

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

TX BAMMEL HOUSING, LP
(A TEXAS LIMITED PARTNERSHIP)

DECEMBER 31, 2008 AND 2007

TX Bammel Housing, LP
(a Texas Limited Partnership)

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INDEPENDENT AUDITORS' REPORT

To the Partners
TX Bammel Housing, LP
(a Texas Limited Partnership)

We have audited the accompanying balance sheets of TX Bammel Housing, LP (a Texas Limited Partnership) as of December 31, 2008 and 2007, and the related statements of operations, partners' equity (deficit) and cash flows for the years 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 audit 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 TX Bammel Housing, LP (a Texas Limited Partnership) as of December 31, 2008 and 2007, and the results of its operations, the changes in partners' equity (deficit) and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 22 through 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Baltimore, Maryland
March 30, 2009



TX Bammel Housing, LP
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BALANCE SHEETS

December 31, 2008 and 2007

ASSETS

	2008	2007
Investment in rental property, net	\$ 14,349,242	\$ 15,087,295
Cash and cash equivalents	485,354	468,048
Restricted cash		
Bond reserves	34,177	28,498
Total restricted cash	34,177	28,498
Tenants' accounts receivable, net	42,590	5,801
Prepaid expenses	313,710	344,905
Deferred loan costs, net	967,014	1,024,246
Tax credit monitoring fees, net	24,578	26,545
Other assets	16,225	2,052
Total assets	\$ 16,232,890	\$ 16,987,390

LIABILITIES AND PARTNERS' EQUITY

Liabilities		
Accounts payable - operations	\$ 7,188	\$ 11,022
Accrued property management fees	25,299	18,881
Other accrued liabilities	69,965	54,603
Accrued interest - mortgages	131,469	113,062
Tenants' security deposits liability	7,725	5,927
Payable to affiliates of Class B limited partner	-	16,848
Annual fee payable to affiliate of limited partner	12,530	11,781
Developer's fees payable	2,051,639	2,051,639
Mortgages payable	13,331,420	13,331,420
Total liabilities	15,637,235	15,615,183
Contingencies	-	-
Partners' equity	595,655	1,372,207
Total liabilities and partners' equity	\$ 16,232,890	\$ 16,987,390

See notes to financial statements

TX Bammel Housing, LP
(a Texas Limited Partnership)

STATEMENTS OF OPERATIONS

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenue		
Rental income	\$ 1,592,303	\$ 1,605,968
Vacancies and concessions	(234,608)	(719,366)
Other operating income	<u>39,697</u>	<u>24,465</u>
Total revenue	<u>1,397,392</u>	<u>911,067</u>
Operating expenses		
Salaries and employee benefits	234,726	209,381
Repairs and maintenance	114,007	117,482
Utilities	107,445	110,721
Property management fee	67,065	45,910
Property insurance	70,800	81,879
Miscellaneous operating expenses	<u>137,863</u>	<u>201,371</u>
Total operating expenses	<u>731,906</u>	<u>766,744</u>
Net operating income (loss)	<u>665,486</u>	<u>144,323</u>
Other income (expense)		
Interest income	4,616	33,719
Interest expense - mortgages	(322,196)	(479,730)
Other financial income (expense)	(315,962)	(230,040)
Annual fee to affiliate of limited partner	(11,244)	(10,948)
Depreciation	(738,053)	(738,053)
Amortization	<u>(59,199)</u>	<u>(77,904)</u>
Total other income (expense)	<u>(1,442,038)</u>	<u>(1,502,956)</u>
Net loss	<u>\$ (776,552)</u>	<u>\$ (1,358,633)</u>

See notes to financial statements

TX Bammel Housing, LP
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STATEMENTS OF PARTNERS' EQUITY (DEFICIT)

