Truax Park Development, Phase 2, LLC

Financial Report

December 31, 2016

SVA Certified Public Accountants, S.C.
Tax, Audit and Business Strategy

TRUAX PARK DEVELOPMENT, PHASE 2, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Members
Truax Park Development, Phase 2, LLC
Madison, Wisconsin

We have audited the accompanying financial statements of Truax Park Development, Phase 2, LLC, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, members' equity, and cash flows for the year ended December 31, 2016, and for the period from inception (January 18, 2012) through December 31, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Truax Park Development, Phase 2, LLC as of December 31, 2016 and 2015, and the results of its operations, changes in members' equity, and its cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note D, the Financial Accounting Standards Board (FASB) issued a revised accounting standard for the presentation of debt issuance costs. The new standard requires debt issuance costs to be reported as a direct deduction from the face amount of the related debt rather than as a deferred charge in the balance sheet. Adoption of the new standard requires retrospective application to all periods presented in the financial statements. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of project expenses shown on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

SVA Certified Public Accountants, S.C.

Madison, Wisconsin

March 8, 2017

Lead auditor: Kelly K. Gustafson, CPA
SVA Certified Public Accountants, S.C.
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TRUAX PARK DEVELOPMENT, PHASE 2, LLC

BALANCE SHEETS

December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 15,671	$ 17,172
Restricted cash	283,339	4,902
Accounts receivable	118,561	72,903
Prepaid land lease	39,184	39,592
Prepaid expenses	347	2,290
Rental property, net	7,890,412	8,112,056
Tax credit fees, net	111,310	119,873
TOTAL ASSETS	$ 8,458,824	$ 8,368,788
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	$ 1,468,179	$ 7,101,823
Development completion guaranty loan	26,552	0
Development fee payable	112,941	112,941
Consulting fee payable	0	41,548
Accounts payable	17,803	32,974
Construction payable	0	101,527
Accrued interest	2,319	12,679
Accrued expenses	10,191	1,320
Accrued real estate taxes	32,985	0
Tenants' security deposits payable	21,411	18,153
Prepaid rents	3,790	7,695
Total liabilities	1,696,171	7,430,660
MEMBERS' EQUITY	6,762,653	938,128
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 8,458,824	$ 8,368,788

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

TRUAX PARK DEVELOPMENT, PHASE 2, LLC

STATEMENTS OF OPERATIONS
Year ended December 31, 2016 and
period from inception (January 18, 2012) through December 31, 2015

	2016	2015
Revenues:		
Rental income	$ 206,613	$ 46,681
Operating subsidies	141,171	32,565
Vacancies and concessions	(1,200)	(5,225)
Other revenue	1,129	2,933
Total revenues	347,713	76,954
Rental expenses:		
Administrative	64,068	11,635
Utilities	49,965	13,303
Operating and maintenance	125,467	34,256
Land lease	408	408
Taxes and insurance	68,371	12,581
Total rental expenses	308,279	72,183
Net rental income	39,434	4,771
Financial income (expense):		
Interest income	9	0
Interest expense	(45,779)	(32,245)
Total financial income (expense)	(45,770)	(32,245)
Loss before other expenses	(6,336)	(27,474)
Other expenses:		
Depreciation	221,644	52,721
Amortization	8,563	8,562
Asset management fee	4,800	1,320
Organization costs	0	45,460
Total other expenses	235,007	108,063
Net loss	$ (241,343)	$ (135,537)

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

TRUAX PARK DEVELOPMENT, PHASE 2, LLC

STATEMENTS OF MEMBERS' EQUITY
Year ended December 31, 2016 and
period from inception (January 18, 2012) through December 31, 2015

