

Falcon Ridge Limited Partnership
(A Development Stage Company)

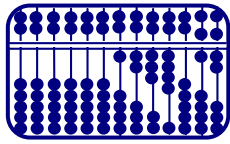
Financial Statements
Years Ending December 31, 2008 and 2007

And Supplementary Information
Year Ending December 31, 2008

Falcon Ridge Limited Partnership

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MARCUS,
FAIRALL,
BRISTOL + CO., L.L.P.

INDEPENDENT AUDITORS' REPORT

To Mr. Hector Balderas,
New Mexico State Auditor, and
The Members of,
Falcon Ridge Limited Partnership

We have audited the accompanying balance sheet of Falcon Ridge Limited Partnership (Partnership) as of December 31, 2008 and the related statement of operations, change in partners' equity (deficit), and cash flows for the year then ended. The financial statements of Falcon Ridge Limited Partnership as of December 31, 2007 were audited by other auditors whose report dated September 15, 2008, expressed an unqualified opinion. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 audit provides 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 Falcon Ridge Limited Partnership as of December 31, 2008, and the results of its operations, changes in partners' equity (deficit), and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 25, 2009, on our consideration of the Partnership's internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing and not to provide an opinion on the internal control over financial reporting. In accordance with *Government Auditing Standards*, we have also issued an opinion dated May 25, 2009, on the Partnership's compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters that could have a direct and material effect on a major HUD-assisted program. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information shown on Pages 14-17 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Partnership. Such information has been subjected to the auditing procedures applied in the audit 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.

Marcus, Fairall, Bristol + Co., LLP

May 25, 2009
El Paso, Texas

A Firm of Certified Public Accountants
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Falcon Ridge Limited Partnership
Balance Sheets
December 31, 2008 and 2007

ASSETS

	<u>12/31/2008</u>	<u>12/31/2007</u>
Current Assets:		
Cash and Cash Equivalents	\$ <u>8,945</u>	\$ <u>123,932</u>
Total Current Assets	<u>8,945</u>	<u>123,932</u>
 Property & Equipment:		
Land	106,160	106,160
Construction in Progress	<u>351,662</u>	<u>82,064</u>
Net Fixed Assets	<u>457,822</u>	<u>188,224</u>
 Total Assets	 \$ <u><u>466,767</u></u>	 \$ <u><u>312,156</u></u>

*The accompanying notes are an integral
part of these financial statements*

Falcon Ridge Limited Partnership
Balance Sheets
December 31, 2008 and 2007

LIABILITIES & PARTNERS' EQUITY

	<u>12/31/2008</u>	<u>12/31/2007</u>
Liabilities:		
Accounts Payable	\$ 206	\$ 206
Accrued Liabilities	5,418	0
Development Loan	461,143	300,000
Due to Related Parties	<u>0</u>	<u>11,950</u>
Total Liabilities	466,767	312,156
Partners' Equity (Deficit)	<u>0</u>	<u>0</u>
Total Liabilities & Partners' Equity	<u>\$ 466,767</u>	<u>\$ 312,156</u>

*The accompanying notes are an integral
part of these financial statements*

Falcon Ridge Limited Partnership
Statements of Operations
For the Years Ended December 31, 2008 and 2007

	<u>12/31/2008</u>	For the Period 06/08/2007 to <u>12/31/2007</u>
Income	\$ 0	\$ 0
Expenses	<u>0</u>	<u>0</u>
Net Income / (Loss)	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

*The accompanying notes are an integral
part of these financial statements*

Falcon Ridge Limited Partnership
Statements of Changes in Partners' Equity (Deficit)
For the Years Ended December 31, 2008 and 2007

		<u>Total</u>	<u>General Partner Equity</u>	<u>Limited Partner Equity</u>
Partners' Equity (Deficit), June 8, 2007	\$	0	0	0
Net Income (Loss): 12/31/2007		0	0	0
Partners' Capital Contributions		0	0	0
Partners' Distributions		<u>0</u>	<u>0</u>	<u>0</u>
Partners' Equity (Deficit), December 31, 2007	\$	0	0	0
Net Income (Loss): 12/31/2008		0	0	0
Partners' Capital Contributions		0	0	0
Partners' Distributions		<u>0</u>	<u>0</u>	<u>0</u>
Partners' Equity (Deficit), December 31, 2008	\$	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

