

REPORT

DATE ISSUED: July 6, 2007

REPORT NO.:HCR07-29

ATTENTION: Chair and Members of the Housing Commission
For the Agenda of July 13, 2007SUBJECT: Transfer of partnership interest in Island Village
(Council District 8)REQUESTED ACTION:

Approve a transfer of partnership interest in Island Palms Apartments, LP from Barone Galasso & Associates to Alliant Holdings of Island Village, LLC.

STAFF RECOMMENDATIONS:

Approve a recommendation to transfer the interest of Barone Galasso & Associates (BGA), the current co-general partner in Island Palms Apartments, L.P., to Alliant Holdings of Island Village, LLC (Alliant) and authorize the Vice President and Chief Operating Officer to execute all necessary documents.

DISCUSSION:

Island Palms Apartments, LP (IPA) is the owner of Island Village, a 281-unit rental housing facility developed to house low-income residents working in Downtown. IPA is a tax credit limited partnership consisting of BGA as the for-profit developer of the project and co-general partner, Housing Development Partners (HDP) as the nonprofit managing co-general partner, Alliant Tax Credit XV, Inc. as the administrative limited partner, and Alliant Tax Credit Fund XV, Ltd. as the tax credit investor limited partner. The Housing Commission made a \$4,400,000 loan and approved an \$11,000,000 bond issuance to IPA for Island Village. Construction was completed in 2003 and the project is fully occupied. Hyder Management is the property manager and Considine & Considine is the accountant.

Alliant Holdings of Island Village, LLC, Alliant Tax Credit XV, Inc., and Alliant Tax Credit Fund XV, Ltd. are affiliates of Alliant Capital Limited and Alliant Asset Management Company, LLC, which were founded in 1997 with the mission of facilitating the development of affordable housing by structuring and syndicating investments through Low Income Housing Tax Credits. Alliant Holdings of Island Village, LLC is a Florida limited liability company formed for the sole purpose of receiving BGA's partnership interest to operate the project as the co-general partner. As co-general partner of Island Palms Apartments, L.P., Alliant will have no other assets

or functions. Alliant's Developer's Statement For Public Disclosure is attached to this report (See Attachment – 1).

A transfer of BGA's interest in IPA to Alliant is permitted under the Housing Commission's Loan Agreement. The transfer is part of a November 15, 2006, settlement agreement, related to another development, wherein BGA and Alliant have agreed to the transfer of assets (See Attachment – 5, the Settlement Agreement). The proposed substitution is desirable because BGA is unable to meet the co-general partner obligations outlined in the Island Village Partnership Agreement.

Alliant will assume all of the rights, powers, and obligations that were vested in BGA, including any obligations to IPA or the Housing Commission. Alliant will not accept guarantees, debts, claims or other demands made by or against BGA, including any personal financial guarantees made by the principals of BGA, prior to the execution of the settlement agreement. However, this would not affect the co-general partner's ability to meet its obligations to the Housing Commission. The settlement agreement does not release BGA or Alliant from any obligations to IPA or the Housing Commission, including residual receipts payments to the Housing Commission.

Although Alliant will not assume personal financial guarantees or any other guarantees made by the principals of BGA, it will be liable for financial obligations as a corporation following the effective date of the transfer of co-general partner interest from BGA. Because it has invested approximately \$4.7 million in the project to date, Alliant has a vested interest in the success of Island Village.

As an alternative, the Housing Commission could deny approval of the transfer of partnership interest if the qualifications of Alliant to assume the duties of co-general partner are determined to be insufficient. IPA would have to propose a different entity to act as co-general partner for Island Village.

Disclosure

Commissioners Mr. Sal Salas, Mr. Tony Yip, and Chief Executive Officer of the Housing Commission, Ms. Elizabeth C. Morris, are each directors and officers of Housing Development Partners, a California nonprofit public benefit corporation qualified as an Internal Revenue Code Section 501(c)(3) corporation. Neither Commissioner Salas, Commissioner Yip, nor Ms. Morris receives compensation for their service on the Board of Directors of Housing Development Partners. Pursuant to the provisions of Government Code Section 1091.5(a)(7) and (8), Commissioner Salas, Commissioner Yip, and Ms. Morris each have a "non-interest" as described in Government Code Section 1091.5. As members of the Board of Commissioners of the Housing Commission, Mr. Salas and Mr. Yip are legally entitled to vote and be counted for quorum purposes.

None of the board members of Housing Development Partners has a financial interest in the development that would legally preclude their participation under the provisions of Government Code Sections 1090 and/or 87100, et.seq., and/or the San Diego Housing Commission's Conflict of Interest Code. This disclosure shall be and is hereby documented in the official records of the San Diego Housing Commission.

AFFORDABLE HOUSING IMPACT:

There would be no change in the affordability of the housing units with this action. Of the 281 studio units, 280 (one unit is reserved for occupancy by the resident manager) would remain affordable to tenants with incomes of 60 percent or less of Area Median Income (currently \$29,460) until December 21, 2060.

FISCAL CONSIDERATIONS:

Housing Commission participation in permanent financing for the development is \$4,400,000. The terms and conditions of the Housing Commission's financial participation would not change as a result of this action. As outlined in Alliant's property proforma (see Attachment – 3), the Housing Commission is expected to receive residual receipts payments beginning in 2011.

PREVIOUS ACTIONS:

On June 22, 2001, the Housing Commission approved a \$2,300,000 loan for Island Village (HCR01-077). On November 9, 2001, the Housing Commission approved a \$1,300,000 loan increase and a bond issuance of up to \$11,000,000 for the project (HCR01-126). On May 6, 2005, the Housing Commission approved an \$800,000 loan increase for the project (HCR05-035).

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Island Village was approved by Centre City Development Corporation (CCDC) under its exclusive planning jurisdiction in the project area. The Disposition Development Agreement (DDA) was approved by the Redevelopment Agency on February 20, 2001. No community approvals are required for the proposed transfer of partnership interest.

ENVIRONMENTAL REVIEW:

A Negative Declaration pursuant to the California Environmental Quality Act (CEQA), and a Finding Of No Significant Impact (FONSI) pursuant to the National Environmental Policy Act (NEPA), were completed for the development in 2001. The proposed transfer of interest in this previously approved development is not a "project" within the meaning of CEQA and no additional environmental review is required. Because no additional federal funding would result from this action, further NEPA processing is not required.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

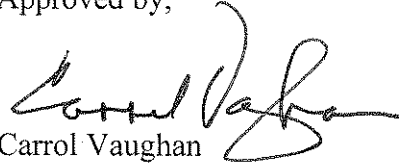
Stakeholders include the owner, Island Palms Apartments, LP, the Housing Commission as a lender, and the Housing Authority of the City of San Diego as issuer of the bonds, HDP as a co-general partner, Alliant as a prospective co-general partner, and BGA. Approval of this transfer of interest will have no impact on the viability, use, or affordability of the housing units.

Respectfully submitted,



Cissy Fisher
Director, Housing Finance and Development

Approved by,



Carrol Vaughan
Vice President and Chief Operating Officer

- Attachments:
1. Partner Disclosure Statement *
 2. Partner Financial Statement *
 3. Project Proforma
 4. Letter from Heller Ehrman, LLP
 5. Settlement Agreement *

*Distribution of this attachment is limited. A copy is available for review at the Housing Commission offices located at 1122 Broadway, Suite 300 and at the offices of the City Clerk located on the 2nd floor of 202 "C" Street.

Information: Mr. Dan Cady (619) 578-7594

DISCLOSURE STATEMENT: PAGE 1



- 1625 Newton Avenue
- San Diego, California 92113-1038
- 619/231 9400
- FAX: 619/544 9193

DEVELOPER'S STATEMENT FOR PUBLIC DISCLOSURE
 (add extra sheets if you need more space)

1. Name of developer:

Alliant Holdings of Island Village, LLC

2. Address, phone number and ZIP Code:

21600 Oxnard St., Suite 1200
Woodland Hills, CA 91367

3. IRS Number of Developer:

20-5858640

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: _____

A business association or a joint venture known as _____

A Federal, State or local government or instrumentality thereof.

Other (explain): Limited Liability Company

5. If the developer is not an individual or a government agency or instrumentality, give date of organization:

October 26, 2006

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.
- 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>
Alliant Real Estate Investments, LLC	818.668.6800	Managing Member, Alliant Holdings of Island Village, LLC

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>
Alliant Capital, Ltd.	Managing Member, Alliant Real Estate Investments, LLC

DISCLOSURE STATEMENT: PAGE 3

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:

Shawn Horwitz, President, Alliant Capital, Ltd.

Scott Kotick, Executive Vice President, Alliant Capital, Ltd.

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.

Alliant, Inc. General Partner of Alliant Capital, Ltd.

Sidney Kohl, Chairman, Alliant, Inc.

10. The financial condition of the developer, as of November, 1st, 2006 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: N/A

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

- a. In banks:

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

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: N/A

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:

a. Name and address of such contractor or builder:

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: \$ _____

DISCLOSURE STATEMENT: PAGE 5

General description of such work:

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

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

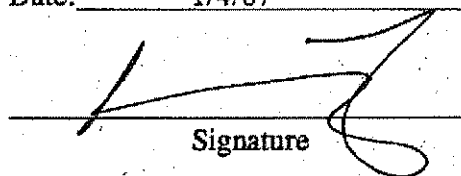
<u>Awarding Agency</u>	<u>Amount</u>	<u>Date Opened</u>
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18. Brief statement respecting equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project,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

CERTIFICATION

I (We) Shawn Horwitz 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: 1/4/07


Signature

Title: President
Alliant Asset Management, LLC Authorized Agent

Address & ZIP Code

21600 Oxnard Street, Suite 1200
Woodland Hills, CA 91367

ATTACHMENT - 2

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**ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

**ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP**

	<u>Pages</u>
I. Index	1
II. Independent Auditor's Report	2
III. Balance Sheets	3
IV. Statements of Operations	4
V. Statement of Partners' Capital	5
VI. Statement of Partners' Capital	6
VII. Statements of Cash Flows	7
VIII. Notes to the Financial Statements	8-23

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To The Partners
Island Palms Apartments, L.P.
A California Limited Partnership
710 West Ivy
San Diego, CA 92101

Independent Auditor's Report

We have audited the accompanying balance sheets of Island Palms Apartments, L.P., A California Limited Partnership, as of December 31, 2006 and 2005, and the related statements of operations and partners' capital and statements of cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Island Palms Apartments, L.P., A California Limited Partnership, as of December 31, 2006 and 2005, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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CONSIDINE & CONSIDINE
An Accountancy Corporation

February 26, 2007

ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
BALANCE SHEETS
DECEMBER 31, 2006 AND 2005

Page 3

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash (Note 5)	\$ 686,335	\$ 450,926
Rents Receivable (Note 6)	116,544	115,673
Bond Sinking Fund (Note 7)	495,836	481,043
Prepaid Expenses	23,286	30,640
	1,322,001	1,078,282
RENTAL PROPERTY (NOTE 8)	20,162,265	20,703,513
OTHER ASSETS		
Loan Fees, Net (Note 9)	677,839	707,130
Retail Lease Commissions, Net (Note 10)	41,444	55,464
TCAC Fees (Note 11)	90,883	102,363
	810,166	864,957
TOTAL ASSETS	22,294,432	22,646,752
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES		
Accounts Payable	25,705	79,115
Accrued Liabilities	284,690	175,877
Advance Commission	5,000	5,000
Advance Rent	23,001	39,092
Security Deposits	172,472	174,735
Due to Related Party (Note 12)	334,516	351,917
Accrued Interest (Note 13)	306,819	310,007
Notes Payable - Current (Note 14)	90,801	30,783
Bonds Payable - Current (Note 15)	135,000	125,000
	1,378,004	1,291,526
LONG-TERM LIABILITIES		
Accrued Interest (Note 13)	537,528	411,215
Notes Payable (Note 14)	6,557,830	6,648,630
Bonds Payable (Note 15)	10,610,000	10,745,000
	17,705,358	17,804,845
TOTAL LIABILITIES	19,083,362	19,096,371
PARTNERS' CAPITAL (Note 16)		
Beginning Capital	3,550,381	3,639,733
Capital Contributions	-	459,967
Current Year's Loss	(339,311)	(549,319)
	3,211,070	3,550,381
TOTAL LIABILITIES AND PARTNERS' CAPITAL	\$ 22,294,432	\$ 22,646,752

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See Accompanying Notes

ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Page 4

	<u>2006</u>	<u>2005</u>
REVENUE (Note 17)		
Gross Potential Rents	\$ 2,509,397	\$ 2,483,482
Less: Vacancy Loss	(99,877)	(108,844)
	<u>2,409,520</u>	<u>2,374,638</u>
EXPENSES FROM RENTAL OPERATIONS		
Wages and Payroll Taxes (Note 18)	313,404	269,846
Fixed Expenses (Note 19)	1,188,219	1,324,248
Utilities (Note 20)	364,522	332,633
General and Administrative (Note 21)	163,041	182,283
Repairs and Maintenance (Note 22)	71,562	97,437
Apartment Expenses (Note 23)	38,596	34,593
	<u>2,139,344</u>	<u>2,241,040</u>
INCOME FROM OPERATIONS	270,176	133,598
OTHER INCOME/(EXPENSES)		
Other Income	9,107	14,029
Amortization	(54,791)	(140,557)
Depreciation	(563,803)	(556,389)
	<u>(609,487)</u>	<u>(682,917)</u>
NET LOSS	<u>\$ (339,311)</u>	<u>\$ (549,319)</u>

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See Accompanying Notes

**ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
STATEMENT OF PARTNERS' CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2006**

Page 5

	<u>OWNERSHIP PERCENTAGE</u>	<u>PROFIT/LOSS PERCENTAGE</u>	<u>BEGINNING CAPITAL</u>	<u>CURRENT YEAR'S LOSS</u>	<u>ENDING CAPITAL</u>
GENERAL PARTNERS					
Barone Galasso & Associates, Inc.	75.0000 %	0.0500 %	\$ (858)	\$ (170)	\$ (1,028)
Housing Development Partners of San Diego	0.0100	0.0400	(746)	(136)	(882)
LIMITED PARTNERS					
Alliant Tax Credit XVI, Inc.	0.0100	0.0100	(112)	(34)	(146)
Alliant Tax Credit Fund XVI, Ltd.	24.9800	99.8900	3,055,808	(338,938)	2,716,870
CLASS B LIMITED PARTNERS					
Palm Village, LLC	0.0000	0.0050	124,021	(17)	124,004
East Village Development San Diego, LLC	0.0000	0.0050	372,268	(17)	372,251
	<u>100.0000 %</u>	<u>100.0000 %</u>	<u>\$ 3,590,381</u>	<u>\$ (339,311)</u>	<u>\$ 3,211,070</u>

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See Accompanying Notes

ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
STATEMENT OF PARTNERS' CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2006

Page 6

	<u>OWNERSHIP PERCENTAGE</u>	<u>PROFIT/LOSS PERCENTAGE</u>	<u>BEGINNING CAPITAL</u>	<u>CONTRIBUTIONS</u>	<u>CURRENT YEAR'S LOSS</u>	<u>ENDING CAPITAL</u>
GENERAL PARTNERS						
Barone Galasso & Associates, Inc.	75.0000 %	0.0500 %	\$ (583)	-	\$ (275)	\$ (858)
Housing Development Partners of San Diego	0.0100	0.0400	(526)	-	(220)	(746)
LIMITED PARTNERS						
Alliant Tax Credit XVI, Inc.	0.0100	0.0100	(57)	-	(55)	(112)
Alliant Tax Credit Fund XVI, Ltd.	24.9800	99.8900	3,144,556	459,967	(548,715)	3,055,808
CLASS B LIMITED PARTNERS						
Palm Village, LLC	0.0000	0.0050	124,048	-	(27)	124,021
East Village Development San Diego, LLC	0.0000	0.0050	372,295	-	(27)	372,268
	<u>100.0000 %</u>	<u>100.0000 %</u>	<u>\$ 3,639,733</u>	<u>\$ 459,967</u>	<u>\$ (549,319)</u>	<u>\$ 3,550,381</u>

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See Accompanying Notes

ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Page 7

	2006	2005
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (339,311)	\$ (549,319)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation and Amortization	618,594	696,946
Increase in Rent Receivable	(871)	(5,698)
Decrease in Deposits in Escrow	-	100,157
Increase/(Decrease) in Prepaid Expenses	7,354	(14,884)
Increase/(Decrease) in Accounts Payable	(53,410)	(457,152)
Increase in Accrued Liabilities	108,813	74,081
Increase/(Decrease) in Advance Rent	(16,091)	39,092
Decrease in Security Deposits	(2,263)	(14,560)
Purchase of Retail Lease Commissions	-	(7,700)
Increase in Accrued Interest	123,125	119,749
Increase/(Decrease) in Due to Related Party	(17,401)	242,513
	<u>767,850</u>	<u>772,544</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	428,539	223,225
CASH FLOWS USED BY INVESTING ACTIVITIES		
Improvements to Rental Property	(22,554)	(321,428)
Increase in Bond Sinking Fund	(14,793)	(28,964)
	<u>(37,347)</u>	<u>(350,392)</u>
CASH FLOWS PROVIDED/(USED) BY FINANCING ACTIVITIES		
Payment of Loan Fees	-	(58,990)
Capital Contributions	-	459,967
Principal Payments on Long-Term Debt	(155,783)	(269,687)
Principal Borrowing on Long-Term Debt	-	379,621
	<u>(155,783)</u>	<u>510,911</u>
NET INCREASE IN CASH	235,409	383,744
CASH, BEGINNING	450,926	67,182
CASH, ENDING	<u>\$ 686,335</u>	<u>\$ 450,926</u>
SUPPLEMENTAL CASH DISCLOSURE:		
Interest Paid	\$ 676,746	\$ 719,120
Income Taxes Paid	\$ 800	\$ 800

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See Accompanying Notes

ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

Page 8

NOTE 1 THE PARTNERSHIP

Island Palm Apartments is a California limited Partnership that was formed on December 20, 2001. The Partnership was formed to construct a 280 unit apartment project at 1245 Market Street, San Diego California. The apartment complex was completed and placed into service in August 2003.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements have been prepared using the accrual method in conformity with generally accepted accounting principles.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. These estimates may differ from actual results.

Cash - The Partnership considers financial instruments with a fixed maturity date of less than three months to be cash equivalents.

Rental Property - Property and equipment are carried at cost. Depreciation is computed using the straight-line method of depreciation over the assets' estimated useful lives of 5 to 40 years.

Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

Rental Income - Rental income is recognized as rental amounts become due on the first of the month. Rental payments received in advance are deferred until earned.

Income Taxes - The Partnership's income is not taxed at the partnership level for federal or state income tax purposes, except for an annual payment of \$800 for the California minimum tax.