	Managing member	Investor member	Total
Members' equity:			
Balances, inception	$ 0	$ 0	$ 0
Capital subscriptions	712	7,153,018	7,153,730
Net loss	(14)	(135,523)	(135,537)
Balances, December 31, 2015	698	7,017,495	7,018,193
Equity adjuster	0	(14,197)	(14,197)
Net loss	(24)	(241,319)	(241,343)
Balances, December 31, 2016	674	6,761,979	6,762,653
Subscriptions receivable:			
Balances, inception	0	0	0
Capital subscriptions	712	7,153,018	7,153,730
Subscription receipts	(712)	(1,072,953)	(1,073,665)
Balances, December 31, 2015	0	6,080,065	6,080,065
Subscription receipts	0	(6,065,868)	(6,065,868)
Equity adjuster	0	(14,197)	(14,197)
Balances, December 31, 2016	0	0	0
Total members' equity	$ 674	$ 6,761,979	$ 6,762,653
Ownership percentages	0.01%	99.99%	100.000%

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

TRUAX PARK DEVELOPMENT, PHASE 2, LLC

STATEMENTS OF CASH FLOWS
Year ended December 31, 2016 and
period from inception (January 18, 2012) through December 31, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (241,343)	$ (135,537)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	221,644	52,721
Amortization of debt issuance costs	1,348	786
Amortization of tax credit fees	8,563	8,562
Amortization of prepaid land lease	408	408
Increase (decrease) in cash due to changes in:		
Tenants' security deposits	(1,498)	(4,502)
Accounts receivable	(45,658)	(36,966)
Prepaid land lease	0	(40,000)
Prepaid expenses	1,943	(2,290)
Accounts payable	(15,171)	32,974
Accrued interest	(10,360)	12,679
Accrued expenses	8,871	1,320
Accrued real estate taxes	32,985	0
Tenants' security deposits payable	3,258	18,153
Prepaid rents	(3,905)	7,695
Net cash used in operating activities	(38,915)	(83,997)
CASH FLOWS FROM INVESTING ACTIVITIES		
Development and construction of rental property	(126,190)	(7,961,583)
Net deposits to replacement reserve	(19,800)	(400)
Net deposits to operating reserve	(157,178)	0
Net deposits to ACC reserve	(99,961)	0
Net cash used in investing activities	(403,129)	(7,961,983)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from mortgage notes payable	126,125	7,154,280
Payment of debt issuance costs	(7,122)	(46,121)
Payment of tax credit fees	(9,763)	(118,672)
Principal payments on mortgage notes payable	(5,761,117)	0
Proceeds from development completion guaranty loan	26,552	0
Subscription receipts	6,065,868	1,073,665
Net cash provided by financing activities	440,543	8,063,152
Change in cash and cash equivalents	(1,501)	17,172
Cash and cash equivalents:		
Beginning	17,172	0
Ending	$ 15,671	$ 17,172

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

TRUAX PARK DEVELOPMENT, PHASE 2, LLC

STATEMENTS OF CASH FLOWS (Continued)
Year ended December 31, 2016 and
period from inception (January 18, 2012) through December 31, 2015

	2016	2015
SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION		
Cash payments for interest, net of capitalized interest 2016 - $0; 2015 - $35,072	$ 54,791	$ 18,780
SUPPLEMENTAL SCHEDULE(S) OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Reduction in basis of rental property due to receipt of Focus on Energy rebates	$ 0	$ 35,937
Construction payable capitalized into rental property	$ 0	$ 98,887
Construction payable capitalized into tax credit fees	$ 0	$ 2,640
Development fee payable capitalized into rental property	$ 0	$ 112,941
Consulting fee payable capitalized into rental property	$ 0	$ 27,303
Consulting fee payable capitalized into debt issuance costs	$ 0	$ 7,122
Consulting fee payable capitalized into tax credit fees	$ 0	$ 7,123
Capital subscriptions	$ 0	$ 7,153,730
Equity adjuster	$ 14,197	$ 0

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

NOTE A -- Nature of business and significant accounting policies

Nature of business

Truax Park Development, Phase 2, LLC (the company), was organized on January 18, 2012, as a limited liability company under the Wisconsin Limited Liability Company Act (the Act). The company was formed to construct and operate a three building, 48-unit apartment complex for low-income families which includes approximately 1,500 square feet of office space (the project). The office space is utilized by the Community Development Authority of the City of Madison (CDA) for which there is no lease agreement and no rent exchanged for the use of the space. The project, located in Madison, Wisconsin, is called Truax Park Development, Phase 2 and qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The buildings were placed in service from July 2015 through October 2015.

