

**AUDITED FINANCIAL STATEMENTS**  
**OF**  
**SOUTH FIRST PHASE ONE, L.L.C.**  
**DECEMBER 31, 2023**

**AUDITED FINANCIAL STATEMENTS**

**OF**

**SOUTH FIRST PHASE ONE, L.L.C.**

**DECEMBER 31, 2023**

## TABLE OF CONTENTS

|                                     | <u>Page</u> |
|-------------------------------------|-------------|
| Independent Auditor's Report .....  | 1           |
| FINANCIAL STATEMENTS:               |             |
| Balance Sheet .....                 | 3           |
| Statement of Income .....           | 5           |
| Statement of Members' Capital ..... | 6           |
| Statement of Cash Flows .....       | 7           |
| Notes to Financial Statements ..... | 9           |



**Dooley & Vicars**  
Certified Public Accountants, L.L.P.

Daniel J. Dooley, C.P.A.

Michael H. Vicars, C.P.A.

1

**INDEPENDENT AUDITOR'S REPORT**

To the Members  
of South First Phase One, L.L.C.

**Opinion**

We have audited the accompanying financial statements of South First Phase One, L.L.C. (the Company), which comprise the balance sheet as of December 31, 2023, and the related statements of income, members' capital, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**INDEPENDENT AUDITOR'S REPORT  
(CONTINUED)**

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Dooley & Vicars*

Dooley & Vicars  
Certified Public Accountants, L.L.P.

Richmond, Virginia  
April 8, 2024

**SOUTH FIRST PHASE ONE, L.L.C.  
BALANCE SHEET  
AS OF DECEMBER 31, 2023**

**ASSETS**

**Current Assets**

|                                                    |                |
|----------------------------------------------------|----------------|
| Cash                                               | \$ 450,209     |
| Accounts Receivable - Tenant, Net Allowance of \$0 | 10,016         |
| Accounts Receivable - Other                        | 46,327         |
| Prepaid Expenses                                   | 6,465          |
| Total Current Assets                               | <u>513,017</u> |

**Fixed Assets**

|                          |                   |
|--------------------------|-------------------|
| Land                     | 1,100,000         |
| Land Improvements        | 1,714,804         |
| Building                 | 16,050,100        |
| Furnishings              | 273,066           |
| Accumulated Depreciation | (545,096)         |
| Total Fixed Assets       | <u>18,592,874</u> |

**Other Assets**

|                                                             |                          |
|-------------------------------------------------------------|--------------------------|
| Deferred Loan Cost, Net Accumulated Amortization of \$4,583 | 64,167                   |
| Total Other Assets                                          | <u>64,167</u>            |
| <br>TOTAL ASSETS                                            | <br><u>\$ 19,170,058</u> |

SOUTH FIRST PHASE ONE, L.L.C.  
BALANCE SHEET  
AS OF DECEMBER 31, 2023  
(CONTINUED)

LIABILITIES AND MEMBERS' CAPITAL

Current Liabilities

|                                 |                   |
|---------------------------------|-------------------|
| Accounts Payable                | \$ 21,273         |
| Accounts Payable - Construction | 1,982             |
| Accounts Payable - Subsidy      | 1,095             |
| Accrued Expenses                | 6,345             |
| Prepaid Rent                    | 4,674             |
| Construction Loan               | 11,359,929        |
| Total Current Liabilities       | <u>11,395,298</u> |

Other Liabilities

|                                   |               |
|-----------------------------------|---------------|
| Tenant Security Deposit Liability | <u>10,183</u> |
| Total Other Liabilities           | <u>10,183</u> |

Long-Term Liabilities

|                                                               |                   |
|---------------------------------------------------------------|-------------------|
| Developer Fee Payable                                         | 1,000,000         |
| Notes Payable                                                 | 6,555,902         |
| Less: Deferred Loan Cost, Net Accumulated Amortization of \$0 | <u>(85,030)</u>   |
| Total Long-Term Liabilities                                   | <u>7,470,872</u>  |
| Total Liabilities                                             | <u>18,876,353</u> |

