

LONE MOUNTAIN VILLAGE PHASE II, LP

**INDEPENDENT AUDITORS' REPORT
CERTIFICATION OF ACTUAL COST AND OPINION AS
TO ELIGIBLE BASIS, OWNER'S CERTIFICATION OF FUNDING
SOURCES AND PROJECT SUBSIDY
AND
BUILDING ALLOCATION OF QUALIFIED BASIS**

JANUARY 3, 2014



INDEPENDENT AUDITOR'S REPORT

Owner's Name: Lone Mountain Village Phase II, LP
Project Name: Lone Mountain Village Phase II
Project Number: TCAA # 2011-046

To the Partners
Lone Mountain Village Phase II, LP

We have audited the costs included in the accompanying Tax Credit Allocation Agency ("TCAA") Final Cost Certification (the "Final Cost Certification") of Lone Mountain Village Phase II, LP (the "Owner") for Lone Mountain Village Phase II ("the Project") as of January 3, 2014.

Owner and Owner Management's Responsibility for the Schedule

The Owner and the Owner's management are responsible for the preparation and fair presentation of the Final Cost Certification in accordance with contractual agreements with the TCAA; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Final Cost Certification that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Final Cost Certification. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Final Cost Certification, 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 Final Cost Certification 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 the Owner and Owner's management, as well as evaluating the overall presentation of the Final Cost Certification.

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

Opinion

In our opinion, the Final Cost Certification presents fairly, in all material respects, the actual costs of \$8,793,297 and eligible basis of \$7,687,129 of the Owner for the Project as of January 3, 2014, on the basis of accounting described below.

Basis of Accounting

The Final Cost Certification is prepared in conformity with the accounting practices prescribed by the Internal Revenue Service under the accrual method of accounting, and in conformity with the format and qualified allocation plan rules set by TCAA, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the provisions of the contractual agreements with TCAA, referred to above. Our opinion is not modified with respect to that matter.

Restriction on Use

This report is intended solely for the information and use of the Owner and the Owner's management and for filing with TCAA and should not be used for any other purpose.

We have no financial interest in the Project other than in the practice of our profession.

A handwritten signature in black ink that reads "Halaj, Aronoff & Partners, LLP". The signature is written in a cursive, flowing style.

Atlanta, Georgia

January 28, 2014

PART FOUR - USES OF FUNDS - Lone Mountain Village, Phase II - 2011-046

CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
PRE-DEVELOPMENT COSTS					
Property Appraisal	8,000	8,000			
Market Study	5,150	5,150			
Environmental Report(s)	7,800	7,800			
Soil Borings	4,750	4,750			
Boundary and Topographical Survey	22,565	22,565			
Zoning/Site Plan Fees	25	25			
Other: Grading Easement	3,000	3,000			
Subtotal	51,290	51,290	-	-	-
ACQUISITION					
Land	700,000				700,000
Demolition					
Acquisition Legal Fees (if existing structures)					
Existing Structures					
Subtotal	700,000		-		700,000
SITE IMPROVEMENTS					
Site Preparation (On-site)	1,373,704	1,373,704			
Site Preparation (Off-site)					
Subtotal	1,373,704	1,373,704	-	-	-
UNIT/BUILDING CONSTRUCTION					
Unit/Building Construction/New Construction	4,301,727	4,301,727			
Unit/Building Construction/Rehab					
Project Amenities / Accessory Buildings					
Other:					
Subtotal	4,301,727	4,301,727	-	-	-
CONTRACTOR SERVICES					
Builder's Overhead: 2.00%	113,509	105,558			
Builder Profit: 6.00%	340,526				
General Requirements 6.00%	340,526	246,662			
Payment/performance bond or letter-of-credit fee or premium	53,438	53,438			
Subtotal	405,658	405,658	-	-	-
<i>Total Construction Costs</i>	<i>95,017.02 per unit</i>				
	<i>6,081,089</i>	<i>91.49 per sq ft</i>			