The company consists of one managing member, the CDA, and one investor member, with rights, preferences and privileges as described in the operating agreement. Each member's liability for the debts and obligations of the company shall be limited to the maximum extent permitted by the Act and other applicable laws.

The company shall be operated in a manner consistent with its treatment as a partnership for federal and state income tax purposes. Therefore, the financial statements do not include the personal or corporate assets and liabilities of the members, including their obligations for income taxes on their distributive shares of the net income of the company or their rights to refunds on its net loss, nor any provision for income tax expense.

The company’s operating agreement states that the company shall be dissolved upon the occurrence of specific events which are described in the agreement.

A summary of significant accounting policies follows:

Use of estimates

The preparation of financial statements 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of reporting cash flows, the company considers all investments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash not available to the company due to restrictions placed on it.

The company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable and revenue recognition

The company utilizes the direct write-off method of accounting for bad debts. The use of this method has no material effect on the financial statements. Accounts receivable are written off when management determines an account is uncollectible.

NOTE A -- Nature of business and significant accounting policies (Continued)

Rental revenue is recognized when earned. The company leases apartments to eligible applicants under operating leases which are substantially all on a yearly basis.

Rental property

Rental property is stated at cost. Depreciation of rental property is computed on the straight-line method based upon the following estimated useful lives of the assets:

	Years
Land improvements	20
Buildings and improvements	40
Furnishings and equipment	10

Maintenance and repairs of rental property are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of rental property, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

Impairment of long-lived assets

The company reviews long-lived assets, including rental property and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Debt issuance costs

Debt issuance costs incurred by the company totaled $53,243. The company is amortizing these costs into interest expense using the straight line method over 39.5 years, the life of the related non-interest bearing mortgages.

Amortized costs included in interest expense amounted to $1,348 and $786 for the periods ended December 31, 2016 and 2015, respectively.

Tax credit fees

In connection with obtaining an allocation of low-income housing tax credits, the company paid fees totaling $128,435. The company is amortizing these fees on the straight-line method over the related tax credit compliance period of 15 years.

Current vulnerability due to certain concentrations

The project's operations are concentrated in the low-income, public housing residential real estate market. In addition, the project operates in a heavily regulated environment. The operations of the project are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies including, but not limited to the CDA under the Regulatory & Operating Agreement (R&O Agreement) and HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the CDA or HUD. Such changes may occur with little or inadequate funding to pay for the related cost, including additional administrative burden to comply with a change.

NOTE A -- Nature of business and significant accounting policies (Continued)

Subsequent events

These financial statements have not been updated for subsequent events occurring after March 8, 2017, which is the date these financial statements were available to be issued. The company has no responsibility to update these financial statements for events and circumstances occurring after this date.

Reclassifications

Some items in the 2015 financial statements have been reclassified to be consistent with the current year's presentation.

NOTE B -- Restricted cash

Restricted cash is comprised of the following:

	2016	2015
Tenants' security deposits	$ 6,000	$ 4,502
Replacement reserve	20,200	400
Operating reserve	157,178	0
ACC reserve	99,961	0
	$ 283,339	$ 4,902

Replacement reserve

The operating agreement and R&O Agreement require the company to make monthly deposits to the replacement reserve initially equal to $300 per unit per year (commencing November 1, 2015), and increasing 10% each fifth anniversary. Following the six month anniversary of the replacement reserve commencement date and whenever the reserve is below at least six monthly installments of the annual replacement reserve then payable, the company shall deposit funds from cash flow into the reserve in the priority as set forth in the operating agreement. Withdrawals are restricted to fund repairs, capital expenditures or any other use approved by the investor member.