Years ended December 31, 2008 and 2007

	Managing general partner - HCHA Bammel, LLC	Special limited partner - Protech 2005-A, LLC	Investor limited partner - AMTAX Holdings 607, LLC	Class B limited partner - CAH- IDA Bammel Housing Class B, LLC	Total Partners' Equity (Deficit)
Balance, January 1, 2007	\$ (138)	\$ (137)	\$ 2,731,252	\$ (137)	\$ 2,730,840
Net loss	(136)	(136)	(1,358,225)	(136)	(1,358,633)
Balance, December 31, 2007	(274)	(273)	1,373,027	(273)	1,372,207
Net loss	(77)	-	(776,397)	(78)	(776,552)
Transfer of ownership interest	-	273	(273)	-	-
Balance, December 31, 2008	<u>\$ (351)</u>	<u>\$ -</u>	<u>\$ 596,357</u>	<u>\$ (351)</u>	<u>\$ 595,655</u>
Partners' percentage of partnership losses	<u>0.01%</u>	<u>0.00%</u>	<u>99.98%</u>	<u>0.01%</u>	<u>100.00%</u>

See notes to financial statements

TX Bammel Housing, LP
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STATEMENTS OF CASH FLOWS

Years ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Net loss	\$ (776,552)	\$ (1,358,633)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation	738,053	738,053
Amortization	59,199	77,904
Bad debt expense	28,249	9,101
Changes in:		
Tenants' accounts receivable	(65,038)	(3,956)
Prepaid expenses	31,195	(55,375)
Other assets	(14,173)	(560)
Accounts payable - operations	(3,834)	(5,067)
Accrued property management fees	6,418	14,119
Other accrued liabilities	15,362	27,140
Accrued interest - mortgages	18,407	10,112
Tenants' security deposits liability	1,798	3,935
Annual fee payable to affiliate of limited partner	749	(9,262)
	39,833	(552,489)
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Change in bond reserves	(5,679)	581,705
	(5,679)	581,705
Net cash (used in) provided by investing activities		
Cash flows from financing activities		
Change in advances from affiliates of Class B limited partner	(16,848)	15,737
	(16,848)	15,737
Net cash (used in) provided by financing activities		
Net increase in cash and cash equivalents	17,306	44,953
Cash and cash equivalents, beginning	468,048	423,095
Cash and cash equivalents, end	\$ 485,354	\$ 468,048
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 303,789	\$ 469,618

See notes to financial statements

TX Bammel Housing, LP
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NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

TX Bammel Housing, LP (a Texas Limited Partnership) (the Partnership), was recognized by the State of Texas as a limited partnership as of October 26, 2004 (inception). The Partnership's purpose is to invest in real estate and the construction, operation, and sale/or leasing of the Partnership property. The Partnership property consists of a 210-unit low-income apartment complex in Houston, Texas. The project is known as Primrose at Heritage Park. Construction of the project was complete and rental operations commenced in June 2006.

As of April 30, 2008, the partnership agreement was amended, and the Class B limited partner was replaced. The former Class B limited partner, TX Bammel Development, LLC (Old Class B LP), was replaced by CAH-IDA Bammel Housing Class B, LLC (New Class B LP). The New Class B LP has assumed all rights and obligations of the Old Class B LP under the partnership agreement and the project documents. The New Class B LP assumed all rights and obligations of the Old Class B LP under the partnership management agreement, incentive management agreement, and as supervisory management agent. The New Class B LP and its affiliates have assumed all rights and obligations of the Old Class B LP and its affiliates under the agreement dated as of January 18, 2005, by and among general partner, Harris County Housing Authority and Southwest Housing Development Company related to the development fee. CAH-IDA Receivables, LLC, an affiliate of the New Class B LP, has succeeded to the rights of developer under the development agreement and with respect to the deferred developer fee. CAH-IDA Receivables, LLC also assumes all rights of the Old Class B LP with respect to any previously deferred property management fees or operating deficit loans outstanding as of April 30, 2008. The New Guarantors (see note 5) have replaced the Old Guarantors with respect to the guaranties, as defined in the guaranty of obligations dated April 30, 2008.

Additionally, effective April 30, 2008, the special limited partner, Protech 2005-A, LLC, withdrew its interest in the Partnership and assigned, transferred, and conveyed all of its rights, title, and interest to the investor limited partner, and is deemed to have no further rights or obligations with respect to the Partnership.

The terms of the partnership agreement provide, among other things, that profits, losses, tax credits and cash flows be shared 99.99% by the limited partners and .01% by the general partner. Upon sale or refinancing, the partnership agreement requires special computations to determine profit allocation and cash distributions.

TX Bammel Housing, LP
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The statement of cash flows considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. These amounts are available for current operations and development and exclude amounts restricted for repayment of tenant security deposits and restricted reserves.