PART FOUR - USES OF FUNDS - Lone Mountain Village, Phase II - 2011-046

CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS

I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
CONSTRUCTION PERIOD FINANCING					
Construction Loan Fee					
Construction Loan Interest					
Construction Legal Fees					
Construction Period Real Estate Tax	5,911	4,380			1,531
Construction Insurance	22,964	18,955			4,009
Bridge Loan Fee and Bridge Loan Interest					
Other: Radon Test	800	800			
Subtotal	29,675	24,135	-	-	5,540
PROFESSIONAL SERVICES					
Architectural Fee - Design	128,000	128,000			
Architectural Fee - Supervision	32,000	32,000			
Engineering	1,050	1,050			
Real Estate Attorney	103,088	97,393			5,695
Accounting	26,650	26,650			
Other: Earthcraft	23,560	23,560			
Subtotal	314,348	308,653	-	-	5,695
LOCAL GOVERNMENT FEES					
Building Permits	13,614	13,614			
Impact Fees					
Water Tap Fees <i>waived?</i>	<i>No</i> 2,040	2,040			
Sewer Tap Fees <i>waived?</i>	<i>No</i> 39,000	39,000			
Real Estate Taxes					
Subtotal	54,654	54,654	-	-	-
PERMANENT FINANCING FEES					
Permanent Loan Fees					
Permanent Loan Legal Fees					
Title and Recording Fees	13,607	13,607			
As-Built Survey	14,500	14,500			
Bond Issuance Premium					
Cost of Issuance / Underwriter's Discount					
Other: Accessibility and Materials Testing	26,124	26,124			
Subtotal	54,231	54,231	-	-	-

PART FOUR - USES OF FUNDS - Lone Mountain Village, Phase II - 2011-046

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I. DEVELOPMENT COST SCHEDULE

	TOTAL COST	New Construction Basis	Acquisition Basis	Rehabilitation Basis	Amortizable or Non-Depreciable Basis
DCA-RELATED COSTS					
DCA Loan Application Fee	1,000				1,000
Tax Credit Application Fee	3,000				3,000
DCA Waiver Fees					
LIHTC Allocation Processing Fee	47,180 48,303				48,303
LIHTC Compliance Monitoring Fee	44,800 44,800				44,800
DCA Front End Analysis Fee (when ID of Interest)					
DCA Final Inspection Fee					
Other:					
Subtotal	97,103				97,103
EQUITY COSTS					
Partnership Organization Fees	1,173				1,173
Tax Credit Legal Opinion	3,000				3,000
Other: Syndicator Fee	50,000				50,000
Subtotal	54,173	-	-	-	54,173
DEVELOPER'S FEE					
Developer's Overhead	212,800	212,800			
Consultant's Fee					
Developer's Fee	851,200	851,200			
Subtotal	1,064,000	1,064,000	-	-	-
START-UP AND RESERVES					
Marketing	13,103				13,103
Rent -Up Reserves	48,018				48,018
Operating Deficit Reserve:	122,536				122,536
Replacement Reserve					
Furniture, Fixtures and Equipment	22,327	22,327			
Other: Inspections	26,750	26,750			
Subtotal	232,734	49,077	-	-	183,657
OTHER COSTS					
Relocation					
Other: Additional Operating Deficit Reserve	-				-
Other: T & I Escrow	60,000				60,000
Subtotal	60,000	-	-	-	60,000
TOTAL DEVELOPMENT COST	8,793,297	7,687,129	-	-	1,106,168
Per Unit	137,395.27				
Per Square Foot	132.30				