Members' Capital

|                                               |                |
|-----------------------------------------------|----------------|
| VAHM, L.L.C.                                  | (5)            |
| South First Phase One Management, L.L.C.      | (41)           |
| Housing Equity Fund of Virginia XXIII, L.L.C. | 102,460        |
| Housing Equity Fund of Virginia XXIV, L.L.C.  | <u>191,291</u> |
| Total Members' Capital                        | <u>293,705</u> |

TOTAL LIABILITIES AND MEMBERS' CAPITAL

\$ 19,170,058

**SOUTH FIRST PHASE ONE, L.L.C.  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2023**

Revenues

|               |                |
|---------------|----------------|
| Rental Income | \$ 357,775     |
|               | <u>357,785</u> |

Expenses

|                                   |                         |
|-----------------------------------|-------------------------|
| Administrative                    | 61,393                  |
| Management Fee                    | 23,815                  |
| Utilities                         | 45,962                  |
| Operating and Maintenance         | 23,957                  |
| Property and Liability Insurance  | 25,096                  |
| Miscellaneous Taxes and Insurance | 7,919                   |
| Interest and Financial            | 45,154                  |
| Other Financial                   | 10                      |
| Depreciation & Amortization       | 549,679                 |
| Organizational Costs              | 45,000                  |
|                                   | <u>827,985</u>          |
| <br>NET INCOME (LOSS)             | <br><u>\$ (470,200)</u> |

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

**SOUTH FIRST PHASE ONE, L.L.C.  
STATEMENT OF MEMBERS' CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2023**

|                                 | <u>VAHM,<br/>L.L.C.</u> | <u>South First<br/>Phase One<br/>Management<br/>, L.L.C.</u> | <u>Housing<br/>Equity Fund<br/>of Virginia<br/>XXIII, L.L.C.</u> | <u>Housing<br/>Equity Fund<br/>of Virginia<br/>XXIV, L.L.C.</u> | <u>TOTAL</u>          |
|---------------------------------|-------------------------|--------------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------|
| Percentage of Ownership         | 0.001%                  | 0.009%                                                       | 35.096%                                                          | 64.894%                                                         | 100.000%              |
| Balance at<br>Beginning of Year | \$ -                    | \$ 1                                                         | \$ 179,731                                                       | \$ 334,173                                                      | \$ 513,905            |
| Capital Contributions           | -                       | -                                                            | 87,750                                                           | 162,250                                                         | 250,000               |
| Income (Loss)                   | <u>(5)</u>              | <u>(42)</u>                                                  | <u>(165,021)</u>                                                 | <u>(305,132)</u>                                                | <u>(470,200)</u>      |
| <br>BALANCE AT<br>END OF YEAR   | <br><u>\$ (5)</u>       | <br><u>\$ (41)</u>                                           | <br><u>\$ 102,460</u>                                            | <br><u>\$ 191,291</u>                                           | <br><u>\$ 293,705</u> |

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

**SOUTH FIRST PHASE ONE, L.L.C.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Cash Flows from Operating Activities

|                                                     |                |
|-----------------------------------------------------|----------------|
| Rental Receipts                                     | \$ 321,277     |
| Other Receipts                                      | 10             |
| Total Income                                        | <u>321,287</u> |
| Administrative Expenses                             | 45,780         |
| Management Fees                                     | 25,002         |
| Utilities                                           | 45,962         |
| Salaries and Wages                                  | 53,932         |
| Operating and Maintenance                           | 9,820          |
| Property and Liability Insurance                    | 31,561         |
| Misc. Taxes, Licenses, and Permits                  | 7,919          |
| Tenant Security Deposits                            | (3,891)        |
| Interest on Mortgages and Notes                     | 45,154         |
| Financial Fees                                      | 10             |
| Total Expenses                                      | <u>261,249</u> |
| Net Cash Provided By (Used In) Operating Activities | <u>60,038</u>  |

Cash Flows from Investing Activities

|                                                     |                    |
|-----------------------------------------------------|--------------------|
| (Increase)/Decrease in Building and Improvements    | (5,538,622)        |
| (Increase)/Decrease in Tax Credit Fees              | <u>(68,750)</u>    |
| Net Cash Provided By (Used In) Investing Activities | <u>(5,607,372)</u> |

