

RTH Restoration Housing Limited Partnership

**Final Cost Certification
and Independent Auditor's Report**

December 31, 2016

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

RTH Restoration Housing Limited Partnership

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Independent Auditor's Report

Owner's Name: RTH Restoration Housing Limited Partnership

Project Name: Restoration Housing

Report on Final Cost Certification

We have audited the actual costs and adjusted eligible basis included in the accompanying Massachusetts Department of Housing and Community Development ("DHCD") Final Cost Certification (the "Final Cost Certification") of RTH Restoration Housing Limited Partnership (the "Owner") for Restoration Housing (the "Project") as of December 31, 2016.

Management's Responsibility for the Final Cost Certification

Management is responsible for the preparation and fair presentation of the Final Cost Certification in accordance with the financial reporting provisions and qualified allocation plan rules established by DHCD. Management is also responsible for 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 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 referred to above presents fairly, in all material respects, the actual costs and adjusted eligible basis of the Owner of the Project as of December 31, 2016, in accordance with financial reporting provisions and qualified allocation plan rules established by DHCD.

Basis of Accounting

We draw attention to the financial reporting provisions of DHCD, which require the Owner to account for actual costs and adjusted eligible basis in accordance with the basis of accounting the Owner uses for income tax purposes and to comply with the provisions of DHCD's qualified allocation plan, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information and use of Management, the Owner and DHCD and is not intended to be and should not be used by anyone other than these specified parties.

Other

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

CohnReznick LLP

Boston, Massachusetts
January 11, 2018

RTH Restoration Housing Limited Partnership

Schedule of Sources and Applications of Funds December 31, 2016

APPLICATIONS	Land	Building shell	Rehabilitation/ construction costs	Amortized and expensed costs	Non- deductible costs	Totals
Acquisition: Land	\$ 3,250,000	\$ -	\$ -	\$ -	\$ -	\$ 3,250,000
Acquisition: Building	-	11,650,000	-	-	-	11,650,000
SUBTOTAL ACQUISITION	3,250,000	11,650,000	-	-	-	14,900,000
Direct construction	-	-	10,584,227	-	-	10,584,227
SUBTOTAL CONSTRUCTION	-	-	10,584,227	-	-	10,584,227
General development costs						
Architectural and engineering	-	-	739,811	-	-	739,811
Surveys and permits	-	-	35,685	-	-	35,685
Clerk of the works	-	-	88,272	-	-	88,272
Environmental engineer	-	-	31,814	-	-	31,814
Legal	2,294	8,223	92,765	134,804	6,368	244,454
Title and recording	11,814	41,887	69,159	-	-	122,860
Accounting	-	-	-	36,000	-	36,000
Appraisal	484	1,736	2,280	-	-	4,500
Construction loan interest	-	-	384,896	-	-	384,896
Inspecting engineer	-	-	37,836	-	-	37,836
Financing fees	-	-	138,450	77,078	-	215,528
Tax credit fees	-	-	-	36,532	-	36,532
Syndication costs	-	-	-	-	91,250	91,250
Development consulting	-	-	262,175	-	-	262,175
Bond fees	-	-	-	412,350	-	412,350
Relocation	-	-	761,649	-	-	761,649
Miscellaneous	-	-	18,324	-	-	18,324
Landscape and plantings	-	-	213,945	-	-	213,945
Replacement reserve	-	-	-	-	1,634,293	1,634,293
Operating reserve	-	-	-	-	1,197,027	1,197,027
Furnishings	-	-	10,749	-	-	10,749
SUBTOTAL GENERAL DEVELOPMENT COSTS	14,592	51,846	2,887,810	696,764	2,928,938	6,579,950
Developer fees						
Developer fee	43,407	155,601	1,823,568	-	-	2,022,576
SUBTOTAL DEVELOPER FEES	43,407	155,601	1,823,568	-	-	2,022,576
TOTAL APPLICATIONS OF FUNDS	\$ 3,307,999	\$ 11,857,447	\$ 15,295,605	\$ 696,764	\$ 2,928,938	\$ 34,086,753
SOURCES						
Investor equity						\$ 11,850,685
Deferred developer fee						372,500
Sponsor reserve loan						1,634,293
MHP loan						7,715,000
Sponsor loan						9,980,879
State HTC loan						1,827,500
Operating income						705,896
TOTAL SOURCES OF FUNDS						\$ 34,086,753

See Notes to Schedules.

