy Hansen, President
R. Curtis Anderson, Vice President
Joel Larson, Secretary
Scott Stettler, Assistant Secretary

9. Is the developer a subsidiary of or affiliated with any other corporation or corporations or any other firm or firms? If yes, list each such corporation or firm by name and address, specify its relationship to the developer, and identify the officers and directors or trustees common to the developer and such other corporation or firm.

N/A

10. The financial condition of the developer, as of _____ is reflected in the attached financial statement.

11. If funds for the development are to be obtained from sources other than the developer's own funds, a statement of the developer's plan for financing the development:

12. Sources and amount of cash available to developer to meet equity requirements of the proposed undertaking:

- a. In banks:

<u>Name, Address and ZIP Code of Bank</u>	<u>\$ Amount</u>
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DISCLOSURE STATEMENT: PAGE 4

- b. By loans from affiliated or associated corporations or firms:

<u>Name, Address and ZIP Code of Source</u>	<u>\$ Amount</u>
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- c. By sale of readily salable assets:

<u>Description</u>	<u>Market Value</u>	<u>Mortgages or Liens</u>
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13. Name and addresses of bank references:

14. Has the developer or any of the developer's officers or principal members, shareholders or investors, or other interested parties been adjudged bankrupt, either voluntary or involuntary, within the past 10 years? Yes ____ No **X**
If yes, give date, place, and under what name.

15. Has the developer or anyone referred to above as "principals of the developer" been indicted for or convicted of any felony within the past 20 years? Yes _____
No **X**

If yes, give for each case (1) date, (2) charge, (3) place, (4) Court, and (5) action taken. Attach any explanation deemed necessary.

16. Undertakings, comparable to the proposed project, which have been completed by the developer including identification and brief description of each project and date of completion:

(See Attached Exhibit B)

17. If the developer or a parent corporation, a subsidiary, an affiliate, or a principal of the developer is to participate in the development as a construction contractor or builder: **N/A**

- a. Name and address of such contractor or builder:

DISCLOSURE STATEMENT: PAGE 5

b. Has such contractor or builder within the last 10 years ever failed to qualify as a responsible bidder, refused to enter into a contract after an award has been made, or failed to complete a construction or development contract? Yes _____ No _____ If yes, explain:

c. Total amount of construction or development work performed by such contractor or builder during the last three years: \$_____

General description of such work:

d. Construction contracts or developments now being performed by such contractor or builder:

<u>Identification of</u> <u>Contract or Development</u>	<u>Location</u>	<u>Amount</u>	<u>Date to be</u> <u>Completed</u>
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e. Outstanding construction-contract bids of such contractor or builder:

<u>Awarding Agency</u>	<u>Amount</u>	<u>Date Opened</u>
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18. Brief statement respecting equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment, and the general experience of the contractor: **N/A**

DISCLOSURE STATEMENT: PAGE 6

19. Does any member of the governing body of the San Diego Housing Commission, to which the accompanying proposal is being made, or any officer or employee of the San Diego Housing Commission who exercises any functions or responsibilities in connection with the carrying out of the project covered by the developer's proposal, have any direct or indirect personal financial interest in the developer or in the proposed contractor? Yes _____ No **X**
If yes, explain.

20. Statements and other evidence of the developer's qualifications and financial responsibility (other than the financial statement referred to in Item 10) are attached hereto and hereby made a part hereof as follows:

(See Number 16 Above)

CERTIFICATION

I (We) R. Curtis Anderson certify that this Developer's Statement for Public Disclosure and the attached evidence of the developer's qualifications and financial responsibility, including financial statements, are true and correct to the best of my (our) knowledge and belief.

Date: _____

Date: _____

Signature

Signature

Title: _____

Title: Vice President

Address & ZIP Code

399 North Main, Suite 200

Logan, UT 84321

Exhibit A
Creekside Holdings, Ltd.
Limited Partnership Ownership

L. Robert Saxton & Annette G. Saxton Investments, LLC	10	Units
Dell Loy Hansen	10	Units
Daryl Hennick	8	Units
Evan N. Stevenson Family LP	4	Units
Randy Hansen	5	Units
Kunkel Holdings, LLC	4	Units
Merisa Hansen Irrevocable Trust	3	Units
Robin Hansen Irrevocable Trust	3	Units
Amy Hansen Irrevocable Trust	3	Units
Jeff Nielson Irrevocable Trust	3	Units
Brandon Nielson Irrevocable Trust	3	Units
Nora Hansen Irrevocable Trust	3	Units
Jenny Nielson Irrevocable Trust	3	Units
Mike Nielson Irrevocable Trust	3	Units
Diana Hansen Irrevocable Trust	3	Units
Ryan Lindsey Irrevocable Trust	2	Units
Lara Hansen Irrevocable Trust	3	Units
Keri Hansen Irrevocable Trust	3	Units
Alison Hansen Irrevocable Trust	3	Units
Shauna Lindsey Irrevocable Trust	2	Units
Jenny Lindsey Irrevocable Trust	2	Units
Tyler Lindsey Irrevocable Trust	2	Units
Karen Lindsey-Parry	2	Units
R & T Holdings, LLC	2	Units
Melissa Lindsey Irrevocable Trust	2	Units
Thomas Morgan	1	Unit
Eric Lindsey	1	Unit
Curtis Anderson	1	Unit
Tony Johnson	1	Unit
FTK Holdings	1	Unit
Ladd Darley	1	Unit
WTC Funding Group	.50	Unit
WPM Employee	.375	Unit
Casa Familiar, Inc.	.50	Unit
Frank Bedoy	.50	Unit
Mary Coates (Lin Rice)	.50	Unit
Karen Lindsey-Parry	.50	Unit

WASATCH PROPERTY MANAGEMENT, INC. WASATCH ACQUISITIONS AND CAPITAL, INC.

Wasatch Property Management, Inc. (“Wasatch”), is 76% owned by Dell Loy Hansen with the remainder held by 27 key management employees. Mr. Hansen began property management in 1988 and officially incorporated Wasatch in 1991 with corporate headquarters in Logan, Utah. Wasatch employs a corporate office staff of forty employees. Residential Management Headquarters is located in Carlsbad, California with 16 executives and employees. Regional divisions include: the Arizona Divisions located in Mesa and Tucson; the Southern California Division located in San Diego; Northern California Divisions located in Sacramento and Fresno; the Colorado Division located in the Denver, Colorado area; the Bellevue, Washington Division and the Utah Division located in Salt Lake City. Company wide, Wasatch employs over 490 team members who manage and maintain forty four multi-family residential communities, seventeen various commercial and office facilities located throughout Utah, Arizona, Nevada, Washington, California and Colorado.

