Louetta Village Apartments 45, LP

Financial Statements and
Independent Auditor's Report

December 31, 2013

Louetta Village Apartments 45, LP

Index

CohnReznick LLP
cohnreznick.com

Independent Auditor's Report

To the Partners
Louetta Village Apartments 45, LP

Report on the Financial Statements

We have audited the accompanying financial statements of Louetta Village Apartments 45, LP, which comprise the balance sheet as of December 31, 2013, and the related statements of operations, partners' equity (deficit) and cash flows for the year then ended, 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 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 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 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 Louetta Village Apartments 45, LP as of December 31, 2013, 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.

CohnReznick LLP

Atlanta, Georgia
February 28, 2014

Louetta Village Apartments 45, LP

Balance Sheet
December 31, 2013

Assets

Current assets	
Cash	$ 48,545
Tenant accounts receivable	4,485
Prepaid expenses	16,030
Due from affiliates	15,645
Total current assets	84,705
Restricted deposits and funded reserves	
Replacement reserve	136,970
Real estate tax and insurance escrow	45,199
Operating deficit reserve	150,000
Trustee funds	30,668
Other reserves	179
Total restricted deposits and funded reserves	363,016
Rental property	
Buildings and improvements	8,714,687
Land improvements	201,300
Furniture and equipment	465,146
	9,381,133
Accumulated depreciation	(2,327,454)
	7,053,679
Land lease prepayments	314,196
Total rental property	7,367,875
Other assets	
Mortgage costs, net	400,002
Total other assets	400,002
Total assets	$ 8,215,598

Louetta Village Apartments 45, LP

Balance Sheet
December 31, 2013

Liabilities and Partners' Equity (Deficit)

Current liabilities	
Accounts payable	$ 30,079
Accrued expenses	9,469
Property management fee payable	4,297
Accrued interest payable - first mortgage	8,695
Accrued interest payable - other mortgages	357,169
Annual fee due to affiliate limited partner	7,584
Current maturities of mortgage payable - first mortgage	127,458
Total current liabilities	544,751
Deposits and prepaid liability	
Tenant security deposits	37,088
Prepaid rent	1,656
Total deposits and prepaid liability	38,744
Long-term liabilities	
Mortgage payable - first mortgage, net of current maturities	6,352,542
Mortgages payable - other mortgages	714,540
Total long-term liabilities	7,067,082
Commitments	-
Partners' equity (deficit)	565,021
Total liabilities and partners' equity (deficit)	$ 8,215,598

See Notes to Financial Statements.

Louetta Village Apartments 45, LP

Statement of Operations
Year Ended December 31, 2013

Revenue	
Rental income	$ 1,053,729
Vacancies and concessions	(24,074)
Other operating income	6,136
Total revenue	1,035,791
Operating expenses	
Salaries and employee benefits	145,412
Repairs and maintenance	128,792
Utilities	77,970
Property management fee	51,215
Property insurance	46,564
Miscellaneous operating expenses	112,130
Total operating expenses	562,083
Net operating income (loss)	473,708
Other income (expense)	
Interest income	6
Interest expense - first mortgage	(103,425)
Interest expense - other loans	(47,064)
Annual fee to affiliate of limited partner	(7,584)
Depreciation	(248,820)
Amortization	(25,032)
Total other income (expense)	(431,919)
Net income	$ 41,789

See Notes to Financial Statements.

Louetta Village Apartments 45, LP

Statement of Partners' Equity (Deficit)
Year Ended December 31, 2013

	General Partner	Special Limited Partner	Investor Limited Partner	Class B Limited Partner	Total Partners' Equity (Deficit)
Balance, January 1, 2013	$ (298,439)	$ (139)	$ 1,185,232	$ (232,422)	$ 654,232
Net income	5	4	41,776	4	41,789
Distributions	(51,750)	-	(7,500)	(71,750)	(131,000)
Balance, December 31, 2013	$ (350,184)	$ (135)	$ 1,219,508	$ (304,168)	$ 565,021
Partners' percentage of partnership losses	0.01%	0.01%	99.97%	0.01%	100.00%

See Notes to Financial Statements.