RTH Restoration Housing Limited Partnership
Schedule of Eligible Low-Income Tax Credit Basis
December 31, 2016

	Acquisition credit	Rehabilitation credit
Total depreciable costs	\$ 11,857,447	\$ 15,295,605
Less: Costs allocated to commercial space	-	-
Total depreciable residential costs	11,857,447	15,295,605
Less: 20% historic rehabilitation credit basis reduction	-	(2,836,851)
Less: Nonqualified financing sources	-	-
Subtotal: Eligible basis	11,857,447	12,458,754
Hard to develop area multiplier 130%	100%	130%
Eligible low-income credit basis	<u>\$ 11,857,447</u>	<u>\$ 16,196,380</u>
Eligible low-income credit basis	\$ 11,857,447	\$ 16,196,380
Low-income percentage **	<u>90.25%</u>	<u>90.25%</u>
Qualified basis **	10,672,650	14,617,975
Credit rate	<u>3.21%</u>	<u>3.21%</u>
Credit earned	<u>\$ 342,592</u>	<u>\$ 469,237</u>

** The Qualified Low Income Occupancy Percentage listed on this schedule is based on the ratio of the number of qualified low-income units to the aggregate number of units in the Project. The Qualified Low Income Occupancy Percentage used to compute the Qualified Low Income Tax Credit Basis is based on the lower of the Unit Fraction or Square Footage Fraction for each building within the Project (see Schedule of Credit Allocation by Building).

RTH Restoration Housing Limited Partnership

Schedule of Eligible Low-Income Tax Credit Basis December 31, 2016

Acquisition			Unit fraction			Square footage fraction			Lesser % of units or sq. ft.	Acquisition eligible basis	Qualified basis	Credit rate	Calculated credits
Building address	Placed in service	BIN	LIHTC units	Total units	LIHTC units/ Total units	LIHTC square footage	Total square footage	LIHTC SF/ Total SF					
24 Fenwood Road	12/11/15	MA17-10165	5	5	100.00%	4,102	4,102	100.00%	100.00%	\$ 570,592	\$ 570,592	3.21%	\$ 18,316
30 Fenwood Road	12/11/15	MA17-10166	5	5	100.00%	3,893	3,893	100.00%	100.00%	796,573	796,573	3.21%	25,570
32 Fenwood Road	12/11/15	MA17-10167	5	5	100.00%	3,528	3,528	100.00%	100.00%	763,084	763,084	3.21%	24,495
36 Fenwood Road	12/11/15	MA17-10168	4	4	100.00%	3,562	3,562	100.00%	100.00%	675,140	675,140	3.21%	21,672
40 Fenwood Road	12/11/15	MA17-10169	5	5	100.00%	3,659	3,659	100.00%	100.00%	686,324	686,324	3.21%	22,031
44 Fenwood Road	12/11/15	MA17-10170	5	5	100.00%	3,796	3,796	100.00%	100.00%	684,548	684,548	3.21%	21,974
50 Fenwood Road	12/11/15	MA17-10171	4	5	80.00%	3,126	3,629	86.14%	80.00%	743,793	595,047	3.21%	19,101
51 Fenwood Road	12/11/15	MA17-10172	4	5	80.00%	2,664	3,907	68.19%	68.19%	697,353	475,483	3.21%	15,263
52 Fenwood Road	12/11/15	MA17-10173	3	3	100.00%	3,293	3,293	100.00%	100.00%	729,470	729,470	3.21%	23,416
53 Fenwood Road	12/11/15	MA17-10174	5	6	83.33%	2,974	3,706	80.25%	80.25%	586,076	470,312	3.21%	15,097
54 Fenwood Road	12/11/15	MA17-10175	6	6	100.00%	4,183	4,183	100.00%	100.00%	698,879	698,879	3.21%	22,434
55 Fenwood Road	12/11/15	MA17-10176	4	4	100.00%	3,198	3,198	100.00%	100.00%	784,019	784,019	3.21%	25,167
56 Fenwood Road	12/11/15	MA17-10177	5	6	83.33%	2,793	3,373	82.81%	82.81%	709,280	587,321	3.21%	18,853
57 Fenwood Road	12/11/15	MA17-10178	2	4	50.00%	2,159	3,741	57.71%	50.00%	659,796	329,907	3.21%	10,590
36 Francis Street	12/11/15	MA17-10179	2	3	66.67%	2,745	4,181	65.65%	65.65%	717,909	471,340	3.21%	15,130
52 Francis Street	12/11/15	MA17-10180	6	6	100.00%	3,692	3,692	100.00%	100.00%	655,732	655,732	3.21%	21,049
24 St. Albans Road	12/11/15	MA17-10164	4	4	100.00%	2,861	2,861	100.00%	100.00%	698,879	698,879	3.21%	22,434
			<u>74</u>	<u>81</u>	91.36%	<u>56,228</u>	<u>62,304</u>	90.25%		<u>\$ 11,857,447</u>	<u>\$ 10,672,650</u>		<u>\$ 342,592</u>