	2016	2015
Balance, beginning	$ 400	$ 0
Annual deposits	19,800	400
	$ 20,200	$ 400

NOTE B -- Restricted cash (Continued)

Annual Contributions Contract (ACC) reserve

The operating agreement and R&O Agreement requires the company to fund an ACC reserve equal to $100,000 upon the receipt of the investor member's third installment of their capital contributions. Disbursements are to be used to pay operating expenses of the public housing units. Funds may only be withdrawn with the approval of the investor member. Withdrawals shall be replenished from cash flow in the priority as set forth in the operating agreement until the reserve is equal to $100,000. Any funds remaining at the end of the compliance period shall be distributed to the managing member.

	2016	2015
Balance, beginning	$ 0	$ 0
Initial deposit	100,000	0
Bank fees	(39)	0
	$ 99,961	$ 0

Operating reserve

The operating agreement and R&O Agreement require the company to fund and maintain an operating reserve in the amount of $145,267 upon the receipt of the investor member's third installment of their capital contributions. If the balance in the operating reserve falls below $145,267, the company is obligated to replenish the operating reserve from cash flow in the priority set forth in the operating agreement. Disbursements require the approval of the investor member.

	2016	2015
Balance, beginning	$ 0	$ 0
Initial deposit	157,178	0
	$ 157,178	$ 0

NOTE C -- Rental property, net

Rental property, net is comprised of the following:

	2016	2015
Non-depreciable land preparation costs and improvements	$ 86,867	$ 86,867
Land improvements	130,994	130,994
Buildings and improvements	7,727,975	7,727,975
Furnishings and equipment	218,941	218,941
	8,164,777	8,164,777
Less accumulated depreciation	274,365	52,721
	$ 7,890,412	$ 8,112,056

NOTE D -- Mortgage notes payable, net

Mortgage notes payable, net consists of the following:

	2016	2015
Construction loan with U.S. Bank National Association, an affiliate of the investor member; recourse; monthly interest-only payments at an annual rate equal to the one month LIBOR rate plus 1.95% plus .19% liquidity charge; guaranteed by the managing member; collateralized by a mortgage on the project's rental property including a security agreement and assignment of leases and rents and fixture filing; accrued interest was $0 and $11,524 as of December 31, 2016 and 2015, respectively; interest expense totaled $43,267 and $30,304 for the periods ended December 31, 2016 and 2015, respectively; interest capitalized into the basis of the buildings was $0 and $35,072 for the periods ended December 31, 2016 and 2015, respectively; the loan was repaid in April 2016.	$ 0	$ 5,662,992
Balance carried forward	0	5,662,992

NOTE D -- Mortgage notes payable, net (Continued)

	2016	2015
Balance brought forward	$ 0	$ 5,662,992
CDA; non-recourse, non-interest bearing mortgage note payable in the amount of $911,288; due to the extent and priority provided in the operating agreement with the remainder of all outstanding principal due in one installment on December 3, 2054; collateralized by a mortgage on the project's rental property; unamortized debt issuance costs associated with this note totaled $51,109 and $52,457 as of December 31, 2016 and 2015, respectively.	911,288	911,288
CDA (AHP loan); non-recourse, non-interest bearing mortgage note payable in the amount of $288,000; due to the extent and priority provided in the operating agreement with the remainder of all outstanding principal due in one installment on December 3, 2054; collateralized by a mortgage on the project's rental property.	288,000	288,000
City of Madison (HOME loan), an affiliate of the managing member; non-recourse, non-interest bearing mortgage note payable in the amount not to exceed $280,000; due November 21, 2054; collateralized by a mortgage on the project's rental property.	280,000	252,000
CDA; non-recourse mortgage note payable under the land lease described in Note E; due to the extent and priority provided in the operating agreement with the remainder of all outstanding principal and accrued interest due in one installment on December 3, 2054, together with interest at 2.91%, compounded annually; collateralized by a mortgage on the project's rental property; accrued interest was $2,319 and $1,155 as of December 31, 2016 and 2015, respectively; interest expense totaled $1,164 and $1,155 for the periods ended December 31, 2016 and 2015, respectively.	40,000	40,000
Total mortgage notes payable	1,519,288	7,154,280
Less unamortized debt issuance costs	51,109	52,457
	$ 1,468,179	$ 7,101,823