Tenant Receivables

Tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. The allowance for doubtful accounts totaled \$14,437 and \$2,596 at December 31, 2008 and 2007, respectively.

Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized to date.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

Rental Property

Investment in rental property is recorded at cost. Expenditures for maintenance and repairs are charged to expenses as incurred while major renewals and betterments are capitalized. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	15 - 40 years
Furniture, fixtures and equipment	5 years

Deferred Fees and Amortization

Loan costs are amortized over the term of the respective mortgages under the effective yield method. Amortization expense relating to loan costs for the years ended December 31, 2008 and 2007 was \$57,232 and \$75,938, respectively. Accumulated amortization relating to loan costs as of December 31, 2008 and 2007 was \$150,031 and \$92,799, respectively. Annual amortization expense relating to loan fees for each of the next five years following December 31, 2008 is estimated to be:

2009	\$ 56,120
2010	54,968
2011	53,775
2012	52,539
2013	51,259

Tax credit monitoring fees paid to housing agencies in advance are amortized over the 15-year compliance period under the straight-line method. Amortization expense relating to tax credit monitoring fees for the years ended December 31, 2008 and 2007 was \$1,967 and \$1,966, respectively. Accumulated amortization relating to tax credit monitoring fees for the years ended December 31, 2008 and 2007 was \$4,916 and \$2,949, respectively. Annual amortization expense relating to tax credit monitoring fees for each of the next five years following December 31, 2008 is estimated to be \$1,967.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

Rental Income

Rental income will be recognized as rentals become due. Rental payments received in advance will be deferred until earned. All leases between the Partnership and the tenants of the property will be operating leases.

Income Taxes

No provision for income taxes has been included in the accompanying statement of operations since the income or loss from the Partnership passes through to, and is reported by, the partners on their respective income tax returns.

Recent Accounting Pronouncements

In June 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes," an interpretation of FASB Statement No. 109. The effective date of FIN 48 was for fiscal years beginning after December 15, 2006. The effective date was delayed in 2007 and was delayed again in 2008 for nonpublic companies. The new effective date for FIN 48 for nonpublic companies is for fiscal years beginning after December 15, 2008. The Partnership has elected to defer application of FIN 48, as permitted by FSP FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises," until 2009. The Partnership does not anticipate that the provisions of FIN 48 will have any significant impact on its financial statements. However, additional disclosures may be required of situations, if any, where the Partnership's tax positions are considered uncertain. Currently, the FASB is deliberating the manner and extent to which pass-through entities such as the Partnership will need to apply the provisions of FIN 48.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

TX Bammel Housing, LP
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

Reclassifications

Certain items from the prior year's financial statements have been reclassified to conform to the current year presentation.

NOTE 3 - RENTAL PROPERTY

Investment in rental property, net is comprised of the following at December 31, 2008 and 2007:

	2008	2007
Land	\$ 170,305	\$ 170,305
Land improvements	3,397,633	3,397,633
Buildings and improvements	11,802,357	11,802,357
Furniture	1,082,424	1,082,424
Subtotal	16,452,719	16,452,719
Accumulated depreciation	(2,103,477)	(1,365,424)
Net	<u>\$ 14,349,242</u>	<u>\$ 15,087,295</u>

NOTE 4 - RESTRICTED DEPOSITS AND FUNDED RESERVES

The bond reserves, established with the proceeds of the bonds and limited partner contributions, are being maintained by Wells Fargo Bank Texas, N.A. (the Trustee) in accordance with the bond trust indenture and related mortgage agreements. Releases from the reserve accounts during the year were as permitted by the mortgage agreements.

The bond reserve funds are invested by the Trustee in U.S. Treasury Bills. All investment earnings are retained with the funds.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

NOTE 5 - RELATED PARTY TRANSACTIONS

Development Fee

The Partnership incurred a development fee of \$2,151,639 payable to Southwest Housing Development Company, Inc. (SWHD), an affiliate of the Old Class B limited partner, for services rendered to the Partnership for overseeing the construction of the project. As of December 31, 2008 and 2007, the entire fee had been earned, and \$2,051,639 remains payable.

