Willard Street, LLC

Independent Auditor's Report, Financial Statements, and Supplementary Information

December 31, 2022 and 2021

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Independent Auditor's Report

Members
Willard Street, LLC
Durham, NC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Willard Street, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Willard Street, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Willard Street, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Willard Street, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 GAAS 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 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 GAAS, 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 Willard Street, LLC'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 Willard Street, LLC'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.

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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 Income and Expenses are presented for purposes of additional analysis and are 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.

FORVIS, LLP

High Point, NC
March 9, 2023

Willard Street, LLC
Balance Sheets
December 31, 2022 and 2021 **(2 Pages)**

		2022		2021
ASSETS				
Current assets:				
Cash, operating	**$**	**210,371**	$	232,409
Accounts receivable, tenants		**46,354**		26,835
Accounts receivable, other		**-**		34,457
Prepaid expenses		**17,399**		-
Total current assets		**274,124**		293,701
Restricted deposits and funded reserves:				
Cash, operating reserve		**347,746**		347,165
Cash, replacement reserve		**41,612**		15,377
Cash, tenant security deposits		**61,048**		56,659
Cash, insurance escrow		**44,223**		53,560
		494,629		472,761
Rental property:				
Land		**177,792**		177,792
Land improvements		**1,089,756**		1,089,756
Buildings		**14,494,786**		14,504,098
Furnishings and equipment		**759,328**		759,328
		16,521,662		16,530,974
Accumulated depreciation		**(1,238,665)**		(530,989)
		15,282,997		15,999,985
Other assets:				
Deferred tax credit fees, net of accumulated amortization of $23,894 in 2022 and $11,947 in 2021		**155,311**		167,258
	$	**16,207,061**	$	16,933,705

Willard Street, LLC
Balance Sheets
December 31, 2022 and 2021 **(2 Pages)**

	2022	2021
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Current maturities of notes payable	**$ 44,555**	$ 39,230
Accounts payable and accrued expenses	**18,209**	34,821
Accounts payable, construction	**-**	15,000
Accrued asset management fees	**-**	1,458
Accrued managing member asset management fees	**4,958**	1,458
Accrued interest	**248,570**	132,500
Total current liabilities	**316,292**	224,467
Deposits and prepayment liabilities:		
Tenant security deposits	**61,048**	56,659
Prepaid rent	**3,359**	3,557
Other deferred revenues	**12,527**	12,527
	76,934	72,743
Long-term liabilities:		
Notes payable, net of unamortized debt issuance costs of $123,128 in 2022 and $216,371 in 2021	**7,693,087**	7,644,399
Development fee payable	**437,803**	664,405
Total Long-term liabilities	**8,130,890**	8,308,804
Members' equity	**7,682,945**	8,327,691
	$ 16,207,061	$ 16,933,705

See accompanying notes.

Willard Street, LLC
Statements of Operations
Years Ended December 31, 2022 and 2021

	2022	2021
Revenues:		
Gross rental income	**$ 448,021**	$ 409,345
Subsidized tenant rent	**351,011**	204,959
Less: Vacancies	**(5,918)**	(124,309)
Less: Loss to Lease	**(9,727)**	(5,126)
Less: Concessions	**-**	(1,686)
Net rental revenue	**783,387**	483,183
Interest income	**729**	12
Other income	**39,773**	33,823
Total revenues	**823,889**	517,018
Operating expenses:		
Administrative	**182,292**	141,600
Utilities	**48,009**	35,198
Management fees	**39,500**	49,032
Repairs and maintenance	**136,857**	56,884
Taxes and insurance	**63,392**	51,276
Total operating expenses	**470,050**	333,990
Income from operations	**353,839**	183,028
Nonoperating expenses:		
Interest - mortgage loans	**325,522**	222,409
Asset management fees	**3,500**	1,458
Managing member asset management fees	**3,500**	1,458
Organizational expenses	**-**	45,654
Loss on sale of commercial unit	**-**	92,933
Depreciation	**707,676**	530,989
Amortization	**11,947**	11,947
Total nonoperating expenses	**1,052,145**	906,848
Net loss	**$ (698,306)**	$ (723,820)

See accompanying notes.