NOTE D -- Mortgage notes payable, net (Continued)

In 2016, the company retrospectively adopted the requirements in FASB Accounting Standards Codification 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Mortgage notes payable as of December 31, 2015 was previously reported in the balance sheet as $7,154,280 with the associated $52,457 unamortized debt issuance costs included in assets.

Repayment of principal on the mortgage notes payable as of December 31, 2016, is as follows:

Year ending December 31,	
2017	$ 0
2018	0
2019	0
2020	0
2021	0
Thereafter	1,519,288
	$ 1,519,288

NOTE E -- Land lease

The company has entered into a land lease with the CDA which required a one-time rental fee of $40,000 (see Note D) and an additional one-time rental fee of $98 representing $1 annual rental payment for the 98 year term of the lease. The term of the lease began on December 4, 2014, and ends on December 3, 2112, unless terminated earlier in accordance with the land lease agreement. Prepaid land lease was $39,184 and $39,592 as of December 31, 2016 and 2015, respectively. Land lease expense totaled $408 for each of the periods ended December 31, 2016 and 2015.

NOTE F -- Members' capital contributions

The managing member is required to make capital contributions of $712. The managing member has made the required contributions as of December 31, 2016. The investor member is required to make capital contributions totaling $7,153,018. As of December 31, 2016, the investor member has made capital contributions of $7,138,821. There was an equity adjuster of $14,197 in 2016.

NOTE G -- Related-party transactions

Accounts receivable

Included in accounts receivable, related party are amounts due from the City of Madison, an affiliate of the managing member, for project funds held by the City of Madison totaling $37,995 and $0 as of December 31, 2016 and 2015, respectively.

Accounts payable

Included in accounts payable are amounts due to the City of Madison for project funds paid by the City of Madison on behalf of the project totaling $0 and $4,771 as of December 31, 2016 and 2015, respectively.

Regulatory and Operating Agreement

The company has entered into an R&O Agreement with the CDA. Provisions of the agreement require the company to maintain 40 units as public housing units. With regards to the public housing units, the CDA is to pay operating subsidies to the company equal to project expenses less income received from tenants residing in the public housing units. The agreement will expire 40 years from the date the project first became available for occupancy, with the potential to be extended for an additional 10 years. Operating subsidies totaling $141,171 and $32,565 were earned during the periods ended December 31, 2016 and 2015, respectively. Included in accounts receivable are operating subsidies receivable of $70,556 and $32,565 as of December 31, 2016 and 2015, respectively.

Development completion guaranty

The operating agreement requires the managing member to fund operating deficits during the stabilization period, as defined in the operating agreement, in the form of interest-free development advances, repayable only from available cash flow as defined in the operating agreement. The development completion guaranty loan was $26,552 and $0 as of December 31, 2016 and 2015, respectively.

Development fee

The company has entered into a development agreement with the CDA. The agreement provides for the payment of a development fee of $112,941 which has been capitalized into the cost of the buildings. The fee is payable from future capital contributions and available cash flow as defined in the operating agreement. The unpaid balance of the development fee is to be paid by the managing member on the thirteenth anniversary of the project's completion date. The payment by the managing member is to be treated as a development fee advance and shall be non-interest bearing and payable solely from cash flow, capital proceeds or upon dissolution of the company. Development fee payable was $112,941 as of December 31, 2016 and 2015.