Harris County Housing Authority (HCHA), the 100% owner of the general partner, will receive the first \$600,000 of the developer fee, with SWHD receiving the remainder of the developer fee. During the years ended December 31, 2008 and 2007, no payments have been made for the developer fee. As noted in note 1, the remaining obligation to SWHD has been transferred to CAH-IDA Receivables, LLC effective April 30, 2008.

The development fee shall be paid as and when the same is available from designated proceeds and the balance (the deferred development fee) shall be paid from the proceeds of certain capital contributions and from distributions of cash flow or the proceeds of capital transaction. The deferred development fee will accrue interest at the rate of 5% per annum, compounded annually. As of December 31, 2008, the Partnership cannot determine the final amount of designated proceeds that will be available to pay down the developer fee.

The Partnership shall be obligated to pay any outstanding balance of the deferred development fee on the earlier to occur, the thirteenth (13th) anniversary of the completion date or the date of liquidation of the Partnership.

Management Fee

The project is managed by American Management Services Central L.L.C., an affiliate of the New Class B LP, which replaced Southwest Housing Management Corporation as the management agent. The management agreement provides, among other things, for a management fee of 5% of gross income, as defined in the management agreement. Twenty percent of the management fee is payable out of available cash flow as a deferred management fee. For the years ended December 31, 2008 and 2007, \$67,065 and \$45,910, respectively (including deferred fees of \$13,413 and \$9,182, respectively), have been earned.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

As of December 31, 2008 and 2007, \$25,299 and \$18,881, respectively (including deferred fees payable of \$25,299 and \$11,886, respectively), remain payable.

The mortgage loan documents require that any portion of the management fee that is in excess of 4% of gross income to be subordinated to debt service and other operating expenses.

Incentive Management Fees

The Partnership has agreed to pay an annual noncumulative incentive management fee equal to 7% of the gross revenues of the project annually, earned and payable only to the extent of cash flows, as defined in the partnership agreement. The incentive management fee will be paid in the following proportion: 80% to HCHFC and 20% to CAH-IDA Bammel Housing Class B, LLC. 100% of the fees shall be paid to HCHFC until the deferred developer fee is fully paid. As of December 31, 2008 and 2007, no amounts were earned.

Partnership Management Fee

The Partnership has agreed to pay the general partner, HCHA Bammel, LLC, an annual cumulative fee. The fee will be \$- until the development obligation date (as defined in the partnership agreement) and thereafter shall be \$10,000, increased annually by the Consumer Price Index. As of December 31, 2008 and 2007, the development obligation date had not occurred and no amounts were earned.

Asset Management Fee

For its services in monitoring the operations of the Partnership, the investor limited partner will receive a cumulative annual fee in the initial amount of \$10,000. The fee will be increased each year by the increase in the national Consumer Price Index and is payable only out of cash flow, as defined; provided, however, that if there is insufficient cash flow in any year, the Class B limited partner shall make an operating expense loan to the Partnership to pay the fee currently. Should the Class B limited partner fail to make an operating expense loan to pay such fee, any amounts not paid currently due to insufficient cash flow shall be payable from subsequent years' cash flow and capital proceeds. For the years ended December 31, 2008 and 2007, \$11,244 and \$10,948, respectively, have been incurred and as of December 31, 2008 and 2007, \$12,530 and \$11,781, respectively, remain payable.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

Due to Affiliates

As of December 31, 2008 and 2007, the Partnership has received advances from affiliates of the Class B limited partner totaling \$- and \$16,848, respectively, which are not collateralized, noninterest bearing and due on demand.

Partnership Guaranties

The partnership agreement provides for various guarantees made by the general partner for the benefit of the investor limited partner. Cascade Holding, LLC, and its principal members (together, the New Guarantors), who are related entities of the New Class B LP, have replaced Southwest Housing Development Company, and its principal shareholders (together, the Old Guarantors) as of April 30, 2008. The various agreements between New Guarantors and the investor limited partner are as follows:

Development Guaranty

The Guarantor has agreed to pay any development deficit (as defined in the agreement) to the extent necessary during the construction of the project. As of December 31, 2008 and 2007, no amounts have been funded.