*The accompanying notes are an integral
part of these financial statements*

Falcon Ridge Limited Partnership
Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007
Increase (Decrease) in Cash and Cash Equivalents

	<u>12/31/2008</u>	<u>Period from 06/08/2007 (Date of Inception) to 12/31/2007</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Rental Receipts	\$ 0	\$ 0
Cash Received from Housing Assistance Payments	0	0
Financial Revenue	0	0
Tenant Charges	0	0
Other Operating Receipts	0	0
Total Receipts	<u>0</u>	<u>0</u>
Administrative	0	0
Management Fees	0	0
Utilities	0	0
Operating and Maintenance	0	0
Salaries and Wages	0	0
Real Estate Taxes	0	0
Payroll Taxes	0	0
Property Insurance	0	0
Mortgage Insurance Premium	0	0
Miscellaneous Taxes and Insurance	0	0
Interest on Mortgage Note	0	0
Miscellaneous Financial Expense	0	0
Tenant Security Deposits	0	0
Total Disbursements	<u>0</u>	<u>0</u>
Net Cash Provided by (Used In) Operating Activities	<u>0</u>	<u>0</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Capital Expenditures	(264,180)	(188,018)
Net Deposits to Tax & Insurance Account	0	0
Net Deposits to Reserve for Replacements	0	0
Net Cash Provided by (Used In) Investing Activities	<u>(264,180)</u>	<u>(188,018)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Pre-Development Loan Proceeds	161,143	300,000
Other Financing Activities - Funds due from Related Parties	(11,950)	11,950
Long-Term Interest	0	0
Net Cash Provided (Used by) Financing Activities:	<u>149,193</u>	<u>311,950</u>
Increase (Decrease) in Cash	(114,987)	123,932
Cash at Beginning of Year	<u>123,932</u>	<u>0</u>
CASH AT END OF YEAR	<u>\$ 8,945</u>	<u>\$ 123,932</u>
<u>SUPPLEMENTAL DISCLOSURES:</u>		
Interest Paid	<u>\$ 18,250</u>	<u>\$ 7,573</u>

*The accompanying notes are an integral
part of these financial statements*

Falcon Ridge Limited Partnership
Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007
Increase (Decrease) in Cash and Cash Equivalents

	<u>12/31/2008</u>	<u>Period from 06/08/2007 (Date of Inception) to 12/31/2007</u>
<u>RECONCILIATION OF NET INCOME (LOSS) TO NET</u>		
<u>CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Net Income (Loss)	\$ 0	\$ 0
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	0	0
Amortization	0	0
(Increase) Decrease In Assets		
Accounts Receivable - Tenants	0	0
Prepaid Expenses	0	0
Tenant Security Deposits - Funded	0	0
Increase (Decrease) in Liabilities		
Accounts Payable	0	0
Accrued Interest	0	0
Accrued Liabilities	5,418	0
Accrued Property Taxes	0	0
Tenant Security Deposits Held	0	0
Net Cash Provided (Used by) Operating Activities:	<u>\$ 5,418</u>	<u>\$ 0</u>

*The accompanying notes are an integral
part of these financial statements*

Falcon Ridge Limited Partnership
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Falcon Ridge Limited Partnership was formed as a Limited Partnership on June 8, 2007 to acquire, construct, rehabilitate, and operate a 72-unit rental housing project for low income senior tenants. The Project is located in the city of Hatch, New Mexico (the "Project") and is to be known as Falcon Ridge Apartments. The major activities of the Partnership are governed by the Management and Operating Agreements and the Internal Revenue Code Section 42.

The Project was acquired on November 11, 2007 and is under construction. The total development cost is budgeted at \$9,806,893.

The management of the Partnership and the ongoing management of Falcon Ridge Apartments are vested in the General Partner.

The Partnership is reported as a component unit of the Housing Authority of the City of Las Cruces because the Housing Authority of the City of Las Cruces (HACLCLC) is the sole member of the General Partner of the Partnership. The Partnership has no component units.

Summary of significant accounting policies follows.

Basis of Accounting

The financial statements of the Partnership are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States.

Cash Equivalents

Cash and cash equivalents consist of short-term investments with an original maturity of three months or less, cash on deposit, money market funds and certificate of deposit. Cash for purposes of the Statements of Cash Flows does not include Tenant Security Deposits Held in Trust.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the Partners individually. The Partnership's Federal Identification Number is 26-0750404.