NOTE 3 PARTNERS' CAPITAL CONTRIBUTIONS

Capital Contributions - The Partnership has two general partners and four limited partners. The managing general partner is Housing Development Partners of San Diego. The co-general partner is Barone Galasso & Associates, Inc. The administrative limited partner is Alliant Tax Credit XVI, Inc. The investor limited partner is Alliant Tax Credit Fund XVI, Ltd. The Class B limited partners are Palm Village, LLC and East Village Development San Diego, LLC.

The investor limited partner's capital contribution in the aggregate amount of \$5,819,033 shall be paid in cash installments, as follows:

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**ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

Page 9

NOTE 3 PARTNERS' CAPITAL CONTRIBUTIONS (Continued)

A. \$2,909,567 was paid upon the last to occur of (i) closing, including, but not limited to, the receipt of all required federal, state and local governmental approvals concerning the apartment complex, the acquisition of the interests by the investor limited partner and the administrative limited partner; (ii) receipt by the Partnership of the credit determination and satisfaction by the Partnership of all conditions to the effectiveness of the credit determination which are to be satisfied prior to closing imposed by the code, the credit agency or otherwise; (iii) receipt of the permanent loan commitment; (iv) funding of the bond loan on terms approved by the administrative limited partner in its sole and absolute discretion; (v) release of the bond loan from escrow on terms approved by the administrative limited partner in its sole and absolute discretion; and (vi) receipt by the administrative limited partner of an environmental site assessment for the apartment complex, with such environmental site assessment to be approved by the administrative limited partner in the exercise of its sole and absolute discretion with such funds to be solely used for site acquisition, development and construction costs, development fee and to pay a \$30,000 fee to an affiliate of the administrative limited partner for expense reimbursement. This contribution was made in 2001.

B. \$90,433 was payable to the trustee upon the last to occur of (i) satisfaction of all conditions precedent to the payment set forth in paragraph A above, (ii) January 15, 2002, with such funds to be used solely for construction costs. This contribution was made in 2002.

C. \$1,708,725 was payable upon the last to occur of (i) satisfaction of all conditions precedent to the payment set forth in paragraphs A and B above; (ii) completion by the completion date and delivery of the completion certificate executed by the architect; (iii) satisfaction by the Partnership of all conditions to the effectiveness of the credit determination imposed by the code, the credit agency or otherwise, which are to be satisfied prior to the installment of the investor limited partner contribution; (iv) issuance of certificates of occupancy for all units in the apartment complex (and if such certificates of occupancy for all are not final, then, to the extent of any "punchlist" construction items, the investor limited partner shall withhold an amount equal to 150% of the cost reasonably estimated to complete such items, and such withheld funds are contributed to the Partnership upon issuance of final certificates of occupancy); (v) cost certification; and (vi) January 1, 2003 with such funds used to pay construction costs. This contribution was made in 2004.

DRAFT

**ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

Page 10

NOTE 3 PARTNERS' CAPITAL CONTRIBUTIONS (Continued)

D. \$1,073,294 is payable on the last to occur of (i) satisfaction of all conditions precedent to the payment set forth in paragraph A, B and C above; (ii) delivery to the limited partners of the Partnership's tax return for the first year of the credit period; (iii) issuance of Forms 8609 for the entire apartment complex or each building thereof, as applicable; (iv) the attainment of the rental achievement; (v) the conversion of the bond loan to the permanent phase pursuant to the permanent loan commitment; and (vi) October 1, 2003 with such funds used to pay construction costs and development fee and fund the operating deficit reserve. A contribution of \$459,967 was made in 2005.

The co-general partner agreed that it will pay any development deficits. Any payments required will be made and funded on a current basis in fulfillment of the obligations of the co-general partner to the Partnership, the investor limited partner, and the administrative limited partner, and shall be deemed a capital contribution to the Partnership by the co-general partner and shall not be credited to the capital account of the co-general partner. Notwithstanding the foregoing, the co-general partner shall be entitled to advance sums for completion of construction and shall be entitled to the repayment of such advances without interest to the extent that there are proceeds of the bond loan, SDHC loan or investor limited partner contributions available, after paying all other obligations of the Partnership incurred in connection with such construction and the establishment of all required reserves or escrow accounts under the project documents, to repay such advances.

NOTE 4 PARTNERSHIP PROFITS, LOSSES AND DISTRIBUTIONS

Operating profits and losses, tax-exempt income, losses, non-deductible non-capitalizable expenditures and tax credits incurred or accrued on or after the commencement date shall be allocated 99.98% to the investment limited partner, 0.01% to the administrative limited partner, 0.01% to the Class B limited partners, .05% to the managing general partner, and 0.04% to the co-general partner, provided, however, that in any fiscal year in which operating profits are generated, such operating profits shall be allocated to and among the partners in the same percentage as distributions of cash flow are made pursuant to the sixth paragraph of the cash flow section listed below.

DRAFT

**ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

Page 11

NOTE 4 PARTNERSHIP PROFITS, LOSSES AND DISTRIBUTIONS (Continued)

All profits and losses arising from a capital transaction shall be allocated to the partners as follows:

AS TO PROFITS

First, an amount of profits from sale or refinancing transaction equal to the aggregate negative balances in the capital accounts of all partners having a negative capital account balances in proportion to their negative to their negative capital account balances until all such capital accounts have a zero balance; and second, the balance, to the partners in a manner so as to cause the positive capital account balance of each partner to be equal to the amount that would have been distributable to such partner if an amount equal to the sum of (i) the positive capital account of all partners, determined prior to any allocation under this section with respect to such sale or refinancing transactions, plus (ii) the profits to be allocated among the partners pursuant to this section with respect to such sale or refinancing transactions, were distributed among the partners pursuant to clauses (iii) and (vi) of " The Distributions and Application of Cash Flow and Sale or Refinancing Transactions Proceeds" of the partnership agreement.

AS TO THE LOSSES

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First, an amount of profits from sale or refinancing transaction equal to the aggregate positive balances in the capital accounts of all partners having a positive capital account balances shall be allocated to the partners having positive capital balances in proportion to their positive capital balances until all such capital accounts have a zero balance; and the balance, in any, to those partners who bear the economic risk of loss in proportion to the loss borne.

ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

Page 12

NOTE 4 PARTNERSHIP PROFITS, LOSSES AND DISTRIBUTIONS (Continued)**CASH DISTRIBUTIONS SECTION****CASH FLOW**

Cash Flow shall be applied in the following order of priority:

(i) To the investor limited partner in an amount equal to the unpaid housing tax credit shortfall payment, (ii) to pay interest on any loans, excluding operating loans and deferred development fee, from partners or their affiliates provided for herein, pro rata in accordance with the amount of interest accrued as of the date of such distribution; (iii) to repay principal of any loans, excluding operating loans and deferred development fee, payable to partners or their affiliates, pro rata in accordance with the amount of the principal balances as of the date of such distributions; (iv) to pay in full any unpaid asset management fees, plus all accrued asset management fees unpaid from prior years; (v) to pay in full any unpaid partnership management fee, plus all accrued partnership management fee unpaid from prior years; (vi) to the payment of the partnership guaranty fees unpaid from prior years; (vii) to pay any amounts due under the SDHC loan; (viii) to pay in full any unpaid operating loans and any deferred development fee; and (ix) the balance to be paid 75% to the Class B limited partners to pay the Class B preferred return, 24.98% to the investor limited partner, .01% to the administrative limited partner, .005% to the managing general partner, and .005% to the co-general partner until the Class B limited partners have received their Class B preferred return; (x) the balance to be paid 75% to the Class B limited partners as a return of capital, 24.98% to the investor limited partner, .01% to the administrative limited partner, .005% to the managing general partner and .005% to the co-general partner until the Class B limited partners have received \$250,000; (xi) the balance to be paid 37.5% to the Class B limited partners as a return of capital, 37.5% to the co-general partner, 24.99% to the investor limited partner and .01% to the administrative limited partner until the Class B limited partners have received an amount equal to \$246,500; (xii) the balance to be paid 75% to the co-general partner, 24.98% to the investor limited partner, .01% to the administrative limited partner, and .01% to the managing general partner.

DRAFT**SALE OR REFINANCING TRANSACTION PROCEEDS**

Sale or refinancing transaction proceeds shall be applied in the following order of priority:

**ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

Page 13

NOTE 4 PARTNERSHIP PROFITS, LOSSES AND DISTRIBUTIONS (Continued)

(i) To the payment of liabilities of the Partnership then due and owing to persons other than the partners; (ii) to establish such reserves as the general partners, with the consent of the administrative limited partner, determine to be reasonably necessary for any contingent or foreseeable liability or obligation of the Partnership; provided, however, that the balance of any such reserve remaining as such time as the general partners, with the consent of the administrative limited partner, shall determine that such reserve is no longer necessary is distributed as follows; (iii) to the investor limited partner in an amount equal to the unpaid housing tax credit shortfall payment; (iv) to pay in full any unpaid asset management fees; (v) to the payment, pari passu, of any debts owed to partners and/or their affiliates until all such debts have been paid in full; (vi) the balance, if any, 35% to the investor limited partner, 64.99% to the co-general partner and .01% to the managing general partner; provided, however, the portion of the sale or refinancing transaction proceeds otherwise distributable to the general partners hereunder will first be applied to pay any unpaid deferred development fee as of the date of such distribution.

NOTE 5 CASH

Cash consists of the following:

	2006	2005
Deutsche Bank - Debt Service Reserve	\$ 352,665	\$ 250,585
US Bank - Security Deposits	202,375	116,860
Deutsche Bank - Replacement Reserve	95,318	31,649
Deutsche Bank - Insurance Reserve	20,380	19,656
US Bank - Checking	10,250	22,429
US Bank - Reserve	4,566	60
Petty Cash	750	750
Deutsche Bank - Property Tax Reserve	31	8,937
	\$ 686,335	\$ 450,926

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The Operating Deficit Reserve Account has not been established or funded.

At various times during the fiscal year, the Partnership's cash in balances exceeded the federally insured limits. At December 31, 2006 and 2005, the Partnership's uninsured cash balances totaled \$513,300 and \$221,700, respectively.

**ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

Page 14

NOTE 6 RENTS RECEIVABLE

Rents receivable are shown net of an allowance for doubtful accounts of \$148,274 and \$88,626 for the years ended December 31, 2006 and 2005, respectively. Management periodically reviews its receivables and records an allowance based on its estimate of the collectibility of outstanding amounts.

NOTE 7 BOND SINKING FUND

The bond sinking fund consists of funds held with US Bank to be used for debt service related to the Partnership's bonds payable. The funds are invested in US Treasury Bills that can be liquidated at any time. The accounts are controlled by the bank and are only available upon approved fund requests.

NOTE 8 RENTAL PROPERTY

Rental property consists of the following:

	2006	2005
Building	\$ 17,744,589	\$ 17,744,589
Land	3,689,515	3,689,515
Furniture and Fixtures	605,098	582,543
Retail Space Improvements	8,793	8,793
Appliances	3,232	3,232
	<u>22,051,227</u>	<u>22,028,672</u>
Accumulated Depreciation	(1,888,962)	(1,325,159)
	<u>\$ 20,162,265</u>	<u>\$ 20,703,513</u>

DRAFT**NOTE 9 LOAN FEES**

Loan fees are shown net of \$136,379 and \$107,088 in amortization for December 31, 2006 and 2005, respectively. The loan fees associated with the Citibank note payable were fully amortized in 2005 when the long-term debt was refinanced. The costs associated with the refinance are being amortized over 20 to 55 years using the straight-line method.

**ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

Page 15

NOTE 10 RETAIL LEASE COMMISSIONS

Retail lease commissions are shown net of \$33,790 and \$19,770 in amortization as of December 31, 2006 and 2005, respectively. The costs are being amortized over 5 years using the straight-line method.

NOTE 11 TCAC FEES

The costs associated with securing the Federal Low Income Housing Certification are being amortized over 10 years using the straight-line method. The fees are shown net of \$23,917 and \$12,437 in amortization as of December 31, 2006 and 2005, respectively.

NOTE 12 TRANSACTIONS WITH RELATED PARTIES**Due to Related Party**

The Partnership has an amount due to the general partner, Barone Galasso & Associates, Inc., totaling \$334,516 and \$351,917 for the years ended December 31, 2006 and 2005, respectively.

Asset Management Fee

The Partnership pays the investor limited partner and asset management fee of \$28,000 per year, one half payable on April 1 and the balance on October 1, if available from cash flow.

Partnership Guaranty Fee

In accordance with the partnership agreement, commencing on April 1, 2003, and for each year thereafter, the Partnership pays to the co-general partner, a partnership guaranty fee of \$5,000 per year, one half payable on April 1 and the balance on October 1, if available from cash flow.

Management Fee**DRAFT**

In accordance with the partnership agreement, commencing on April 1, 2003, and for each year thereafter, the Partnership pays to the managing general partner on an annual basis an amount not to exceed 6% of the gross rental receipts from the Apartment Complex for management services in accordance with the Management Agreement as approved by each Credit Agency and the Administrative Limited Partner. The management fee as of December 31, 2006 totaled \$93,781, which is net of a \$42,626 adjustment from prior years. The Partnership recorded a management fee at 7% of gross rental receipts for the years 2004 and 2005, the parties later renegotiated the fee at 6%. The adjustment has been made in the current year.

**ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 12 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Partnership Management Fee

In accordance with the partnership agreement, commencing on April 1, 2003, and each year thereafter, the Partnership shall pay to the managing general partner, a partnership management fee equal to a 1% gross receipts for each preceding fiscal year, one half payable on April 1 and the balance on October 1, if available from the cash flow. This fee totaled \$24,196 and \$23,784 for the years ended December 31, 2006 and 2005, respectively.

Development Fee

In accordance with the partnership agreement, a development fee of \$1,320,000, payable to Barone Galasso & Associates, Inc. for services rendered to the Partnership for overseeing the construction of the project, was capitalized into the cost of the building. As of December 31, 2006 and 2005, \$175,900 had been paid and \$1,144,100 was still owed.

NOTE 13 ACCRUED INTEREST

Accrued interest consists of the following:

	2006	2005
San Diego Housing Commission	\$ 537,528	\$ 411,215
MHR 2001 Bond Interest	300,906	304,094
Deutsche Bank	5,913	5,913
	\$ 844,347	\$ 721,222

NOTE 14 NOTES PAYABLE

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San Diego Housing Commission - The note was funded on December 1, 2001 and had a balance due of \$4,400,000 for the years ended December 31, 2006 and 2005. The note bears interest at 3% and all unpaid principal and interest is due December 2056. The note requires payments of the lesser of the equally amortized payment over a fifty-five year period, which is currently \$14,048 per month or seventy-five percent of the project's residual receipts. If the payments up to the year 2016 have not satisfied the equally amortized payments required to pay the note within its fifty-five year term, then the note will be re-amortized. The note is secured by a deed of trust on the property.

**ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 14 NOTES PAYABLE (CONTINUED)

The Partnership has incurred a development fee of \$1,320,000 that is payable to Barone Galasso & Associates, Inc. for services rendered to the Partnership for overseeing the construction of the project. At December 31, 2006 and 2005, \$1,144,100 had not been paid. The entire development fee has been capitalized into the cost of the building.

Deutsche Bank - The amount borrowed was \$1,104,531 and \$1,135,313 as of December 31, 2006 and 2005, respectively. The note was funded on June 1, 2005. The note calls for monthly payments of \$8,406 at an interest rate of 6.25%. The note matures in 2025 and is secured by the property.

The following is a summary of principal maturities of long-term debt for the next five years:

2007	\$	90,801
2008		35,056
2009		37,311
2010		39,711
2011		42,265
Thereafter		6,403,487
		\$ 6,648,631

NOTE 15 BONDS PAYABLE

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Bonds payable consist of Multifamily Housing Revenue Bonds, 2001 Series B, issued by the Housing Authority of the City of San Diego and are secured by the property. Interest on the Bonds is payable each January 1 and July 1. The bond issuance of \$11,000,000 consisted of the following amounts:

Principal	Maturity	Interest Rate
\$1,215,000	July 1, 2012	5.100%
\$9,785,000	July 1, 2034	5.650%

ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

Page 18

NOTE 15 BONDS PAYABLE (Continued)

The bonds maturing on July 12, 2012 will be redeemed as follows:

January 1, 2005	\$	70,000	PAID	January 1, 2009	\$	75,000
July 1, 2005	\$	60,000	PAID	July 1, 2009	\$	80,000
January 1, 2006	\$	60,000	PAID	January 1, 2010	\$	80,000
July 1, 2006	\$	65,000	PAID	July 1, 2010	\$	85,000
January 1, 2007	\$	65,000		January 1, 2011	\$	85,000
July 1, 2007	\$	70,000		July 1, 2011	\$	90,000
January 1, 2008	\$	70,000		January 1, 2012	\$	90,000
July 1, 2008	\$	75,000		July 1, 2012	\$	95,000

The bonds maturing on July 1, 2034 will be redeemed as follows:

January 1, 2013	\$	95,000		January 1, 2018	\$	135,000
July 1, 2013	\$	100,000		July 1, 2018	\$	140,000
January 1, 2014	\$	100,000		January 1, 2019	\$	145,000
July 1, 2014	\$	110,000		July 1, 2019	\$	155,000
January 1, 2015	\$	110,000		January 1, 2020	\$	155,000
July 1, 2015	\$	115,000		July 1, 2020	\$	160,000
January 1, 2016	\$	115,000		January 1, 2021	\$	165,000
July 1, 2016	\$	125,000		July 1, 2021	\$	175,000
January 1, 2017	\$	125,000		January 1, 2022	\$	180,000
July 1, 2017	\$	135,000		July 1, 2022	\$	185,000

On July 1, 2022 the remaining principal of \$7,060,000 will subject to mandatory tender, purchase, and remarking.

The following fees are paid in association with the bonds:

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A monthly fee is paid to Freddie Mac as a credit enhancement fee. The fee is calculated annually at 0.85% bonds outstanding. The fee is payable on the first day of each month which is currently \$7,576 per month.

Semi-annually, the San Diego Housing Authority is paid \$12,650 as an issuer fee. One portion of the issuer fee shall be paid from the monthly note payment, in the amount of .23% of bonds outstanding (initially the full amount, \$25,300). Going forward, any portion of the \$25,300 not covered by .23% of bonds outstanding (i.e. as the bond balance decreases) shall be paid directly by the Partnership.

**ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

Page 19

NOTE 15 BONDS PAYABLE (Continued)

The trustee fees are paid semi-annually. Trustee fees are calculated as 0.08% of bonds outstanding, currently \$8,596 per year.

\$250 paid semi-annually for Dissemination Agent Fees . Paid directly by Borrower upon receipt of an invoice from Dissemination Agent (U.S. Bank).

NOTE 16 PARTNERS' CAPITAL

Island Palms Apartments is a California limited partnership. The partners and their capital balances are shown on the Statement of Partners' Capital.

