SVA

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March 30, 2016

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Truax Park Development, Phase 2, LLC
c/o CDA of the City of Madison
215 Martin Luther King Jr. Blvd, Room 312
Madison,WI 53703

This letter includes a summary of our comments and suggestions with respect to financial, administrative and other matters that came to our attention during the course of our audit engagement. These matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of improving accounting controls and other financial practices and procedures. This letter also includes a brief summary of our responsibilities regarding considerations of fraud and internal control in the performance of our audit engagement. In addition, this letter summarizes certain matters required to be communicated to you under professional standards in your oversight responsibilities for the company's financial reporting process.

Financial information presented in this letter was derived from the company's financial statements which were audited by us, and such financial information should be read in conjunction with those financial statements and our report thereon.

Recommendations and suggestions

<u>Bank accounts</u>

Based on the terms of the Amended and Restated Operating Agreement dated December 4, 2014, the company shall establish bank accounts in the name of the company. The bank accounts are not to be commingled with any other funds of the managing member or of affiliates. As of December 31, 2015, we noted that the company's cash is kept in one bank account held by the City of Madison and the account is not in the name of the company. We recommend that management establish a separate bank account for its operating cash in order to comply with the terms of the Amended and Restated Operating Agreement.

Security deposits

Currently, the security deposits cash account does not sufficiently cover the security deposits payable liability. The cash account is currently underfunded by $13,651. Of this amount, $1,498 relates to the 8-unit building and $12,153 relates to the 16-unit and 24-unit buildings. The security deposits cash account should always be of equal or greater dollar value than the related liability.

Replacement reserve

Based on the terms of the Amended and Restated Operating Agreement dated December 4, 2014, the company is required to make deposits to the replacement reserve initially equal to $300 per unit per year (or $14,400), beginning November 1, 2015. The monthly deposit is to increase by 10% each fifth anniversary. During the audit, it was noted that the replacement reserve is underfunded by $2,000 as of December 31, 2015 and relates to the 16-unit and 24-unit buildings. The 8-unit building funded its required portion of the replacement reserve in 2015 totaling $400. We recommend the company set-up a replacement reserve for the 16-unit and 24-unit buildings and make an additional deposit of $2,000 in 2016 to make up for the shortfall in 2015.

Surplus cash calculation

Exhibit A-5 of the Amended and Restated Operating Agreement, specifies the order and priority in which cash flow is to be paid prior to making distributions to the members. We recommend that management begin preparing a cash flow calculation at the close of each fiscal year to determine if there is any available cash flow and to ensure that payments of available cash flow, if any, are made in accordance with the terms of the Amended and Restated Operating Agreement.

Accounts

During the course of the audit, we noted several balances which have been combined into one account by the management agent. These balances include tax credit fees, financing costs, development fee payable, consulting fee payable and the mortgage notes. We recommend management create separate accounts for each of these balances to better reflect the financial information of the company.

Units managed by Porchlight, Inc.

During the course of the audit, we noted that the activity of the 8 units managed by Porchlight, Inc. was not reflected in the original trial balance provided to us. A trial balance from Porchlight, Inc. had to be requested and a journal entry had to be proposed to record the 2015 activity of the 8 units into the trial balance of the company. Since the 8 units are a part of the overall property, the activity should be recorded in the books of the company. We recommend management record the activity of the 8 units in the books of the company on a monthly basis.

New Accounting Standard – Debt Issuance Costs

In 2015, the Financial Accounting Standards Board (FASB) issued a new accounting standard titled "Simplifying the Presentation of Debt Issuance Costs" which will be effective for fiscal years beginning after December 15, 2015. This new standard will require that debt issuance costs (a/k/a financing fees or loan fees) related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability rather than as a separate asset in the balance sheet. The recognition and measurement guidance for debt issuance costs will not change. We wanted to make you aware of this new standard as you will need to revise your chart of accounts in 2016 to change your financing or loan fee account (including the accumulated amortization account) from an asset to a liability so that it is properly presented in the balance sheet. This account will be a contra-liability account related to the debt liability similar to the presentation of accumulated depreciation as a contra-asset account related to fixed assets.

Required communications

Professional standards require that we provide you with certain information related to our audit. This required communication is attached to this letter as Exhibit A.

Consideration of internal control and fraud

Fraud Considerations

As described in our engagement letter, we planned and performed our audit to obtain reasonable assurance about whether the financial statements were free of material misstatements, whether from errors, fraudulent reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the company or to acts by management or employees acting on behalf of the company. An audit is not designed to provide absolute assurance, and because we do not perform a detailed testing of all transactions, there is a risk that material misstatements may exist and not be detected by us. An audit is also not designed to detect immaterial misstatements or violations of laws or regulations that do not have a direct and material effect on the financial statements.

Internal Control Considerations

As described in our engagement letter, our audit included obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or identify deficiencies in internal control, that is, significant deficiencies in the design or operation of internal control. However, we would communicate to you internal control matters that are required to be communicated under professional standards. Our findings are presented in the internal control communication attached to this letter as Exhibit B.

Conclusion

We would like to thank you and your employees for the assistance provided to us in the performance of our engagement. We hope we have provided you with valuable information during the course of our engagement. We have already discussed many of these recommendations and suggestions with you, and we will be pleased to discuss them in further detail at your convenience, to perform any other additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the information and use of management, the members, and others within the company, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

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Encl.

Exhibit A: Required Communications

We have audited the financial statements of Truax Park Development, Phase 2, LLC for the period ended December 31, 2015, and have issued our report thereon dated March 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 14, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Truax Park Development, Phase 2, LLC are described in Note A to the financial statements. We noted no transactions entered into by the company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the useful lives of depreciable assets and the related depreciation methods, as described in Note A, which are based on historical factors and industry practice. We evaluated the key factors and assumptions used to develop the estimated useful lives and related depreciation methods in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the development and construction costs allocated to the three buildings is based on the square footage identified for each building divided by the total square footage in the project at the completion of construction. We evaluated the key factors and assumptions used to develop the allocation of costs to these buildings identified above in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures of the Regulatory & Operating Agreement, HOME Loan Development Agreement, Project Based Housing Assistance Payments Contract, Affordable Housing Program Retention/Recapture Agreement and Land Use Restriction Agreement in the notes to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Supplementary Information Accompanying the Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Exhibit B: Internal Control Communication

In planning and performing our audit of the financial statements of Truax Park Development, Phase 2, LLC as of and for the period ended December 31, 2015 in accordance with auditing standards generally accepted in the United States of America, we considered the company's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Accordingly, we do not express an opinion on the effectiveness of the company's internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given those limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the members, and others within the company, and is not intended to be, and should not be, used by anyone other than these specified parties.