Rental Property

Rental property is recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. 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 for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method over a recovery period of 3 to 27.5 years.

Falcon Ridge Limited Partnership
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Rental Property (continued)

The Partnership reviews its investments in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flows expected to be generated by the rental property including Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the moment by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2008 and 2007.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Actual results could differ from those estimates.

Reclassifications

Certain items in the 2007 financial statements have been reclassified to conform to the 2008 presentation.

Collateralization of Deposits

The Partnership is a component unit of the Housing Authority of the City of Las Cruces (HACLC) and as such, is not required to secure collateralization on cash deposits.

NOTE B - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

The Partners of Falcon Ridge Limited Partnership and their respective profit and loss percentages are as follows at December 31, 2008:

General Partner	
<i>Falcon Ridge LLC</i>	6.00%
Original Limited Partner	
<i>Thomas G. Hassell, Executive Director of the Housing Authority of the City of Las Cruces</i>	94.00%
TOTAL	100.00%

Capital Contributions and Allocations of Profit, Loss, Tax Credits, and Cash Flow

No contributions have been made to date by either the General Partner or the Limited Partner.

Profits, losses, and Tax Credits generally are to be allocated to the Partners in accordance with their ownership interests. Further provisions are outlined in the Partnership Agreement.

Falcon Ridge Limited Partnership
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE C – LONG-TERM DEBT

At December 31, 2008 and 2007, notes payable consist of the following:

	2008	2007
<p>On September 4, 2007, the Partnership executed a \$300,000 Loan Agreement with Citizens Bank of Las Cruces to finance the pre-development of the Partnership. The note matured on September 4, 2008, at which time the entire principal amount and any unpaid accrued interest became due. On December 30, 2008, the Partnership acquired a new pre-development demand promissory note in the form of a Variable Rate Nondisclosable Draw Down Line of Credit loan, payable in the amount of \$475,000, or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of such advances. The maturity date of the new promissory note is April 4, 2009. The variable interest rate is subject to change based on an independent index which is the Wall Street Journal Prime Lending Rate (4.5%-18%). The index was 3.250% per annum based on a year of 360 days, resulting in an initial interest rate of 4.5%, as of December 31, 2008. Interest only payments of accrued interest are due monthly beginning February 4, 2009. The note is secured by the Project's property under a mortgage to the Lender dated September 4, 2007.</p>	\$ 461,143	\$ 300,000

The schedule of maturities for the mortgage noted above is as follows:

	Principal		Interest
April 4, 2009	\$ 461,143	\$	5,937

NOTE D – RESERVE ACCOUNTS

Replacement Reserve

In accordance with the provisions of the Partnership Agreement, restricted cash is to be held by the General Partner to be used for replacement of capital improvements. Such reserves shall be established by the General Partner in their absolute discretion, provided that such reserves are sufficient to ensure that any distributions of cash in allocation of net income and losses and other distributions do not in any way jeopardize or limit the business of the Partnership. The Replacement Reserve has not been funded as of December 31, 2008 and 2007.

NOTE E - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Development Fee

On June 20, 2007, the Partnership entered into a Development Agreement with J.L. Gray Company, Inc. (a third party New Mexico Corporation, the "Developer") to render development services for construction of the Project. The total Development Fee of \$1,113,846 will be paid 85% to the Developer and 15% to the Housing Authority of the City of Las Cruces. None of the fees due under the agreement have been earned or recorded as of December 31, 2008.

Falcon Ridge Limited Partnership
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE E - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES *(continued)*

Development Advances from General Partner

As of December 31, 2007, the Housing Authority of the City of Las Cruces had advanced \$11,950 to the Partnership in order to fund predevelopment costs. This amount was repaid during 2008.

Schedule of Related Party Transactions

Payments in the years ended December 31, 2008 and 2007, and related balances at December 31, 2008 and 2007, with the above related parties and/or affiliates were as follows:

	2008		2007	
	PAID	PAYABLE	PAID	PAYABLE
Development Advances – General Partner	\$ 11,950	0	0	\$ 11,950

NOTE F – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership’s sole asset is Falcon Ridge Apartments. The Partnership’s future operations will be concentrated in the multifamily real estate market. In addition, the Partnership will operate in a heavily regulated environment. The operations of the Partnership will be subject to the administrations directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directive, rules and regulations are subject to change by an act of Congress or administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE G – COMMITMENTS AND CONTINGENCIES

Housing Tax Credits

As incentive for investment equity, the Partnership applied for and received an allocation certificate for Housing Tax Credits established by the Tax Reform Act of 1986. To qualify for the Tax Credits, the Partnership must meet certain requirements, including attaining a qualified basis sufficient to support the credit allocation. In addition, tenant eligibility and rental charges are restricted in accordance with Internal Revenue Code Section 42. Management will have to certify that each Tax Credit unit has met these qualifications to allow the Credits allocated to each unit to be claimed.