Wasatch offers asset management, project development and construction management to select groups. Wasatch Acquisitions & Capital, Inc. (“WAC”) has a profound expertise in tax-exempt bond financing, low income housing tax credit financing, and wholesale borrowing. Below is a historical study of WAC’s acquisition expertise in purchasing properties, while meeting the company’s aggressive investment criteria. Wasatch Property Management is under management agreement on each and every property acquired.

Wasatch and its affiliated investor-owned entities maintain a real estate portfolio valued in excess of \$1,200,000,000.

Development, Acquisition and Financing History through April 2005

December 2004 – Closed the purchase of Indigo Creek Apartments, 304 units built in 2004, located in Thornton, Colorado for \$32,224,000 or \$106,000/unit from Fairfield Villages North. The Indigo acquisition utilized three (3) ownership facilities. Wasatch Premier Properties purchased fifty percent (50%) of the property and Indigo Investments purchased twenty two and 671/1000 percent (22.671%). Indigo was also the “downleg” for a 1031 exchange from the sale of Dominguez Park III Apartments. The Dominguez 1031 exchange along with three (3) additional 1031 exchanges makes up the third ownership facility of Indigo. A bridge loan from Wells Fargo Bank in the amount of \$24,100,000 at LIBOR plus 1.30% provided the financing.

November 2004 - An affiliate known as Academy Square, LLC, is developing ten (10) acres of land in the commercial center of Logan, Utah. The principal tenant of the development will be Kohl’s Department Store which will use 88,800 square feet. There is an additional 35,200 rentable square feet available to smaller retailers. Leases for the remainder of the development are currently under negotiation. Academy Square has worked closely with the Kohl’s organization, North Logan City, and other associated parties to provide and overall success to the community and all involved.

The development is on schedule and should be completed by October 1, 2005.

November 2004 – Refunded the \$9,675,000 taxable bonds on the Broadmoor Village Apartments in West Jordan City, UT into a Freddie Mac credit financing. The guaranty and servicing “stack” was negotiated at 57 bps. The underwriting rate is at 5.37% with an index of 2.5 bp plus a 200 bp stress rate.

August 2004 – Closed on a loan commitment with AEGON USA Realty Advisors, Inc. in the amount of \$81,000,000 with an amount of \$75,000,000 being secured by the Wells Fargo Center and the MarketStar Plaza in Ogden, Utah cross-collateralized in an amount of \$6,000,000. The interest rate is 7 bp over a 3 month spread.

August 2004 – Closed the purchase of Echo Ridge Apartments, 348 units built in 2003, located in Castle Rock, CO for \$32,300,000 or \$95,000/unit from Fairfield Residential. Echo Ridge was the “downleg” for a 1031 exchange from the sale of Las Brisas by Wasatch Premier Properties, LLC. A bridge loan from Wells Fargo Bank for \$14,500,000 at LIBOR plus 1.30% provided the financing.

August 2004 – Sold the 60 unit Dominguez Park Apartments III apartments for a purchase price of \$3,500,000 to Utah Non Profit Housing Corporation. Funds from the transaction were held for a deferred 1031 exchange facility.

January 2004 – Closed the purchase of the 55,000 sq. foot KUTV Building located in West Valley City for \$1,400,000. KUTV Channel 2, a local subsidiary of Viacom, relocated their studio and operations to the Wells Fargo Center in downtown Salt Lake. The closing was an all cash transaction. The building currently houses East Hollywood High School, a charter, technical high school that will utilize the remaining television studio equipment and facilities in its curriculum. A rehab loan in the amount of \$1,500,000 with Corporate Finance Managers, Inc, an affiliate of Wells Fargo Bank is in place to allow the complete refurbishment of the facility.

December 2003 – Refunded the \$4,435,000 of tax-exempt bonds on Crossroads Apartments, West Valley City, UT, into the Fannie Mae credit facility. The second mortgage of just over \$2.2M put in place at acquisition was paid off. The guaranty and servicing “stack” was negotiated at 61 bps. Total Fannie Mae facility usage stands at just under \$180M. The interest rate on the bonds in this facility averaged just over 1% for the year ending 2003.

November 2003 – Converted the balance of “B” bonds on Glen Oaks Apartments to “A” bonds by utilizing the equity from Grand Spruce in Escondido, CA owned free and clear, in the Fannie Mae facility. The guaranty and servicing fee agreed to is slightly higher than our other deals, coming in at 58.5 bps versus 49.5 bps for the prior transactions. Total Fannie Mae facility outstanding proceeds are just under \$175M.

April - November 2003 – Added three (3) additional properties to the Freddie Mac Facility, Aztec Springs in Mesa, AZ (\$9.3M), The Borgata in Las Vegas, NV (\$18.08M) and Palladio in downtown Salt Lake City, UT (\$9M). This brings our total usage of the Freddie Facility to just under \$70M. The Freddie Mac Reference Bills (30 day) traded at just over 1% for the year ending December 2003.

September 2003 – Closed the purchase of a 209,113 industrial building in West Valley City formerly known as the Daw Technologies Building for \$3,500,000. Utah Plastics, which Dell Loy Hansen owns an interest in, has signed a lease to occupy 60,000 sq. feet of the building. Unitech currently occupies over 71,000 sq. feet. A \$2,345,000 bridge loan from Wells Fargo along with a seller carry-back loan for \$600k funded the purchase.

July 2003 – Closed the purchase of a 174 unit multifamily community in southeast Salt Lake known as Pinehurst at Union Creek for \$17,100,000. Pinehurst is a class A, condo spec property considered to be among the top 5 premier multifamily assets in Utah. Pinehurst was purchased entirely through the Zions Acquisition Line of Credit. A US Bank bridge loan for \$12M was put in place in September 2003 with a rate of LIBOR + 1.35%. Eventually the property will be financed in the Freddie Mac facility.