NOTE 17 REVENUE

Revenue consists of the following:

	2006	2005
Rental Income	\$ 2,307,829	\$ 2,268,027
TV Income	39,310	41,524
Other Rental Income	21,925	24,169
Interest Income	16,380	18,188
Laundry Income	10,668	11,967
Credit Check Income	6,242	4,827
Late Fee Income	4,684	2,632
Vending Income	2,482	2,457
Telephone Income	-	847
	<u>\$ 2,409,520</u>	<u>\$ 2,374,638</u>

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ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

Page 20

NOTE 18 WAGES AND PAYROLL TAXES

Wages and payroll taxes consist of the following:

	2006	2005
Employee Bonus	\$ 2,561	\$ 2,152
Employee Training	1,105	173
Insurance - Health	7,590	6,536
Insurance - Workers Compensation	11,282	14,142
Payroll Service	13,130	9,228
Payroll Taxes	24,630	19,215
Salary / Wages - General Manager	11,295	777
Salary / Wages - Manager	47,554	29,421
Salary / Wages - Assistant Manager	32,859	20,344
Salary / Wages - Maintenance	41,267	49,540
Salary / Wages - Housekeepers	40,480	37,411
Salary / Wages - Desk Clerks	73,525	68,327
Temporary Labor / Help	6,126	12,580
	<u>\$ 313,404</u>	<u>\$ 269,846</u>

DRAFT**NOTE 19 FIXED EXPENSES**

Fixed expenses consist of the following:

	2006	2005
Advertising / Marketing	\$ 13,555	\$ 15,056
Asset Management Fee	28,000	30,715
Credit Enhancement Fee	91,516	65,778
Franchise Tax Board	800	800
Insurance Liability	52,106	55,766
Interest	799,871	832,956
Letter of Credit Fees	-	68,920
Management Fees	93,781	158,896
Other Bond Fees	36,612	25,300
Partnership Fees	29,196	28,784
Property Taxes	20,671	18,594
Tax & License	17,135	17,902
Trust Fees	4,976	4,781
	<u>\$ 1,188,219</u>	<u>\$ 1,324,248</u>

ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

Page 21

NOTE 20 UTILITIES

Utilities expense consists of the following:

	2006	2005
Electricity	\$ 119,344	\$ 93,638
Gas	40,670	36,900
Security	88,786	89,558
Telephone & Fax	9,527	10,357
Trash Removal	44,888	45,728
Water and Sewer	61,307	56,452
	<u>\$ 364,522</u>	<u>\$ 332,633</u>

NOTE 21 GENERAL AND ADMINISTRATIVE

General and administrative expense consists of the following:

	2006	2005
Accounting	\$ 24,245	\$ 20,604
Bad Debt Expense	59,648	88,626
Bank Charges	2,431	4,837
Computer Supplies	9,709	9,015
Copier	2,119	4,573
Concessions	3,715	2,279
Credit Card Fees	5,940	3,912
Credit Check	7,998	6,367
Dues & Subscriptions	668	1,304
Legal	31,164	23,835
Meals and Entertainment	-	1,601
Office Lease	3,606	2,725
Office Supplies	4,116	6,036
Other Administrative	3,154	3,871
Penalties	787	262
Postage	1,264	1,688
Storage	2,073	748
Travel	404	-
	<u>\$ 163,041</u>	<u>\$ 182,283</u>

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ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

Page 22

NOTE 22 REPAIRS AND MAINTENANCE

Repairs and maintenance expense consists of the following:

	2006	2005
Alarm Maintenance	\$ 5,216	\$ 5,765
Decorating / Cleaning	-	190
Elevator	9,960	30,783
General Maintenance	44,809	51,764
Landscape	5,594	5,525
Pest Control	5,580	2,560
Plumbing	403	850
	<u>\$ 71,562</u>	<u>\$ 97,437</u>

NOTE 23 APARTMENT EXPENSES

Apartment expenses consist of the following:

	2006	2005
Cable TV	\$ 31,293	\$ 29,965
Tenant Supplies / Relations	2,078	1,091
Uniforms	139	2,733
Bedding and Linen Service	5,086	804
	<u>\$ 38,596</u>	<u>\$ 34,593</u>

DRAFT**NOTE 24 TAXABLE LOSS**

A reconciliation of financial statement net earnings to taxable earnings of the Partnership for the year ended December 31, 2005 is as follows:

	2006	2005
Financial Statement Net Loss	\$ (339,311)	\$ (549,319)
1/2 Meals and Entertainment	-	800
Audit Adjustment - Accrued Interest	(33,600)	27,913
Audit Adjustment - Accrued Liabilities	(16,055)	2,715
Increase in Allowance for Bad Debt	59,648	88,626
Difference in Depreciation & Amortization	(185,487)	(226,529)
Non-deductible Penalties	787	262
Taxable Loss as Shown on Tax Return	<u>\$ (514,018)</u>	<u>\$ (655,533)</u>

**ISLAND PALMS APARTMENTS, L.P.
A CALIFORNIA LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

Page 23

NOTE 25 SUBSEQUENT EVENTS

To resolve various disputes between the parties, the co-general partner, Barone Galasso & Associates, Inc. (BGA), and the investor limited partner, Alliant Tax Credit Fund XVI, Ltd., have reached an agreement to assign all the BGA's right, title, and interest in the Island Palms Partnership to Alliant Holdings of Island Village, LLC. All of BGA's rights to their capital account and their developer fee note payable will be assigned to Alliant Real Estate Investments, LLC. The effective date of this agreement will be _____.

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ISLAND VILLAGE

15 Year Proforma	Compliance Year:	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Income												
Total Gross Potential Rent:		2,203,812	2,258,907	2,315,380	2,373,264	2,432,596	2,493,411	2,555,746	2,619,640	2,685,131	2,752,259	2,821,066
Vacancy Loss		(110,191)	(112,945)	(115,769)	(118,663)	(121,630)	(124,671)	(127,787)	(130,982)	(134,257)	(137,613)	(141,053)
Commercial Vacancy Loss		(12,179)	(12,483)	(12,796)	(13,115)	(13,443)	(13,779)	(14,124)	(14,477)	(14,839)	(15,210)	(15,590)
Uncollected Rent:		(11,019)	(11,295)	(11,577)	(11,866)	(12,163)	(12,467)	(12,779)	(13,098)	(13,426)	(13,761)	(14,105)
Net Rental Revenue:		2,070,423	2,122,184	2,175,239	2,229,619	2,285,360	2,342,494	2,401,056	2,461,083	2,522,610	2,585,675	2,650,317
Other Income:												
Commercial Income:		243,580	249,670	255,911	262,309	268,867	275,588	282,478	289,540	296,779	304,198	311,803
Cable TV:		42,000	43,050	44,126	45,229	46,360	47,519	48,707	49,925	51,173	52,452	53,764
Live / Work Lofts:		-	-	-	-	-	-	-	-	-	-	-
Interest Income		11,940	12,239	12,544	12,858	13,180	13,509	13,847	14,193	14,548	14,911	15,284
Miscellaneous/Invest. Income:		64,507	66,120	67,773	69,467	71,204	72,984	74,808	76,679	78,596	80,560	82,574
Total Income:		2,432,450	2,493,262	2,555,593	2,619,483	2,684,970	2,752,094	2,820,897	2,891,419	2,963,705	3,037,797	3,113,742
Operating Expenses:												
Payroll:		400,341	414,353	428,855	443,865	459,401	475,480	492,121	509,346	527,173	545,624	564,721
Management Fees:	4.25%	103,379	105,964	127,780	130,974	134,249	137,605	141,045	144,571	148,185	151,890	155,687
Administrative:		57,282	59,287	61,362	63,510	65,732	68,033	70,414	72,879	75,429	78,069	80,802
Repairs and Maintenance:		125,949	130,357	134,920	139,642	144,529	149,588	154,823	160,242	165,851	171,656	177,664
Grounds Maintenance:		-	-	-	-	-	-	-	-	-	-	-
Utilities:		334,827	346,546	358,675	371,229	384,222	397,669	411,588	425,993	440,903	456,335	472,307
Property Taxes:		27,500	28,325	29,175	30,050	30,951	31,880	32,836	33,822	34,836	35,881	36,958
Insurance:		42,925	44,427	45,982	47,592	49,257	50,981	52,766	54,613	56,524	58,502	60,550
Replacement Reserve		63,228	63,228	63,228	63,228	63,228	65,441	65,441	65,441	65,441	65,441	67,731
Other		25,450	26,341	27,263	28,217	29,204	30,227	31,285	32,380	33,513	34,686	35,900
Security Deposit Account		162,472	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses:		1,343,353	1,218,828	1,277,239	1,318,306	1,360,774	1,406,904	1,452,319	1,499,286	1,547,855	1,598,084	1,652,318

Net Operating Income:	1,089,097	1,274,434	1,278,354	1,301,177	1,324,196	1,345,191	1,368,577	1,392,134	1,415,849	1,439,713	1,461,424
Debt Service:	967,811	968,035	967,574	966,426	964,593	962,073	958,868	959,805	959,541	958,420	960,927
Net Cash Flow:	121,286	306,398	310,780	334,750	359,603	383,117	409,709	432,329	456,308	481,293	500,496
DCR	1.13	1.32	1.32	1.35	1.37	1.40	1.43	1.45	1.48	1.50	1.52
Cash Flow	121,286	306,398	310,780	334,750	359,603	383,117	409,709	432,329	456,308	481,293	500,496
Debt Service Reserve	50,000										
Asset Man. Fee LP	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000
Accrued Asset Man Fees Paid	43,286	76,616									
Partnership Man. Fee Managing GP	-	24,933	25,556	26,195	26,850	27,521	28,209	28,914	29,637	30,378	31,137
Accrued Partnership Management Fee Paid		98,876									
Partnership Guaranty Fee Co-GP	-	10,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Accrued Partnership Guaranty Fee Paid		23,545									
Cash Flow after Fees	-	44,429	252,224	275,556	299,753	322,596	348,500	370,414	393,671	417,915	436,359
Deferred Dev. Fee	-	44,429	252,224	275,556	86,279	-	-	-	-	-	-
Balance of Def. Dev. Fee	658,487	658,487	614,058	361,834	86,279	-	-	-	-	-	-
Dist. To Co-General Partner (80%)	0	35,543	201,779	220,444	69,023	0	0	0	0	0	0
Dist. To Managing General Partner (20%)	0	8,886	50,445	55,111	17,256	0	0	0	0	0	0
Cash Flow After Developer Fee	-	-	-	-	213,475	322,596	348,500	370,414	393,671	417,915	436,359
San Diego Housing Commission Loan	-	-	-	-	160,106	168,576	168,576	168,576	168,576	168,576	168,576
Cash Flow After Subordinate Mortgage	-	-	-	-	53,369	154,020	179,924	201,838	225,095	249,339	267,783

HellerEhrman_{LLP}

March 1, 2007

Via U.S. Mail & E-Mail

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Re: Island Palms Apartments, L.P. (the "Partnership"): Transfer of Co-General Partner Interest to Alliant

Dear Mr. Christensen:

This responds to your February 7, 2007 e-mail to us, which sets forth a list of concerns of your client, the San Diego Housing Commission ("Commission"), to the proposed transfer of Barone Galasso & Associates, Inc.'s co-general partner interest in the Partnership, to an Alliant entity.

Before directly addressing the Commission's concerns, some background on Alliant is appropriate. Alliant was founded in 1997. It is among the top sponsors in the nation in syndicating investments in affordable tax credit real estate developments. Alliant is involved in over 420 such projects nationwide, and enjoys an unparalleled track record of success in its industry. Since its inception, Alliant has raised more than \$2.2 billion in investor equity and has sponsored over 40 corporate tax credit funds. It employs over one hundred professionals, maintains seven regional offices, and is one of the top twenty-five multi-family property owners in the United States.

Critical to Alliant's strong track record is its commitment to preserving its reputation for success and credibility. The importance of this reputation is demonstrated by the lack of a single project failure in Alliant's history. A project that defaults without prompt and appropriate resolution would have severe consequences to Alliant's business model of generating new investments to support the provision of quality low income housing.

A recent example of Alliant's commitment in this regard is the 500 West Broadway hotel project in San Diego. There, BGA, as general partner, defaulted on a number of its obligations to the partnership owner. Alliant stepped in to fund substantial cash shortfalls -- despite the fact that it was not obligated to do so under the partnership agreement -- and is continuing to work to stabilize that property.

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Alliant has taken a similar approach here. It contributed substantial capital to the Partnership to avoid Project default, even though its funding requirements as an investment limited partner were not then triggered. Alliant's singular goal with this Project, as with each of its others, is to ensure success for all stakeholders, and fundamentally, to preserve Project tax credits.

We should also point out that Alliant has been proactive and candid in its communications with the Commission since working out a settlement with BGA late last year. As early as December Alliant sought Commission approval of the transfer of BGA's partnership interest to Alliant, even though that approval is not required under the operative loan documents.¹ Throughout these last two and half months Alliant volunteered to provide relevant information to the Commission, with the hope that prompt approval could be obtained to allow a seamless transition, a well managed project, and protection of tax credits. Given these goals, which the Commission equally benefits from, it was hoped that whatever questions or issues the Commission may have, would have surfaced much earlier in this process, so as not to allow the Project to list. That is not to say that Alliant does not welcome the opportunity to provide whatever insight it can, but rather that prompt resolution of these issues is imperative if the Project is to be appropriately managed and run for the benefit of all stakeholders.

With this in mind, our responses follow each of your questions.

1. We need to know whether proposed new Alliant General Partner is a special purpose entity and whether it will be assuming the guarantees of BGA.
- (a) The proposed general partner is Alliant Holdings of Island Village, LLC ("Alliant Holdings"). This is a Florida limited liability company and was formed as a special

¹ "[T]he removal of a general partner of the Borrower by the limited partner(s) for breach of the general partner's obligations and the admission of a substitute general partner . . . shall not be deemed a prohibited transfer of an interest in the Property that would cause a default under the terms of the Agreement." See December 1, 2001 Acquisition, Construction and Permanent Financing Agreement ("Loan Agreement"), at Section 1.8(a). Alliant's settlement with BGA, and the resulting transfer of interest, occurred precisely as a result of BGA's breach of its obligations under the Partnership Agreement. The exception described at Section 1.8(a) is therefore directly on point. While Alliant has nevertheless sought Commission approval, it does not waive any of its rights in that regard, and expressly reserves the rights afforded to it under the loan agreement, specifically the exception contained at Section 1.8(a).

purpose entity for the sole purpose of receiving BGA's partnership interest, and to operate as the co-general partner of the Partnership.

- (b) No Alliant entity will assume the guarantees of BGA. Alliant's policy as a private company is to neither provide these types of guarantees, nor to make financial disclosures as might be more typical for a public company. Alliant Holdings is nevertheless liable under the Settlement Agreement and the proposed assignment, for all obligations as co-general partner that accrue after the date that the transfer of BGA's partnership interest to Alliant Holdings becomes effective.
- (c) While Alliant will not assume BGA or its principals' guarantees, Alliant shares a common interest with the Commission to make this Project a success. Alliant, in its role as the ~~investor~~-limited partner, has invested substantial capital into the Partnership. It would stand to lose that investment, as well as the tax credits for its investors, if the Project were to fail. Alliant is therefore committed to meeting all of its respective entities' limited and general partner obligations to the Partnership, and fully intends to make this Project successful, both to preserve its reputation in the market, and ultimately to profit from its investment.
- (d) As noted above, preservation of Alliant's reputation is paramount for Alliant. Over the course of Alliant's numerous interactions with lenders, as well as with Fannie Mae and HUD, Alliant's financial strength and business reputation are such that it is not required to provide guarantees. We hope the Commission will agree that Alliant's industry success, strong reputation, and capital resources, demonstrate that Alliant's role as a general partner (as a replacement to a defaulting general partner) is itself credit enhancement.

2. If so, we need to know what financial capability that General Partner has. What assets? Balance Sheet, etc.

See Response to No. 1 above.

3. We need to see the settlement between Alliant and BGA and what releases exist within the document and how do they affect the project and the Commission?

A copy of the executed Settlement Agreement is attached. The Releases and Waivers are contained at Section 3, with Alliant's release of BGA contained at Section 3.3. Note that:

- (a) The Releases are necessarily limited to, and only affect, the parties to the Settlement Agreement. The Settlement Agreement does not purport to release BGA (or Alliant) from any obligations to the Partnership, or to the Commission.

- (b) Alliant's Release to BGA is limited to claims, liabilities, etc., that accrued on or before the date the transfer of BGA's partnership interest to Alliant Holdings becomes effective. (at § 3.3)
- (c) Certain claims are explicitly excluded from the Release, *e.g.*, claims of third parties (such as the Commission) against BGA.
- 4. We need to have an explanation of all tax credit contributions and an explanation as to why the last increment of payments have not been contributed to the partnership, if it hasn't been? If it has been, why aren't residual receipt payments being made to the Commission?
 - (a) Alliant is committed to ensuring that the Project is a success, and to funding all required Capital Contributions (and indeed, any additional amounts that may be required).
 - (b) Under the Partnership Agreement, a condition precedent to Alliant's installment Capital Contributions is that there be no defaults by the general partners under the Partnership or its related Project Documents. See Partnership Agreement at § 3.11. Suffice to say that there have been several defaults by BGA, which have not been cured. For example:
 - i) BGA failed to pay Development Deficits, as required by the Partnership Agreement. Id. at § 4.2. This failure jeopardized the Partnership's ability to convert its interim financing to a permanent loan (which required funding of all Development Deficits).
 - ii) Specifically, BGA failed to: (1) maintain tenant security deposits of \$167,640, (2) pay water and sewer fees of \$311,760 (which led to placement of a lien on the property), (3) pay \$272,659 in construction charges to Taylor Frager, (4) fund Replacement Reserves in the amount of \$244,214, and (5) fund \$450,000 for the Operating Deficit Reserve Account.
 - iii) Since BGA never paid the Development Deficits, in May 2005 Alliant made a voluntary Capital Contribution to the Partnership to pay expenses required to convert interim financing to a permanent loan. Alliant's partial Capital Contribution was made to protect the Partnership from losing its primary asset to foreclosure. Alliant therefore voluntarily funded: (1) \$192,411.98 to pay the City to release the water and sewer lien, (2) \$268,419.29 to pay Taylor Frager. Neither of these were obligations of Alliant under the Partnership Agreement.