RTH Restoration Housing Limited Partnership

Schedule of Eligible Low-Income Tax Credit Basis December 31, 2016

Rehabilitation			Unit fraction			Square footage fraction			Lesser % of units or sq. ft.	Rehabilitation eligible basis	HTC reduction	QCT / DDA	Qualified basis	Credit rate	Calculated credits
Building address	Placed in service	BIN	LIHTC units	Total units	LIHTC units/ Total units	LIHTC square footage	Total square footage	LIHTC SF/ Total SF							
24 Fenwood Road	1/1/16	MA17-10165	5	5	100.00%	4,102	4,102	100.00%	100.00%	\$ 1,011,511	\$ (166,021)	130%	\$ 1,099,128	3.21%	\$ 35,282
30 Fenwood Road	1/1/16	MA17-10166	5	5	100.00%	3,893	3,893	100.00%	100.00%	879,696	(168,505)	130%	924,548	3.21%	29,678
32 Fenwood Road	1/1/16	MA17-10167	5	5	100.00%	3,528	3,528	100.00%	100.00%	858,508	(164,490)	130%	902,212	3.21%	28,961
36 Fenwood Road	1/1/16	MA17-10168	4	4	100.00%	3,562	3,562	100.00%	100.00%	1,092,226	(211,815)	130%	1,144,548	3.21%	36,740
40 Fenwood Road	1/1/16	MA17-10169	5	5	100.00%	3,659	3,659	100.00%	100.00%	821,646	(157,626)	130%	863,240	3.21%	27,710
44 Fenwood Road	1/1/16	MA17-10170	5	5	100.00%	3,796	3,796	100.00%	100.00%	1,163,424	(190,784)	130%	1,264,424	3.21%	40,588
50 Fenwood Road	1/1/16	MA17-10171	4	5	80.00%	3,126	3,629	86.14%	80.00%	864,425	(165,801)	130%	726,573	3.21%	23,323
51 Fenwood Road	1/1/16	MA17-10172	4	5	80.00%	2,664	3,907	68.19%	68.19%	791,773	(151,577)	130%	567,477	3.21%	18,216
52 Fenwood Road	1/1/16	MA17-10173	3	3	100.00%	3,293	3,293	100.00%	100.00%	960,192	(185,049)	130%	1,007,695	3.21%	32,347
53 Fenwood Road	1/1/16	MA17-10174	5	6	83.33%	2,974	3,706	80.25%	80.25%	806,077	(155,175)	130%	679,034	3.21%	21,797
54 Fenwood Road	1/1/16	MA17-10175	6	6	100.00%	4,183	4,183	100.00%	100.00%	817,466	(156,706)	130%	859,003	3.21%	27,574
55 Fenwood Road	1/1/16	MA17-10176	4	4	100.00%	3,198	3,198	100.00%	100.00%	832,145	(159,078)	130%	874,984	3.21%	28,087
56 Fenwood Road	1/1/16	MA17-10177	5	6	83.33%	2,793	3,373	82.81%	82.81%	996,234	(173,068)	130%	886,106	3.21%	28,444
57 Fenwood Road	1/1/16	MA17-10178	2	4	50.00%	2,159	3,741	57.71%	50.00%	893,981	(150,097)	130%	483,520	3.21%	15,521
36 Francis Street	1/1/16	MA17-10179	2	3	66.67%	2,745	4,181	65.65%	65.65%	823,771	(157,842)	130%	568,380	3.21%	18,245
52 Francis Street	1/1/16	MA17-10180	6	6	100.00%	3,692	3,692	100.00%	100.00%	820,323	(157,563)	130%	861,589	3.21%	27,657
24 St. Albans Road	1/1/16	MA17-10164	4	4	100.00%	2,861	2,861	100.00%	100.00%	862,207	(165,654)	130%	905,514	3.21%	29,067
			<u>74</u>	<u>81</u>	91.36%	<u>56,228</u>	<u>62,304</u>	90.25%		<u>\$ 15,295,605</u>	<u>\$ (2,836,851)</u>		<u>\$ 14,617,975</u>		<u>\$ 469,237</u>