Willard Street, LLC
Statements of Members' Equity (Deficit)
Years Ended December 31, 2022 and 2021

	Managing Member	Investor Member	Special Investor Member	Total
Balance, January 1, 2021	$ (4)	$ 5,850,378	$ -	$ 5,850,374
Contributions	100	3,201,037	-	3,201,137
Net loss	(65)	(723,748)	(7)	(723,820)
Balance (deficit), December 31, 2021	31	8,327,667	(7)	8,327,691
Contributions	-	53,560	-	53,560
Net loss	(63)	(698,236)	(7)	(698,306)
Balance (deficit), December 31, 2022	$ (32)	$ 7,682,991	$ (14)	$ 7,682,945

See accompanying notes.

Willard Street, LLC
Statements of Cash Flows
Years Ended December 31, 2022 and 2021 **(2 Pages)**

	2022	2021
Cash flows from operating activities:		
Net loss	$ (698,306)	$ (723,820)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation	707,676	530,989
Amortization	11,947	11,947
Amortization of deferred financing costs	7,243	9,765
Loss on sale of commercial unit	-	92,933
Change in assets and liabilities		
Accounts receivable, tenants	(19,519)	(26,835)
Accounts receivable, other	34,457	(34,457)
Prepaid expenses	(17,399)	-
Accounts payable and accrued expenses	(16,612)	34,821
Accounts payable, affiliate	-	(189)
Accrued asset management fees	(1,458)	1,458
Accrued managing member asset management fees	3,500	1,458
Accrued interest	116,070	66,025
Tenant security deposits	4,389	56,659
Prepaid rent	(198)	3,557
Other deferred revenue	-	12,527
Net cash provided by operating activities	131,790	36,838
Cash flows from investing activities:		
Investment in rental property	(241,602)	(3,462,833)
Payment of deferred tax credit fees	-	(72,160)
Proceeds on sale of commercial unit	-	343,866
Refund of previously capitalized items	9,312	-
Net cash used by investing activities	(232,290)	(3,191,127)
Cash flows from financing activities:		
Member contributions	53,560	3,201,137
Payment of notes payable	(39,230)	-
Payment of deferred financing costs	-	(87,136)
Proceeds from notes payable	-	4,660,000
Proceeds from construction loan	-	2,654,371
Payments of construction loan	-	(6,577,369)
Return of lender deposits	86,000	-
Net cash provided by financing activities	100,330	3,851,003
Net increase (decrease) in cash and restricted deposits and funded reserves	(170)	696,714
Cash, development, restricted deposits and funded reserves, beginning of year	705,170	8,456

	2022	2021
Cash, development, restricted deposits and funded reserves, end of year	**$ 705,000**	$ 705,170
Supplemental disclosure of cash flow information:		
Cash paid for interest, including capitalized interest of $0 in 2022 and $31,825 in 2021	**$ 202,209**	$ 198,604
Supplemental disclosures of noncash investing and financing activities:		
Construction costs, included in accounts payable and accrued expenses	**$ -**	$ 15,000
Construction costs, included in development fee payable	**-**	81,016
Construction costs, included in accrued interest payable	**-**	18,675
	$ -	$ 114,691
Reconciliation of cash and restricted deposits and funded reserves to the balance sheet:		
Cash, operating	**$ 210,371**	$ 232,409
Restricted deposits and funded reserves	**494,629**	472,761
	$ 705,000	$ 705,170

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies

Nature of operations

Willard Street, LLC (the “Company”) was organized on September 12, 2018 for the purpose of developing, constructing, owning, maintaining and operating an 82-unit multifamily apartment complex for rental to low-income individuals and families, consisting of one story of parking and 4-stories of residential property in a six-story building that includes ground floor commercial space, located in Durham, North Carolina, commonly known as Willard Street Apartments (the “project”). The major activities of the Company are governed by the operating agreement and the loan agreements. The project was placed in service following the completion of construction in March 2021.