October 2002 – Closed the purchase of two-thirds of a downtown city block in the Bellevue CBD for \$18,000,000 commonly known as the Horbach Superblock. The purchase also included the assignment of an option to purchase an additional one fourth of the remaining block to bring the total acquisition to 7/8^{ths} of the entire block. Developer Gene Horbach spent 20 years assembling the Superblock for multi-use development. Mr. Horbach retains 40% ownership of the new LLC. Wasatch's entity, Wasatch-Bellevue Holdings, LLC, provided an acquisition loan in the amount of \$16,750,000 consisting of \$8MM of investor equity and \$10MM bridge loan from US Bank. Additional purchases of the Cassan property in July 2004 for a purchase price of \$1,500,000 and the Lakeview Commons parcel in March, 2005 for a purchase price of \$20,240,000 completed the ownership of the entire city block.

September 2002 – Closed a \$100,000,000 Freddie Mac financing facility through Berkshire Mortgage with an initial advance on four (4) properties, Aspen Park, Las Brisas, Spring Villas and Brookside, in the amount of \$32,682,0000. The facility is for a period of five (5) years, is interest only at 79 basis points above Freddie Mac Reference Bills that are issuable in 30 day, 60 day, 90 day, 180 day or 360-day terms. At closing, the 360-day reference rate was chosen at 1.683% plus the spread of 83 (an additional 4 bps are added when the 180 or 360-day ref. bills are chosen) for an all-in rate of 2.513%. Additional properties can be added to the facility based on a desktop underwrite at 70% loan-to-value.

September 2002 - Closed the acquisition of Palladio Phase II Apartments, 149 Unit Class A, Downtown Salt Lake City, Utah apartment complex. Purchase price was \$11,500,000. A \$9,000,000 Wells Fargo bridge loan at 1.75% over LIBOR was put in place.

June 2002 - Closed the acquisition of a 147,472 square foot, Class B Salt Lake City, Utah office building and 572 stall parking structure known as the First Security Building 400 South Main, for \$6,250,000. Financing of \$3,900,000 was provided by Wells Fargo at 175 basis points over LIBOR as bridge financing.

February 2002 – Closed the acquisition of an 82,650 square foot, Class A Ogden, Utah office building known as MarketStar Plaza for \$8,200,000. MarketStar is leased entirely to MarketStar Corporation, a subsidiary of OmniCom Group, a publicly traded, multibillion-dollar company, on a triple net basis until 2007. Wells Fargo Bank provided LIBOR based bridge financing for two

years.

August 2001 – Closed the acquisition of The Borgata Apartments, a 384 unit class A 1998 constructed property located at 4400 South Jones Boulevard, Las Vegas Nevada. Wells Fargo Bank provided acquisition interest-only bridge financing at LIBOR plus 175 basis points.

August 2001 – Closed a \$4,500,000 subsequent advance with Lincoln National Life securing the Promontory Point Apartments. The new loan is co-terminus with the existing financing and is interest only at 6.69%.

August 2001 – Issued \$4,500,000 of tax-exempt bonds to finance the acquisition and rehabilitation of Cimarron Place Apartments in the Fannie Mae credit facility subject to the existing terms. The bonds are traded as variable rate “low-floater” bonds averaging 2.256% since closing.

August 2001 – Issued \$5,600,000 of taxable “low-floater” bonds to refinance Canyon Club Apartments in the Fannie Mae credit facility subject to the existing terms. These taxable bonds have traded at an average of 4.21% over the last 12 months. Canyon Club provided sufficient collateral to the credit facility to convert \$10,265,000 of “B” bonds on Ranchwood Apartments and Sands Apartments to “A” bonds. This financing provided funds to retire the existing 6.72% GECC conduit debt with interest only debt averaging 3.00% on the tax-exempt bonds and 4.21% on the taxable bonds plus the facility spread of 49.5 basis points for an all-in blended rate of 3.925%.

May 2001 – Closed the purchase of the American Stores building, the largest building in downtown Salt Lake City, containing approximately 610,000 square feet of Class “A” office and retail space. Purchase price was \$78,500,000. Four local banks participated in providing \$68,000,000 of bridge financing for twenty-four (24) months at LIBOR plus 175 basis points. The building has been renamed the Wells Fargo Center.

April 2001 – Closed on the purchase of three Salt Lake County apartment communities containing 864 units: Remington Apartments, Brighton Place Apartments and Crossroads Apartments. The Seller was Archstone Communities. Purchase price was \$44,750,000. Red Capital underwrote long term FNMA financing at 75% of cost at a rate of 6.72%.

February 2001 – Closed a \$250,000,000 Fannie Mae credit facility with Red Capital Mortgage. The initial advance was \$148,629,175 and entailed seventeen (17) properties that are cross-collateralized and cross-defaulted from various sub markets in Utah, California and Arizona. Of this amount, \$145,429,675 is variable rate, “low-floater” tax-exempt bonds that are traded weekly while only \$3,199,500 is fixed-rate conventional Fannie Mae debt. In October 2001, the twelve-month average for these rates was 2.808% for California Non-AMT, 2.855% for California AMT, 3.319% for Utah and 2.98% for Arizona. The facility is interest only for 10 years and provides the ability to add additional financing at a guaranteed spread (guaranty, servicing and liquidity) of 49.5 basis points until October 2002. Red Capital remarkets the bonds also for 8 basis points per year. A three-year interest rate cap was purchased just after closing at a strike rate of 7.1%.

February 2001 – Obtained tax-exempt bond allocation in the amount of \$14,000,000 on Ranchwood Apartments, \$7,000,000 on the Sands Apartments and \$1,999,675 on Glen Oaks Apartments. All properties are located in Phoenix, Arizona and closed into the Fannie Mae credit

facility. An “A/B” bond structure was utilized to advance a portion of the bonds at this closing and retain the additional allocation (the \$10,265,000 of “B” bonds) for future credit enhancement.

January 2001- Plans are currently being developed for Academy Square Retail Center in North Logan, Utah on eight plus acres owned by Dell Loy Hansen. The property is ideally situated immediately adjacent to the expanding WalMart and K Mart stores on Logan’s busy Main Street. The center will consist of approximately 100,000 square feet providing space for a minimum of three national/regional stores and two restaurants on independent building pads. Start of construction is anticipated in the Spring of 2001.

July 2000 –Construction began July 1, 2000 for Tower IV at the Woodlands Business Park, 3949 South 700 East, Salt Lake City, Utah. The Class “A” office building will contain five floors and 117,000 SF. Construction of an 820 stall parking structure was completed September, 2000 at a cost of \$3,600,000 paid by owner. Woodlands IV Holdings, LLC, is owner; Dell Loy Hansen holds a 40% ownership share. An \$11,970,000 Key Bank construction loan is in place for the office building with MetLife poised to place the long term financing at completion. Major tenant will be First USA Financial Services, Inc. with building completion scheduled for July 1, 2001.