See Notes to Schedules.

RTH Restoration Housing Limited Partnership

**Schedule of Anticipated Receipts and Related Disbursements of Development Funds
December 31, 2016**

In accordance with obligations entered into between the developer, the Investor Limited Partner and the Partnership, the General Partner believes that the following schedule depicts the anticipated receipts and related disbursements of development funds subsequent to the filed date of this report.

	Per Cost Certification	Paid/Rec'd to date	To be Paid/ Received	1	2	3	4
Investor equity	\$ 11,850,685	\$ 1,406,771	\$ 10,443,914	\$ 1,074,290	\$ 8,833,053	\$ 536,571	\$ -
Deferred developer fee	372,500	-	372,500	-	-	-	372,500
Sponsor reserve loan	1,634,293	1,634,293	-	-	-	-	-
MHP loan	7,715,000	-	7,715,000	-	7,715,000	-	-
Sponsor loan	9,980,879	9,980,879	-	-	-	-	-
Construction loan	16,800,000	16,800,000	-	-	-	-	-
Repay construction loan	(16,800,000)	-	(16,800,000)	-	(16,800,000)	-	-
State HTC loan	1,827,500	-	1,827,500	-	1,827,500	-	-
Operating income	705,896	-	705,896	-	705,896	-	-
TOTAL SOURCES OF FUNDS	\$ 34,086,753	\$ 29,821,943	\$ 4,264,810	\$ 1,074,290	\$ 2,281,449	\$ 536,571	\$ 372,500
Unrestricted developer fee	\$ 1,650,076	\$ -	\$ 1,650,076	\$ 638,788	\$ 1,011,288	\$ -	\$ -
Restricted developer fee	372,500	-	372,500	-	-	-	372,500
Other project costs	32,064,177	29,821,943	2,242,234	435,502	1,270,161	536,571	-
TOTAL USES	\$ 34,086,753	\$ 29,821,943	\$ 4,264,810	\$ 1,074,290	\$ 2,281,449	\$ 536,571	\$ 372,500

1. The Second Installment in the amount of \$1,074,290 shall be received on the later to occur of (a) the Completion Date (b) the date on which the General Partner makes an election under Section 168(h)(6)(F)(ii) of the Code so that no part of the Project shall constitute "tax exempt use property" within the meaning of Section 168(h) of the Code, or (c) October 1, 2016.
2. The Third Installment in the amount of \$8,833,053 shall be received on the later to occur of (a) the Initial Occupancy Date, (b) achievement of 93% occupancy of the Low Income Units by Qualified Tenants for a period of three consecutive calendar months, (c) a draft Cost Certification, (d) achievement of a 115% Debt Service Coverage Ratio for each of three consecutive calendar months (e) Final Closing, (f) receipt by the Investor Limited Partner of written sign off from the ISD as evidence of the approval of the completion of the rehabilitation of each Building in the Project, (g) receipt of Part 3 Approval, (h) delivery of a copy of an executed note evidencing the deferred developer fee, or (i) November 1, 2016.
3. The Fourth Installment in the amount of \$536,571 shall be received on the later to occur of (a) receipt by the Investor Limited Partner of copies of the properly executed Forms 8609 with respect to all of the Buildings comprising the Project, (b) receipt of a properly recorded Extended Use Agreement, (c) Cost Certification, (d) determination by the Accountants of the Final Tax Credit Amount, (e) receipt by the Investor Limited Partner of a copy of the tax credit compliance audit report, (f) receipt of the Part 3 Approval, if not previously collected in connection with payment of the Third Installment, (g) evidence the state review board of the Massachusetts Historical Commission has approved the nomination of the Francis Street-Fenwood Road National Register Historic District for listing on the National Register of Historic Places, (h) receipt of the NPS listing of the Francis Street-Fenwood Road National Register Historic District on the National Register of Historic Places, or (i) January 1, 2017.
4. Repayment of deferred developer fee shall be paid solely from net cash flow, as defined in the Operating Agreement.