PART FOUR - USES OF FUNDS - Lone Mountain Village, Phase II - 2011-046

CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS

II. TAX CREDIT CALCULATION - BASIS METHOD

	New Construction Basis	4% Acquisition Basis	Rehabilitation Basis
Subtractions From Eligible Basis			
Amount of federal grant(s) used to finance qualifying development costs			
Amount of federal below market rate loan			
Amount of nonqualified nonrecourse financing			
Costs of Nonqualifying units of higher quality			
Nonqualifying excess portion of higher quality units			
Historic Tax Credit (Residential Portion Only)			
Other			
Total Subtractions From Basis:	0		0
Eligible Basis Calculation			
Total Basis	7,687,129	0	0
Less Total Subtractions From Basis (see above)	0		0
Total Eligible Basis	7,687,129	0	0
Eligible Basis Adjustment for DDA/QCT Location	100.00%		
Adjusted Eligible Basis	7,687,129	0	0
Multiply Adjusted Eligible Basis by Applicable Fraction	100.00%	100.00%	100.00%
Qualified Basis	7,687,129	0	0
Multiply Qualified Basis by Applicable Credit Percentage	9.00%		
Maximum Tax Credit Amount	691,842	0	0
Total Basis Method Tax Credit Calculation	691,842		

III. TAX CREDIT CALCULATION - GAP METHOD

Equity Gap Calculation

Total Development Cost	8,793,297		
Subtract Non-LIHTC (excluding deferred fee) Source of Funds	1,715,500		
Equity Gap	7,077,797		
Divide Equity Gap by 10	/ 10		
Annual Equity Required	707,780		
Enter Final Federal and State Equity Factors (not including GP contribution)	1.0500	=	Federal
Total Gap Method Tax Credit Calculation	674,076		0.8000
		+	State
			0.2500

IV. TAX CREDIT CARRYOVER ALLOCATION

Allocation Year 2011 674,000

V. FINAL TAX CREDIT ALLOCATION REQUEST

674,000

I certify that all information provided above is true, correct, complete and reflects the full extent of all project costs and eligible basis which apply (or are expected to apply) to the above-mentioned development.

Owner Signature

Name - Please Type

Date

PART FOUR - USES OF FUNDS - Lone Mountain Village, Phase II - 2011-046

CERTIFICATION OF ACTUAL COST AND OPINION AS TO ELIGIBLE BASIS

VI. OWNER COMMENTS AND CLARIFICATIONS

The Contractor lost \$15,920 on the construction contract for the project. The \$15,920 loss reduced the unit/building construction cost line item. The total construction contract of \$6,027,651 is included in the above uses.

PART THREE - SOURCES OF FUNDS - Lone Mountain Village, Phase II - 2011-046

I. PERMANENT FINANCING

Financing Type	Name of Financing Entity	Principal Amount	Interest Rate	Term (Years)	Amort. (Years)	Annual Debt Svc Per Terms Given	Loan Type	Balloon?
First Mortgage	DCA HOME	1,715,500	1.000%	20			DCA HOME IPS	Yes
Second Mortgage								
Third Mortgage								
Other Source (specify)								
Other Source (specify)								
Deferred Developer Fees	deferred developer fee	799						
Federal Grant								
State, Local, or Private Grant								
Federal Housing Credit Equity	Raymond James	5,391,998						
State Housing Credit Equity	Raymond James	1,685,000						
Historic Credit Equity								
Investment Earnings from Tax-Exempt Bonds								
Investment Earnings from Taxable Bonds								
Income from Operations								
Other Source (specify)								
Other Source (specify)								
Other Source (specify)								
Total Permanent Financing:		8,793,297						
Total Development Costs from Development Cost Schedule:		8,793,297						
Surplus/(Shortage) of Permanent Funds to Development Costs:		0						

DCA HOME loan interest rate per Operating Year for Projects located in Rural Areas:

Year:	1 -7	8	9	10	11	12	13	14	15
Rate:	1.000%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%

VII. OWNER COMMENTS AND CLARIFICATIONS

Original Home Funds granted were \$1,825,000; however, the Home Funds to be received were reduced by \$109,500 due to being oversourced.