- (c) A summary of Alliant's Capital Contribution to-date demonstrates that even if Alliant had chosen to fund the entire Capital Contribution – which it is not required to do under the Partnership Agreement – all of that contribution would be used by the Partnership per the express terms of the Partnership Agreement, with a shortfall remaining. None would have been available to make any payments to the general partners, as demonstrated by the following:

<u>Island Village Capital Contribution Analysis</u>	
\$5,819,034	Capital originally contemplated per § 3.4 of LPA
<u><\$164,729></u>	Downward adjuster per § 3.8 of LPA
\$5,654,305	Revised LP Capital
<u>\$4,708,725</u>	Paid as of 5/1/05 by Alliant
\$945,580	Amount of final capital contribution by Alliant per § 3.4E of LPA
<u>\$459,967</u>	Amount of capital advanced for 5/31/05 conversion of loan to Permanent Loan
\$485,613	Amount of capital remaining
<u>Uses of remaining capital</u>	
\$450,000	Operating Deficit Reserve Account to be funded per § 4.4 from § 3.4E of LPA
\$115,109	Security deposit shortfall as of 5/31/05 that should have been funded by BGA per § 4.2
<u>\$244,214</u>	Replacement Reserves, per § 4.5 of LPA, which were not funded as of 5/31/05
<u><\$323,710></u>	Shortfall

Nevertheless, should Alliant Holdings close on the Settlement Agreement and assume BGA's partnership position, all Capital Contributions will be fully and promptly satisfied by Alliant.

5. Explanation as to why Management fees and developer fees have not been paid to the Managing General Partner or proof that they have.
- (a) Management fees. BGA served as the management agent through the end of last year. Any fees owed would have been paid to BGA, not the Managing GP. Management fees are due from the Partnership, not Alliant (though in its capacity as the Administrative LP, Alliant had the right to approve management fees). That said, *management fees were paid* to BGA through December 2006.
 - (b) Development fees. BGA and the Managing GP are co-developers under the Development Agreement. Development fees, to the extent owed, are payable at the rate of 80% to BGA, and 20% to the Managing GP, and are owed by the Partnership, not Alliant. \$175,900 of the \$1,320,000 in development fees has been paid.
6. What fees are being paid to Hyder and what relationship do those fees have to the prior management company's fees?
- (a) The Hyder management agreement was previously submitted to your office. That agreement provides that Hyder is to receive a fee of 4.25% of monthly Gross Operating Revenues.
 - (b) The management fee of Hyder is less than the 6% fee (computed on total collected monthly revenues) that was payable under the BGA management agreement.
7. Explanation as to why consents to amendments to the partnership agreement were not sought from the Commission?
- (a) This question focuses on the period during which Alliant's role was limited to that of a limited partner. The prior amendments, in large measure, substituted one Alliant entity for another, as limited partners. The December 2001 Loan Agreement with the Commission, at section 1.8, requires that the "Borrower" (defined as the Partnership) obtain Commission consent to admission of new limited partners. The Borrower, acts through its general partners, not its limited partners. At the time of the amendments these were BGA and Housing Development Partners of San Diego. Each of these entities approved the amendments, and Alliant was unaware that they failed to receive Commission consent to these amendments.

8. Verification that the transfers of limit partnership interests have been reconveyed to the original limited partner.


Please explain what you mean by this question.
9. Plan for selection of permanent management company for the project and entities being proposed. The Commission has an approval right over the management company, as you know.
 - (a) Alliant recommends that Hyder serve as the management agent, renewable on an annual basis. Hyder has an excellent track record in the San Diego market and has extensive experience managing low income housing properties as well as working on other projects with Housing Development Partners.
10. What auditing firm will be used for tax purposes for the partnership for FY 2006 in view of the removal of BGA?
 - (a) Alliant recommends that Considine & Considine remain as the Partnership's auditing firm for tax purposes for FY 2006.
11. Determination that Hyder has all of the files necessary to prepare TCAC compliance reports, etc. that are due soon.
 - (a) We understand that all necessary files with respect to TCAC compliance previously in BGA's possession have been transferred over to Hyder.
12. Plan to comply with Welfare Exemption filing for February 15, 2007.
 - (a) The Welfare exemption filing is a responsibility of the Non-Profit Managing Partner. Alliant will cooperate and work diligently with the non-profit to ensure the Partnership obtains the welfare exemption.
13. Status of amendment of partnership agreement to obtain the Welfare Exemption.
 - (a) See #12.
14. Status of budget for the project for 2007?
 - (a) The 2007 budget is currently be drafted. A full month of accurate financials with Alliant/Hyder in control of the property is needed to complete a reliable budget going forward.

15. Submit comparison of management fees from Hyder and prior management company.
 - (a) Hyder is to receive a management fee of 4.25% of monthly Gross Operating Revenues versus the 6% of Gross Operating Revenue that BGA would have collected as per the terms of the management agreement.
16. Issues with commercial leases within the project?
 - (a) Percentage leased: 100%.
 - (b) Tenants: (1) City Dog; (2) Blimpies; (3) Azteca Taco Shop; (4) Sluggo's Sports Restaurant; (5) 7-11.
 - (c) Issues:
 - (1) Blimpies vacated the space and discontinued paying rent in the summer of 2006. Alliant is currently moving forward with eviction proceedings and to collect all back rent. Alliant has also hired a broker to actively market the space.
 - (2) Sluggo's had not been paying the correct rents as per their percentage lease agreement. Alliant has notified the lessee that the terms of the lease will be enforced going forward.
 - (3) 7-11 had not been paying their "NNN" charges. Alliant is moving to collect all receivables owed.
17. Listing of project reserves for the project. Comparison of that required.
 - (a) Replacement Reserve Account as of February 28, 2007: \$111,239. Replacement reserves are to be funded on a monthly basis at an annual rate of \$250 per apartment unit.
 - (b) Debt Service Reserve Account as of December 31, 2006: \$360,999.
18. Analysis of effect of Partnership amendment increasing reserves on residual receipt payments to the Commission.
 - (a) The Partnership amendment increasing reserves will have no effect on the consideration of any future payment from cash flow to the Commission.

19. Explanation of all disbursements from the reserves. SDHC approval is needed for such disbursements.
- (a) Alliant has not disbursed any monies from reserves.

In closing, Alliant is committed to making this Project successful. It has the means to do so, and a proven track-record. If there is anything further we can provide toward assisting the Commission in its decision, please do not hesitate to ask. That said, it is imperative that a decision on Alliant Holdings be made quickly so that all parties can focus on managing this Project. Please let us know when we can expect a final decision.

Very truly yours,



Robert A. Trodella, Jr.

Encls.

cc: Brian Doran

SETTLEMENT AGREEMENT

This Settlement Agreement (together with the attached schedules, this "Agreement") is entered into this 15th day of November, 2006 by and among:

A. Alliant Tax Credit XIV, Inc., Alliant Tax Credit Fund XIV, Ltd., Alliant Tax Credit XVI, Inc., Alliant Tax Credit Fund XVI, Ltd., Alliant Holdings of West Broadway, LLC, and Alliant Capital, Ltd. (collectively referred to as "Alliant"), and 500 West Broadway, L.P. (the "Debtor") (collectively the Debtor and Alliant are referred to as the "Alliant Related Entities"), on the one hand, and

B. Barone Galasso & Associates, Inc. ("BGA"), Michael B. Galasso, and James V. Barone (collectively with BGA, the "BGA Parties"), and BGA Alliant Developer, LLC ("BGA West Broadway Developer") (together the BGA Parties and BGA West Broadway Developer are collectively referred to as the "BGA Related Entities"), on the other hand.

Such parties are hereinafter referred to collectively as the "Parties."

RECITALS

A. **WHEREAS**, on December 20, 2001, Alliant Tax Credit XV, Inc., as the administrative limited partner (as such interest was later assigned to Alliant Tax Credit XVI, Inc.), and Alliant Tax Credit Fund XV, Ltd., as the investor limited partner (as such interest was later assigned to Alliant Tax Credit Fund XVI, Ltd.), entered into that certain Amended and Restated Agreement of Limited Partnership of Island Palms Apartments, L.P. (the "Island Palms Partnership Agreement"), with BGA as co-general partner, Housing Development Partners of San Diego, as managing general partner, Palm Village LLC, as a Class B limited partner, and East Village Development San Diego, LLC, as a Class B limited partner (the "Island Palms Partnership"; and together with the Debtor, the "Partnerships"). Michael B. Galasso and James V. Barone served as "preexisting limited partners" and withdrew from the Island Palms Partnership on December 20, 2001, in connection with the admission of Alliant Tax Credit Fund XV, Ltd.

B. **WHEREAS**, on April 25, 2003, Alliant Tax Credit XIV, Inc., as the administrative limited partner, Alliant Tax Credit Fund XIV, Ltd., as the investor limited partner, and BGA as the general partner, formed the Debtor by entering into that certain Amended and Restated Agreement of Limited Partnership of 500 West Broadway, L.P. (the "500 West Broadway Partnership Agreement"; and with the Island Palms Partnership Agreement collectively hereinafter referred to as the "Partnership Agreements"). Michael B. Galasso and James V. Barone served as "preexisting limited partners" and withdrew from the Debtor on April 25, 2003, in connection with the admission of Alliant Tax Credit Fund XIV, Ltd.

C. **WHEREAS**, the Partnerships own real property and improvements thereon located in the City and County of San Diego, California. The improvements owned by the Island Palms Partnership consist of apartments and retail commercial space, all as further described in the Island Palms Partnership Agreement (the "Island Palms Project"). The improvements owned by the Debtor consist of a mixed-use hotel, apartments, restaurant and fitness center, all as

further described in the 500 West Broadway Partnership Agreement (the "500 West Broadway Project").

D. **WHEREAS**, development for the Island Palms Project is complete and a conforming permanent loan is in place. No permanent loan is in place for the 500 West Broadway Project.

E. **WHEREAS**, certain "Project Documents" relating to the Partnerships, which are identified and defined on attached **Schedule 1**, are affected by this Agreement.

F. **WHEREAS**, certain of the contractors performing construction and other services on and relating to the 500 West Broadway Project while BGA was general partner of the Debtor were not paid, resulting in the filing of mechanics' liens and the commencement of state court litigation relating to same. Such "Mechanics' Lien Litigation" and "Mechanics' Lien Claimants" are identified and described on the attached **Schedule 2**.

G. **WHEREAS**, First National Bank ("FNB") provided financing to the Debtor to fund certain renovations to the 500 West Broadway Project. FNB claimed that loan was not paid in full by the maturity date. Consequently, on June 7, 2005, FNB filed suit in the Superior Court of California County of San Diego, case no. 848673 seeking foreclosure and appointment of a receiver to operate the 500 West Broadway Project, among other relief (the "FNB Litigation"). That suit was stayed by the Bankruptcy Case (as hereinafter defined). FNB thereafter filed a proof of claim (claim no. 27) (the "FNB Proof of Claim") in the Bankruptcy Case.

H. **WHEREAS**, in February 2005, Alliant provided notice to the BGA Parties that BGA was in "Major Default" under, and as defined by, each of the Partnership Agreements. On June 2, 2005, Alliant provided notice to the BGA Parties of Alliant's election under section 11.4A of the 500 West Broadway Partnership Agreement to convert BGA's partnership interest in that partnership to that of a limited partner.

I. **WHEREAS**, on June 16, 2005, BGA caused an involuntary bankruptcy petition to be filed against the Debtor in the United States Bankruptcy Court for the Southern District of California (the "Bankruptcy Court") commencing case no. 05-05433 (the "Bankruptcy Case"). An order for relief under chapter 11 of title 11 of the United States Code was entered by the Bankruptcy Court on July 18, 2005.

J. **WHEREAS**, on June 16, 2005, Alliant Tax Credit XIV, Inc., Alliant Tax Credit Fund XIV, Ltd., and Alliant Capital, Ltd. filed two complaints relating to the Debtor against the BGA Parties in the Superior Court of California, County of Los Angeles. On or about July 22, 2005, these complaints were removed to the Bankruptcy Court as adversary proceeding nos. 05-90317 (Breach of Contract) and 05-90315 (Breach of Contract; Breach of Fiduciary Duty; and Declaratory Relief), (both complaints hereinafter collectively referred to as the "Complaints").

K. **WHEREAS**, the BGA Parties in connection with answering the Complaints, filed in the Bankruptcy Court cross-complaints against Alliant Capital, Ltd., Alliant Tax Credit XIV, Inc., and Alliant Tax Credit Fund XIV, Ltd. in adversary proceeding nos. 05-90317 and 05-90315. The adversary proceedings were later administratively consolidated by the Bankruptcy Court under adversary proceeding no. 05-90315. On December 16, 2005, the BGA Parties filed

in the Bankruptcy Court their First Amended Cross-Complaint in adversary proceeding no. 05-90315 against Alliant Capital, Ltd., Alliant Tax Credit XIV, Inc., and Alliant Tax Credit Fund XIV, Ltd. (Breach of Fiduciary Duty, Breach of Covenant of Good Faith and Fair Dealing, Void Liquidated Damages; Usurious Interest; and Declaratory Relief) (the "Cross-Complaint").

L. **WHEREAS**, on September 28, 2005, the Bankruptcy Court entered a preliminary injunction (the "Preliminary Injunction Date") against the BGA Parties in favor of Alliant, which order, pending final resolution of the Complaints and Cross-Complaint, inter alia, enjoined BGA from continuing to act as general partner of the Debtor and further enjoined the BGA Parties from interfering with or otherwise disrupting Alliant Holdings of West Broadway, LLC in its activities and capacity as the successor general partner to BGA under the Debtor. From and after September 28, 2005, Alliant Holdings of West Broadway, LLC has served as the successor general partner of the Debtor.

M. **WHEREAS**, BGA filed a proof of claim (no. 34) with the Bankruptcy Court in the Bankruptcy Case against the Debtor in the amount of \$7,080,980.37 (the "Proof of Claim"). The Proof of Claim consisted of four components: (i) a development and operating loan claim of \$1,003,634.62; (ii) an equity investment claim of \$4,000,000; (iii) a property management agreement claim of \$191,396.75; and (iv) a development services agreement claim of \$1,885,949, arising from renovation of the 500 West Broadway Project.

N. **WHEREAS**, the fourth component of the Proof of Claim asserting a development services agreement claim was on account of an asserted unpaid "Development Fee" as defined in the 500 West Broadway Partnership Agreement. Alliant asserts that pursuant to section 3.1 of that agreement, BGA is obligated to make a capital contribution to the Debtor in an amount sufficient for the payment by the Debtor of such Development Fee. The BGA Related Entities assert that they are not obligated to make a capital contribution to the Debtor as BGA had arranged for a permanent loan as alleged in its Cross-Complaint.

O. **WHEREAS**, as of the date of this Agreement, none of the BGA Related Entities has filed any other claim or proof of claim or request for payment of administrative expense in the Bankruptcy Case save and except for the Proof of Claim.

P. **WHEREAS**, the Bankruptcy Court by order entered on August 15, 2006 disallowed the first two components of the Proof of Claim as general unsecured claims and permanently reclassified these two components as equity claims held by BGA. That order reclassified the third component seeking a property management agreement claim as a "Class 7 Subordinated Claim" under the Plan (as hereinafter defined). The fourth component, seeking the Development Fee, was disallowed as a general unsecured claim belonging to BGA for the purposes of voting on the Plan, but has not been allowed or disallowed for purposes of distribution.

Q. **WHEREAS**, on May 26, 2006 Alliant Holdings of West Broadway, LLC, Alliant Tax Credit XIV, Inc., Alliant Tax Credit Fund XIV, Ltd., and the Debtor filed their Fourth Amended Chapter 11 Plan of Reorganization for the Debtor (the "Plan"). Under the Plan, Mechanics' Lien Claimants (Class 4 of the Plan) agreed to dismiss the 500 West Broadway Project and the Debtor from the Mechanics' Lien Litigation.

R. **WHEREAS**, on October 10, 2006 the Bankruptcy Court entered its order confirming the Plan (the "Plan Confirmation Order"). Among other things, the Plan Confirmation Order: (i) set October 13, 2006 as the Plan's effective date; (ii) modified the Plan such that BGA's Class 7 Subordinated Claim would be paid 49 months after the Effective Date, subject to the Debtor's unresolved defenses to that claim and rights of offset; (iii) provided that as of the Plan's effective date, Alliant Holdings of West Broadway, LLC shall be the only general partner of the Debtor; (iv) provided that if BGA did not make required capital contributions and cure payments by the Plan's effective date, all of BGA's interests in the Debtor would be extinguished and its sole right with regard to that partnership would be its disputed Class 7 Subordinated Claim; and (v) allowed the FNB Proof of Claim in the total aggregate amount of \$4,462,732.86, plus post-confirmation interest at 8.33% (the "Allowed FNB Claim").

S. **WHEREAS**, BGA did not make a capital contribution pursuant to the Plan and instead on October 20, 2006, BGA filed a notice of appeal of the Plan Confirmation Order (the "Plan Confirmation Appeal").

T. **WHEREAS**, in connection with the litigation relating to the Complaints, Alliant commenced proceedings seeking a writ of attachment on certain of the BGA Parties' assets (the "Writ of Attachment Proceedings"). On October 20, 2006, the Bankruptcy Court entered in favor of Alliant a right to attach order (the "Writ of Attachment Order").

U. **WHEREAS**, on October 30, 2006, the BGA Parties filed a notice of appeal of the Writ of Attachment Order (the "Writ of Attachment Appeal").

V. **WHEREAS**, various disputes have arisen among the Parties regarding, *inter alia*, the Partnerships, the Partnership Agreements, the Project Documents, the Parties' respective performance under those agreements, the amounts due to or from the BGA Related Entities, the amounts due to or from the Alliant Related Entities, the claims and defenses made in the Complaints and the Cross-Complaint, the Proof of Claim, the claims of the Mechanics' Lien Claimants relating to the Mechanics' Lien Litigation, amounts owing to FNB, the Plan Confirmation Appeal, the Writ of Attachment Appeal, and the Bankruptcy Case.

W. **WHEREAS**, the Parties desire to avoid the necessity, expense, inconvenience, and uncertainty of litigation and, except as otherwise provided herein, to resolve and settle any claims and disputes among them that have arisen or may in the future arise from, or in any way be related to, the Partnerships, the Partnership Agreements, the Project Documents, the Complaints, the Cross-Complaint, the Proof of Claim, any claims of the Mechanics' Lien Claimants relating to the Mechanics' Lien Litigation, FNB, the Plan Confirmation Appeal, the Writ of Attachment Appeal or the Bankruptcy Case, or any other relationships among the Alliant Related Entities and the BGA Related Entities prior to the Effective Date (as hereinafter defined) of this Settlement Agreement.

NOW, THEREFORE, in consideration of the releases and mutual promises contained herein and other good and valuable consideration exchanged among the Parties, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. **Incorporation of Recitals.** The above Recitals and the definitions contained therein, are incorporated herein by this reference. The Parties agree that the Recitals are general descriptions and are not in any way intended to modify or alter the documents, orders, claims or proceedings mentioned therein.

2. **Settlement.**

2.1 This Agreement is contingent upon the following:

(a) **Bankruptcy Court Approval.** Entry of an order (the "Settlement Order") of the Bankruptcy Court in the Bankruptcy Case, in form and substance satisfactory to the Parties, approving this Agreement and authorizing and directing the Debtor to perform its terms. The Parties shall support the Debtor's request for the Settlement Order.