See Notes to Schedules.

Schedule of Uses of Development Fee and Interest
December 31, 2016

Schedule of Uses of Development Fee

Pursuant to the Contracts entered into between the developer and the Partnership, the general partner believes that the following schedule depicts the required uses of the development fee:

Total developer fee		\$ 2,022,576
Less:		
Advanced to partnership	\$ -	
General partner capital requirement	-	
Development fee note paid from operating cash flow and residuals	372,500	
Third party escrows	<u>-</u>	
Total restricted development fees		<u>372,500</u>
Total unrestricted funds to be received by developer		<u><u>\$ 1,650,076</u></u>

See Notes to Schedules.

RTH Restoration Housing Limited Partnership

Notes to Schedules December 31, 2016

Note 1 - Organization and significant accounting policies

Organization

RTH Restoration Housing Limited Partnership (the "Partnership") was formed as a limited partnership under the laws of the Commonwealth of Massachusetts on March 5, 2015 for the purpose of acquiring, rehabilitating and operating 81 rental housing units located in Boston, MA (the "Project"). The Project is currently operating under the name of Restoration Housing. The Company acquired the Project on December 11, 2015.

Net profits, net losses and tax credits are allocated 99.99% to the investor limited partner, Bank of America, N.A., 0.01% to the general partner, RTH Restoration Housing GP, Inc., and 0% to the special limited partner, Banc of America CDC Special Holding Company, Inc.

The term of the Partnership shall continue until December 1, 2065 unless dissolved prior to such date in accordance with the provisions of the Amended and Restated Agreement of Limited Partnership ("Partnership Agreement").

Each building of the Project has qualified for and been allocated low-income housing 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 in order to remain qualified to receive the credits. In addition, the Partnership will execute an Extended Use Agreement which requires the utilization of the Project pursuant to Section 42 for a minimum of 30 years, even if the Partnership disposes of the Project.

The Company will receive federal low-income housing tax credits from the Department of Housing and Community Development ("DHCD") based on qualified acquisition and rehabilitation costs. Federal tax credits are estimated to be an annual amount of \$811,829. The federal tax credits will begin in 2016 and continue through 2026, and will be prorated in the first year based on qualified occupancy.

The Project is expected to qualify for federal and state historic tax credits in 2016, upon completion of the rehabilitation of the Project. The federal credit will be calculated at 20% of qualified rehabilitation costs, and is expected to approximate \$2,836,851. The state credit will be calculated at 20% of qualified rehabilitation costs up to an allocated amount of \$2,150,000. The historic credits are subject to recapture during the five-year period following the completion of rehabilitation.

On December 11, 2015, the Partnership acquired the Project, comprising multiple buildings, from an affiliate of the general partner for a purchase price of \$14,900,000.

Basis of presentation

The accompanying Final Cost Certification has been prepared utilizing the format prescribed by DHCD, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The purpose of the Final Cost Certification is to facilitate the review and determination of the Project's qualified basis.

RTH Restoration Housing Limited Partnership

Notes to Schedules December 31, 2016

Note 2 - Financing

Construction loan

The Partnership obtained construction financing in the amount of \$16,800,000 through the issuance of tax exempt bonds by the Massachusetts Development Finance Agency. The Multifamily Housing Revenue Bonds Series 2015 bear interest at 1.05% per annum and mature on November 1, 2017. Semi-annual payments of interest-only are due through maturity, at which time the outstanding principal and any accrued interest are due and payable.