Operating Guaranty

The Guarantor agrees to fund any operating expenses (as defined in the partnership agreement) commencing on the completion date and ending on the sixth (6th) anniversary of the development obligation date (as defined in the partnership agreement). Amounts funded between the completion date and the development obligation date shall be unlimited, and recorded as special capital contributions. As of December 31, 2008, the development obligation date had not occurred. Amounts funded after the development obligation date shall be recorded as operating expense loans, and limited to \$650,000. Operating expense loans are noninterest bearing and payable out of cash flow as defined in the partnership agreement.

Any voluntary loan made by the general partner after the obligation period shall be an operating expense loan and bear interest at 9%. Any such operating loans shall be repayable only out of cash flow, as defined in the partnership agreement.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

The Guarantor agrees that if any time during the compliance period the Partnership is required to pay real estate taxes in excess of those contemplated by CHDO Tax Exemption (Excess Real Estate Taxes) and has an operating deficit, then the general partner shall furnish to the Partnership the funds required to pay such operating deficit, not to exceed the amount of the Excess Real Estate Taxes. Amounts so furnished by the general partner shall be deemed special capital contributions.

As of December 31, 2008 and 2007, no amounts have been funded.

Replacement Reserve Guaranty

The Guarantor has agreed to establish a reserve account for capital replacement. Monthly deposits of \$3,500 per month for years one through five of the compliance period, \$4,375 per month for years six through 10 and \$5,250 per year for years 11 through 15, will be funded out of net rental income, commencing on final closing (as defined in the partnership agreement), into a replacement reserve account. As of December 31, 2008 and 2007, no amounts were funded to this account.

NOTE 6 - MORTGAGE PAYABLE

First Mortgage Payable

The Harris County Housing Finance Corporation (HCHFC) has financed the acquisition, construction, and equipping of the project from the issuance of Variable Rate Demand Multifamily Housing Revenue Bonds Series 2005 (the Bonds), in the amount of \$12,600,000, pursuant to a trust indenture dated January 1, 2005, between HCHFC and the Trustee. The Bonds are secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Texas).

During construction, interest only is payable on the Bonds. The Bonds mature on February 15, 2038, and bear interest payable monthly at a variable rate (1.30% and 3.52% at December 31, 2008 and 2007, respectively) not to exceed 10% per annum. Interest of \$290,964 and \$448,498, respectively, was incurred, of which \$6,541 and \$19,366, respectively, remain payable at December 31, 2008 and 2007. Beginning on the conversion date, principal and interest payments will be made monthly. The principal and interest payment will be determined on or before the conversion to the permanent phase. As of December 31, 2008, the conversion date has been extended to August 15, 2009. As of December 31, 2008 and

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

2007, the Partnership incurred extension fees totaling \$101,062 and \$68,000, respectively, of which \$82,749 and \$39,188, respectively, were expensed and \$18,313 and \$28,812, respectively, were included in prepaid expenses.

During the interim phase of the loan, Capmark Finance Group Inc. provides a corporate guaranty covering construction and lease up of the property. The Partnership is required to pay a monthly fee as compensation for the guaranty. The annual administration fee is equal to 1% of the outstanding principal amount of the Bonds, and payable in arrears in equal monthly installments. For the years ended December 31, 2008 and 2007, the Partnership incurred fees related to the corporate guaranty totaling \$126,000 and \$126,000, respectively.

Second Mortgage

The Partnership received a construction/permanent loan from the Harris County Housing Authority (HCHA), the 100% owner of the general partner, in the amount of \$731,420 funded with proceeds obtained through the Federal Home Loan Bank Affordable Housing Program (AHP) and is secured by a Deed of Trust. This second mortgage bears interest at the Applicable Federal Rate as of January 1, 2005 (4.27%). Provided there is no event of default as defined in the promissory note, the loan and accrued interest will be payable in full by February 28, 2038. During 2008 and 2007, interest totaling \$31,232 and \$31,232 was incurred and expensed. As of December 31, 2008 and 2007, interest totaling \$124,928 and \$93,696, respectively, remains payable. The loan is subordinate in right of payment to the prior payment in full of the first mortgage.

NOTE 7 - PARTNERS' CAPITAL CONTRIBUTIONS

The Partnership has one general partner, HCHA Bammel, LLC, which has a 0.01% interest, an investor limited partner, AMTAX Holdings 607, LLC, which has a 99.98% interest, and a Class B limited partner, CAH-IDA Bammel Housing Class B LLC which has a 0.01% interest.