(b) **Lender/Agency Approval.** Duly signed written consents, in the form attached hereto as **Exhibit A**, of the parties so identified on attached **Schedule 3** (the "Lender/Agency Consents").

(c) **Waiver of Conditions.** Alliant shall have the right to waive the condition set forth in subsection 2.1(b) above. Such an election shall be made in a writing to BGA and shall designate an effective date of this Agreement, which date shall be no earlier than the date the Settlement Order is entered on the Bankruptcy Court's docket, and no later than December 26, 2006. If such an election is made, Section 2.2 below shall be null and void and the effective date so designated shall be the "Effective Date."

2.2 **Effective Date.** Except as otherwise provided in subsection 2.1(c) above, this Agreement shall become effective upon the later of (i) receipt by BGA and Alliant of all deliveries required by Section 4 of this Agreement, (ii) receipt by Alliant of the last of the Lender/Agency Consents, or (iii) eleven days after entry by the Bankruptcy Court of the Settlement Order if no appeal is timely filed. If an appeal from the Settlement Order is timely filed, and no stay pending appeal is issued, this Agreement shall become effective on the earlier of (x) a date chosen by Alliant in its sole and absolute discretion (as communicated to BGA in writing), or (y) upon the final resolution of such appeal upholding the Settlement Order, provided no further appeal is possible, and provided further that the Lender/Agency Consents have by then been delivered. In each such case, the first business day on which this Agreement becomes effective is the "Effective Date."

2.3 **Termination.** If the Effective Date does not occur on or before December 26, 2006, then either Alliant or BGA, upon written notice to the other, may declare this Agreement null and void and this Agreement shall be of no further force or effect.

2.4 **Transactions Occurring on the Effective Date.** On the Effective Date:

(a) BGA shall assign all of its right, title and interest in:

LLC. (i) the Island Palms Partnership, to Alliant Holdings of Island Village,

(ii) its Class 7 Subordinated Claim, to Alliant Holdings of West Broadway, LLC.

(iii) that certain Guaranty Incentive Agreement (as defined in the Island Palms Partnership Agreement) between the Island Village Partnership and BGA, or its affiliate, to Alliant Holdings of Island Village, LLC.

(iv) any and all claims, actions, causes of action and proceeds thereof against third parties arising under or in connection with (x) the 500 West Broadway Management Agreement, to the Debtor, and (y) the Island Palms Management Agreement, to Alliant Holdings of Island Village, LLC.

(v) any claims against third parties arising under or in connection with the Island Palms Development Agreement, to Alliant Holdings of Island Village, LLC.

(b) BGA West Broadway Developer shall assign all of its right, title and interest in any claims against third parties arising under or in connection with the 500 West Broadway Development Agreement, to the Debtor.

The assignments contemplated by Section 2.4(a) and (b) of this Agreement shall be made pursuant to the Assignment and Assumption Agreement attached hereto as **Exhibit B**.

(c) Except as provided in Section 2.4(g) below, the Project Documents, and any other executory contract or unexpired lease relating to the Island Palms Partnership Agreement between and among any of the BGA Related Entities, and the Alliant Related Entities, or their respective affiliates, shall be deemed terminated without further action.

(d) Except with regard to the maintenance of the Subordinated Class 7 claim assigned above, the BGA Related Entities, and each of them, agree not to file, serve or present any claims, proofs of claim, and/or administrative claims in the Bankruptcy Case (other than those rights assigned pursuant to Section 2.4(a)(ii) hereof), in the Bankruptcy Case including but not limited to any claim BGA has or might have against the Debtor for payment or acquisition of the claims of (i) the Mechanics' Lien Claimants, (ii) FNB, or (iii) any other creditor of the Debtor.

(e) BGA shall forever consent to its treatment under the Plan and the Plan Confirmation Order and forever agrees not to appeal or otherwise contest same.

(f) BGA and the Alliant Related Entities agree and acknowledge that as of the effective date of the Plan, BGA has satisfied its obligation to contribute sufficient capital pursuant to Section 3.1 of the 500 West Partnership Agreement to pay the Development Fee (as defined at Recital N above) in the amount of \$1,243,331 for the year 2006, which contribution and payment will be reflected in the Debtor's partnership capital account as of year end 2006. BGA West Broadway Developer confirms that all services under the 500 West Broadway Development Agreement have been performed and BGA and the Alliant Related Entities

acknowledge that BGA West Broadway Developer will take the Development Fee in the amount of \$1,243,331 into income and will be issued a 1099 by Alliant for that amount.

(g) BGA and the Alliant Related Entities agree and acknowledge that as of the Effective Date of this Agreement, BGA will have satisfied its obligation to contribute sufficient capital pursuant to Section 3.1 of the Island Palms Partnership Agreement to pay the Development Fee (as defined in the Island Palms Partnership Agreement) in the amount of \$1,144,100, for the year 2006 which contribution and payment will be reflected in its Island Palms Partnership Capital Account as of year end 2006. BGA confirms that all services under the Island Palms Development Agreement have been performed and BGA and Alliant acknowledge that BGA will take the Development Fee in the amount of \$1,144,100 into income and will be issued a 1099 by Alliant for that amount.

(h) The BGA Related Entities shall assign, at Alliant's sole election, and to an entity designated by Alliant, any other agreements to which any of the BGA Related Entities are a party and that relate to the Island Palms Project or the Island Palms Partnership.

(i) The Releases provided under Section 3 of this Agreement shall become effective.

2.5 Within five (5) business days of the Effective Date:

(a) Alliant and the BGA Parties shall file with the Bankruptcy Court a joint stipulation requesting dismissal, with prejudice, of the Complaints and the Cross-Complaint, and all proceedings relating thereto, including the Writ of Attachment Proceedings, in accordance with Federal Rule of Civil Procedure 41, made applicable by Federal Rule of Bankruptcy Procedure 7041.

(b) BGA shall file with the Bankruptcy Court a notice of withdrawal of the Plan Confirmation Appeal.

(c) BGA shall file with the Bankruptcy Court a notice of withdrawal of the Writ of Attachment Appeal.

(d) Alliant shall file with the California Secretary of State appropriate forms, including, but not limited to, an LP-2 reflecting Alliant's status as general partner and agent of and for the Partnerships.

3. Release and Waiver.

3.1 The BGA Related Entities' Release of Alliant. Subject to Section 3.5 below, each of the BGA Related Entities, and their respective predecessors, successors, assigns, transferees, representatives, affiliates, subsidiaries, principals, agents, heirs, executors, owners, and administrators (all such parties collectively referred to as the "BGA Releasing Parties"), hereby forever release Alliant, and each of its respective predecessors, successors, parents, subsidiaries, and affiliates, and each of their respective assigns, officers, directors, employees, agents, shareholders, investors, attorneys or any person acting on their behalf, and each of their respective successors and assigns, from any and all claims, demands, causes of action, debts,

controversies, or liabilities of any kind whatsoever both known and unknown, matured or unmatured, liquidated or unliquidated, both in law and equity, whether before a local, state, or federal court, or state or federal administrative agency or commission, or any mediation or arbitration panel, which any of the BGA Releasing Parties has or may have had at any time on or prior to the Effective Date of this Agreement, including but not limited to those arising out of or in any way relating to each of: (i) the Partnerships, (ii) the Partnership Agreements, (iii) the Project Documents, (iv) the Bankruptcy Case, (v) the Cross-Complaint, (vi) the Complaints, (vii) any claims of the Mechanics' Lien Claimants relating to the Mechanics' Lien Litigation, (viii) any claims of FNB relating to the FNB Litigation or the Allowed FNB Claim, and (ix) any claims of any of the Debtor's creditors against Alliant or the Debtor.

3.2 The BGA Related Entities' Release of the Debtor. Subject to Section 3.5 below, each of the BGA Related Entities, and their respective predecessors, successors, assigns, transferees, representatives, affiliates, subsidiaries, principals, agents, heirs, executors, owners, and administrators (all such parties collectively referred to as the "BGA Releasing Parties"), hereby forever release the Debtor and the Debtor's bankruptcy estate, and each of their respective predecessors, successors, parents, subsidiaries, and affiliates, and each of their respective assigns, officers, directors, employees, agents, shareholders, investors, attorneys or any person acting on their behalf, and each of their respective successors and assigns, from any and all claims, demands, causes of action, debts, controversies, or liabilities of any kind whatsoever both known and unknown, matured or unmatured, liquidated or unliquidated, both in law and equity, whether before a local, state, or federal court, or state or federal administrative agency or commission, or any mediation or arbitration panel, which any of the BGA Releasing Parties has or may have had at any time on or prior to the Effective Date of this Agreement, including but not limited to those arising out of or in any way relating to each of: (i) the Partnerships, (ii) the Partnership Agreements, (iii) the Project Documents, (iv) the Bankruptcy Case, (v) the Cross-Complaint, (vi) the Complaints, (vii) any claims of the Mechanics' Lien Claimants relating to the Mechanics' Lien Litigation, (viii) any claims of FNB relating to the FNB Litigation or the Allowed FNB Claim, and (ix) any claims of any of the Debtor's creditors against the Alliant or the Debtor.

3.3 Alliant's Release of the BGA Related Entities. Subject to Section 3.5 below, Alliant, and its respective predecessors, successors, transferees, representatives, affiliates, subsidiaries, principals, agents, heirs, executors, owners, and administrators (the "Alliant Releasing Parties"), hereby forever release each of the BGA Related Entities, and each of their respective predecessors, successors, parents, subsidiaries, and affiliates, and each of their respective assigns, officers, directors, employees, agents, shareholders, attorneys or any person acting on their behalf, and each of their respective successors and assigns, from any and all claims, demands, causes of action, debts, controversies, or liabilities of any kind whatsoever both known and unknown, matured or unmatured, liquidated or unliquidated, both in law and equity, whether before a local, state, or federal court, or state or federal administrative agency or commission, or any mediation or arbitration panel, which any of the Alliant Releasing Parties has or may have had at any time on or prior to the Effective Date of this Agreement, including but not limited to those arising out of or in any way relating to each of: (i) the Partnerships, (ii) the Partnership Agreements, (iii) the Project Documents, (iv) the Bankruptcy Case, (v) the Cross-Complaint, (vi) the Complaints, (vii) any claims of the Mechanics' Lien Claimants relating to the Mechanics' Lien Litigation, (viii) any claims of FNB relating to the FNB Litigation or the

Allowed FNB Claim, and (ix) any claims of any of the Debtor's creditors against the Alliant or the Debtor.

3.4 The Debtor's Release of the BGA Related Entities. Subject to Section 3.5 below, the Debtor and the Debtor's bankruptcy estate, and their respective predecessors, successors, transferees, representatives, affiliates, subsidiaries, principals, agents, heirs, executors, owners, and administrators (the "Debtor Releasing Parties"), hereby forever release each of the BGA Related Entities, and each of their respective predecessors, successors, parents, subsidiaries, and affiliates, and each of their respective assigns, officers, directors, employees, agents, shareholders, attorneys or any person acting on their behalf, and each of their respective successors and assigns, from any and all claims, demands, causes of action, debts, controversies, or liabilities of any kind whatsoever both known and unknown, matured or unmatured, liquidated or unliquidated, both in law and equity, whether before a local, state, or federal court, or state or federal administrative agency or commission, or any mediation or arbitration panel, which any of the Debtor Releasing Parties has or may have had at any time on or prior to the Effective Date of this Agreement, including but not limited to those arising out of or in any way relating to each of: (i) the Partnerships, (ii) the Partnership Agreements, (iii) the Project Documents, (iv) the Bankruptcy Case, (v) the Cross-Complaint, (vi) the Complaints, (vii) any claims of the Mechanics' Lien Claimants relating to the Mechanics' Lien Litigation, (viii) any claims of FNB relating to the FNB Litigation or the Allowed FNB Claim, and (ix) any claims of any of the Debtor's creditors against the Alliant or the Debtor.

3.5 Excluded Claims. Notwithstanding anything herein to the contrary, the Releases described in Sections 3.1 through 3.4 above shall specifically exclude (the "Excluded Claims"): (a) the rights, duties and obligations created by this Agreement; (b) the rights, duties and obligations assigned pursuant to this Agreement; (c) the transactions that are placed into effect by this Agreement; (d) any and all claims and causes of action of third parties against the BGA Related Entities; (e) any indemnities made by the Parties; and (f) any claims or causes of action made by any governmental entity or agency for violation of any federal, state or local environmental law or regulation relating to (i) the Island Palms Project, to the extent such claim or cause of action accrued prior to the Effective Date, or (ii) the 500 West Broadway Project, to the extent such claim or cause of action accrued prior to the Preliminary Injunction Date.

3.6 This Agreement is intended to effect a complete release of claims and potential claims that any of the Alliant Related Entities and any of the BGA Related Entities may have against the other, except as otherwise expressly provided herein, such as the Excluded Claims specifically enumerated in Section 3.5 above. Each of the Parties accepts the risk that each is releasing claims that may exist as of the Effective Date, and of which each is currently unaware. With respect to the matters released and waived in Sections 3.1 through 3.4, above, each of the Parties expressly waives and relinquishes the benefits of California Civil Code section 1542 (or any comparable and otherwise applicable provision of the laws of any other jurisdiction, whether based on statute, common law or otherwise), and the Parties acknowledge that said section 1542 provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH
THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS
OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE,

WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

4. **Deliveries.**

4.1 On or before the Effective Date, the BGA Related Entities, as applicable, shall deliver or cause to be delivered to Alliant the following:

(a) Duly executed copies of the Lender/Agency Consents in the form attached hereto as **Exhibit A** as prepared by and with the assistance of Alliant.

(b) A duly executed original copy of the Assignment and Assumption Agreement in the form of **Exhibit B**.

(c) An original of a certificate dated as of Effective Date and duly executed by the BGA Related Entities, in the form of **Exhibit C** attached hereto, representing to the Alliant Related Entities that the representations and warranties of the BGA Related Entities contained in this Agreement are true and correct to the best of the BGA Parties knowledge, as of the Effective Date (or, specifying in reasonable detail such exceptions, if any, which then exist; provided that, if such exceptions shall constitute a breach of such representations and warranties by the BGA Related Entities, specifying such exceptions shall not cure such breach). As used throughout this Agreement, "to the best of" any party's "knowledge" shall mean after reasonable investigation and due diligence by such party into the matter represented.

(d) A completed "Owner's Certification", in the form attached hereto as **Exhibit D**.

(e) Financial information relating to the Island Palms Project as of November 2006, from which Alliant will be able to accurately calculate the debt coverage ratio and tenant occupancy for the Island Palms Project.

(f) Evidence reasonably satisfactory to Alliant respecting the due organization of BGA and BGA West Broadway Developer, and the due authorization and execution of this Agreement and the documents required to be delivered hereunder.

(g) Turnover and accounting of all partnership property of the Island Palms Partnership in the custody or control of the BGA Related Entities, including but not limited to all books and records, documents, plans, leases, contracts, tenant files, certificates of title, unexpired warranties or guaranties in connection with any work or services performed, certificates of occupancy, tenant information, employee files, bank accounts, insurance policies, access to all premises of the Island Palms Project, personal property, intellectual property, keys, rents received, accounts receivable, and all other Island Palms Partnership assets and property, whether kept in paper or electronic form, or otherwise.

(h) Complete copies of all correspondence and documents between or by any of the BGA Related Entities and the California Tax Credit Allocation Committee, and Compliance Solutions, Inc., relating to the Island Palms Project, including but not limited to correspondence or other documentation relating to the June 27, 2005 inspection of the Island

Palms Project, and all correspondence and other documentation relating to any corrections and/or requests for same, in each case, whether in paper or electronic format.

4.2 On or before the Effective Date, Alliant shall deliver to BGA the following:

(a) A duly executed UCC termination statement, terminating the security interest granted under the Pledge Agreement.

(b) Evidence reasonably satisfactory to BGA respecting the due organization of Alliant, and the due authorization and execution of this Agreement and the documents required to be delivered hereunder.

5. Mutual Representations and Warranties. Each of the Parties represent and warrant to the other parties hereto as follows, each of which is a continuing representation and warranty:

5.1 This Agreement is its or his valid and binding obligation and is enforceable against it or him in accordance with the Agreement's terms; provided, however, that such enforceability shall, in the case of the Debtor, be subject to entry of the Settlement Order by the clerk of the Bankruptcy Court.

5.2 It or he has received independent legal advice from attorneys of its or his choice with respect to the advisability of making the agreements provided herein and with respect to the advisability of executing this Agreement, and, prior to the execution of this Agreement by the Parties, its or his attorneys reviewed this Agreement with it or him.

5.3 Except as expressly stated in this Agreement, it or he has not made any statement or representation to any other party hereto regarding any facts relied upon by it, him or any other party in entering into this Agreement, and it or he specifically does not rely upon any statement, representation, or promise of any other party hereto or any other person in entering into this Agreement, or in making the settlement provided for herein, except as expressly stated in this Agreement. It or he has relied upon its or his own investigation and analysis of the facts and not on any statement or representation made by any other party or person in choosing to enter into this Agreement and the transactions contemplated herein.

5.4 It or he and its or his respective attorneys have made such investigation of the facts pertaining to this Agreement and all of the matters pertaining thereto, as they deem necessary.

5.5 The terms of this Agreement are contractual, not mere recitals, and a result of negotiation among the parties.

5.6 This Agreement has been carefully read by, the contents hereof are known by, and it has been signed freely by, the person executing this Agreement for it or him.

5.7 Except as expressly provided in this Agreement, it or he has full power and authority to execute this Agreement and has obtained all necessary approvals, consents, and authorizations required for it or him to execute and deliver this Agreement.

5.8 Each individual executing this Agreement on behalf of a party hereto has been duly authorized and empowered to execute and deliver this Agreement on behalf of said party. No further inquiry as to the authority of the individual executing this Agreement for a party needs to be made by any other party hereto.

5.9 None of the Parties has assigned or transferred, voluntarily, involuntarily or by operation of law, any of the rights, claims, interests, or matters waived or released by him or it in Section 3.1 and 3.2 herein, in the case of the BGA Related Entities, or Section 3.3 and 3.4 in the case of the Alliant Related Entities.

6. Representations and Warranties of the BGA Parties. The BGA Parties (and the BGA Related Entities were explicitly so provided) represent and warrant to the other parties hereto as follows, each of which is a continuing representation and warranty:

6.1 Except as set forth on **Schedule 3**, no consent or approval is required by any other person or entity in order for it or him to carry out the provisions of this Agreement.

6.2 Other than the security interest granted to Alliant pursuant to the Pledge Agreement, the BGA Parties have not assigned, transferred, or pledged, or purported to assign, transfer, or pledge, to any person or entity, any interest in the Island Palms Partnership, or any claims arising from the Partnerships.

6.3 The BGA Parties have not caused or authorized the admission of any limited partner or general partner to the Island Palms Partnership other than those parties listed in Recital A above.