Cash Flows from Financing Activities

|                                                     |                          |
|-----------------------------------------------------|--------------------------|
| Capital Contributions                               | 250,000                  |
| Proceeds of Long-Term Borrowings                    | <u>5,366,542</u>         |
| Net Cash Provided By (Used In) Financing Activities | <u>5,616,542</u>         |
| Net Increase/(Decrease) in Cash                     | 69,208                   |
| Cash - Beginning of Year                            | <u>381,001</u>           |
| CASH - END OF YEAR                                  | <u><u>\$ 450,209</u></u> |

**SOUTH FIRST PHASE ONE, L.L.C.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
**(CONTINUED)**

Reconciliation of Cash and Cash Equivalents

|                                 |                   |
|---------------------------------|-------------------|
| Cash                            | \$ 450,209        |
| Total Cash and Cash Equivalents | <u>\$ 450,209</u> |

Reconciliation of Cash Provided By (Used In) Operating Activities

|                  |              |
|------------------|--------------|
| Net Profit<Loss> | \$ (470,200) |
|------------------|--------------|

Add <Deduct> Adjustment to Reconcile Net <Loss> Income  
to Net Cash Provided By (Used In) Operating Activities

|                                                      |                  |
|------------------------------------------------------|------------------|
| Depreciation & Amortization                          | 549,679          |
| (Increase)/Decrease in Accounts Receivable - Tenants | (2,206)          |
| (Increase)/Decrease in Accounts Receivable - Other   | (37,179)         |
| (Increase)/Decrease in Prepaid Expenses              | (6,465)          |
| Increase/(Decrease) in Accounts Payable              | 20,818           |
| Increase/(Decrease) in Accrued Expenses              | (1,187)          |
| Increase/(Decrease) in Prepaid and Deferred Revenues | 2,887            |
| Increase/(Decrease) in Security Deposit Liability    | 3,891            |
| Net Cash Provided By (Used In) Operating Activities  | <u>\$ 60,038</u> |

Supplemental Disclosure of Cash Flow Information

Non-Cash Items Disclosure

|                                   |                   |
|-----------------------------------|-------------------|
| Increase in Developer Fee Payable | \$ 362,080        |
| Increase in Fixed Assets          | <u>\$ 362,080</u> |

**SOUTH FIRST PHASE ONE, L.L.C.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**Note 1: Nature of Business and Significant Accounting Policies**

Nature of Business - South First Phase One, L.L.C. (the Company), is a Virginia limited liability company formed in 2019 to ground lease, develop, construct, own, maintain and operate a 62-unit apartment complex located in Charlottesville, Virginia known as South First Phase One (the "Project"). On February 25, 2022, the Housing Equity Fund of Virginia, XXIV, L.L.C., was admitted to the company as an investor member. As of December 31, 2023, the Company has four members -- South First Phase One Management, L.L.C. owns a 0.009% managing member interest, VAHM, L.L.C. owns a 0.001% special member interest, the Housing Equity Fund of Virginia XXIII, L.L.C., owns a 35.096% investor member interest, and the Housing Equity Fund of Virginia XXIV, L.L.C., owns a 64.894% investor member interest. Profits, losses, tax credits and cash disbursements are allocated among the members based on their respective ownership interest.

A summary of the Company's significant accounting policies follows:

Cash and Cash Equivalents - For purposes of reporting, the Company includes all cash accounts and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents.

Real Estate Costs - Costs that clearly relate to the acquisition, development, and construction of the apartments are capitalized. Interest costs were capitalized while development and construction were in progress.

Depreciation - The buildings are depreciated using the straight-line method over their estimated useful life of 40 years. Land improvements are depreciated using the straight-line method over their estimated useful life of 15 years. Depreciation of equipment, furniture, and fixtures is computed using the straight-line method over the estimated useful life, generally 5 years.