August 2000 –Development of 5020 Shea Office Building, 22,750 SF in Scottsdale, Arizona was completed August, 2000. Combined long term financing on the adjacent existing 33,000 SF 5040 Shea Office Building and the new 5020 Shea Office Building through Sunrise Mortgage in the amount of \$4,000,000 closed in September 2000.

September 1999 –Acquired a portion of two retail shopping centers from American Stores/Albertson’s for \$5,950,000; one called Canyon Rim Shopping Center located at 3300 South 3171 East in Salt Lake City comprised of two tenants, Smith’s and PetSmart, containing approximately 90,000 square feet, the other is known as Alta View Shopping Center, located at 10305 South 1300 East, occupied by Smith’s and Provo Craft containing approximately 90,000 square feet. Smiths-Wasatch Holdings, LLC, the acquisition entity, acquired rights to a ground lease on each of the locations that expires in 2045 and 2035 respectively. Bank One provided acquisition financing of \$4,350,000 on an appraisal of \$6,400,000. In July 2000, UBS Principal Finance LLC, a Wall Street Conduit Lender, provided long-term financing in the amount of \$4,993,656. The term is for 10 years at 8.24%, a 220 basis point spread over 10 year Treasuries. Both Smith’s stores, the anchor tenant at each location, have lease terms and options that extend to 2035.

September 1999 –Acquired “Rio Seco Apartments”, (234 units) located at 1440 West Irvington Road, Tucson, Arizona for a purchase price of \$6,660,000. Existing FreddieMac debt, serviced by LJ Melody & Co., assumed in the amount of \$4,905,000.

June 30, 1999 – Acquired “Cimarron Place Apartments” (144 units) 3121 North Swan Road, Tucson, Arizona 85712. Built in 1984. Purchase price \$4,600,000. Assumed existing HUD financing.

June 22, 1999 – Acquired “Camelot Lakes Apartments” (476 units) 937 North Peach Avenue, Fresno, California 93727. The complex, built in 1986 was purchased for \$11,620,000 with \$15,515,000 of tax-exempt bonds in place. NationsCredit provided a bridge loan by purchasing

\$8,000,000 of the existing bond debt with the ownership entity owning the balance of the bonds. In December 1999, \$14,500,000 of the bonds were refunded through a private placement purchase by NationsCredit using Grand Spruce Apartments as additional collateral. The term is for 10 years, 60 months interest only floating 50 basis points over 30 day LIBOR with a 30 year amortization. An additional \$1,015,000 of bonds were purchased by NationsCredit in August 2000 to complete the financing.

June 16, 1999 – Acquired “River Point Apartments” (152 units) 4175 East Fort Lowell Road, Tucson, Arizona 85712. Built in 1987 the purchase price was \$4,600,000. Assumed existing FNMA financing. Refinanced in May, 2000 utilizing bonds.

June 1999 – “Woodlands Tower II” (106,000-sq. ft. of Class “A” office space) Purchased from Bedford Property Investors for \$13,650,000. This purchase consolidates ownership of the entire 15 acre Woodlands Business Park located in Salt Lake County, Utah. Metropolitan Life Insurance Corporation provided an \$11,000,000 non-recourse loan. Dell Loy Hansen holds 40% of the Woodlands Tower III Holdings, LLC, the purchasing entity.

May 1999 – Development commenced for the Paradise Beach at Fish Haven Condominiums at Fish Haven, Idaho on the shores of Bear Lake. Fifteen beach-front units sold within four months of completion. \$1,450,000 construction loan was secured through Zion’s Mortgage.

1998. In 1998 Wasatch Property Management began managing third party commercial properties located in Cache Valley, Utah which comprised of 190,000 total square feet of office and retail space. These properties include the Cache Knitting Mill, Century Square, Logan Point, Jamestown Plaza, KLJB and Logan Medical Center.

December 1998—Acquired “River Oaks Apartments” (219 units) 580 West Fargo Avenue, Hanford, California 93230. Built in 1984. Purchase price \$8,300,000. Assumed existing conduit financing with Aegon.

August 1998 – Acquired “Edgewater Isle Apartments” (370 units) 537 Pepper Drive, Hanford, California 93230. Built in 1987. Fresno portfolio purchase price of \$51,500,000. Financed with existing \$15,195,000 Kings County 1996 Series A Tax-Exempt Multi Family Housing bonds.

August 1998 – Acquired “Heron Pointe Apartments” (417 units) 5200 North Valentine Fresno, California 93711. Built in 1987. Fresno portfolio purchase price of \$51,500,000. Financed with existing \$25,265,000 City of Fresno 1996 Series A Tax-Exempt Multi Family Housing bonds.

August 1998 – Acquired “Stonepine Apartments” (180 units) 4498 North Cornelia Fresno, California 93711. Built in 1986. Fresno portfolio purchase price of \$51,500,000. Financed with the City of Fresno bond issue with Heron Pointe.

August 1998 – Acquired “Creekside Village Apartments” (144 units) 220 47th Street San Diego, California 90212. Built in 1990. This property has IRS Section 42 Tax Credits and existing bond financing. Refinanced in June 1999 and reissued the bonds under a 30 year FNMA structure.

June 1998 – Took over management of “Goldstone Place Apartments” (228units) 1200 South 1500

East, Clearfield, Utah 84105. Built in 1986. On or about August 1999 Wasatch will acquire 1,000 common units of the ownership entity existing with owners to receive 1,000 preferred units providing voting only for sale or bankruptcy. Purchase price of \$11,600,000.

November 1997 – Acquired “North Bridge Apartments”, now known as “Oak Valley Apartments” (144 units) 5520 Harrison Street, North Highlands, California. After a substantial rehabilitation, the project was refinanced in October 1998 with \$4,000,000 in tax-exempt bonds issued by Sacramento Housing and Redevelopment Agency. Dell Loy Hansen holds 40%.

July 1997 – Acquired “Parkway Gardens Apartments”, now known as “Sun Valley Apartments” (128 units) 4719 50th Avenue, Sacramento, California. The property was unoccupied at acquisition. After a substantial rehabilitation, including the rebuilding of each and every unit; a \$3,750,000 tax exempt bond issue refinanced the property in October 1998.