6.4 BGA is a Co-General Partner of the Island Palms Partnership, and BGA has not assigned or transferred, or purported to assign or transfer, voluntarily or otherwise, any of its interests under the Island Palms Partnership to another other than as contemplated by this Agreement.

6.5 Other than as set forth on **Schedule 4**, and to the best of their knowledge, BGA is not in default under the Island Palms Partnership Agreement, and there are no "development deficits," or "operating deficits" as those terms are defined in the Island Palms Partnership Agreement.

6.6 To the best of their knowledge, as of the date of this Agreement a "permanent loan" is in place on the Island Palms Project, as such term is defined in the Island Palms Partnership Agreement, and there are no defaults under such permanent loan.

6.7 To the best of their knowledge, as of the date of this Agreement the debt coverage ratio for the Island Palms Project complies with all applicable loan documents to which the Island Palms Partnership is a party.

6.8 To the best of their knowledge, as of the date of this Agreement tenant occupancy at the Island Palms Project is no less than ninety percent (90%).

6.9 To the best of their knowledge, as of the date of this Agreement all accounts payable owed by the Island Palms Partnership are current or within standard payment terms.

6.10 As of the date of this Agreement, the (i) last management fees drawn by BGA (or any of the BGA Related Entities) from the Island Palms Partnership was August 2006, (ii) the last development fees drawn by BGA (or any of the BGA Related Entities) from the Island Palms Partnership was December 21, 2001; and (iii) distributions, including reimbursements of expenses and operations advances, from the Island Palms Partnership to BGA (or any of the BGA Related Entities) for the year 2006 were \$327,894.59.

6.11 To the best of the BGA Parties' knowledge, other than as set forth on **Schedule 5**, there are no agreements with any tenant of the Island Palms Project for any reductions in periodic rentals.

6.12 Other than the Writ of Attachment Order, to the best of the BGA Parties' knowledge, no "Bankruptcy/Dissolution Event" (as defined below) has occurred with respect to the BGA Parties, any of its partners or members, or the Island Palms Partnership, as applicable. As used herein, a "Bankruptcy/Dissolution Event" means any of the following: (a) the commencement of a case under title 11 of the United States Bankruptcy Code, as now constituted or hereafter amended, or under any other applicable bankruptcy law or other similar law; (b) the appointment of a trustee or receiver of any substantial property interest; (c) an assignment for the benefit of creditors; (d) an attachment, execution or other judicial seizure of a substantial property interest; (e) the taking of, failure to take, or submission to any action indicating an inability to meet its financial obligations as they accrue; or (f) a dissolution or liquidation, death or incapacity.

6.13 To the best of BGA Parties' knowledge, there are no liens or encumbrances affecting the Island Palms Project, other than as set forth on **Schedule 6**.

6.14 To the best of BGA Parties' knowledge, there are no leases or licenses or other leases or occupancy agreements (whether written or oral) affecting the Island Palms Project other than as set forth in **Schedule 7**. To the best of the BGA Parties' knowledge, there are no defaults under any of such leases or licenses, except as set forth in **Schedule 7**.

6.15 To the best of the BGA Parties' knowledge, the contracts listed on **Schedule 8** constitute all of the contracts that are presently in effect respecting the Island Palms Project. To the best of the BGA Parties' knowledge, there are no defaults under any of the contracts, except as set forth in **Schedule 8**.

6.16 To the best of the BGA Parties' knowledge, except as may be set forth in **Schedule 9**, there is no action, litigation, condemnation or other legal proceeding currently pending against the BGA Parties or the Island Palms Partnership and affecting or threatening to affect the Island Palms Project or the Island Palms Partnership, and to the best of the BGA Parties' knowledge, there is no action, litigation, condemnation or other legal proceeding

threatened against the BGA Parties or the Island Palms Partnership and affecting the Island Palms Project or contemplated to be filed by the BGA Parties respecting the Island Palms Partnership or Island Palms Project, and there is no action, litigation, condemnation or other proceeding currently pending or threatened that if adversely determined would adversely affect the BGA Related Entities' ability to consummate the transactions contemplated hereby.

6.17 To the best of the BGA Parties' knowledge, except as may be set forth in **Schedule 10**, the BGA Parties have received no written notice from any governmental authority or agency having jurisdiction over the Island Palms Project to the effect that the Island Palms Project is currently not in compliance with applicable laws and ordinances, including but not limited to, any notice of non-compliance with Internal Revenue Code Section 42.

6.18 To the best of the BGA Parties' knowledge, the BGA Parties have received no written notices from any insurance company insuring any portion of the Island Palms Project that the Island Palms Project must be altered in order to issue policies at the same levels.

6.19 Except as set forth in the reports described in **Schedule 11**, to the best of the BGA Parties' knowledge, the Island Palms Project is not in violation of any federal, state and local laws or regulations, relating to the existence of any hazardous material, or otherwise.

6.20 To the best of the BGA Related Entities' knowledge, the execution and delivery by the BGA Parties of, and the performance and compliance by the BGA Parties with the terms and provisions of this Agreement do not violate any of the terms, conditions or provisions of (i) any judgment, order, injunction, decree, law, regulation or ruling of any court or other governmental authority to which the BGA Parties, or the Island Palms Project, is subject, or (ii) any agreement to which the BGA Parties and the Island Palms Project are subject.

6.21 To the best of the BGA Related Entities' knowledge, no consent, waiver or approval by any third party is required in connection with the execution and delivery by the BGA Parties of this Agreement, or the performance by the BGA Parties of the obligations to be performed by the BGA Parties under this Agreement.

6.22 To the best of the BGA Parties' knowledge, the financial statements for the period ending November 2006, the final audits for the period through 2005, and the filed tax returns through 2005, all as relating to the Island Palms Project and the Island Palms Partnership, and as previously provided by BGA to Alliant, are true, complete and correct in all material respects.

6.23 The BGA Parties have not received written notice of any open audit or outstanding notice of deficiency or delinquency with respect to any excise taxes or any sales, use or payroll taxes, or real property taxes to which the Island Palms Project is subject.

6.24 To the best of the BGA Parties' knowledge, the Island Palms Partnership owns all rights in any intellectual property used by it or the Island Palms Project.

6.25 Attached **Schedule 12** sets forth all employees employed by BGA working at the Island Palms Project.

6.26 To the best of the BGA Parties' knowledge, other than as set forth on attached **Schedule 13**, there are no structural, electrical, mechanical, plumbing, or any other defects affecting the Island Palms Project.

6.27 Other than as contemplated in this Agreement, none of the BGA Parties has assigned or transferred, voluntarily, involuntarily or by operation of law, his or its interests in any of the Project Documents, except as required by lenders on the Island Palms Project as set forth on attached **Schedule 14**.

6.28 To the best of the BGA Parties' knowledge, all documents delivered by the BGA Parties pursuant to the request of other Parties to this Agreement contain no material misrepresentations.

6.29 To the best of the BGA Parties' knowledge, the representations set forth in the Owner's Certification are true and complete.

6.30 To the best of the BGA Parties' knowledge, the deliverables delivered pursuant to Section 4.1 above are true and complete in all respects.

6.31 BGA has not prepared an inventory of all personal property owned or leased by the Island Palms Partnership. To the best of the BGA Parties' knowledge, the Island Palms Partnership has sufficient personal property as is customary to operate the Island Palms Project within the ordinary course of business in the industry.

7. **Covenants of the BGA Related Entities.** Until the Effective Date (except as provided in Section 7.11 below, which shall be as of the Effective Date, and Section 7.12, which shall remain in effect for one year thereafter):

7.1 BGA shall continue to operate, repair and maintain the Island Palms Project in substantially the same manner in which BGA has operated, repaired and maintained the Island Palms Project since formation of the Island Palms Partnership, subject to reasonable wear and tear and further subject to destruction by casualty or eminent domain.

7.2 BGA shall permit Alliant and Alliant's representatives to be present at the Island Palms Project and shall cooperate with Alliant and Alliant's representatives for the purposes of effecting a smooth transition of ownership and operations.

7.3 BGA shall permit Alliant and Alliant's representatives to complete an inventory of all personal property owned or leased by the Island Palm Partnership and shall fully cooperate with Alliant and Alliant's representatives in completing such an inventory, such cooperation to include, but not be limited to, providing Alliant and its representatives all documents, including invoices, bills of sale, and certificates of title, relating to such personal property.

7.4 No expenditures shall be made by or on behalf of the Island Palms Partnership that exceed the budget set forth on attached **Schedule 15** unless requested by BGA in a writing to Alliant, and approved by Alliant in writing. Alliant agrees to approve such requests, provided they are reasonable.

7.5 BGA shall not sell, remove or otherwise dispose of any significant items of personal property (other than supplies or materials used in connection with the operation or maintenance of the Island Palms Project, which supplies or materials shall be replaced as used) unless replaced with an item of like value, quality and utility.

7.6 BGA shall not enter into any compromise or settlement of any litigation, legal proceeding or governmental investigation relating to the Island Palms Project, or any contracts that are for a term of longer than thirty (30) days and that cannot be terminated at no cost or liability to the Island Palms Partnership without first obtaining Alliant's written consent, such consent not to be unreasonably withheld or delayed. BGA shall not terminate any insurance relating to the Island Palms Project.

7.7 BGA shall continue to market the apartments at the Island Palms Project and take all rentals, provided such rentals are upon substantially the same or better terms and rates that the Island Palms Partnership would charge in the normal and customary operation of the Island Palms Project.

7.8 BGA shall not enter into any additional service contracts, equipment leases or other similar agreements relating to the operation of the Island Palms Project or the making of capital improvements to the Island Palms Project (or terminate, amend, modify or renew any such agreements then in existence) that will be binding upon the Island Palms Partnership or Alliant after the Effective Date without the prior written consent of Alliant, not to be unreasonably withheld, provided, however, that in the event that BGA is required to act on an emergency basis to enter into any such contract to prevent material damage to the Island Palms Project or its operation, BGA may do so provided that as soon as reasonably possible it notifies Alliant of such action and provides Alliant with copies of any such contracts (or amendments or modifications). BGA covenants and agrees to forthwith deliver to Alliant copies of any such contracts (or amendments or modifications) entered into by BGA as and to the extent permitted above.

7.9 BGA shall not enter into any new commercial leases or occupancy agreements, or any amendments, modifications or renewals of existing commercial leases (or terminate any existing commercial leases) without the consent of Alliant not to be unreasonably withheld.

7.10 BGA shall cause the Island Palms Partnership to timely meet all obligations under any existing lease, contract, or loan of the Island Palms Partnership.

7.11 To the extent accounts payable of the Island Palms Partnership exceed \$49,199, BGA shall contribute in cash such excess amounts to the Island Palms Partnership on the Effective Date.

7.12 For a period of one year after the Effective Date, the Parties agree to timely comply with reasonable requests for documents and other items made by the other Parties to effectuate the purposes and intents of this Agreement.

8. Indemnification.

8.1 The BGA Related Entities jointly and severally agree to save, defend, hold harmless and indemnify the Alliant Related Entities and each of their affiliates, employees, officers, partners, investors, agents, members, directors, and their respective successors and assigns (together, the "Alliant Indemnified Parties") from and against any claim, loss, liability, damage, cost and expense (including reasonable attorneys' fees) asserted against or suffered by any of the Alliant Indemnified Parties resulting from, arising out of or relating to any breach by the BGA Related Entities' representations and warranties contained in **Sections 5, 6, and 11.1(d)** of this Agreement, and from any claim arising from the Excluded Claims; provided, however, that, as a condition to the Alliant Related Entities' obligation to so indemnify, the Alliant Related Entities, or any of them, shall have asserted a claim against the BGA Related Entities, or any one of them, with respect thereto in accordance with **Section 9** of this Agreement.

8.2 Alliant jointly and severally agrees to save, defend, hold harmless and indemnify the BGA Related Entities and each of their affiliates, employees, officers, partners, investors, agents, members, directors, and their respective successors and assigns (together, the "BGA Entity Indemnified Parties") from and against any claim, loss, liability, damage, cost and expense (including reasonable attorneys' fees) asserted against or suffered by any of the BGA Indemnified Parties resulting from, arising out of or relating to any breach by the Alliant Related Entities' representations and warranties contained in **Section 5** of this Agreement; provided, however, that, as a condition to the Alliant Related Entities' obligation to so indemnify, the BGA Entity Indemnified Parties, or any of them, shall have asserted a claim against the Alliant Related Entities, or any one of them, with respect thereto in accordance with **Section 9** of this Agreement.

9. Indemnification Obligations. The indemnification obligations under this Agreement shall be subject to the following. The party seeking indemnification (the "Indemnitee") shall notify the other party (the "Indemnitor") of any claim against the Indemnitee. Should the Indemnitor fail to discharge or undertake to defend the Indemnitee against such liability (with counsel reasonably approved by the Indemnitee), within thirty (30) days after the Indemnitee gives the Indemnitor written notice of the same, then the Indemnitee may settle such claim, and the Indemnitor's liability to the Indemnitee shall be conclusively established by such settlement, the amount of such liability to include both the settlement consideration and the reasonable costs and expenses, including attorneys' fees, incurred by the Indemnitee in effecting such settlement. The Indemnitee shall have the right to employ its own counsel in any such case, with the fees and expenses of such counsel to be borne by the Indemnitor. In all such cases, the indemnification obligations under this Agreement shall cover the costs and expenses of the Indemnitee, including attorneys' fees and expenses, related to any actions, causes of action, suits or judgments incident to any of the matters covered by such indemnities.

10. Specific Performance. BGA acknowledges that its interest in the Island Village Partnership is a unique asset not readily obtainable on the open market and that, in the event that BGA fails to perform its obligation to assign its interest thereunder as contemplated hereby, money damages alone will not be adequate to compensate Alliant for its injury. Therefore, BGA agrees and acknowledges that in the event of BGA's unexcused failure to perform its obligation

to assign its partnership interest in the Island Village Partnership as contemplated hereby and in the Assignment and Assumption Agreement, Alliant shall be entitled, in addition to any other rights and remedies on account of such failure, to specific performance of the terms of this Agreement relating to such assignment and assumption, and of BGA's obligation to consummate the partnership assignment transaction contemplated hereby.

11. Miscellaneous Terms and Conditions.

11.1 After the Effective Date:

(a) To the extent any of the BGA Parties pay any portion of the then outstanding Allowed FNB Claim to FNB, such paying party shall receive from the Debtor fifty percent (50%) of the actual amount so paid on the then outstanding Allowed FNB Claim (measured by actual dollars paid out), in accordance with Section 11.1(c) below (the "FNB Discounted Reimbursement"), with the following qualifier. Pursuant to the FNB Litigation, FNB seeks from the BGA Parties amounts in excess of the Allowed FNB Claim. Any payments to FNB by the BGA Parties on account of such excess shall not qualify for the Discounted Reimbursement as herein described. Any payment to FNB by the BGA Parties that reduces the Allowed FNB Claim, however, shall be entitled to the FNB Discounted Reimbursement. By way of example only, assume that: (i) FNB seeks \$5,200,000 from the BGA Parties, and (ii) at the time the BGA Parties make payment to FNB, the Allowed FNB Claim is \$4,000,000, then in such case, only that portion of payments by the BGA Parties that exceed \$1,200,000 would qualify for the FNB Discounted Reimbursement. Assume further that BGA, for example, pays FNB \$1,500,000, then in such case, the FNB Discounted Reimbursement by the Debtor to BGA would equal \$150,000, *i.e.*, $\$300,000 \times 50\% = \$150,000$.

(b) To the extent any of the BGA Parties pay any portion of the allowed outstanding claims against the Debtor by the Mechanics' Lien Claimants (classified as Class 4 Claims under the Plan), such paying party shall receive from the Debtor fifty percent (50%) of the actual amount so paid on such allowed outstanding claim (measured by actual dollars paid out), in accordance with Section 11.1(c) below (the "Class 4 Discounted Reimbursement").

(c) Payments to the BGA Parties pursuant to this Section 11.1 shall be made by the Debtor as follows. Upon receipt by the Debtor of written evidence authenticating that unconditional payment by the BGA Parties has been made, and that such payment has cleared the payee's bank, the BGA Parties shall be subrogated to the rights of FNB in the case of payments made to FNB, and to the rights of the Mechanics' Lien Claimants in the case of payments made to the Mechanics' Lien Claimants, and shall receive from the Debtor the FNB Discounted Reimbursement, or the Class 4 Discounted Reimbursement, as the case may be, when FNB or the Mechanics' Lien Claimants, as the case may be, would otherwise have received distributions from the Debtor under the Plan. Notwithstanding anything to the contrary herein, to the extent any of the BGA Parties negotiates a discount to the claims so paid from either or both of FNB or the Mechanics' Lien Claimants, the BGA Parties' subrogation rights shall be reduced dollar-for-dollar in the amount of such discount.

(d) The BGA Parties hereby represent, warrant and covenant that any communication, negotiation or settlement between or among any of them and FNB or the

Mechanics' Lien Claimants toward settling or otherwise disposing of the claims described in this Section 11.1, shall in all cases be solely in the name of and on behalf of the BGA Parties, and that the BGA Parties have no authority to act on, or to purport to act on, the behalf of Alliant or the Debtor.

11.2 Effective as of the Effective Date, BGA shall terminate (or cause to be terminated) the employment of all employees (and all contracts related thereto), as identified on **Schedule 12**. Alliant Holdings of Island Village, LLC shall have the option, in its sole discretion, which BGA shall in no way interfere with, to offer to hire or cause to be hired any or all of such employees as of the Effective Date (the "Rehired Employees"). With respect to wages and benefits of such employees, whether Rehired Employees or otherwise, BGA shall be solely responsible for all wages, salaries, bonuses, employment taxes, withholding taxes, and all accrued vacation days, sick days and personal days accruing with respect to the period of time prior to the Effective Date. The Alliant Related Entities shall have no obligation to continue the employment of any employee and shall not be liable to any employee for any wages, salaries, bonuses, vacation days, sick days or personal days in which said employee may have acquired an accrued or vested right by virtue of their employment by BGA. Subject to the foregoing, with respect to Rehired Employees only, Alliant Holdings of Island Village, LLC, or its designee, shall be solely responsible for all wages, salaries, any bonuses, employment taxes, withholding taxes, and any and all vacation days, sick days and personal days, if applicable, accruing on or after the Effective Date by virtue of their employment by Alliant Holdings of Island Village, LLC. BGA shall and hereby agrees to indemnify and save the Alliant Related Entities harmless from and against (i) any liability for wages, salaries, bonuses, accrued vacation days, sick days and personal days to be paid to employees on account of services rendered prior to the Effective Date, (ii) all benefits due to employees, whether due under plans in which the employees identified on **Schedule 12** participate prior to the Effective Date, and all payments due on the plans providing such benefits, and (iii) any severance pay that may become due to any of such employees whose employment ends at or prior to the Effective Date as a result of the assignment transactions herein contemplated, whether due to BGA's employment policies or as a matter of law.