Compliance with these regulations must be maintained in each of the fifteen consecutive years of the compliance period. Failure to maintain compliance with occupant eligibility, unit gross rent, or to correct noncompliance within a reasonable time period could result in recapture of previously claimed Tax Credits plus interest.

Falcon Ridge Limited Partnership
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE H – ACCRUED LIABILITIES

The accrued liabilities on the balance sheet contain the following:

Miscellaneous Accrued Expenses	\$	0
Accrued - Audit Fees		5,418
Prepaid Tenants Rents		<u>0</u>
Total Accrued Liabilities	\$	<u>5,418</u>

Falcon Ridge Limited Partnership
Supplementary Information Required by HUD
Year Ending December 31, 2008

Falcon Ridge Limited Partnership
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
Year Ending December 31, 2008

1. DELINQUENT TENANT ACCOUNTS RECEIVABLE

None.

2. MORTGAGE ESCROW REQUIREMENTS

Estimated amounts required as of December 31, 2008, for future payment of:

Property Taxes	\$	0
Property Insurance		0
Mortgage Insurance/Loan Guaranty		0
Flood Insurance/Miscellaneous Insurance		0
Total Estimated Funds Required	\$	0
Total Confirmed by Mortgagee		0
Amount of Deposit in Excess (Deficit) of Estimated Requirements	\$	0

3. TENANT SECURITY DEPOSITS

There were no security deposits in the trust account and no security deposit liabilities as of December 31, 2008.

4. RESERVE FOR REPLACEMENTS

In accordance with the provisions of the Partnership Agreement, restricted cash is to be held by the General Partners to be used for replacement of capital improvements. Such reserves shall be established by the General Partner in their absolute discretion, provided that such reserves are sufficient to ensure that any distributions of cash in allocation of net income and losses and other distributions do not in any way jeopardize or limit the business of the Partnership. The balance in the reserve account was as follows:

Balance, January 1, 2008	\$	0
Deposits during the year		0
Interest Earned on Reserve Account (Net of Service Fees)		0
Withdrawals As Approved by the General Partner		0
None		0
Balance, December 31, 2008, confirmed by Mortgagee	\$	0

5. RESIDUAL RECEIPTS ACCOUNT

None.

Falcon Ridge Limited Partnership
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
Year Ending December 31, 2008

6. SCHEDULE OF FUNDS

Funds Held by Mortgagor			
Petty Cash		\$	0
Citizens Bank of Las Cruces, Las Cruces, NM			
Operating Account - Entity - Construction	\$	8,945	
Operating Savings Account		0	
Tenant Security Deposits		0	
Tax and Insurance		0	
			<u>8,945</u>
Total Funds held by Mortgagor			<u>8,945</u>
			<u>\$ 8,945</u>

7. CHANGES IN FIXED ASSETS

	F I X E D A S S E T S				NET BOOK VALUE <u>12/31/2008</u>
	BALANCE <u>01/01/08</u>	ADDITIONS	DEDUCTIONS	BALANCE <u>12/31/2008</u>	
Land	\$ 106,160	\$ 0	\$ 0	\$ 106,160	
Buildings Site Improvements	0	0	0	0	
Furnishings	0	0	0	0	
Construction in Progress	82,064	269,598	0	351,662	
Totals	<u>\$ 188,224</u>	<u>\$ 269,598</u>	<u>\$ 0</u>	<u>\$ 457,822</u>	
	<u>DEPRECIATION EXPENSE & ACCUMULATED DEPRECIATION</u>				
Totals	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 457,822</u>

8. ACCRUED PROPERTY TAXES

Accrued Property Taxes of \$0 are for 2008 property taxes accrued to December 31, 2008, and due by April 10, 2009.

9. MANAGEMENT FEES

None.