March 1997 – Acquired “Aspen Park Apartments” (288 units) 5152 Mack Road, Sacramento, California. A \$6,400,000 ten (10) year fixed rate non-recourse loan through General Electric Capital Corporation’s ACCESS program finances the property. Dell Loy Hansen holds 40%.

February 1997 - Acquired “Bent Tree Apartments” (208 units) 4350 Galbraith Drive, Sacramento, California. The project was purchased for \$7,400,000 including the assumption of fixed rate bond financing. The Bent Tree Apartments is a quaint little property located in a quiet residential area. Dell Loy Hansen holds 100%.

February 1997 - Acquired “Point Natomas Apartments” (337 units) 801 San Juan Road, Sacramento, California. The project was purchased for \$13,500,000 including the assumption of fixed rate bond financing. Point Natomas Apartments is located in the popular Natomas sub-market only minutes just north of downtown Sacramento. Dell Loy Hansen holds 30%.

February 1997 - Acquired “Valley Green Apartments” (661 units) 4141 Palm Avenue, Sacramento, California. The project was purchased for \$24,500,000 including the assumption of “low-floater” bond financing. Valley Green Apartments is a large well-manicured property conveniently located off Interstate 80. Dell Loy Hansen holds 100%. The project was refinanced in June 1999 through a private placement structure with NationsCredit Commercial Corp. 10 year term, 60 months interest only.

February 1997 - Acquired “California Place Apartments” (211 units) 6633 Valley Hi Drive, California. The project was purchased for \$3,600,000 with Bank One bridge financing which will roll to \$4,500,000 of “low-floater” bonds May 1997. Investors contributed \$800,000 of capital. Dell Loy Hansen holds 40%.

January 1997 - Acquired “Chesapeake Commons Apartments” (600 units) 3600 Data Drive, Rancho Cordova, California. The project was purchased for \$29,000,000 through a workout with GECC and the Seller. The project was refinanced with \$33,000,000 in “low-floater” tax-exempt bonds, which closed in May of 1997. Chesapeake Commons Apartments is a distinctively class A apartment complex with a distinctively Class A location. Dell Loy Hansen holds 40%.

March 1996 - Acquired “Eucalyptus Grove Apartments” (376 units) 67 East Flower St., Chula Vista, California. The project was purchased for \$22,000,000 including the assumption of tax

exempt bonds. Investors contributed \$4,220,000 of capital. Eucalyptus Grove Apartments is one of the nicest Class A project in Southern San Diego County. Dell Loy Hansen holds 35% of Eucalyptus Grove Holdings, LLC.

March 1996 - Acquired "Las Brisas Apartments" (178 units) 186 Chambers St., El Cajon, California. The project was purchased for \$6,750,000 with existing financing in place at \$4,500,000 balance with Great Western Life. Investors contributed \$1,800,000 of capital. Dell Loy Hansen holds 34% of Las Brisas Holdings, LLC.

March 1996 - Acquired "Grand Spruce Apartments" (81 units) 101 South Spruce St., Escondido, California. The project was purchased for \$3,650,000 with the unused balance of the bonds from Shadow Way Apartments realizing an interest rate of 4.78% on \$2,600,000. Investors contributed \$1,200,000 of capital (35% of the purchase price.) Dell Loy Hansen holds 29% of the ownership. In June 1999, Grand Spruce was separated from Shadow Way and secured a \$3,500,000 conventional loan with NationsCredit Commercial Corp. In December 1999, Grand Spruce will be paired with Camelot Lakes as additional collateral and will be loaned the excess bonds that Camelot will not be able to carry. Proceeds from that loan will pay off the conventional financing with NationsCredit.

March 1996 - Acquired "Shadow Way Apartments" (144 units) 4707 Yuma Ave., Oceanside, California. The project was purchased for \$5,125,000 utilizing a Bank One Letter of Credit bond enhancement. The initial interest rate is 4.78%. Investors contributed \$2,000,000 of the purchase price. Dell Loy Hansen holds 29% of the ownership. In June 1999, Shadow Way released Grand Spruce as additional collateral and is able to carry the full \$6,000,000 in bond debt.

December 1995 – "Devonshire Downs" (24 condominium homes) construction was completed in the summer of 1996 and sold within the year. Devonshire Downs is the fourth and final phase of a very successful development originally started in 1985.

November 1995 – "Woodlands Tower III" (88,000-sq. ft. of class A office space) Construction commenced in November 1995 and completed in November 1996. The Woodlands Tower III projects the first year of operations to provide an after mortgage cash flow of \$398,000 available for dividend. Dell Loy Hansen holds 40% of the Woodlands Tower III Holdings, LLC.

September 1995 - Acquired "Spring Villas" (136 units) in Spring Valley, California. Property was built in 1986 and Bank One financed the acquisition with a bridge loan. GECC provided long-term conduit financing in April 1998.

July 1994 - Acquired the "Canyon Club Apartments" (336 units) at 420 Activity Way, Oceanside, California. Purchased from Picerne Oceanside and Citicorp. Total Purchase price is \$14,532,000. Bank One advanced \$10,750,000 as a three- (3) year bridge loan. GECC provided long-term, non-recourse conduit financing in April 1998.

March 1994 - Acquired the "Los Alamos Court II" now known as "5040 Shea", (30,692-sq.ft. office property) at 5040 Shea Boulevard in Scottsdale, Arizona from Citibank for \$1,500,000. Key Bank of Utah provided a \$1,200,000 three-year bridge loan @ 7.5% interest. The property is operating with 97% occupancy and has increased market rents.

February 1994 - Acquired "The Provo College Building" (35,110 sq. ft.) for \$755,000 from the Eyring Corporation utilizing a Key Bank, ten (10) years, 7.5% fully amortizing loan. In 1998, Mr. Hansen sold his 50% share in this building to his partner, Jonathan Bullen, who wholly owns Provo College.

November 1993 - Acquired "The Sands Apartments" (141 units) in Mesa, Arizona from Resolution Trust Corporation. Cash purchase price of \$2,980,000. The property was built in 1986 and is operating at over 95% occupancy with increasing rents.

October 1993 - Acquired the class A "Woodlands Office Tower and Retail Center" (153,000 sq. ft.). The Woodlands office center is currently 100% leased. Woodlands was purchased from the RTC for \$8,100,000 utilizing a Key Bank \$6,220,000 bridge loan followed by a \$6,500,000 Hartford Insurance non-recourse long term take out. Refinanced including Woodlands Tower III in 1998 with Met Life Insurance Company.