11.3 The Alliant Related Entities agree to provide BGA, upon written request from BGA, information in reasonable detail to enable BGA to determine which creditor claims the Debtor has compromised or otherwise paid down and in what amounts.

11.4 Except as provided herein, all covenants, releases, warranties and representations made by any of the parties hereto to any of the other parties hereto pursuant to this Agreement shall survive this Agreement and shall be and remain in full force and effect thereafter.

11.5 The Parties agree to execute and deliver such other instruments, pleadings and documents and to perform such acts, in addition to the matters herein specified, as may be reasonably appropriate or necessary, from time to time after the execution of this Agreement, to effectuate the agreements and understandings of the parties that are set forth in this Agreement.

11.6 This Agreement shall inure to the benefit of and shall be binding upon the respective heirs, beneficiaries, legal representatives, successors and assigns, as the case may be, of the respective parties hereto.

11.7 The headings of all paragraphs of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit or aid in the construction or interpretation of any term or provision hereof.

11.8 To the extent that performance is to be governed by time, time shall be deemed to be of the essence.

11.9 This Agreement contains the complete agreement between the Parties and supersedes all previous understandings, commitments, or representations between the Parties concerning settlement or the disputes being settled hereby. To the extent of any inconsistency between this Agreement, any of the Partnership Agreements, the Project Documents, or the Proof of Claim, this Agreement controls.

11.10 This Agreement may be modified only by a written document signed by the Parties. No waiver of this Agreement or of any of the promises, obligations, terms, or conditions hereof shall be valid unless it is written and signed by the party against whom the waiver is to be enforced.

11.11 In the event any provision of this Agreement is determined by any court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of said provision and this Agreement shall nevertheless remain fully valid and enforceable, unless the provision held invalid is a material provision of this Agreement. For purposes of this paragraph, a "material provision" would include, but is not limited to, the provisions of Sections 2.4, 2.5, 3, 4, 6, 7, 8, 10 and 11.1.

11.12 This Agreement shall be governed, in all respects, under the laws of the State of California irrespective of its choice of law rules, and shall be governed by federal bankruptcy law, to the extent applicable.

11.13 This Agreement may be executed in identical counterparts, each of which shall constitute an original and all of which shall constitute one and the same agreement.

11.14 Any notices or service of process permitted or required under this Agreement shall be served upon the Parties via telecopy or overnight delivery service (such as Federal Express, or UPS) at the following addresses, or such other address as each Party may hereafter designate for itself, and all such notices and service of process shall be deemed to have been given and received upon the earlier of one (1) business day after transmission by telecopy or one (1) business day after deposit with an overnight delivery service.

Notices to the Alliant Related Entities:

Brian Doran
Alliant Asset Management Company, LLC
21600 Oxnard Street, Suite 1200

Woodland Hills, CA 91367
Telephone No. (818) 668-2804
Telecopier No. (818) 668-2828

Margaret M. Mann, Esq.
Heller Ehrman LLP
4350 La Jolla Village Drive, 7th Floor
San Diego, CA 92122-1246
Telephone No. (858) 450-5807
Telecopier No. (858) 587-5980

Notices to the BGA Related Entities:

Michael B. Galasso
James V. Barone
Barone Galasso & Associates, Inc.
710 West Ivy
San Diego, CA 92101
Telephone No. (619) 232-2100
Telecopier No. (619) 232-2127

William P. Fennell, Esq.
Law Office of William P. Fennell, APLC
600 West Broadway, Suite 930
San Diego, CA 92101
Telephone No. (619) 325-1560
Telecopier No. (619) 3253-1559

11.15 Each of the Parties shall bear all of its or his respective costs and expenses, including attorneys' fees, incurred in connection with the preparation, negotiation and execution of this Agreement, and the matters that are subject to this Agreement, including the matters waived and released in Section 3 hereof. In the event it becomes necessary for any party to this Agreement to take any action to interpret or enforce this Agreement, or any of its terms, and such party (or the party against or in regard to whom any such action is taken) thereafter incurs attorneys' fees as a result thereof, the prevailing party shall be entitled, in addition to any judgment or award, to an award for all fees (including reasonable attorneys' fees), costs and expenses, including court or arbitration costs and expenses. The prevailing party shall further be entitled to an award for reasonable attorneys' fees and related costs in connection with enforcement of any such judgment or award it obtains, including enforcement during or following any ensuing appeal with respect thereto.

11.16 This Agreement is the product of negotiations between the parties hereto and, in the enforcement or interpretation hereof, is to be interpreted in a neutral manner, and any presumption with regard to interpretation for or against any party by reason of that party having drafted or caused to be drafted this Agreement, or any portion hereof, shall not be effective in regard to the enforcement or interpretation hereof.

11.17 The Bankruptcy Court shall have jurisdiction to interpret this Agreement, to enforce this Agreement, or otherwise to resolve any and all disputes arising under or relating to this Agreement. Each of the Parties hereby consents to such jurisdiction.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the day and year first above written.

500 WEST BROADWAY, L.P., a California limited partnership

By: Alliant Holdings of West Broadway, LLC, a Florida limited liability company, its general partner

By: Alliant Real Estate Investments, LLC, a Florida limited liability company, Member

By: Alliant Capital, Ltd., a Florida limited partnership, as its sole Member

By: Alliant, Inc., a Florida corporation, as its general partner

By: 
Shawn Horwitz, President

ALLIANT TAX CREDIT FUND XIV, LTD., a Florida limited partnership

By: Alliant Capital, Ltd., a Florida limited partnership, its general partner

By: Alliant, Inc., a Florida corporation, its general partner

By: 
Shawn Horwitz, President

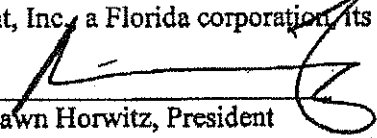
ALLIANT TAX CREDIT XIV, INC., a Florida corporation

By: 
Shawn Horwitz, President

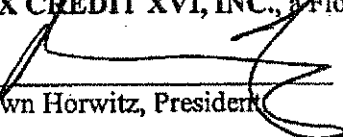
ALLIANT TAX CREDIT FUND XVI, LTD., a Florida limited partnership

By: Alliant Capital, Ltd., a Florida limited partnership, its general partner

By: Alliant, Inc., a Florida corporation, its general partner

By: 
Shawn Horwitz, President

ALLIANT TAX CREDIT XVI, INC., a Florida corporation

By: 
Shawn Horwitz, President

ALLIANT CAPITAL, LTD., a Florida limited partnership

By: Alliant, Inc., a Florida corporation, its general partner

By: 
Shawn Horwitz, President

ALLIANT HOLDINGS OF WEST BROADWAY, LLC, a Florida limited liability company

By: Alliant Real Estate Investments, LLC, a Florida limited liability company, Member

By: Alliant Capital, Ltd., a Florida limited partnership, as its sole Member

By: Alliant, Inc., a Florida corporation, as its general partner

By: 
Shawn Horwitz, President

BARONE GALASSO & ASSOCIATES, INC.

By: _____
Name: Michael B. Galasso
Title: President

BGA ALLIANT DEVELOPER, LLC

By: Barone Galasso and Associates, Inc.
its managing member

By: _____
Name: Michael B. Galasso
Title: President

MICHAEL B. GALASSO

In his individual capacity

JAMES V. BARONE

In his individual capacity

ALLIANT CAPITAL, LTD., a Florida limited partnership

By: Alliant, Inc., a Florida corporation, its general partner

By: _____
Shawn Horwitz, President

ALLIANT HOLDINGS OF WEST BROADWAY, LLC, a Florida limited liability company

By: Alliant Real Estate Investments, LLC, a Florida limited liability company, Member

By: Alliant Capital, Ltd., a Florida limited partnership, as its sole Member

By: Alliant, Inc., a Florida corporation, as its general partner

By: _____
Shawn Horwitz, President

BARONE GALASSO & ASSOCIATES, INC.

By: _____
Name: Michael B. Galasso
Title: President

BGA ALLIANT DEVELOPER, LLC


By: Barone Galasso and Associates, Inc.
its managing member

By: _____
Name: Michael B. Galasso
Title: President

MICHAEL B. GALASSO

In his individual capacity

JAMES V. BARONE



In his individual capacity

EXHIBIT A

[Form of Lender/Agency Consents]

EXHIBIT B

[Attach form of Assignment and Assumption Agreement]

EXHIBIT C
[Form of Certificate Updating Reps/Warranties]

COMPLIANCE CERTIFICATE

The undersigned, Barone Galasso & Associates, Inc, Michael B. Galasso, James V. Barone, and BGA Alliant Developer, LLC (the "BGA Related Entities"), hereby certify as follows:

1. The representations and warranties of the BGA Related Entities set forth in Sections 5 and 6 of the November 15, 2006 "Settlement Agreement" among the BGA Related Entities, and Alliant Tax Credit XIV, Inc., Alliant Tax Credit Fund XIV, Ltd., Alliant Tax Credit XVI, Inc., Alliant Tax Credit Fund XVI, Ltd., Alliant Holdings of West Broadway, LLC, Alliant Capital, Ltd., and 500 West Broadway, L.P, are true and correct as though made on and as of the date hereof.

2. The BGA Related Entities have performed and complied with all covenants, agreements, obligations and conditions contained in the Settlement Agreement to be performed by them, on or prior to the Effective Date, as defined in the Settlement Agreement.

The undersigned has executed this Certificate this day of ____, December, 2006.

BARONE GALASSO & ASSOCIATES, INC.

By: _____
Name: Michael B. Galasso
Title: President

BGA ALLIANT DEVELOPER, LLC

By: Barone Galasso and Associates, Inc.,
its managing member

By: _____
Name: Michael B. Galasso
Title: President

MICHAEL B. GALASSO

In his individual capacity

JAMES V. BARONE

In his individual capacity

EXHIBIT D
[OWNER'S CERTIFICATION]

Project Name: Island Palms Apartments, L.P.

TCAC number: CA~2001~858 PERIOD: THROUGH EFFECTIVE DATE OF SETTLEMENT AGREEMENT

The undersigned, having been allocated certain Low-Income Housing Tax Credits pursuant to Section 42 of the Internal Revenue Code of 1986, as amended (the IRC), and Revenue and Taxation Code Sections 12206, 17058, and 23610.5 if applicable, by the California Tax Credit Allocation Committee for the purpose of purchasing, constructing and/or improving low-income housing and pursuant to the monitoring requirements of the Committee and the requirements of IRC Section 42 and the Treasury regulations promulgated thereunder, does hereby certify to Alliant Tax Credit Fund XVI, Ltd. and Alliant Tax Credit XVI, Inc. as follows:

FOR THE ENTIRE PERIOD SPECIFIED ABOVE INITIAL ALL TRUE STATEMENTS.

ATTACH BRIEF, WRITTEN EXPLANATIONS FOR ANY STATEMENTS NOT INITIALED.

(i) _____ The project met the requirements (check one):

_____ (A) The 20-50 test under §42(g)(1)(A), or

_____ (B) the 40-60 test under §42(g)(1)(B);

(ii) _____ There was no change in the applicable fraction (as defined in §42(c)(1)(B)) of any building in the project;

(iii) _____ The owner has received an annual income certification from each low-income tenant, and documentation to

support that certification; or, in the case of a tenant receiving Section 8 housing assistance payments, the statement from a public housing authority described in paragraph (b)(1)(vii) of §1.42-5 (Compliance Monitoring Requirements);

(iv) _____ Each low-income unit in the project was rent-restricted under section 42(g)(2);

(v) _____ All units in the project were for use by the general public (as defined in §1.42-9), including the requirement

that no finding of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619, occurred for the project. A finding of discrimination includes an adverse final decision by the Secretary of the Department of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 3616a (a)(1), or an adverse judgment from a federal court;

(vi) _____ The buildings and low-income units in the project were suitable for occupancy, taking into account local

health, safety, and building codes, and the State or local government unit responsible for making local health, safety, or building code inspections did not issue a violation report for any building or low-income unit in the project. If a violation report or notice was issued by the governmental unit, the owner must attach a statement summarizing the violation report or notice or a copy of the violation report or notice to this certification. In addition, the owner must state whether the violation has been corrected;

(vii) _____ There was no change in the eligible basis (as defined in §42(d) of any building in the project, (e.g., a

common area has become commercial space, or a fee is now charged for a tenant facility formerly provided without charge);

(viii) _____ All tenant facilities included in the eligible basis under §42(d) of any building in the project, such as

swimming pools, other recreational facilities, and parking areas, were provided on a comparable basis without charge to all tenants in the building;

(ix) _____ If a low-income unit in the project became vacant during the year, that reasonable attempts were or

are being

made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income;

- (x) _____ If the income of tenants of a low-income unit in the project increased above the limit allowed in §42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the project was or will be rented to tenants having a qualifying income;
- (xi) _____ A regulatory agreement as described in §42(h)(6) was in effect, including the requirement that the owner may not refuse to lease a unit in the project to a prospective tenant who holds a voucher or certificate of eligibility for assistance pursuant to Section 8 of the United States Housing Act of 1937, as amended, because of the status of such prospective tenant as the holder of such voucher or certificate;
- (xii) _____ All low-income units in the project were used on a nontransient basis (except for transitional housing for the homeless provided under §42(i)(3)(B)(iii) or single-room-occupancy units rented on a month-by-month basis under §42(i)(3)(B)(iv));
- (xiii) _____ The project met all terms and conditions recorded in its Regulatory Agreement, if applicable. (As detailed in
the Regulatory Agreement and Exhibit A to the Regulatory Agreement);
- (xiv) _____ The applicable fraction (as defined in IRC Section 42(c)(1)(B) met all requirements of the credit allocation as specified on IRS Form(s) 8609 (Low-Income Housing Credit Allocation Certification);
- (xv) _____ No change in ownership of the project has occurred during the reporting period;
- (xvi) _____ The Project has not been notified by the Internal Revenue Service that it is no longer a "qualified low-income housing project" within the meaning of Section 42 of the IRC;
- (xvii) _____ No additional tax-exempt bond funds or other Federal grants or loans with interest rates below the applicable federal rate have been used in the Project since it was placed in service; (Please list any additional funding and attach to AOC package);
- (xviii) _____ On December 31, 2005, the number of units that were occupied by tax credit eligible households was _____ (please enter number);
- (xix) _____ The project did not suffer any casualty loss in 2006;
- (xx) _____ No tenants in low-income units were evicted or had their tenancies terminated other than for good cause, and no tenants had an increase in the gross rent with respect to a low-income unit not otherwise permitted under Section 42.

To Barone Galasso & Associates, Inc.'s knowledge, the foregoing is true and correct in all respects and is made as a representation and warranty under the November __, 2006 Settlement Agreement between Alliant Tax Credit XIV, Inc., et al., on the one hand, and Barone Galasso & Associates, Inc., et al., on the other hand.

BARONE GALASSO & ASSOCIATES, INC.

By: _____
Name: Michael B. Galasso
Title: President

ATTACH BRIEF, WRITTEN EXPLANATIONS FOR ANY STATEMENTS NOT INITIALED.

SCHEDULE 1

[Description of Project Documents]

Capitalized Terms Not Otherwise Defined Have the Meanings Ascribed to them in the Settlement Agreement

1. The "500 West Broadway Management Agreement" refers to that certain 2003 (otherwise undated) Property Management Agreement, as same may have been amended, between the Debtor and BGA, as managing agent.
2. The "500 West Broadway Development Agreement" refers to that certain February 14, 2003 Development Services Agreement, as same may have been amended, between the Debtor and BGA Developer West Broadway, as developer.
3. The "Island Palms Management Agreement" refers to that certain December 13, 2001 Property Management Agreement, as same may have been amended, between the Island Palms Partnership, and BGA, as agent.
4. The "Island Palms Development Agreement" refers to that certain December 20, 2001 Development Agreement, as same may have been amended, between the Island Palms Partnership, and BGA and Housing Development Partners of San Diego, as developer.
5. The "Promissory Note" refers to that certain Promissory Note made by BGA and BGA West Broadway Developer on April 28, 2003 in the face amount of \$677,136 in favor of Alliant Capital, Ltd.
6. The "Loan Agreement" refers to that certain April 28, 2003 Loan Agreement by and among Alliant Capital, Ltd., as lender, and BGA and BGA West Broadway Developer, as borrowers, as same may have been amended.
7. The "Pledge Agreement" refers to that certain April 28, 2003 Partnership Interest Pledge Agreement, as amended, by and among BGA, as borrower, and BGA West Broadway Developer, as developer, and Alliant Capital, Ltd., as secured party, as same may have been amended.
8. The "Guarantees" refer to: (i) that certain Guarantee Agreement dated April 25, 2003 by BGA, James Barone, and Michael Galasso, as guarantors, for the benefit of Alliant Tax Credit Fund XIV, Ltd.; (ii) that certain Guarantee Agreement dated April 28, 2003 by Michael B. Galasso and James V. Barone, as guarantors, for the benefit of Alliant Capital Ltd; and (iii) that certain December 20, 2001 Guaranty Agreement by BGA, James Barone, and Michael Galasso, as guarantors, for the benefit of Alliant Tax Credit Fund XV, Ltd., in each case, as same may have been amended.