Property management agreement

The company has entered into a property management agreement with the CDA under which the company is obligated to pay a property management fee equal to 5% of gross residential rents on a monthly basis. The agreement is automatically renewed from year to year unless otherwise terminated. Property management fee expense totaled $6,794 and $0 the periods ended December 31, 2016 and 2015, respectively.

NOTE G -- Related-party transactions (Continued)

Asset management fee

The company is obligated to pay the investor member an annual asset management fee in the initial amount of $4,800, increasing by 10% on each fifth anniversary (prorated fee of $1,320 in the first year). The fee is payable only out of cash flow as defined in the operating agreement and shall be cumulative and accrued if not paid. Included in accrued expenses are accrued asset management fees of $6,120 and $1,320 as of December 31, 2016 and 2015, respectively. Asset management fees incurred totaled $4,800 and $1,320 for the periods ended December 31, 2016 and 2015, respectively.

Operating deficit guaranty

Under the operating agreement, the managing member is required to fund operating deficits from and after the stabilization period until the last to occur of (1) the fifth anniversary of the end of the lease-up period or (2) the fifth anniversary of the end of the stabilization period. The expiration of the managing member's obligation to make operating deficit advances shall be extended by one year for each fiscal year during the period when the project's required expense coverage ratio is less than 105% and thereafter until such time the operating reserve equal or exceeds $145,267. During this period, operating deficit advances funded by the managing member are to be treated as capital contributions and are limited to $270,000. Any such advances shall be non-interest bearing and are only repayable from available cash flow as defined in the operating agreement. There were no operating deficit advances as of December 31, 2016 and 2015.

Sale administration fee

In accordance with the operating agreement, the sale administration fee is to be payable to the managing member in lieu of a third-party broker fee for providing services related to arranging and executing a sale of the project to and unrelated third party buyer. The fee amount would be an amount mutually agreed upon by the managing member and the investor member.

NOTE H -- Company profits and losses and distributions

Generally, all profits and losses are allocated to the managing member and investor member 0.01%, and 99.99%, respectively. Cash flow available for distribution is distributed as defined in the operating agreement. Profits and losses arising from the sale, refinancing or other disposition of all or substantially all of the company's assets will be specially allocated based on the respective members' capital account balances, as prioritized in the operating agreement. Additionally, the operating agreement provides for other instances in which a special allocation of profits and losses and distributions may be required.

NOTE I -- Commitments and contingencies

Land Use Restriction Agreement (LURA)

The company entered into a LURA with the Wisconsin Housing Economic and Development Authority (WHEDA) as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, the company must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If the company fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor member. The company is obligated to certify tenant eligibility.

HOME loan development agreement

In connection with the mortgage note payable to the City of Madison described in Note D, the company is subject to a HOME loan development agreement and LURA which specifies that there shall be eight (8) HOME-assisted units in the project. Occupancy of these units is restricted to tenants whose income does not exceed a certain percentage of the published County Median Income (CMI) for Dane County, Wisconsin, adjusted for family size. Certain rent limits also apply to these units. The HOME loan development agreement and LURA are in force until 20 years after the date of project completion.

Affordable Housing Program (AHP)

In connection with the AHP loan with the CDA described in Note D, the company is subject to an AHP Retention/Recapture Agreement that requires the project to maintain certain affordability requirements for 48 units for a period of 15 years. Certain rent limits also apply to these units. Of these 48 units, 29 are restricted to tenants whose annual income is equal to or less than 50% of area median income and the remaining 19 units are restricted to tenants whose annual income is equal to or less than 60% of area median income.