In July 2019, the operating agreement was amended to admit an investor member and special investor member, and to permit the withdrawal of the original co-members, DHIC, Inc. (“DHIC”) and Self-Help Ventures Fund. As a result, the Company has one managing member - Willard Street Manager, LLC; one investor member - RBC Tax Credit Equity, LLC; and one special investor member - RBC Tax Credit Manager II, Inc.

The ownership of the Company is as follows:

Willard Street Manager, LLC	0.009%
RBC Tax Credit Manager II, Inc.	0.001%
RBC Tax Credit Equity, LLC	99.99%
	100.00%

The project has been allocated low-income housing tax credits pursuant to Internal Revenue Service Code Section 42 (Section 42), which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements. The project must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits.

Basis of accounting

The financial statements of the Company are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles.

The following is a summary of significant accounting policies consistently applied in the preparation of these financial statements.

Income taxes

As a limited liability company, the Company’s taxable income or loss is allocated to the members in accordance with the operating agreement and is reflected in their income taxes; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Restricted cash

Restricted cash consists of tenant security deposits, escrow deposits held by lenders for property taxes and insurance, operating reserves and replacement reserves. The tenant security deposit account represents cash restricted for the purpose of refunding tenant’s security deposits paid at the move-in date. Security deposits are refunded to the tenants at the time of move-out in accordance with the tenant lease agreement, subject to cleaning and repairs incidental to normal wear on the tenant unit.

Accounts receivable and bad debts

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a 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 stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	15 years
Building	30 years
Furnishings and equipment	5 years

Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

Impairment of long-lived assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. No impairment losses were recognized during 2022 and 2021.

Other assets

Deferred tax credit fees are being amortized over 15 years, the tax credit compliance period.

Rental income

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

Debt issuance costs

Loan costs are being amortized to interest expense over the lives of the related loans. During the construction period, amortization of debt issuance costs is capitalized along with other interest costs into the basis of the rental property.

Advertising

The Company expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2022 and 2021 amounted to $46 and $314, respectively.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that 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.

Concentrations of credit risk

The Company maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). 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.

Reclassifications

Certain amounts from the 2021 financial statements have been reclassified to conform to the 2022 presentation. Total members equity and net loss are unchanged due to the reclassification.

Subsequent events evaluation

The Company evaluated the effect subsequent events would have on the financial statements through March 9, 2023, which is the date the financial statements were available to be issued.

2. Members' Capital Contributions

The managing member is required to make a capital contribution of $100, all of which had been contributed as of December 31, 2022 and 2021. The special investor member is required to make a capital contribution of $10, all of which remains payable as of December 31, 2022 and 2021. The investor member is required to make capital contributions of $9,149,085, subject to tax credit equity adjusters. As of December 31, 2022 and 2021, the investor member has contributed $9,149,085 and $9,095,525, respectively.

3. Notes Payable

Details of the note payable at December 31, 2022 and 2021 are as follows:

	2022	2021
Note payable to Prudential Affordable Mortgage Company, LLC ("Prudential"), in the amount of $4,300,000, bearing interest at 5.09% and maturing on January 1, 2040. Monthly payments of principal and interest of $21,949 are due beginning February 1, 2022 and continue annually until January 1, 2040 (the maturity date), at which time a balloon payment of $3,097,742, including all outstanding principal and accrued interest shall be due and payable. The permanent loan was funded in full at closing on December 30, 2021. For the years ended December 31, 2022 and 2021, interest expense amounted to $220,884 and $1,216, respectively. Accrued interest as of December 31, 2022 and 2021 was $18,675 and $0, respectively. Interest paid for the years ended December 31, 2022 and 2021 amounted to $202,209 and $1,216, respectively. Deferred loan costs amortized to interest expense amounted to $7,243 and $0 for the years ended December 31, 2022 and 2021, respectively. The loan is secured by a first lien Deed of Trust on the property.	**$ 4,260,770**	$ 4,300,000
Note payable to the City of Durham in the maximum amount of $3,600,000, with interest accruing at 2.5%. All principal and accrued interest under the loan shall be due in full upon maturity on January 1, 2051. During the year ended December 31, 2021, the Company received the final $360,000 of proceeds under the loan. For the years ended December 31, 2022 and 2021, interest incurred under the loan amounted to $90,000 and $84,700, of which $90,000 was expensed and $0 was capitalized during 2022, and $66,025 was expensed and $18,675 was capitalized during 2021. Accrued interest as of December 31, 2022 and 2021 was $222,500 and $132,500, respectively. The note is secured by the second lien Deed of Trust on the property.	**3,600,000**	3,600,000
	7,860,770	7,900,000
Less: unamortized debt issuance costs	**(123,128)**	(216,371)
Less: current maturities	**(44,555)**	(39,230)
	$ 7,693,087	$ 7,644,399

