SVA

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March 19, 2013

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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

Early exercise of option to purchase

The 10-year low-income housing tax credit period ended on December 31, 2010. This means that 2010 was the last year that low-income housing tax credits were generated by the company. When the company terms where negotiated with the investor members, Banc One and FNBC Leasing Corporation (the investors), it was contemplated that the investors would remain investors in Monona Shores Redevelopment, LLC through the 15-year compliance period. Since then, the guidance on an owner exiting a company has changed. The Housing Act of 2008 eliminated the bond posting requirements for interest in buildings that were disposed on or after July 30, 2008. Under this Housing Act, a taxpayer who disposes of a tax credit building or an interest therein may defer or avoid recapture if it is reasonably expected that such building would continue to be operated as a qualified low-income building for the remainder of the compliance period. Typically, we would expect the investors to require the purchaser to sign an indemnity agreement against any recapture that could occur if the project falls out of compliance with the low-income housing tax credit program during the compliance period. We recommend that you begin negotiating an "early" exercise of your option to buy their interests under the minimum statutory option price.

CDA loan

Management should continue to monitor the value of the project in order to determine if its value is sufficient to pay all of the outstanding debt and accrued interest at the time of any potential sale of the property. We recommend management consider amending the CDA loan to lower or remove the interest rate on the loan.

Audit adjustments

We recommend management record depreciation expense and accrued interest on the CDA loan each month so the monthly financials more accurately reflect the financial position of the company.

Capitalization policy

We recommend that management develop a capitalization policy that indicates the type of items to be capitalized and a dollar threshold.

Surplus cash calculation

Article 4 of the Second Amended and Restated Operating Agreement (the operating agreement), specifies the order and priority in which cash flow is to be paid out prior to making distributions to the members. Payments on the CDA loan payable to the Community Development Authority of the City of Madison are only allowed out of cash flow. There was no calculation prepared by management as of December 31, 2011, to determine the amount of cash flow available for payment of the CDA loan and other obligations in 2012. We recommend that management prepare a cash flow calculation at the close of each fiscal year and ensure that payments of available cash flow, if any, are made in accordance with the terms of the operating agreement.

Security deposit bank account

During our audit, we noted that the security deposit bank account was underfunded by $1,378 as of December 31, 2012. The security deposit bank account should adequately fund the security deposit liability. We recommend that management maintain a balance in the security deposit cash account to ensure that the balance sufficiently funds the liability.

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 various company personnel, 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,

Glen Weyenberg

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Encl.

Exhibit A: Required Communications

We have audited the financial statements of Monona Shores Redevelopment, LLC for the year ended December 31, 2012, and have issued our report thereon dated March 19, 2013. 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 10, 2012. 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 Monona Shores Redevelopment, LLC are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. 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 estimate affecting the financial statements was management's estimate of the useful lives of depreciable assets and the related depreciation methods, as described in Note A, 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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of the Land Use Restriction Agreement in Note G 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.

The following material misstatements detected as a result of audit procedures were corrected by management:

- Current year depreciation expense in the amount of $377,640 was recorded based on the estimated useful lives of the assets and depreciation methods provided by the members.

- Interest expense and related accrued interest totaled $186,649 on the mortgage note payable to the Community Development Authority of the City of Madison was recorded.

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.

Exhibit B: Internal Control Communication

In planning and performing our audit of the financial statements of Monona Shores Redevelopment, LLC as of and for the year ended December 31, 2012 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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. We consider the following deficiency in the company's internal control to be a material weakness:

Segregation of duties

The basic premise of segregation of duties over the financial records is that no one employee should have access to both the physical assets and the related accounting records or to all phases of a transaction. There is a lack of segregation of duties over cash disbursements as the owner of the management agent has access to blank check stock and the manual checkbook, the ability to cut checks, sign checks and has access to post payables in the accounting system.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the company's internal control to be a significant deficiency:

Financial Statement Preparation and Reporting

The company does not prepare its own annual financial statements and footnotes (collectively referred to as "financial statements") and as a result, the company requests our firm to assist in the preparation or drafting of the financial statements. No representative of company management has received formal and continuing education with regard to the understanding and application of generally accepted accounting principles (GAAP). While members of management possess sufficient knowledge and suitable skills necessary to review and approve the financial statements, they rely upon others (our firm) to advise them with regard to changes in and applicability of GAAP, adequacy of financial statement disclosures, reporting requirements, and other reporting matters.

Further, it is considered a significant deficiency based upon the fact that management does not record the accrual of interest on the CDA note payable and depreciation expense which are material to the financial statements.

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