Total investor limited partner capital contributions in accordance with the partnership agreement, as amended, are \$5,131,701, of which \$4,105,360 has been received and \$1,026,341 remains outstanding at December 31, 2008. The Partnership expects \$423,348 will not be received due to adjusters. The remaining capital contributions are to be paid pursuant to the terms of the partnership agreement.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

NOTE 8 - CASH FLOW DISTRIBUTIONS

Prior to June 2007 (the first (1st) anniversary of the completion date), net rental income (loss) shall be includable in designated proceeds and shall be available to the developer and general partner as defined in the partnership agreement.

Cash flow for each fiscal year after the June 2007 shall be distributed or applied, as applicable, within ninety (90) days after the end of each fiscal year, in the following order of priority:

- (i) Applied to the payment of any real estate taxes due and payable by the Partnership (which have not already been paid);
- (ii) Applied to the payment of any tax credit adjustment amount owed to the investor limited partner;
- (iii) Applied to the payment of the asset management fee;
- (iv) Applied to the payment of any unpaid portion of the deferred management fee;
- (v) Applied to the payment of any unpaid portion of the deferred development fee (first to pay any accrued but unpaid interest, if any, and then to pay the fee itself) until the total amount paid of deferred development fee that has been paid under the development agreement equals \$600,000;
- (vi) Eighty percent (80%) of any balance shall be applied to the payment of any unpaid portion of the deferred development fee (first to pay any accrued but unpaid interest, if any, and then to pay the fee itself);
- (vii) Applied to the payment of the partnership management fee;
- (viii) Ten percent (10%) of any balance shall be distributed as a priority distribution to the investor limited partner;

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

- (ix) Ninety percent (90%) of any balance shall be applied to the payment of the incentive management fee until such fee is paid in full for such fiscal year (not to exceed 7% of gross revenues);
- (x) Applied to the repayment of any operating expense loans then outstanding; and
- (xi) Distributed 79.99% to the general partner, 20.00% to the Class B limited partner, and 0.01% to the special limited partner.

NOTE 9 - CONCENTRATION OF CREDIT RISK

The Partnership maintains its operating cash accounts with major financial institutions and its restricted cash with the trustee. At times, these bank balances may exceed the Federal Deposit Insurance Corporation limit (currently, \$250,000); however, the Partnership has not experienced any losses with respect to its bank balances in excess of government provided insurance. The uninsured portion totaled \$94,287 as of December 31, 2008. In accordance with loan documents, the project had restricted cash on deposit with the trustee at December 31, 2008. Investment options are limited to those provided by the trustee. Management believes that no significant concentration of credit risk exists with respect to these balances as of December 31, 2008.

NOTE 10 - COMMITMENTS

On January 1, 2005, the Partnership entered into a 65-year ground lease with HCHA. The rent for the first year of the lease term is \$300,000. Each year thereafter, rent shall be \$65,000 per year with \$64,000 automatically waived annually as long as the project is leased to tenants in accordance with all applicable low income housing requirements. Generally accepted accounting principles require the minimum lease payments required under the lease to be recognized on the straight-line basis over the term of the lease. The minimum lease payments over the 65-year term are \$364,000. The Partnership is responsible for the development, construction and operation of the property during the term of the lease. For the years ended December 31, 2008 and 2007, prepaid ground lease is \$280,994 and \$283,594, respectively, and rental expense for this lease is \$5,600. Upon expiration of the lease, the premises, improvement, and equipment revert to the landlord.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

NOTE 11 - CONTINGENCIES

Each building of the project has qualified and been allocated low-income housing credits pursuant to Internal Revenue Service Code Section 42 (Section 42) which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements. Each building of the project must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. Failure to comply with occupant eligibility and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken low-income housing tax credits plus interest. In addition, the Partnership has executed a Declaration of Land Use Restrictive Covenant with the Texas Department of Housing and Community Affairs, which requires the utilization of the project pursuant to Section 42 for a minimum of 30 years, even after the disposition of the project by the Partnership.

Liquidity

As of December 31, 2008, the project has not achieved a debt service coverage ratio sufficient to permit the Bonds to be converted to the permanent phase. Upon expiration of the option to extend the conversion date (currently August 17, 2009), the conversion of the Bonds may be dependent upon funding from the Guarantor to repay a portion of the Bonds. Such funding is required under the preexisting obligation referred to in note 5, which currently is unlimited.