Sub-management agreement

The company and the CDA entered into a sub-management agreement with Porchlight, Inc. Pursuant to the terms of the property management agreement between the company and the CDA (see Note G), the CDA delegated certain management responsibilities with respect to the 8 units in a separate building to Porchlight, Inc. The company is obligated to pay a monthly fee equal to the lesser of $500 or the net cash flow received from the operation of the project. The agreement shall be in effect from October 1, 2015 until the 15th anniversary of the last day of the month in which first occupancy of the project shall occur. After the initial term and each successive renewal term, the agreement shall be deemed renewed automatically for a one-year period. Sub-management fees incurred totaled $7,500 and $0 for the periods ended December 31, 2016 and 2015, respectively.

NOTE I -- Commitments and contingencies (Continued)

Project Based Housing Assistance Payments Contract

The company entered into a Project Based Housing Assistance Payments Contract (the Agreement) with the CDA. The CDA has entered into a Consolidated Annual Contributions Contract with HUD allowing its participation in HUD's Section 8 Project Based Housing Assistance Payments Program (the Program). The Agreement, approved by HUD, authorizes the CDA to set aside on a long-term basis 8 certificates for future residents of the project. Under terms of the Program, each household that holds a certificate pays no more than 30% of its annual income for rents and utilities, provided that the rent and utilities do not exceed the applicable fair market rents (FMR). The agreement may be terminated upon at least 30 days notice if it is determined that the contract units were not meeting HUD requirements. The length of the initial term of the contract is 15 years.

Consulting agreement

The company has entered into a consulting agreement with Dimension Development, LLC. The agreement provides for the company to pay a consulting fee of $276,986, of which $182,019 has been capitalized into the cost of the buildings; $47,483 has been capitalized into debt issuance costs; and $47,484 has been capitalized into tax credit fees. Consulting fee payable was $0 and $41,548 as of December 31, 2016 and 2015, respectively. This fee was paid from proceeds of the investor member's final installment of capital contributions.

SUPPLEMENTARY INFORMATION

TRUAX PARK DEVELOPMENT, PHASE 2, LLC

SUPPLEMENTAL INFORMATION REQUIRED BY U.S. BANK
Year ended December 31, 2016 and
period from inception (January 18, 2012) through December 31, 2015

SCHEDULES OF PROJECT EXPENSES

	2016	2015
ADMINISTRATIVE		
Office salaries	$ 20,191	$ 3,242
Office expense	13,279	6,828
Management fees	14,294	0
Professional fees - audit	7,900	0
Professional fees - bookkeeping/accounting	73	0
Professional fees - other	5,395	0
Miscellaneous rent and administrative	2,936	1,565
TOTAL ADMINISTRATIVE	$ 64,068	$ 11,635
UTILITIES		
Electric	$ 22,707	$ 6,239
Water	12,647	3,555
Gas	4,147	1,243
Sewer	10,464	2,266
TOTAL UTILITIES	$ 49,965	$ 13,303
OPERATING AND MAINTENANCE		
Payroll	$ 32,555	$ 1,349
Supplies	16,954	5,652
Contracts	40,670	21,004
Garbage and trash removal	19,512	1,141
Security services	14,494	4,815
Vehicle and maintenance equipment repairs	251	76
Snow removal	353	33
Miscellaneous operating and maintenance	678	186
TOTAL OPERATING AND MAINTENANCE	$ 125,467	$ 34,256
TAXES AND INSURANCE		
Real estate taxes	$ 32,985	$ 0
Payroll taxes	3,804	368
Property and liability insurance	20,488	11,640
Workmen's compensation	276	97
Health insurance and other employee benefits	10,818	476
TOTAL TAXES AND INSURANCE	$ 68,371	$ 12,581
INTEREST EXPENSE		
Interest on mortgage - US Bank	$ 43,267	$ 30,304
Interest on mortgage - CDA	1,164	1,155
Amortization of debt issuance costs	1,348	786
TOTAL INTEREST EXPENSE	$ 45,779	$ 32,245