Total estimated principal maturities of the notes payable subsequent to December 31, 2022 are as follows:

2023	$ 44,555
2024	46,291
2025	49,356
2026	51,964
2027	54,710
Thereafter	7,613,894
	$ 7,860,770

4. Construction Loan Payable

The Company obtained a construction loan from First Horizon Bank in the maximum amount of $7,000,000, bearing interest at 3.68% per annum, for the purposes of constructing and developing the project. The construction loan required monthly interest only payments on the 15th day of each month, which began on September 15, 2020, with all remaining principal and interest due on the maturity date of July 15, 2022. Upon the closing of the project's first mortgage with Prudential on December 30, 2021, the construction loan and all outstanding accrued interest was paid in full. Total interest incurred under the loan for the year ended December 31, 2021 amounted to $186,993, including amortization of deferred financing fees of $9,765. Interest capitalized for the year ended December 31, 2021 amounted to $31,825. During the year ended December 31, 2021, interest paid amounted to $197,388.

5. Related-Party Transactions

Development fee

The Company incurred a development fee of $1,066,000 payable to Willard Street Developer, LLC, an affiliate of the managing member, for services rendered to the Company for overseeing the construction and development of the project. The DHIC portion amounted to $959,400 and the SHVF portion amounting to $106,600. As of December 31, 2022 and 2021, $1,066,000 has been incurred, of which $437,803 and $664,405 remained payable, respectively. The deferred portion of the development fee, as defined in the amended and restated operating agreement, shall be repaid out of available cash flow, as defined therein (see Note 8), and shall accrue interest at a rate of 2.50%. For the years ended December 31, 2022 and 2021, interest expense amounted to $7,395 and $0, respectively. Accrued interest as of December 31, 2022 and 2021 amounted to $7,395 and $0, respectively. Any unpaid portion of the development fee that has not been paid in full before the end of the tax credit compliance period for the first building to start the credit shall be due in full no later than such date.

Asset management fee

The Company is required to pay a cumulative, annual asset management fee equal to $3,500 to RBC Tax Credit Equity, LLC or its affiliate for an annual review of the operations of the Company. The asset management fee is to be paid quarterly in advance. Any unpaid fees shall accumulate and shall be payable out of available net cash flow, as defined in the amended and restated operating agreement (see Note 8). The fee commenced upon the date of substantial completion, July 26, 2021. Asset management fees of $3,500 and $1,458 were incurred during the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, asset management fees of $0 and $1,458, respectively, remained payable.

Managing member asset management fee

The Company is required to pay a cumulative, annual managing member asset management fee equal to $3,500 to the managing member for an annual review of the operations of the Company. The managing member asset management fee is payable annually from available net cash flow only, as defined in the amended and restated operating agreement (see Note 8). The fee commenced upon the date of substantial completion, July 26, 2021. Managing member asset management fees of $3,500 and $1,458 were incurred during the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, managing member asset management fees of $4,958 and $1,458, respectively, remained payable.

Incentive management fee

The Company has entered into an incentive management fee agreement with the managing member for its services in managing the business. This management fee is based on net cash flow of the Company, as defined (see Note 8), and is not cumulative. The fee is equal to 90% of net cash flow available for distribution after payment of other items that precede the incentive management fee in the net cash flow priority as set forth in the amended and restated operating agreement. No incentive management fees were incurred or paid during the years ended December 31, 2022 and 2021.