Louetta Village Apartments 45, LP

Statement of Cash Flows
Year Ended December 31, 2013

Cash flows from operating activities	
Net income	$ 41,789
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	248,820
Amortization	25,032
Land lease prepayments	6,756
Changes in:	
Tenant accounts receivable	(1,298)
Prepaid expenses	4,238
Accounts payable	11,171
Accrued expenses	460
Property management fee payable	(3,373)
Accrued interest payable - other mortgages	47,064
Tenant security deposits	500
Prepaid rent	837
Annual fee due to affiliate	7,584
Net cash provided by operating activities	389,580
Cash flows from investing activities	
Expenditures on rental property	(54,142)
Change in real estate tax and insurance escrows	(7,517)
Change in reserve for replacements	(32,828)
Change in operating deficit reserves	17
Change in trustee funds	(20,619)
Due from affiliates	(6,904)
Net cash used in investing activities	(121,993)
Cash flows from financing activities	
Principal payments on mortgage payable	(100,000)
Distributions to partners	(131,000)
Net cash used in financing activities	(231,000)
Net increase in cash	36,587
Cash, beginning	11,958
Cash, end	$ 48,545
Supplemental disclosure of cash flow information	
Cash paid for interest	$ 103,425

See Notes to Financial Statements.

Note 1 - Description of partnership

Louetta Village Apartments 45, LP (the Partnership) was formed as a limited partnership under the laws of the State of Texas on September 23, 2004. On January 13, 2005, the partnership agreement was amended and restated to allow the admission of the Special Limited Partner. The Partnership's purpose is to invest in real estate and the construction, operation and sale or leasing of the Partnership property. The Partnership's property consists of a 116-unit low-income apartment complex in Houston, Texas. The project is known as Louetta Village Apartments (the Project).

The Project has an allocation of low-income housing tax credits pursuant to Internal Revenue Code Section 42 (Section 42), which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. Each building of the Project must meet the provisions of these regulations during each of 15 consecutive years following the initial year of the tax credits. In addition, the Partnership has executed a Land Use Restriction Agreement which requires the utilization of the project pursuant to Section 42 for a minimum of 55 years, even after the disposition of the Project by the Partnership.

The Partnership has a General Partner, HCHA Louetta, LLC, an Investor Limited Partner, Amtax Holdings 603, LLC, a Special Limited Partner, Protech 2004-D, LLC and a Class B Limited Partner, T.H. Louetta Village, L.L.C..

Note 2 – Significant accounting policies

Basis of accounting

The financial statements of the Partnership are prepared on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America.

Accounts receivable and bad debts

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Rental property

Rental property is recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives (40 years for buildings and improvements, 15 years for land improvements, 7 years for furniture and equipment) using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Any resulting gains and losses are reflected in the statement of operations.

Impairment of long-lived assets
In accordance with the accounting guidance for impairment or disposal of long-lived assets, the Partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2013.

Intangible assets and amortization
Mortgage costs of $420,329 are amortized over the term of the mortgage loan using the straight line method. Accounting principles generally accepted in the United States of America require that that the effective yield method be used to amortize financing cost; however, the effect of using the straight line method is not materially different from the results that would have been obtained under the effective yield method. Rate cap fees of $183,000 are amortized over the term of the agreement using the straight line method. Estimated amortization expense for each of the ensuing years through December 31, 2018 is $25,032.

Rental income
Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the Project are operating leases.

Income taxes
The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2010 remain open.

Use of estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Advertising costs
The Partnership's policy is to expense advertising costs when incurred.

Note 3 - Restricted cash and funded reserves

Bond escrows
The escrow accounts were initially established at the bond closing and are held by the Trustee. The escrow funds are invested in highly-liquid, short-term U.S. Treasury obligations. The funds invested in money markets are not insured by the Federal Deposit Insurance Corporation (FDIC). The escrow accounts are stated at cost, which approximates market value. Funds held by the Trustee as of December 31, 2013 are as follows:

Revenue fee fund	$	20,597
Principal reserve fund		10,071
	$	30,668

Revenue fee fund
Deposits into the revenue fees account are used to pay approved trustee, issuer, and other financing fees.