10. IDENTITY OF INTEREST COMPANIES

Identity of Interest Companies doing business with the mortgagor and/or management agent of the project, along with a breakdown of services and amounts received for the year ending December 31, 2008, is as follows:

<u>COMPANY NAME</u>	<u>TYPE OF SERVICE</u>	<u>AMOUNT RECEIVED</u>
General Partner	Development Advances	\$ 11,950

Falcon Ridge Limited Partnership
SUPPLEMENTARY INFORMATION REQUIRED BY HUD
Year Ending December 31, 2008

11. LOANS (OTHER THAN INSURED MORTGAGES) AND NOTES PAYABLE

Note Payable - Citizens Bank of Las Cruces is a note originally dated September 4, 2007 to finance the pre-development of the Partnership. The original loan matured on September 4, 2008, at which time the entire principal amount and any unpaid accrued interest became due. On December 30, 2008, the Partnership acquired a new pre-development demand promissory note in the form of a Variable Rate Nondisclosable Draw Down Line of Credit loan, up to a maximum of \$475,000. The maturity date of the new loan is April 4, 2009, with a variable interest rate subject to change based on the Wall Street Journal Prime Lending Rate. Interest accrued on the loan is payable monthly without principal beginning February 4, 2009. The note is secured by a mortgage to the Lender dated September 4, 2007.

12. CHANGES IN PARTNERSHIP INTERESTS

There were no partner changes for the year ended December 31, 2008.

13. COMMENTS ON BALANCE SHEET ITEMS

None.

14. AUTHORIZED / UNAUTHORIZED DISTRIBUTIONS TO PARTNERS

None.

15. COMPENSATION PAID TO PARTNERS

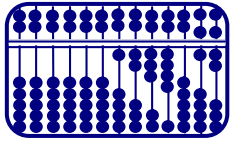
None.

**Computation of Surplus Cash,
Distributions and Residual
Receipts**

**U.S. Department of Housing
and Urban Development**
Office of Housing
Federal Housing Commissioner

Project Name		Fiscal Period Ended:		Project Number	
Falcon Ridge Limited Partnership		December 31, 2008			
Part A - Compute Surplus Cash					
Cash					
1.	Cash (Accounts 1110,1120,1191, 1192)	\$	0		
2.	Tenant subsidy vouchers due for period covered by financial statement	\$	0		
3.	Other (describe)	\$	0		
(a) Total Cash (Add Lines 1,2, and 3)				\$	0
Current Obligations					
4.	Accrued mortgage interest payable	\$	0		
5.	Delinquent mortgage principal payments	\$	0		
6.	Delinquent deposits to reserve for replacements	\$	0		
7.	Accounts payable (due within 30 days)	\$	206		
8.	Loans and notes payable (due within 30 days)	\$	0		
9.	Deficient Tax Insurance or MIP Escrow deposits	\$	0		
10.	Accrued expenses (not escrowed)	\$	5,418		
11.	Prepaid rents (Account 2210)	\$	0		
12.	Tenant security deposits liability (Account 2191)	\$	0		
13.	Other (Describe) Accounts Payable - HUD		0	\$	0
(b) Less Total Current Obligations (Add Lines 4 through 13)				\$	5,624
(c) Surplus Cash (Deficiency)(Line (a) minus Line (b))				\$	(5,624)
Part B - Compute Distributions to Owners and Required Deposit to Residual Receipts					
1.	Surplus Cash	\$	0		
Limited Dividend Projects					
2a.	Annual Distribution Earned During Fiscal Period Covered by the Statement	\$			
2b.	Distribution Accrued and Unpaid as of the End of the Prior Fiscal Period	\$			
2c.	Distributions Paid During Fiscal Period Covered by Statement	\$			
3.	Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid (Line 2a plus 2b minus 2c)	\$			
4.	Amount Available for distribution during next Fiscal Period	\$			
5.	Deposit Due Residual Receipts (Must be deposited with Mortgagee within 60 days after the Fiscal Period ends)	\$			
Prepared By			Reviewed By		
Loan Technician	Date	Loan Servicer	Date		

rm HUD-93486 (8/95)



MARCUS,
FAIRALL,
BRISTOL + CO., L.L.P.