Sale of Commercial Unit to Affiliate

The Company executed a purchase and sale agreement with SHVF Ashton, LLC, an affiliate of the managing member, for the sale of the commercial unit of the project, consisting of the retail space located on the ground floor of the project. The cost of the retail space, excluding future upfits, is included in the construction contract. The agreed upon sales price for the unit of $3,593,866 was based on the projected cost of the commercial unit. In accordance with the purchase and sale agreement, an initial deposit of $2,500,000 was received by the Company on July 8, 2019, the closing date. An additional $750,000 deposit was required 6 months from the date of closing, which was received during the year ended December 31, 2020. The final payment of $343,866 was received at closing on March 24, 2021, following the completion of construction. The total actual cost of development for the commercial unit amounted to $3,686,799, resulting in a loss on sale in the amount of $92,933 reflected in the statement of operations for the year ended December 31, 2021.

6. Reserves

Replacement reserve

The operating agreement and the Prudential loan agreement require the Company to fund a replacement reserve using cash flow from operations, as defined. This reserve is utilized to fund major repairs, capital expenditures and replacements of capital items in the Project. In accordance with the operating agreement, reserve additions of $250 per unit per year, increasing at 4% each year, are required to be made in monthly installments, commencing upon the achievement of Substantial Completion, as defined. In accordance with the Prudential loan agreement, reserve additions of $325 per unit per year are required to be made in monthly installments, commencing with the monthly amortization of the principal and interest payments on the loan, in February 2022. The managing member shall not utilize the replacement reserve without written consent from the special investor member, as well as written consent from Prudential.

An analysis of the reserve for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Balance, beginning	**$ 15,377**	$ -
Funding	**26,206**	15,375
Interest earned, net of fees	**29**	2
Balance, ending	**$ 41,612**	$ 15,377

Operating reserve

The operating agreement requires the Company to fund an operating reserve account in the amount of $347,165 into a segregated reserve account to fund operating expenses in excess of operating revenues. The managing member shall not utilize the operating reserve without written consent from the investor member, as well as written consent from NCHFA. An analysis of the reserve for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Balance, beginning	**$ 347,165**	$ -
Funding	**-**	347,165
Interest earned, net of fees	**581**	-
Balance, ending	**$ 347,746**	$ 347,165

Lease-up reserve

The operating agreement requires the Company to establish a lease-up reserve fund of $28,700, no later than 90 days prior to the placement in service of the last unit of the project. The Company shall utilize the lease-up reserve to pay operating expenses to the extent funds are not available from other sources until the project has obtained 93% qualified occupancy, as defined in the operating agreement. Thereafter, the lease-up reserve account shall be closed and any balance remaining shall be transferred to the replacement reserve. The lease-up reserve was funded in the required amount of $28,700 during the year ended December 31, 2021. An analysis of the reserve for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Balance, beginning	**$ -**	$ -
Funding	**-**	28,700
Interest earned, net of fees	**-**	(28,700)
Balance, ending	**$ -**	$ -

7. Property Management Agreement

The Company has entered into a management agreement with Community Management Corporation (“CMC”), an unaffiliated management company, to provide property management services to the Project. The management agent shall be compensated an amount equal to 5.15% of gross operating revenues received from the preceding month. Such fee shall be paid out of the general operating account on the first of each month. The term of the agreement is from March 22, 2019 until March 21, 2022, but shall be automatically renewed for a period of three years unless, on or before 30 days prior to the expiration, there is mutual consent of both parties to terminate this agreement. An additional one-time leasing and rent-up fee is to be paid to the management agent to cover the agent’s staff costs, overhead, and travel time for the period prior to occupancy, in the amount of $300 per unit, to be earned throughout the process of initial occupancy. The management fee expense for the years ended December 31, 2022 and 2021 amounted to $39,500 and $49,032, respectively, inclusive of rent-up fees of $0 and $24,600, respectively.