Principal reserve fund
Deposits into the principal reserve fund are in accordance with the schedule of deposits to principal reserve fund and are used to make semi-annual principal payments to the bondholder.

Revenue fund
Deposits into the revenue fund are used to transfer receipts to the revenue fee fund and the principal reserve fund for the required payments noted above.

Replacement reserve
The Partnership has agreed to establish a reserve account for capital replacement. Monthly deposits equaling $200 per apartment unit per year beginning one month after the payment of the fourth capital installment is placed into a replacement reserve account. Every five years the required funding shall increase by $50 per apartment unit per year. As of December 31, 2013, the balance of this reserve is $136,970.

Insurance escrow
In accordance with the loan agreement, the property is required to make monthly deposits to the insurance escrow. Funds accumulated in this account are utilized to pay for the annual insurance bills. As of December 31, 2013, the balance of this account is $45,199.

Lease-up reserve
The Partnership is required to establish a lease-up reserve account to fund any operating deficits prior to stabilization. The sum of $87,000 shall be initially deposited into the reserve from the proceeds of the second capital installment. Upon stabilization, any remaining funds shall be released to the partnership and treated as net cash flow. As of December 31, 2013, funds in the lease-up reserve have been transferred to the operating deficit reserve.

Operating deficit reserve
The Partnership is required to establish an operating deficit reserve account in the initial amount of $150,000 funded from the proceeds of the fifth capital installment. Withdraws from the operating deficit reserve are required to be approved by the Investor Limited Partner. The operating deficit reserve shall be released to the Partnership and treated as net cash flow, as follows:

a. One-third of the operating reserve funds shall be released on the first date upon which both (a) the 3rd anniversary of the stabilization has occurred and (b) immediately prior to such release, the Partnership shall have maintained a 1.15 debt service coverage ratio for three consecutive months.

b. One-third of the operating reserve funds shall be released on the first date upon which both (a) the 4th anniversary of the stabilization has occurred and (b) immediately prior to such release, the Partnership shall have maintained a 1.15 debt service coverage ratio for three consecutive months.

c. One-third of the operating reserve funds shall be released on the first date upon which both (a) the 5th anniversary of the stabilization has occurred and (b) immediately prior to such release, the Partnership shall have maintained a 1.15 debt service coverage ratio for three consecutive months.

As of December 31, 2013, the balance in the operating deficit reserve is $150,000.

Note 4 - Transactions with affiliates and related parties
Incentive management fee
Pursuant to the incentive management agreement, the General Partner is to be paid an annual fee for its services in the management of the Partnership equal to 7% of gross revenue. The fee is non-cumulative and payable to the extent of available cash flow in the order of priority stipulated in the partnership agreement. As of December 31, 2013, no amount has been paid or accrued under the agreement.

Asset management fee
For its services in monitoring the operations of the Partnership, the Investor Limited Partner receives an annual fee in the amount equal to .25 percent of the Special Limited Partner's capital contribution (as adjusted annually by the C.P.I.). The fee is payable only out of cash flow, as defined in the partnership agreement, however, if there is insufficient net cash flow in any year, the General Partner and/or guarantor(s) shall make an operating deficit loan to the Partnership to pay the fee. Should the General Partner and/or guarantor(s) fail to make

such a loan, the fee shall be cumulative and accrue, and interest shall accrue on any unpaid portion at an annual rate of 12 percent compounded annually. Payment of the asset management fee shall commence upon the admission date. For the year ended December 31, 2013, $7,584 of fees were incurred and $7,584 remained payable.

Partnership management fee
The Partnership shall pay the General Partner an annual partnership management fee, in an amount equal to the annual asset management fee. The fee shall be non-cumulative and payable solely from net cash flow remaining after payment of other amounts as outlined in the partnership agreement. No fees were accrued or charged to operations for the year ended December 31, 2013.