SCHEDULE 2

[Mechanic's Liens]

<u>Claimant</u>	<u>San Diego Superior Court Case No.</u>
Taylor Frager, Inc.	GIC 844364
Helix Electric, Inc.	GIC 844694
Casper's Concrete Cutting, Inc. dba Casper Company	GIC 848931
W.B. Powell, Inc.	GIC 849002
California Comfort Systems USA, Inc.	GIC 849368
J&S Asphalt Paving, Sealing & Striping Company, Inc.	IC 850860
Johnson, Barnes & Finch, Inc.	GIC 848731
RBE	GIC 852491
CCW&D, Inc. dba Clear Concepts Windows & Doors	IC 852529
Itam Plastering, Inc., dba S.G. Plastering	IC 853329

SCHEDULE 3

[Consents Required for Island Palms Partnership]

1. Deutsche Bank Berkshire Mortgage, Inc.
2. US Bank Trust National Association
3. Federal Home Loan Mortgage Association
4. Housing Authority of the City of San Diego
5. California Tax Credit Allocation Committee

SCHEDULE 4

[Description of BGA Defaults Under Island Palms Partnership]

--- NONE ---

SCHEDULE 5

[List of Agreements with Tenants re Rental Reductions]

— NONE —

SCHEDULE # 6

DESCRIPTIONS	LOAN #	BALANCE	AS OF:
DEUTSCHE BANK MORTGAGE SERVICES LLC (1ST)	2205	10,708,547.89	11/6/2006
DEUTSCHE BANK MORTGAGE SERVICES LLC (2ND)	2352	1,107,169.73	11/15/2006
SAN DIEGO HOUSING COMM		4,400,000.00	11/15/2006

Schedule - 7-

Island Village Retail Tenant Synopsis - 11/01/2006

Address	Square Footage	Tenant	Monthly Rental Amt	Annual Rental Amt.	Rent Per Square Foot	Lease Start Date	Lease end Date	NNN
535 Park Avenue	1172	City Dog	\$2,168.20	\$26,018.40	\$1.85	9/29/2005	6/13/2010	\$468.80
545 Park Avenue	1190	Blimpies	\$3,272.50	\$39,270.00	\$2.75	8/15/2004	7/31/2009	\$468.07
555 Park Avenue	1190	Azteca Taco Shop	\$2,623.00	\$31,476.00	2 + CPI	9/1/2004	8/31/2009	\$468.07
1219 Market Street	1600	Sluggo's Sports Restaurant	\$3,708.00	\$44,496.00	2.25 + CPI	11/1/2004	6/30/2012	\$624.00
1223 Market Street	2000	7-11	\$6,000.00	\$72,000.00	\$3.00	11/1/2004 (latest)	10/31/2014	
Totals	7152		\$17,771.70	\$213,260.40				\$2,028.94

** In negotiations

Leased as of	Square Footage	Percentage Leased	Monthly Leasing Revenue	Average Rent per Sq. Ft.	Average NNN Per Square Foot
6/23/04	7152	100%	\$17,771.70	\$2.48	\$0.2837

SCHEUDLE # 8
List of Contracts Affecting Island Palms Project

List of Commission vendors

	Vendor name	date of Service Agreement	Parties Involved in Agreement	Type of Service
1-	WEB Laundry Company	16-Apr-02	Island Palm Apartment LP & WEB Service Company	Laundry Service
2-	Rainbow Vending & Food Service	9/22/2003	Island Palm Apartment & Rainbow Vending & Food Service	Vending Service
	<u>List of equiptment Lease Vendors</u>			
	Vendor name	date of Service Agreement	Parties Involved in Agreement	Type of Service
1-	Konica Minolta	21-Nov-06	Island Palm Apartment LP & Konica Minolta Buysiness Solution, Inc.	Office Copier- C351
	<u>List of Other vendors</u>			
	Vendor name	date of Service Agreement	Parties Involved in Agreement	Type of Service
1	All Point Security	2/10/2004	Island Palms Apartments, L.P. & All Point Privet Security Services	Security Guard
2-	ChemDry of San Diego	7/16/2004	Island Village Apartments & ChemDry of San Diego	Carpet Cleaning
3-	City Wide Elctronic System, Inc	7/7/2003	Island Palms Apartments & City-Wide Eletronic Systems, Inc	Fire Alarm Monitoring
4-	Cox Business Services, LLC	1/16/2003	Island Palms Apartments & Cox Business Services, LLC as agent for Cox Com, Inc. d/b/a Cox Communications	Cable TV
5-	Kone Elevator	12/1/2004	Island Village Apartments & Kone, Inc.	Elevator Service
6-	Natural Enviromental , Inc	4/15/2004	Island Village Apartments & natural Enviromental, Inc	Landscaping Service
7-	Orkin Pest Control	1/27/2004	Island Village Apaartments & Orken Pest Control	Pest Control
8-	Pro-Star Mechanical	5/16/2006	Island Village A partments & pro-Star Mechanical Services	Hot Water Boiler Service
9-	Truth Window Cleaning	9/23/2005	Island Village Apartments & Truth Window Cleaning	Window Cleaning
	San Diego Reader	10/26/2006	Island Village & San Diego Reader	Marketing
10-	Waste Management	6/9/2003	Island Palms Apts LP & Waste Management	Trash Pick Up

SCHEDULE 9

[List of Litigation and Proceedings Against BGA Parties or Island Palms Partnership/Project]

<i>Alliant Tax Credit XIV, Inc. et al. v. Barone Galasso & Associates, Inc. et al.</i>	05-90315
<i>Alliant Capital, Ltd. v. Barone Galasso & Associates, Inc. et al.</i>	05-90317
<i>California Comfort Systems USA, Inc. v. Taylor Frager, Inc., et al.</i>	GIC849638
<i>CCW&D, Inc. v. Taylor Frager, Inc. et al.,</i>	IC852529
<i>Helix Electric, Inc. et al. v. 500 West Broadway, L.P., Barone Galasso & Associates et al.</i>	GIC 844694
<i>Taylor Frager v. BGA</i>	GIC 844364
<i>Itam Plastering, Inc., dba S.G. Plastering v. Taylor Frager, Inc. et al.</i>	IC853329

SCHEDULE 10

[List of Notices Received from Governmental Agencies re Island Palms Project]

— NONE —

SCHEDULE 11

[List of Possible Violations by Island Palms Project of Environmental or Other Laws]

— NONE —

ISLAND PALMS APT. L.P.
EMPLOYEE LIST

SCHEDULE #12

Full Name	Emp No.	Address	City	State	Zip	SSN	Dept	Sub	Emp Category
Bottes, Susana	1051104	4252 Poplar Street	San Diego	CA	92105	573-95-6118	DEPT 1400	HOUSEKEEPING	Fulltime-Regular
Cox, Gerald	1270154	3585 Island Ave #6	San Diego	CA	92102	546-69-2517	DEPT 1400	MAINTENANCE	Fulltime-Regular
Esposito, David A	1098678	1245 Market St Apt 1338	San Diego	CA	92101	562-75-6043	DEPT 1400	DESK CLERK	Fulltime-Regular
Morgan, Joanna	1275534	4222 Alabama St #10	San Diego	CA	92104	621-14-9414	DEPT 1400	DESK CLERK	Parttime-Regular
ODonovan, Dennis T	1005898	PO BOX 120702	San Diego	CA	92112	571-87-7709	DEPT 1400	PROP MGMT	Fulltime-Regular
Prica, Antoine D	1005910	4075 MESSINA DR	San Diego	CA	92113	395-90-3069	DEPT 1400	ASSIST PROP MGR	Fulltime-Regular
Rodriguez, Martha G	1069077	1609 E 18th St Apt 3	National City	CA	91950	619-28-7228	DEPT 1400	HOUSEKEEPING	Fulltime-Regular
Thompson, Waylon E	1136843	2172 Front Street	San Diego	CA	92101	567-83-5312	DEPT 1400	DESK CLERK	Fulltime-Regular
Torres-Smith, Omar Daniel	1005944	654 E San Ysidro Blvd PO Box 410	San Ysidro	CA	92173	816-25-5548	DEPT 1400	MAINTENANCE	Fulltime-Regular
Valencia, Veronica	1005949	2619 E Plaza Blvd Apt 101	National City	CA	91960	620-42-5485	DEPT 1400	DESK CLERK	Fulltime-Regular

SCHEDULE 13

[Structural/Mechanical/Electrical/Plumbing or Other Defects Affecting the Island Palms Project]

— NONE —

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Schedule -14-
List of Transfer of Interest in Project Documents required by lender

-NONE-

SCHEDULE 15

<u>INCOME</u>	<u>Nov-06</u>	<u>Dec-06</u>	<u>Jan-07</u>	<u>TOTALS</u>
Gross Rental Income	\$183,775	\$183,775	\$183,775	\$551,325
Vacancy Loss	(\$6,432)	(\$6,432)	(\$5,513)	(\$19,296)
Net Rental Income	\$177,343	\$177,343	\$178,262	\$532,948
<u>OTHER INCOME</u>				
Retail Income including NNN	\$20,500	\$20,500	\$20,500	\$61,500
Late Fees	\$475	\$485	\$500	\$1,460
Cable TV Income	\$2,800	\$2,800	\$3,500	\$9,100
Vending Income	\$300	\$300	\$315	\$915
Credit Check Income	\$495	\$495	\$495	\$1,485
Laundry Income	\$1,100	\$1,100	\$1,250	\$3,450
Other Income	\$1,150	\$1,150	\$1,200	\$3,500
Interest Income	\$950	\$950	\$995	\$2,895
Total Other Income	\$27,770	\$27,780	\$28,755	\$84,305
Total Projected Revenue	\$205,113	\$205,123	\$207,017	\$617,253
<u>OPERATING EXPENSES</u>				
<u>Payroll</u>				
General Manager	\$993	\$841	\$1,043	\$2,877
Resident Property Manager	\$3,850	\$3,850	\$3,850	\$11,550
Asst Manager	\$2,700	\$2,700	\$2,700	\$8,100
Desk Clerks	\$7,150	\$7,150	\$7,500	\$21,800
Maintenance/Housekeeping	\$7,200	\$7,200	\$7,200	\$21,600
Payroll Processing	\$1,204	\$1,196	\$1,226	\$3,626
Payroll Taxes	\$2,065	\$2,050	\$2,102	\$6,217
Workman's Comp.	\$1,095	\$1,087	\$1,115	\$3,296
Health Insurance	\$750	\$750	\$750	\$2,250
Employee Training	\$300	\$300	\$300	\$900
Employee Bonus/Incentive	\$1,000	\$1,000	\$1,000	\$3,000
Total Payroll	\$28,306	\$28,124	\$28,786	\$85,216
<u>General / Admin.</u>				
Accounting	\$1,300	\$1,300	\$1,300	\$3,900
Audit	\$950	\$950	\$1,000	\$2,900
Legal Fees	\$4,520	\$4,520	\$4,520	\$13,560
Bank Fees	\$250	\$250	\$250	\$750
Credit Card Fees	\$600	\$600	\$600	\$1,800
Software Update/Maint./Leases	\$750	\$750	\$750	\$2,250
Office Supplies/Copier	\$500	\$500	\$500	\$1,500
Credit Check Expense	\$315	\$315	\$315	\$945
Security Guards Contracted Service	\$7,580	\$7,580	\$7,580	\$22,740
Temporary Labor/Help	\$680	\$680	\$775	\$2,135
Postage/Delivery	\$180	\$180	\$200	\$560
Resident Activities	\$400	\$400	\$400	\$1,200
Uniforms	\$600	\$0	\$0	\$600
Travel/Dues/Subscriptions	\$150	\$150	\$165	\$465
Total General / Admin.	\$18,775	\$18,175	\$18,355	\$55,305
<u>Marketing</u>				
Advertising/Marketing	\$875	\$875	\$875	\$2,625
Total Marketing Expense	\$875	\$875	\$875	\$2,625
<u>Maintenance</u>				
Fire/Elevator Alarm Monitoring	\$385	\$385	\$400	\$1,170
Power Washing/Window Cleaning	\$850	\$850	\$850	\$2,550
Elevator Maint/Repairs	\$1,110	\$1,110	\$1,200	\$3,420
Carpet Cleaning	\$740	\$740	\$740	\$2,220
Pest Control	\$500	\$500	\$540	\$1,540
Landscape Maintenance	\$450	\$450	\$500	\$1,400
General Maintenance and Repairs	\$3,500	\$3,500	\$3,750	\$10,750
Total Maintenance Expense	\$7,535	\$7,535	\$7,980	\$23,050
<u>Utilities</u>				
Electricity	\$15,000	\$15,000	\$15,000	\$45,000
Gas	\$3,950	\$4,185	\$4,700	\$12,835
Water and Sewer	\$5,700	\$5,700	\$5,700	\$17,100
Trash / Recycling	\$3,850	\$3,850	\$3,850	\$11,550
Cable TV	\$3,200	\$3,200	\$3,200	\$9,600
Telephone, Fax & Internet	\$950	\$950	\$950	\$2,850
Total Utilities	\$32,650	\$32,885	\$33,400	\$98,935

SCHEDULE 15

12/8/2006
8:39 AM

INCOME	Nov-06	Dec-06	Jan-07	TOTALS
<u>Taxes / Insurance / Fees</u>				
Partnership Income Tax	\$0	\$0	\$0	\$0
Property Management Fee	\$12,307	\$12,307	\$12,421	\$37,035
insurance-Fire and Liability	\$4,350	\$4,950	\$4,950	\$14,250
City Permits/fees	\$1,450	\$1,450	\$1,600	\$4,500
Property Taxes	\$1,986	\$1,986	\$2,225	\$6,197
Housing Authority Monitoring Fees	\$1,240	\$1,240	\$1,285	\$3,765
Total Taxes / Insurance / Fees	\$21,333	\$21,933	\$22,481	\$65,747
Total Operating Expense	\$109,474	\$109,527	\$111,877	\$330,878
Net Operating Income	\$95,639	\$95,596	\$95,140	\$286,374
 <u>DEBT. SERVICE</u>				
Deutsche Bank Mortgage 1st loan	\$72,152	\$72,152	\$72,152	\$216,456
Deutsche Bank Mortgage 2nd loan	\$8,406	\$8,406	\$8,406	\$25,218
BALANCE	\$15,081	\$15,038	\$14,582	\$44,700
Deutsche Replacement Reserve Deposit.	\$5,269	\$5,269	\$5,269	\$15,807
Deutsche Operating Deficit Reserve Deposit	\$8,334	\$8,334	\$8,334	\$25,002
Additional Replacement Reserve	\$600	\$600	\$600	\$1,800
BALANCE	\$876	\$835	\$379	\$2,091
Asset Management Fee	\$878	\$835	\$379	\$2,092
BALANCE	\$0	\$0	\$0	\$0
Partnership Management Fee	\$0	\$0	\$0	\$0
BALANCE	\$0	\$0	\$0	\$0
Partnership Guarantee Fee	\$0	\$0	\$0	\$0
BALANCE	\$0	\$0	\$0	\$0
Deferred Developers Fee	\$0	\$0	\$0	\$0
BALANCE	\$0	\$0	\$0	\$0
SDHC Loan	\$0	\$0	\$0	\$0
TOTAL NET CASH FLOW	\$0	\$0	\$0	\$0

FIRST AMENDMENT TO SETTLEMENT AGREEMENT

This First Amendment to Settlement Agreement is dated as of December 5, 2006 (this "First Amendment"), and amends the November 15, 2006 Settlement Agreement made by and among Alliant Tax Credit XIV, Inc., Alliant Tax Credit Fund XIV, Ltd., Alliant Tax Credit XVI, Inc., Alliant Tax Credit Fund XVI, Ltd., Alliant Holdings of West Broadway, LLC, and Alliant Capital, Ltd., and 500 West Broadway, L.P., on the one hand, and Barone Galasso & Associates, Inc., Michael B. Galasso, and James V. Barone, and BGA Alliant Developer, LLC, on the other hand (the "Settlement Agreement"). Capitalized terms used herein without definition shall have the respective meanings for such terms set forth in the Settlement Agreement.

WHEREAS, pursuant to section 2.4(g) of the Settlement Agreement, BGA and the Alliant Related Entities acknowledged that as of the Effective Date of the Settlement Agreement, BGA would have satisfied its obligation to contribute sufficient capital to pay the Development Fee (as defined in the Island Palms Partnership Agreement) in the amount of \$1,144,100, for the year 2006, and that BGA would take that amount into income and be issued a 1099 by Alliant for that amount.

WHEREAS, the parties desire to amend the Settlement Agreement such that the Development Fee will instead be assigned to Alliant Real Estate Investments, LLC, and the corresponding obligation to make that payment to the Island Palms Partnership shall be assumed by Alliant Holdings of Island Village, LLC.

NOW, THEREFORE, in consideration of the foregoing premises and for good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

1. Section 2.4(a) of the Settlement Agreement is hereby amended by including a new subsection 2.4(a)(vi) to read as follows:

(vi) all of BGA's rights to the Development Fee (as defined in the Island Palms Partnership Agreement) to Alliant Real Estate Investments, LLC, which assignment shall include Alliant Holdings of Island Village, LLC's assumption of BGA's obligation under the Island Palms Partnership Agreement to make a capital contribution to the Island Palms Partnership of the Deferred Development Fee (as defined in the Island Palms Partnership Agreement).

2. Section 2.4(g) of the Settlement Agreement is hereby deleted in its entirety, and replaced by the following:

(g) [reserved]

3. The effectiveness of this First Amendment is subject to the execution and delivery of this First Amendment by each of the parties as is required to amend the Settlement Agreement pursuant to Section 11.10 of the Settlement Agreement.

4. Except as expressly provided in this First Amendment, all of the terms and provisions of the Settlement Agreement shall remain in full force and effect. This First Amendment may be executed in counterparts and shall be governed by, and construed in accordance with, the laws of the State of California, and by federal bankruptcy law, to the extent applicable.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to the Settlement Agreement on the day and year first above written.

[Signature Pages Attached]

500 WEST BROADWAY, L.P., a California limited partnership

By: Alliant Holdings of West Broadway, LLC, a Florida limited liability company, its general partner

By: Alliant Real Estate Investments, LLC, a Florida limited liability company, Member

By: Alliant Capital, Ltd., a Florida limited partnership, as its sole Member

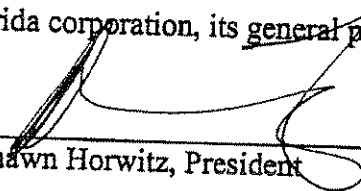
By: Alliant, Inc., a Florida corporation, as its general partner

By: 
Shawn Horwitz, President

ALLIANT TAX CREDIT FUND XIV, LTD., a Florida limited partnership

By: Alliant Capital, Ltd., a Florida limited partnership, its general partner

By: Alliant, Inc., a Florida corporation, its general partner

By: 
Shawn Horwitz, President

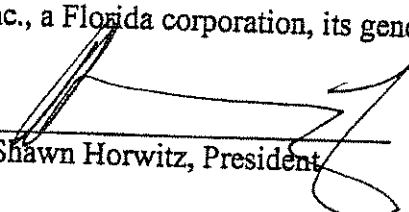
ALLIANT TAX CREDIT XIV, INC., a Florida corporation

By: 
Shawn Horwitz, President

ALLIANT TAX CREDIT FUND XVI, LTD., a Florida limited partnership

By: Alliant Capital, Ltd., a Florida limited partnership, its general partner

By: Alliant, Inc., a Florida corporation, its general partner

By: 
Shawn Horwitz, President

ALLIANT TAX CREDIT XVI, INC., a Florida Corporation

By: _____
Shawn Horwitz, President

ALLIANT CAPITAL, LTD., a Florida limited partnership

By: Alliant, Inc., a Florida corporation, its general partner

By: _____
Shawn Horwitz, President

ALLIANT HOLDINGS OF WEST BROADWAY, LLC, a Florida limited liability company

By: Alliant Real Estate Investments, LLC, a Florida limited liability company, Member

By: Alliant Capital, Ltd., a Florida limited partnership, as its sole Member

By: Alliant, Inc., a Florida corporation, as its general partner

By: _____
Shawn Horwitz, President

BARONE GALASSO & ASSOCIATES, INC.

By: _____
Name: Michael B. Galasso
Title: President

BGA ALLIANT DEVELOPER, LLC

By: Barone Galasso and Associates, Inc.
its managing member

By: _____
Name: Michael B. Galasso
Title: President

~~_____~~
MICHAEL B. GALASSO

In his individual capacity

JAMES V. BARONE



In his individual capacity

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