INDEPENDENT AUDITORS' COMBINED REPORT ON THE INTERNAL CONTROLS

To Mr. Hector Balderas,
New Mexico State Auditor, and
The Members of,
Falcon Ridge Limited Partnership

We have audited the financial statements of Falcon Ridge Limited Partnership, as of and for the year ended December 31, 2008, and have issued our report thereon dated May 25, 2009. We have also audited the Partnership's compliance with requirements applicable to major HUD-assisted programs and have issued our report thereon dated May 25, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide"), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether Falcon Ridge Limited Partnership complied with laws and regulations, noncompliance with which would be material to a major HUD-assisted program.

The management of Falcon Ridge Limited Partnership is responsible for establishing and maintaining effective internal control. In planning and performing our audit of the financial statements and compliance, we considered the Partnership's internal control over financial reporting and its internal control over compliance with requirements that could have a direct and material effect on a major HUD-assisted program in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and on compliance, but not for the purposes of expressing an opinion on the effectiveness of Falcon Ridge Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Falcon Ridge Limited Partnership's internal control over financial reporting and internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis misstatements or noncompliance with applicable requirements of a HUD-assisted program. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles or to administer HUD-assisted programs such that there is more than a remote likelihood that (a) a misstatement of the entity's financial statements, or (b) noncompliance with applicable requirements of a HUD-assisted program, that is more than inconsequential will not be prevented or detected. We consider the deficiency described in the accompanying schedule of findings and responses to be a control deficiency in internal control over financial reporting. The deficiency as described in the accompanying schedule of findings and responses as 08-01 is required to be reported under government auditing standards.

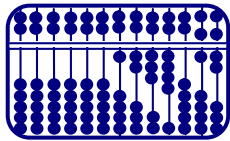
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that (a) a material misstatement of the financial statements or (b) material noncompliance with applicable requirements of a HUD-assisted program, will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and the use of the partners, management, the U.S. Department of Housing and Urban Development, City of Las Cruces, Office of the State Auditor, and the New Mexico Department of Finance and Administration – Local Government Division and is not intended to be and should not be used by anyone other than these specified parties.

Marcus, Fairall, Bristol + Co., LLP

May 25, 2009
El Paso, Texas



MARCUS,
FAIRALL,
BRISTOL + CO., L.L.P.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC
REQUIREMENTS APPLICABLE TO MAJOR HUD PROGRAMS**

To Mr. Hector Balderas,
New Mexico State Auditor, and
The Members of,
Falcon Ridge Limited Partnership

We have audited Falcon Ridge Limited Partnership's compliance with the specific program requirements governing federal financial reports; mortgage status; the replacement reserve; distributions to members; tenant application, eligibility, and recertification; and management functions, cash receipts and disbursements, unauthorized loans of project funds, and excess income that are applicable to each major HUD-assisted program for the year ended December 31, 2008. Compliance with those requirements is the responsibility of the management of Falcon Ridge Limited Partnership. Our responsibility is to express an opinion on Falcon Ridge Limited Partnership's compliance with those requirements based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide"), issued by the U.S. Department of Housing and Urban Development, Office of Inspector General. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on a major HUD-assisted program occurred. An audit includes examining, on a test basis, evidence about Falcon Ridge Limited Partnership's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Falcon Ridge Limited Partnership's compliance with those requirements.

The results of our audit procedures disclosed no instances of other matters that are required to be reported under *Government Auditing Standards*.

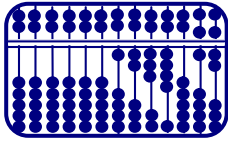
In our opinion, Falcon Ridge Limited Partnership complied, in all material respects, with the requirements described above that are applicable to each of its major HUD-assisted programs for the year ended December 31, 2008.

This report is intended solely for the information and the use of the partners, management, the U.S. Department of Housing and Urban Development, City of Las Cruces, Office of the State Auditor, and the New Mexico Department of Finance and Administration – Local Government Division and is not intended to be and should not be used by anyone other than these specified parties.

Marcus, Fairall, Bristol + Co., LLP

May 25, 2009
El Paso, Texas

A Firm of Certified Public Accountants
6090 Surety Drive, Suite 100 • El Paso, TX 79905 • (915) 775-1040
Facsimile:(915) 775-1849



MARCUS,
FAIRALL,
BRISTOL + CO., L.L.P.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC
REQUIREMENTS APPLICABLE TO FAIR HOUSING AND NON-DISCRIMINATION**

To Mr. Hector Balderas,
New Mexico State Auditor, and
The Members of,
Falcon Ridge Limited Partnership

We have applied procedures to test Falcon Ridge Limited Partnership's compliance with the Fair Housing and Non-Discrimination requirements applicable to its HUD-assisted programs, for the year ended December 31, 2008.