Management fee
The property is being managed by Core Management Group for a fee equal to 5% of annual gross revenue. During 2013, management fees incurred under this agreement totaled $51,215, of which $4,297 remains payable.

Due from affiliates
Each pay period, the Partnership's payroll account is initially funded by Core based upon a payroll expense estimate. The Partnership then reimburses Core when the actual payroll report is prepared. This transaction results in a due to/due from for each pay period. The balance of this account at December 31, 2013 is $15,645.

Note 5 - Mortgage payable and notes payable

The Partnership has a mortgage with Berkadia Commercial Mortgage (formerly known as Capmark) in the original amount of $7,100,000. The mortgage bears interest at a variable rate until the conversion date, as defined, at which time the rate is fixed until maturity at January 15, 2038.

The mortgage was funded on January 1, 2005, with proceeds from the issuance of $7,100,000 Harris County Housing Finance Corporation Variable Rate Demand Multifamily Housing Revenue Bonds (Louetta Village Apartments) Series 2005 (the Bonds), dated January 1, 2005. Proceeds were specifically for funding development of the Project, and were placed in a restricted trust account with Wells Fargo Bank, National Association (the Trustee). During development, the Trustee disbursed funds out of the bond escrow accounts for the purpose of paying approved development costs in accordance with the financing agreement. The mortgage matures January 15, 2038. Monthly payments of principal and interest under the mortgage are based on amounts required to make payments of the Bonds. Interest incurred on the mortgage is a variable rate based on the rate of interest paid on the Bonds as set forth in the Trust Indenture. The rate of interest at December 31, 2013 is 2.07 percent. The loan balance and accrued interest associated with this loan at December 31, 2013 are $6,480,000 and $8,695, respectively.

To protect against fluctuations in interest rates, the Partnership purchased an interest rate cap (the Cap) for a period of 15 years commencing on May 11, 2005. The cost of the cap is $183,000. The Cap provides for a rate not to exceed 6% per annum. For the year ended December 31, 2013, the Cap was not utilized. Furthermore, because the Cap was not effective at the time of issuance, the Cap is considered an embedded financial instrument and is not accounted for at fair value. The cost of the Cap is being amortized on a straight line basis over the 15 year term.

The liability of the Partnership under the mortgage is limited to the undergoing value of the real estate collateral improvements, easements of other interests, assignment of rents, assignment of leases, and personal property.

Note payable - Harris County Housing Authority
The Partnership has a mortgage payable with Harris County Housing Authority in the original amount of $550,000. The loan is secured by a subordinate deed of trust bearing interest at 4.3 percent. The outstanding principal and unpaid interest are due in full at maturity on January 31, 2038. As of December 31, 2013, the outstanding balance of the loan is $550,000 and the accrued interest associated with this loan at December 31, 2013 is $244,329.

Rate cap loan
The Partnership entered into a loan agreement with Berkadia (formerly known as Capmark) on January 1, 2005 in order to finance the rate cap agreement aforementioned. The note provides for a maximum loan amount of $275,000. The loan is secured by a subordinate deed of trust.

Interest shall accrue on the unpaid principal balance of the note at an adjustable rate as outlined in the rate cap loan agreement. Interest payments shall be made upon conversion, as defined and principal payments shall be made to the extent of available operating income. The maturity date of this loan is April 1, 2038. As of December 31, 2013, the balance of the loan was $164,540 and the accrued interest associated with this loan is $112,840. The interest rate of this loan at December 31, 2013 was 5.00 percent. Management believes that the loan converted with the permanent loan and that this is not truly an outstanding liability of the Partnership. The general partner will work to determine if this is a true outstanding liability of the Partnership in 2014.