Income Taxes - No provision or liability for income taxes has been recorded because the members are taxed on their proportionate shares of the Company's income. Income for tax purposes will differ from book income due to timing differences in depreciation and amortization expenses. The Company has no material uncertain tax positions requiring disclosure. Fiscal years ending on or after December 31, 2020, remain subject to examination by federal and state tax authorities.

Deferred Charges - Financing costs are amortized over the term of the mortgage loan using the effective yield method. Tax credit fees are amortized over fifteen years using the straight-line method.

Tenant Security Deposits - The Company collects security deposits from each tenant to provide for costs incurred or unpaid rent when a tenant vacates the apartment. The cash collected is kept separate from operating funds and interest is paid on the security deposits in accordance with the lease agreement.

**SOUTH FIRST PHASE ONE, L.L.C.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(CONTINUED)**

**Note 1: Nature of Business and Significant Accounting Policies (Cont.)**

Subsequent Events - Management has evaluated subsequent events through April 8, 2024, the date on which the financial statements were available to be issued.

Advertising Costs - Advertising costs are charged to operations when incurred.

Accounts Receivable and Bad Debts - Tenant receivables are charged to bad debt when they are determined to be uncollectible based on a periodic review of the accounts by management. U.S. generally accepted accounting principles require that the allowance method be used to recognize bad debts. Management's allowance is for delinquent accounts over 90 days old.

Impairment of Long-Term Assets - The Company reviews its investment 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 flow expected to be generated by the rental property. There were no impairment losses recognized in 2022.

Use of Estimates in the Preparation of Financial Statements - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and the 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.

Revenue Recognition - Revenue from residential leases is recorded when due, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other income includes fees for late payments, cleaning, damages, storage, parking, laundry facilities and other charges and is recorded when earned. Prepayments of revenue are deferred and classified as liabilities until earned.

**SOUTH FIRST PHASE ONE, L.L.C.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
**(CONTINUED)**

**Note 2: Operating Reserve**

In accordance with provisions of the operating agreement, the Company shall fund an operating deficit reserve. The reserve shall be used to fund an operating deficit and other cash requirements of the Company throughout the term of the partnership. Withdrawals from the reserve shall require the prior approval of the investor members.

**Note 3: Fixed Assets**

South First Phase One is a 62-unit apartment project under active development in Charlottesville, Virginia.

|                          | Balance<br>12/31/2022 | Additions           | Retirements  | Balance<br>12/31/2023 |
|--------------------------|-----------------------|---------------------|--------------|-----------------------|
| Land                     | \$ 1,100,000          | \$ -                | \$ -         | \$ 1,100,000          |
| Land                     |                       |                     |              |                       |
| Improvements             | -                     | 1,714,804           | -            | 1,714,804             |
| Building                 | -                     | 1,921,502           | 14,128,598   | 16,050,100            |
| Appliances               | -                     | 273,066             | -            | 273,066               |
| Construction in Progress | 14,128,598            | -                   | (14,128,598) | -                     |
| <b>TOTAL</b>             | <b>\$ 15,228,598</b>  | <b>\$ 3,909,372</b> | <b>\$ -</b>  | <b>\$ 19,137,970</b>  |

**Changes in Accumulated Depreciation:**

|              | Balance<br>12/31/2022 | Current<br>Provision | Deductions  | Balance           | Net Book<br>Value<br>12/31/2023 |
|--------------|-----------------------|----------------------|-------------|-------------------|---------------------------------|
| Land         | \$ -                  | \$ -                 | \$ -        | \$ -              | \$ 1,100,000                    |
| Land         |                       |                      |             |                   |                                 |
| Improvements | -                     | 97,341               | -           | 97,341            | 1,617,463                       |
| Building     | -                     | 401,253              | -           | 401,253           | 15,648,847                      |
| Appliances   | -                     | 46,502               | -           | 46,502            | 226,564                         |
| <b>TOTAL</b> | <b>\$ -</b>           | <b>\$ 545,096</b>    | <b>\$ -</b> | <b>\$ 545,096</b> | <b>\$ 18,592,874</b>            |