8. Company Profits, Losses and Distributions

Distributable net cash flow is payable annually in the following order:

1. To the investor member until the aggregate amount of distributions made to the investor member for the current and all prior years equals the investor member's assumed tax liability for the current and all prior years;
2. To the investor member in an amount equal to any unpaid tax credit shortfall, for any outstanding investor member loans and for any other amounts due and owing to the investor member;
3. To the special investor member for any asset management fees that were not paid in full when due;
4. To the managing member until the aggregate amount of distributions made to the managing member for the current and all prior years equals the managing member's assumed tax liability for the current and all prior years;
5. To replenish the operating reserve to a minimum balance of $165,662;
6. To pay all amounts due under the development agreement;
7. To the managing member for any managing member asset management fees that were not paid in full when due;
8. To pay any outstanding operating deficit loans and management member loans based on respective balances of each;
9. 90% of the remaining net cash flow to the payment of the incentive management fee;
10. Thereafter, the balance to the members in accordance with their percentage interests, provided, however, that if the amount of the distribution to the investor member is less than 10% of the aggregate amount distributed for items number 7 (managing member asset management fees), 9 (incentive management fee) and 10, then the investor member shall receive a priority distribution in an amount such that, when added to the sum distributable to the investor member under item 10, shall equal 10% of the aggregate amount distributed pursuant to items 7, 9 and 10.

9. Contingencies, Risks and Uncertainties

The Company's sole asset is its 82-unit housing complex located in Durham, North Carolina. The Company's operations are concentrated in the affordable housing 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, including, but not limited to, the State Housing Agency. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the State Housing Agency. 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.

10. Operating Deficit Guarantee

DHIC guarantees Operating Deficit Guarantee to the maximum amount of $517,000 until (1) required debt service coverage sustained for 2 consecutive fiscal years, beginning not earlier than 2 years post stabilization and (2) permanent loan conversion and balance in operating reserve is $517,740.

Supplementary Information

Willard Street, LLC
Schedules of Income and Expenses
Years Ended December 31, 2022 and 2021 **(2 pages)**

	2022	2021
Rental income:		
Residential income	$ 783,387	$ 483,183
Interest income:		
Interest income	$ 729	$ 12
Other income:		
Application fees	$ 640	$ 3,340
Damages and cleaning	-	9,116
Late fees	5,342	2,060
Water and sewer recoveries	24,613	11,333
Other	9,178	7,974
	$ 39,773	$ 33,823
Administrative expenses:		
Office payroll and related expenses	$ 80,930	$ 61,482
Office supplies and expenses	7,086	13,663
Audit and accounting	14,732	7,303
Advertising	46	314
Legal	1,376	576
Telephone, internet and cable	50,887	28,002
Rent up expenses	-	5,062
Bad debts	2,597	-
Miscellaneous administrative	24,638	25,198
	$ 182,292	$ 141,600
Utilities:		
Electricity	$ 19,070	$ 17,779
Water and sewer	28,939	17,419
	$ 48,009	$ 35,198
Management fees:		
Property management fees - base fees	$ 39,500	$ 24,432
Rent-up fees	-	24,600
	$ 39,500	$ 49,032

Willard Street, LLC
Schedules of Income and Expenses
Years Ended December 31, 2022 and 2021 **(2 pages)**

	2022	2021
Repairs and maintenance:		
Repairs supplies and contracts	$ 46,321	$ 36,899
Repairs and maintenance payroll	55,944	6,389
Garbage and trash	17,573	5,425
Janitor and cleaning	2,150	2,399
Grounds maintenance	600	670
Security equipment and maintenance	10,796	-
Exterminating	2,208	1,365
Fire protection	1,265	3,737
	$ 136,857	$ 56,884
Taxes and insurance:		
Property and general liability insurance	$ 56,582	$ 50,526
Personal property taxes	6,810	750
	$ 63,392	$ 51,276
Interest expense - mortgage loans:		
Interest expense - First Horizon	$ -	$ 145,403
Interest expense - Prudential	220,884	1,216
Interest expense - City of Durham	90,000	66,025
Interest expense - developer fee	7,395	
Amortization of deferred financing costs	7,243	9,765
	$ 325,522	$ 222,409
Asset management fees	$ 3,500	$ 1,458
Managing member asset management fees	$ 3,500	$ 1,458
Organizational	$ -	$ 45,654
Loss on sale of commercial unit	$ -	$ 92,933
Depreciation	$ 707,676	$ 530,989
Amortization	$ 11,947	$ 11,947