Our procedures were limited to the applicable compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide"), issued by the U.S. Department of Housing and Urban Development, Office of Inspector General. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Falcon Ridge Limited Partnership's compliance with the Fair Housing and Non-Discrimination requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under the Guide.

This report is intended solely for the information and the use of the partners, management, the U.S. Department of Housing and Urban Development, City of Las Cruces, Office of the State Auditor, and the New Mexico Department of Finance and Administration – Local Government Division and is not intended to be and should not be used by anyone other than these specified parties.

Marcus, Fairall, Bristol + Co., LLP

May 25, 2009
El Paso, Texas

Audit Findings

Falcon Ridge Limited Partnership
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2008

Finding 08-01 Completion of Audit Report

Condition

The audit report was not completed and forwarded to the New Mexico State Auditor in a timely manner. The report was delivered on June 15, 2009.

Criteria

As per SAO 2.2.2.9, A (4), the New Mexico State Audit contract calls for this audit report to be delivered by May 1, 2009.

Cause

Additional time was needed by the auditor to assemble the necessary financial information.

Effect

Violation of the State Auditor's Rule. Audited financial information is not available for the management to use and distribute as necessary.

Recommendation

The management, along with the auditor, must implement procedures that would produce a timely audit.

Response

The Finance Officer shall be monitored on a monthly basis as per the reports and reconciliations. The fee accountant shall work diligently with the Finance Officer.

Falcon Ridge Limited Partnership
AUDITORS' COMMENTS ON AUDIT RESOLUTION
MATTERS RELATING TO HUD PROGRAMS
Year Ended December 31, 2008

No matters were reported for the year ended December 31, 2007.

Falcon Ridge Limited Partnership

PARTNER'S CERTIFICATION

December 31, 2008

We hereby certify that we have examined the accompanying financial statements and supplemental information of Falcon Ridge Limited Partnership at December 31, 2008, and to the best of our knowledge and belief, the same are complete and accurate.

Date 6-22-09

By Thomas G. Hassell

Thomas G. Hassell
Executive Director
Housing Authority of the City of Las Cruces
(Sole Member of Falcon Ridge, LLC)

Falcon Ridge, LLC
Federal ID No. 26-0750358

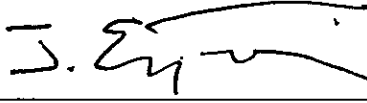
Falcon Ridge Limited Partnership

MANAGEMENT AGENT'S CERTIFICATION

December 31, 2008

We hereby certify that we have examined the accompanying financial statements and supplemental information of Falcon Ridge Limited Partnership at December 31, 2008, and to the best of our knowledge and belief, the same are complete and accurate.

Date 6-18-2009

By 

Eric Fishburn
Management Agent
JL Gray Company
1816 East Mojave Street
Farmington, NM 87401
Federal I.D. No. 85-0327246

Falcon Ridge Limited Partnership

INFORMATION ON AUDITOR

December 31, 2008

The FOLLOWING information regarding the lead auditor is submitted pursuant to paragraph 2-2 of Handbook IG 2000.04 REV 1, *Consolidated Audit Guide for Audits of HUD Programs*, issued by the U.S. Department of Housing and Urban Development, Office of Inspector General.

1. Lead Auditor - Name and Licensing

Jack W. Fairall
State of Texas License No. 12840
State of New Mexico License No. 3777

2. Lead Auditor Office Address and I. D. Number

Marcus, Fairall, Bristol + Co., LLP
6090 Surety Drive, Suite 100
El Paso, Texas 79905
Phone 915-775-1040
Federal I.D. No. 74-2708778

Falcon Ridge Limited Partnership
EXIT CONFERENCE
Year Ended December 31, 2008

EXIT CONFERENCE

An exit conference was held on May 25, 2009, which was attended by the following:

Housing Authority Administration

Sharon Hansen	Accountant
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Marcus, Fairall, Bristol + Co., LLP

Jack Fairall	Partner
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Management Agent

Bobby Griffith	CFO
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Preparation of Financial Statements

The financial statements presented in this report were compiled by the auditors, Marcus, Fairall, Bristol, + Co., LLP. However, the contents of the financial statements remain the responsibility of management.