**SOUTH FIRST PHASE ONE, L.L.C.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(CONTINUED)**

**Note 4: Notes and Mortgages Payable**

At December 31, 2023, the Company, had the following notes payable:

|                                                            |                      |
|------------------------------------------------------------|----------------------|
| Charlottesville Redevelopment and Housing Authority (CRHA) | \$ 1,145,154         |
| CCDC - City Bond Loan Fund                                 | 1,125,000            |
| CCDC - Affordable Housing Opportunity Fund Loan            | 3,785,748            |
| Atlantic Union Bank - Construction Loan                    | 11,359,929           |
| FHLB Loan                                                  | 500,000              |
| Less: Deferred Loan Cost, Net of Accumulated Amortization  | (85,030)             |
|                                                            | <u>\$ 17,830,801</u> |

The note payable to CRHA was made on January 8, 2021 in the original amount of \$1,100,000, bearing interest of 1.35% per annum. The note is secured by a deed of trust and the entire principal and accrued interest on the note are due in full January 8, 2051. At December 31, 2023, the balance of principal and accrued interest was \$1,145,154.

The CCDC - City Bond Loan is for an amount up to \$1,125,000, bearing interest of 0% per annum. The loan is payable from Net Cash Flow as stated in the Operating Agreement and is due in full in 2051. At December 31, 2023, the entirety of \$1,125,000 has been drawn from this loan.

The CCDC - Affordable Housing Opportunity Fund Loan is for \$2,500,000, bearing interest of 0% per annum. The loan is payable from Net Cash Flow as stated in the Operating Agreement and is due in full in 2051. At December 31, 2023, the balance of this loan was \$3,785,784.

On January 8, 2021, the Company entered into an agreement for a Construction Loan from Atlantic Union Bank. The loan is for an amount up to \$11,500,000 and bears interest at 3.25% per annum. The loan was payable to Charlottesville Community Development Corporation. Payments are to be made monthly up to 24 months, at which point the balance is to be paid in full. As of December 31, 2023, \$11,359,929 has been drawn on this loan.

The Company has an FHLB Loan payable to Virginia Housing in the amount of \$500,000. The loan bears no interest and is to be paid from net cash flows with the full balance due in 2051.

**Note 5: Interest Cost**

The total interest cost incurred during the year ended December 31, 2023, was \$605,185. Of this amount, \$560,031 was capitalized.

**SOUTH FIRST PHASE ONE, L.L.C.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(CONTINUED)**

**Note 6: Related Party Transactions**

As discussed in Note 4, the Company has a deed of trust note payable to Charlottesville Redevelopment and Housing Authority (CRHA), an affiliate of the managing member, in the amount of \$1,145,154.

As discussed in Note 4, the Company has deed of trust notes payable to the Charlottesville Community Development Corporation (CCDC), an affiliate of the managing member, in the amount of \$3,785,748 and \$1,125,000.

Also as discussed in Note 4, the Company has a loan originating with the Federal Home Loan Bank (FHLB) for \$500,000, payable to the lender, VH. As of December 31, 2023, the original balance of \$500,000 remains outstanding until maturity no later than 2051.

CCDC is also the Project developer and shall be due a developer fee in the amount of \$1,000,000. Developer fee payments shall be paid from available cash flow as stated in the operating agreement.

The Company shall pay Housing Capital Corporation, an affiliate of the Housing Equity Fund of Virginia XXIII, L.L.C. and Housing Equity Fund of Virginia XXIV, L.L.C., accounting fees as described in the operating agreement.

**Note 7: Risk and Uncertainties**

Financial instruments which potentially subject the Company to concentration of credit risks consist principally of temporary cash investments and restricted deposits and funded reserves held by the mortgagee. The Company places its temporary cash investments with high-credit quality financial institutions and, by policy, limits the amount of temporary cash investments held at any one financial institution. Deposit accounts, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**SOUTH FIRST PHASE ONE, L.L.C.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(CONTINUED)**

**Note 8: Current Vulnerability Due to Certain Concentrations**

The Company's primary asset is the South First Phase One apartment complex. The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. 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 9: Contingencies and Commitments**

The Company's low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the Investor Members.