August 1993 - Acquired "Ranchwood Apartments" (360 units) in Glendale Arizona for \$5,900,000 from National Westminster Bank. The project acquisition was financed with a Bank One Arizona \$4,225,000 bridge loan. Bank One (BBOC) has since provided a FHA 223 non-recourse, 35 year amortization permanent take out loan.

August 1993 - Acquired "Glen Oaks Apartments" (184 units) in Glendale, Arizona for \$3,100,000 from National Westminster Bank of England. The project acquisition was financed with a 75% Bank One of Arizona \$2,325,000, eighteen (18) month bridge loan. Bank One has since provided a FHA 223F, 35-year amortization permanent take out loan @ 7.6% interest.

March 1993 - Acquired "Bolera Villa Apartments", now known as "Northwood Apartments", (304 units) of Glendale Arizona through a bankruptcy auction for \$3,740,000 plus \$300,000 escrow for capital upgrades. Northwood was built in 1986. Key Bank provided a \$3,100,000 eighteen-(18) month bridge loan. Investors contributed over \$1,000,000 to the purchase. Northwood paid off the Key Bank loan with proceeds from excess bonds financing Chesapeake Commons. Northwood is pledged as additional collateral in the Chesapeake financing.

January 1993 - Acquired "Brookside Apartments" (203 units) from the RTC for \$2,710,000 through a competitive bid procedure. Brookside Apartments was previously a Home Fed San Diego loan and was originated as a CDs and Home Federal Savings of San Diego joint venture. Funding for the acquisition included a \$685,000 down payment and an RTC backed mortgage.

August 1992 - Acquired "Aztec Springs Apartments" (304 units) located in Mesa, Arizona from Home Savings for \$6,610,000 utilizing \$1,500,000 down payment and \$5,210,00 of seller financing at a 250 bp spread over the Eleventh District cost of funds.

May 1992 - Acquired "Eastside Place Apartments" (444 units) located in Tucson, Arizona from FNMA for \$7,000,000 in tax exempt financing. Credit enhancement provided by Fannie Mae at an effective interest rate of 7.5%. In May 1997, Bank One provided a new Letter of Credit as enhancement of the bonds.

November 1991 - Acquired the "Justice Building" (38,000-sq. ft.) located in Salt Lake City, Utah. Currently, 100% leased. \$1,400,000 purchase price with a \$300,000 down and \$1,050,000 at 9%

over ten (10) years and twenty (20) year amortization.

October 1991 - Purchased "Broadmoor Village Apartments" (348 units) and 10,000 sq. ft. Day care center located in West Jordan, Utah. Low and moderate income rental covenants. The Broadmoor apartments originated as a joint venture between CDs and Home Federal Savings of San Diego. Seller was Home Federal of San Diego. The \$8,600,000 purchase price utilized a \$1,200,000 down payment and FNMA enhanced bond financing.

March 1991 - Acquired the "Towne Park Condominiums" (54 units) with 20% low-income rent/purchase restrictions from the RTC for \$1,150,000, all cash. The project construction was not complete and several units were unfinished at closing. Wasatch completed construction of the units and sold of thirty-four (34) condominiums, leaving the remaining twenty (20) free and clear of all debt. All units were ultimately sold with the exception of two (2), which Dell Loy holds for personal and family use.

October 1990 - Acquired the "Promontory Point Apartments" (240 units) located in Sandy, Utah from Southwest Savings and Loan of Phoenix, Arizona for \$8,050,000. The purchase price was funded with a \$1,900,000 down payment and a Key Bank \$6,200,000 loan. A \$7,000,000 long term, 7.6%, ten (10) year, non-recourse Lincoln National Life loan is now in place.

March 1990 - Acquired the "Springwood Apartments" (144 units) from Fannie Mae for \$4,100,000 utilizing a \$300,000 down payment and \$3,800,000 in tax exempt bond financing. Effective interest rate is 8%. Refinanced October 1998, with Bank One providing the Letter of Credit enhancement.

March 1990 - Acquired the "Hillside Business Center" office complex (23,600-sq. ft.) located in Midvale, Utah. At acquisition the property was a Puget Sound Savings REO. The purchase price of \$675,000 utilized a \$125,000 down payment and \$564,000 of Puget Sound Savings financing at an interest rate floating 200 basis points over the Eleventh District cost of funds. This property is currently being converted to Office Condominiums and marketed.

January 1988 - Acquired "Laurelwood Village Apartments" (96 units) together with a 34,000 sq. ft. office complex located in Salt Lake City, Utah from Southmark Corporation (prior to their bankruptcy). Total price \$2,100,000 with down payment of \$300,000 and \$1,800,000 of financing provided by Northwestern Mutual Life. Later sold to a group from Idaho.

December 1987 - Acquired the "Sweetwater Golf Course" and 300 acres of vacant unimproved property (600 potential building lots) from First Security Bank for \$240,000. Cache Valley Bank issued a \$180,000 SBA loan. The loan was retired in 1994. Annual income is approaching \$100,000 per year.

June 1986 - Built and currently manage "Devonshire Court" (68 units) in Logan, Utah.

August 1982 - Acquired the "Springhollow Apartments" (50 units) existing as an elderly 20 year HUD Section 8 Guarantee.

October 1982 - Acquired "Dominguez Park II" (60 units) existing as a family 20 year section 8 guarantee located in Salt Lake City, Utah.

**Balance Sheet (Accrual)
Creekside Villa Apartments - (cv)
September 2005**

ASSETS

CURRENT ASSETS

WPH POOL CENTRAL ACCOUNT	-110,061.04	
CHECKING ACCOUNT	141,481.90	
PETTY CASH	500.00	
TAX & INS ESCROW(UNRESTR)	381.22	
TAX & INS ESCROW(RESTRICTED)	1,662.50	
GROUND LEASE ESCROW	15,047.44	
RESERVE FOR REPLACEMENT	285,659.81	
A/R LAUNDRY/VENDING	1,066.51	
ACCT. REC. RENTERS	32,376.45	
ALLOW. BAD DEBT	-4,501.00	TOTAL CURRENT

FIXED ASSETS:

LAND	1,133,575.54
BUILDINGS & IMPROVEMENTS	5,455,134.00
FURNITURE & EQUIPMENT	88,536.00
CAPITALS PAID FM OPERATIONS	121,083.65
ACCU. DEPRECIATION	-1,075,239.00
TOTAL FIXED ASSETS	5,723,090.19

OTHER ASSETS:

PREPAID PROPERTY INSURANCE	15,465.09
PREPAID OTHER	-8,000.00
PREPAID LAND LEASE-MTDB	-7,587.68
CAP RATE ESCROW	8,148.27
INTEREST RESERVE	35,219.98
FINANCING FEES	522,002.54
FINANCING FEES AMORTIZATION	-93,204.00
INTEREST RATE HEDGE	6,898.00
TOTAL OTHER ASSETS	478,942.20

TOTAL ASSETS	6,565,646.18
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LIABILITIES:

CURRENT LIABILITIES:

ACCRUED PAYROLL **	7,820.55
ACCRUED VACATION	544.24
ACCOUNTS PAYABLE	67,634.16
ACCRUED PAYABLES **	12,977.61
BOND FEES PAYABLE	4,994.96
PROPERTY TAX PAYABLE	1,571.02
PRE-PAID RENT	4,798.05
TENANT DEPOSITS	70,036.00
ACCRUED INTEREST PAYABLE	12,282.73

Balance Sheet (Accrual)
Creekside Villa Apartments - (cv)
September 2005

TOTAL CURRENT LIABILITIE	182,659.32
LONG-TERM LIABILITIES:	
BONDS PAYABLE	6,000,000.00
<hr/> TOTAL LONG TERM LIAB.	<hr/> 6,000,000.00
STOCKHOLDERS EQUITY:	
<hr/> TOTAL OWNERS CONTRIBUTIONS	<hr/> 796,000.00
<hr/> TOTAL OWNERS DRAWS	<hr/> -2,893,333.05
PRIOR RETAINED EARNINGS	-49,128.48
RETAINED EARNINGS	2,529,448.39
<hr/> TOTAL STOCKHOLDERS EQUIT	<hr/> 382,986.86
<hr/> TOTAL LIAB./EQUITY	<hr/> <hr/> 6,565,646.18

Income Statement (Accrual)
Creekside Villa Apartments - (cv)
September 2005

	Month to Date	%	Year to Date	%
REVENUE:				
GROSS RENT PER SCHEDULE	157,616.00	118.24	1,409,818.00	115.76
VACANCY LOSS	-11,678.52	-8.76	-101,054.86	-8.30
MARKET LOSS	-3,882.00	-2.91	-26,920.79	-2.21
QUALIFIED RES. CONCESSION	-12,973.00	-9.73	-127,980.15	-10.51
CONCESSIONS	-200.00	-0.15	-12,534.36	-1.03
OFFICE/SHOP RENTAL	-1,340.00	-1.01	-11,472.00	-0.94
EMPLOYEE RENT CREDIT	-634.60	-0.48	-4,688.44	-0.38
TOTAL CURRENT RENT	126,907.88	95.21	1,125,167.40	92.39
SERVICE REVENUE:				
LAUNDRY REVENUE	0.00	0.00	11,557.14	0.95
GARAGE/PARKING	2,995.00	2.25	25,130.89	2.06
UTILITY BILLING INCOME	2,251.40	1.69	25,818.00	2.12
CABLE REVENUE	0.00	0.00	2,904.99	0.24
PHONE REVENUE	0.00	0.00	5,207.94	0.43
INSURANCE REVENUE	-76.73	-0.06	264.27	0.02
PET RENT	125.00	0.09	948.35	0.08
VENDING REVENUE	0.00	0.00	528.37	0.04
COLLECTION INCOME	0.00	0.00	2,054.77	0.17
LOCK FEE BILLED	0.00	0.00	507.00	0.04
TOTAL SERVICE REVENUE	5,294.67	3.97	74,921.72	6.15
OTHER REVENUE				
MONTH TO MONTH FEE	250.00	0.19	3,095.19	0.25
LATE FEE REVENUE	605.00	0.45	7,490.00	0.62
NSF REVENUE	0.00	0.00	450.00	0.04
APP - CREDIT CHECK REVENUE	125.00	0.09	2,505.00	0.21
BAD DEBT	-634.00	-0.48	-35,550.66	-2.92
LEASE CANCELLATION CHARGE	0.00	0.00	7,485.73	0.61
PARTS & MATERIAL CHARGE	25.00	0.02	4,424.34	0.36
MAINT. & PAINTING LABOR CHARGE	0.00	0.00	3,282.11	0.27
CLEANING LABOR CHARGE	0.00	0.00	3,500.00	0.29
CARPET DAMAGE CHARGE	0.00	0.00	4,650.00	0.38
LEGAL FEES BILLED	634.00	0.48	12,336.40	1.01
DEPOSITS FORFEITED	0.00	0.00	600.00	0.05
CONCESSION CHARGE BACK	-303.25	-0.23	-303.25	-0.02
MISCELLANEOUS REVENUE	0.00	0.00	649.09	0.05
TOTAL OTHER REVENUE	701.75	0.53	14,613.95	1.20
TOTAL REVENUE	132,904.30	99.70	1,214,703.07	99.74
OPERATING EXPENSES:				
PAYROLL EXPENSE:				
MANAGERS SALARIES	1,650.00	1.24	30,881.43	2.54
ASST. MGRS/LEASING WAGES	1,778.00	1.33	21,585.72	1.77
MAINTENANCE SALARIES	2,864.13	2.15	38,926.64	3.20