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter are as follows:

	Bonds	HCHA	Berkadia	Total
2014	$ 127,458	$ -	$ -	$ 127,458
2015	135,204	-	-	135,204
2016	143,422	-	-	143,422
2017	152,137	-	-	152,137
2018	161,386	-	-	161,386
Thereafter	5,760,393	550,000	164,540	6,474,933
Total	$ 6,480,000	$ 550,000	$ 164,540	7,194,540
Less current maturities				(127,458)
Net long-term portion				$ 7,067,082

Note 6 - Partners' capital contribution

The Partnership has one General Partner, HCHA Louetta, LLC, which has a 0.01 percent interest, an Investor Limited Partner, Amtax Holdins 603, LLC, , which has a 99.97 percent interest, a Special Limited Partner, Protech 2004-D, LLC, which has a 0.01 percent and a Class B Limited Partner, T.H. Louetta Village, L.L.C., which has a 0.01 percent.

Total Investor Limited Partner capital contributions in accordance with the partnership agreement, as amended, are $2,590,056, less a downward adjuster of $71,862. As of December 31, 2013, all contributions have been received.

Note 7 - Partnership guarantees

The partnership agreement provides for various agreements between the General Partner and Thomas H. Scott, an individual resident of the state of Texas, Coach Realty Services, Inc., a Texas Corporation, and JV Developers, LLC., a Texas Limited Partnership (collectively, the guarantors) as follows:

Operating guarantee

The General Partner has agreed to fund any operating deficits (as defined in the partnership agreement) commencing on the final closing and ending on the third anniversary of the stabilization (the Initial Period). Amounts funded during the Initial Period shall be recorded as the operating deficit loans and limited to $290,000 (which may be reduced as defined in the partnership agreement). Operating expense loans are unsecured, non-interest bearing and payable out of cash flow as defined in the partnership agreement. As of December 31, 2013, no amounts were funded.

Note 8 - Cash flow distributions

Cash flow for each fiscal year shall be distributed or applied, as applicable, within ninety days after the end of each calendar quarter, in the following order of priority:

a. To the repayment of any credit recovery loans, including all accrued interest thereon;

b. To fund any deficiency in the operating reserve;

c. To the payment of any accrued and unpaid asset management fee, including all accrued interest thereon;

d. To the payment of the rate cap loan in accordance with the terms thereof;

e. To the payment of any outstanding default LP loans and then to the payment of any remaining LP loans;

f. The subordinated portion of the management fee for the calendar year immediately preceding the payment date, as such subordinate portion is described in the partnership agreement agreement.

g. To pay the deferred development fee;

h. To the payment of the outstanding operating deficit loans and then, pro rata, to the payment of the outstanding GP loan and outstanding Class B loans;

i. To the payment of the partnership management fee;

j. To pay 10% of the remaining net cash flow to the Investor Limited Partner as a distribution;

k. Until the total amount paid under this clause for all years equals $970,000: 50 percent to the General Partner and 50 percent to the Class B Limited Partner;

l. To the payment of the incentive management fee and

m. Thereafter, to the Partners, as distribution in the following percentages: 80 percent to the General Partner, 19.99 percent to the Class B Limited Partner and .01 percent to the Investor Limited Partner.

Distributions

During the year ended December 31, 2013, distributions of $131,000 were made to the partners.

Note 9 - Contingency

The Project's low-income housing tax 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 Limited Partner.

Note 10 – Land lease prepayments

On January 13, 2005, the Partnership entered into a 65-year ground lease with the Harris County Housing Authority. The rent for the entire term of the lease is $65,000 annually, provided that the first year's rent shall be $375,000 payable upon execution of the ground lease. After the first year, annual rent is $65,000 of which $64,000 of annual rent per lease year shall be automatically waived by the landlord and non-payable on an annual basis, provided no event of default has occurred. Upon execution of the lease, the Partnership prepaid rent in the amount of $375,000. Upon expiration of the lease, all improvements to the property revert to the Partnership.

For the year ended December 31, 2013, the Partnership recognized $6,756 of rental expense on a straight-line basis and a $314,196 prepaid lease.

The estimated amount of land lease expense to be recognized for each of the ensuing years through December 31, 2018 is $6,756 annually.

Note 11 – Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of Louetta Village Apartments 45, LP through February 28, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.