NOTE 12 - REAL ESTATE TAX EXEMPTION

As lessor of the land, HCHA, a public housing authority and 100% owner of the general partner, is entitled to receive real property tax exemptions from all state and local taxing authorities, as provided by in the Texas Property Tax Code (the Code). On behalf of the Partnership, HCHA and the general partner have executed documentation necessary to obtain a real estate tax exemption under the Code. As of December 31, 2008 and 2007, the Partnership has received a 100% real estate tax exemption.

SUPPLEMENTAL INFORMATION

TX Bammel Housing, LP
(a Texas Limited Partnership)

SCHEDULES OF CERTAIN INCOME AND EXPENSES

Years ended December 31, 2008 and 2007

	2008	2007
Rental income		
Rent revenue - gross potential	\$ 1,592,303	\$ 1,605,968
Total rental income	\$ 1,592,303	\$ 1,605,968
Vacancies and concessions		
Apartments vacancies	\$ 121,651	\$ 654,244
Rental concessions	112,957	65,122
Total vacancies and concessions	\$ 234,608	\$ 719,366
Other operating income		
Laundry and vending	\$ 885	\$ 654
Tenant charges	3,453	776
Pet deposits	-	150
Damages income	2,384	9,602
Late fees	23,270	8,283
Application fees	1,340	2,283
Miscellaneous other income	8,365	2,717
Total other operating income	\$ 39,697	\$ 24,465

TX Bammel Housing, LP
(a Texas Limited Partnership)

SCHEDULES OF CERTAIN INCOME AND EXPENSES - CONTINUED

Years ended December 31, 2008 and 2007

	2008	2007
Salaries and employee benefits		
Salaries - administrative	\$ 79,369	\$ 79,551
Salaries - leasing	29,176	25,584
Salaries - maintenance	79,675	72,915
Payroll taxes	18,268	15,891
Health insurance and other benefits	18,593	9,403
Workmen's compensation insurance	9,645	6,037
Total salaries and employee benefits	\$ 234,726	\$ 209,381
Repairs and maintenance		
Exterminating	\$ 3,341	\$ 2,500
Grounds	35,689	38,428
Fire protection	1,497	1,510
Security services/contract	20,934	7,509
Supplies	38	-
HVAC expense	(1,859)	1,857
Painting, decorating and cleaning	336	660
Pool	913	1,040
Miscellaneous repairs and maintenance	39,234	50,396
Elevator	11,575	10,224
Carpeting	2,309	3,358
Total repairs and maintenance	\$ 114,007	\$ 117,482
Utilities		
Electricity	\$ 62,308	\$ 67,793
Water	36,988	35,752
Trash removal	7,938	6,197
Cable	211	979
Total utilities	\$ 107,445	\$ 110,721

TX Bammel Housing, LP
(a Texas Limited Partnership)

SCHEDULES OF CERTAIN INCOME AND EXPENSES - CONTINUED

Years ended December 31, 2008 and 2007

	2008	2007
Miscellaneous operating expenses		
Office supplies and expense	\$ 1,375	\$ 2,094
Training and travel	255	1,017
Telephone and answering service	11,196	11,916
Credit collection and eviction	1,808	1,682
Computer supplies and expense	5,511	4,983
Bad debt expense	28,249	9,101
Other rent expense	9,795	7,868
Ground lease expense	5,600	5,600
Miscellaneous administrative	28,584	22,366
Advertising and newspaper	15,922	2,541
Lease-up expense	(2,327)	59,094
Legal	296	-
Accounting	18,171	29,900
Other professional fees	5,376	34,708
Other taxes, licenses and insurance	8,052	8,501
	\$ 137,863	\$ 201,371
Interest expense - mortgages		
Interest expense - first mortgage	\$ 290,964	\$ 448,498
Interest expense - second mortgage	31,232	31,232
	\$ 322,196	\$ 479,730
Other financial income (expense)		
Corporate guaranty fees	\$ (126,000)	\$ (126,000)
Extension fees	(82,749)	(39,188)
Bond fees and partnership expense	(107,213)	(64,852)
	\$ (315,962)	\$ (230,040)