Income Statement (Accrual)
Creekside Villa Apartments - (cv)
September 2005

	Month to Date	%	Year to Date	%
GROUNDS MAINT. EXPENSE	196.00	0.15	2,663.50	0.22
OTHER BONUSES (NON LEASING)	0.00	0.00	1,700.00	0.14
PAYROLL TAXES	1,964.65	1.47	29,908.72	2.46
TOTAL PAYROLL EXPENSE	8,452.78	6.34	125,666.01	10.32
ADMINISTRATIVE EXPENSE:				
MANAGEMENT FEES	3,990.60	2.99	36,443.06	2.99
GENERAL PARTNER MGMT FEE	715.00	0.54	6,435.00	0.53
OFFICE SUPPLIES AND EXP.	31.64	0.02	1,945.55	0.16
TELEPHONE EXPENSE	0.00	0.00	2,980.63	0.24
PAGING SYSTEM	0.00	0.00	13.09	0.00
SOFTWARE/IT EXP.	45.00	0.03	3,448.00	0.28
SITE OFFICE TRAVEL	24.84	0.02	689.16	0.06
POSTAGE AND FREIGHT	25.50	0.02	408.61	0.03
LICENSES, FEES/PERMITS	0.00	0.00	1,321.00	0.11
LEGAL FEES	922.30	0.69	11,018.12	0.90
MISCELLANEOUS & GENERAL	-60.00	-0.05	826.11	0.07
TOTAL ADMIN. EXPENSE	5,694.88	4.27	65,528.33	5.38
LEASING EXPENSE:				
ADVERTISING - DIRECTORY	417.00	0.31	4,105.07	0.34
ADVERTISING- OTHER	238.40	0.18	4,804.85	0.39
MANAGEMENT/BONUS	0.00	0.00	1,108.80	0.09
CREDIT CHECK EXPENSE	0.00	0.00	1,301.80	0.11
LEASE COMMISSION/BONUE	285.00	0.21	4,930.00	0.40
LEASING EXPENSE OTHER	0.00	0.00	376.58	0.03
TENANT RELATIONS	72.00	0.05	964.36	0.08
TOTAL LEASING EXPENSE	1,012.40	0.76	17,591.46	1.44
UTILITIES EXPENSE:				
ELECTRICITY	0.00	0.00	6,381.28	0.52
VACANT APTS. ELEC. BILL	0.00	0.00	908.46	0.07
GAS-FUEL	0.00	0.00	30,988.56	2.54
WATER	0.00	0.00	30,669.64	2.52
SEWER	0.00	0.00	46,114.94	3.79
TOTAL UTILITIES EXPENSE	0.00	0.00	115,062.88	9.45
SERVICE EXPENSE:				
EXTERMINATING SVC/SUPPLY	0.00	0.00	1,293.81	0.11
GARBAGE	0.00	0.00	13,622.59	1.12
LANDSCAPE CONTRACT	0.00	0.00	18,142.12	1.49
LANDSCAPE/SUPPLIES	0.00	0.00	407.52	0.03
UNIFORM RENTAL	0.00	0.00	462.02	0.04
SECURITY SERVICE	0.00	0.00	12,800.00	1.05
LAND LEASE PAYMENT-MTDB	0.00	0.00	7,587.68	0.62
TOTAL SERVICE EXPENSE	0.00	0.00	54,315.74	4.46
CLEANING/DECORATING EXP:				
PAINTING - CONTRACT	0.00	0.00	2,305.00	0.19
PAINT SUPPLIES	490.05	0.37	4,059.58	0.33

Income Statement (Accrual)
Creekside Villa Apartments - (cv)
September 2005

	Month to Date	%	Year to Date	%
GENERAL CLEANING	630.00	0.47	8,695.00	0.71
CLEANING SUPPLIES	0.00	0.00	921.97	0.08
CARPET CLEANING/REPAIRS	195.00	0.15	8,549.68	0.70
BLINDS & VERTICAL REPAIRS	330.20	0.25	821.34	0.07
OTHER INTERIOR REPAIRS	0.00	0.00	2,933.98	0.24
TOTAL CLEANING & DECOR.	1,645.25	1.23	28,286.55	2.32
REPAIRS AND MAINTENANCE:				
ROOF REPAIRS	0.00	0.00	577.28	0.05
ELEC. SUPPLIES / REPAIRS	0.00	0.00	1,048.43	0.09
TOOLS, EQUIP & SUPPLIES	173.96	0.13	516.03	0.04
EMPLOYEE SMALL TOOLS	0.00	0.00	318.81	0.03
PLUMBING SUPPLIES/REPAIR	117.67	0.09	7,946.75	0.65
APPLIANCE SUPPLIES/REPAI	0.00	0.00	1,707.71	0.14
CARPENTRY SUPPLIES	0.00	0.00	191.27	0.02
HARDWARE SUPPLIES	0.00	0.00	567.42	0.05
LOCKS AND KEYS	0.00	0.00	1,592.19	0.13
LIGHT BULBS & FIXTURES	71.63	0.05	1,466.01	0.12
WINDOWS & SCREENS	0.00	0.00	2,493.82	0.20
GENERAL REPAIRS/MAINT.	130.55	0.10	4,105.67	0.34
TOTAL REPAIRS / MAINT.	493.81	0.37	22,531.39	1.85
TAXES AND INSURANCE:				
PROPERTY TAXES	0.00	0.00	3,169.04	0.26
HAZARD INSURANCE	0.00	0.00	12,321.88	1.01
TOTAL TAXES/INSURANCE	0.00	0.00	15,490.92	1.27
TOTAL OPERATING EXPENSE	17,299.12	12.98	444,473.28	36.50
NET OPERATING INCOME	115,605.18	86.73	770,229.79	63.25
DEBT SERVICE:				
INTEREST ON NOTES	0.00	0.00	76.80	0.01
BOND INTEREST	12,282.73	9.21	103,852.58	8.53
ENHANCEMENT FEE	2,522.47	1.89	22,288.45	1.83
ISSUER FEE	0.00	0.00	9,200.00	0.76
TRUSTEE FEE	0.00	0.00	1,400.00	0.11
BOND REMARKETING FEES	0.00	0.00	3,200.00	0.26
TOTAL DEBT SERVICE	14,805.20	11.11	140,017.83	11.50
FUNDS FROM OPERATIONS	100,799.98	75.62	630,211.96	51.75
NON OPERATING INCOME				
INTEREST INCOME NON OPERATING	393.97	0.30	3,127.43	0.26
TOTAL NON OPERATING INCOME	393.97	0.30	3,127.43	0.26
NON OPERATING EXPENSES				
ASSET MANAGEMENT FEE	2,660.40	2.00	24,295.38	1.99

Income Statement (Accrual)
Creekside Villa Apartments - (cv)
September 2005

	Month to Date	%	Year to Date	%
GUARANTEE FEES	500.00	0.38	4,500.00	0.37
AUDITPREP	0.00	0.00	5,464.00	0.45
EQUITY FEE EXPENSE	0.00	0.00	8,000.00	0.66
MISC. NON OPERATING EXPENSES	216.00	0.16	2,580.81	0.21
EX. ORDINARY EXPENSE	560.00	0.42	8,475.07	0.70
TOTAL NON OPERATING EXPENSE	3,936.40	2.95	53,315.26	4.38
INCOME BEFORE DEPR.	97,257.55	72.96	580,024.13	47.63
RESIDUAL INCOME	97,257.55	72.96	580,024.13	47.63
DEPR & AMORT				
NET INCOME(LOSS)	97,257.55	72.96	580,024.13	47.63