The bonds are secured by a first priority mortgage lien on the property and a guaranty from an affiliate of the general partner. Additionally, Bank of America, N.A. has issued an irrevocable direct pay letter of credit for the benefit of the bond trustee ("U.S. Bank") to secure the Partnership's obligation to make the payment on the bonds. The direct pay letter of credit is in the amount of \$16,898,000, which equals the outstanding balance of the bonds plus 200 days of interest.

Interest and letter of credit fees incurred as of December 31, 2016 were \$384,896, all of which was capitalized to the rehabilitation costs. As of December 31, 2016, the outstanding principal balance on the bonds is \$16,800,000.

In June 2017, the construction loan was paid in full.

First mortgage loan

Permanent first mortgage financing will be provided by the Massachusetts Housing Partnership Fund Board ("MHP") in the amount of \$7,715,000. The loan will bear interest at 5.08% per annum, require monthly payments of \$41,794 based on a 30-year amortization period, and mature 16 years from the date of receipt. The loan will be secured by the property. As specified in the loan agreement, the Project will be required to maintain minimum debt service ratios throughout the loan term.

In June 2017, the Partnership received the proceeds of the MHP permanent loan.

State HTC loan

The Partnership entered into a financing agreement with Madison Park Development Corporation ("MPDC") in the original amount of \$2,082,500. Funding of this loan will be provided by MPDC's sale of the Project's state historic tax credits which will be donated to MPDC by the general partner pursuant to a State Historic Tax Credit Charitable Donation and Transfer Agreement. The amount of the loan is subject to adjustment depending on the final amount of the state historic tax credits allocated to the Project. It is currently anticipated that the amount of the loan will be reduced to \$1,827,500, due to a reduction in the amount of state historic tax credits allocated to the Project. The loan is secured by the property and bears interest at .10% per annum. Annual payments are due on the loan from available cash flows as prioritized by the Partnership Agreement. The principal balance and accrued interest shall be due and payable at maturity on December 31, 2057. As of December 31, 2016, no principal has been drawn on this loan.

In June 2017, the Partnership received the proceeds of the State HTC loan.

RTH Restoration Housing Limited Partnership

Notes to Schedules December 31, 2016

Seller loan

The Partnership entered into a financing agreement with Restoration Housing Corporation (the property seller and affiliate of the general partner) in the original amount of \$9,980,879. The loan is secured by the property and is divided into two tranches. Tranche A is in the amount of \$5,000,000 and bears interest at 4.15%, compounded annually. Tranche B is in the amount of \$4,980,879 and bears interest at 3.80%, compounded annually. Payments on the seller loan shall be made as follows:

- A) a partial payment shall be due in an amount equal to all loan proceeds in excess of \$1,827,500 if any, advanced under the State HTC loan;
- B) monthly payments of \$15,000 commencing after all obligations due under the Reimbursement Agreement between the Partnership and Bank of America, N.A. have been satisfied.
- C) on or before June 30 of each year, a payment from the Project's cash flow as prioritized in the Partnership Agreement; and
- D) all outstanding principal and accrued interest are due on the maturity date of December 31, 2057.

The promissory note details the application of payments between Tranches A and B for the clauses listed above, as they differ for each clause.

As of December 31, 2016, the outstanding principal balance and accrued interest was \$9,980,879 and \$421,286, respectively. The accrued interest and interest costs are not included in the accompanying schedules.

Reserve loan

Roxbury Tenants of Harvard Association, Inc. ("RTH", an affiliate of the general partner) provided a loan in the amount of \$1,634,293 to the Project, which was used to fund the replacement reserve. The loan is noninterest-bearing, secured by the property and matures on December 31, 2057. Annual payments are due from available cash flow as prioritized in the Partnership Agreement. As of December 31, 2016, the outstanding principal balance on the reserve loan was \$1,634,293.

Note 3 - Escrow deposits and restricted reserves

In accordance with the Partnership Agreement and permanent mortgage lender requirements, the Partnership is required to establish and maintain the following reserves:

Replacement reserve

On or before the Permanent Mortgage Commencement, as defined, the Partnership will receive the Sponsor Reserve Loan and use the proceeds of such loan to fund the replacement reserve in the amount of \$1,634,293. From and after the Permanent Mortgage Commencement, as defined, the Project shall fund the replacement reserve with monthly deposits of \$13,500. As of December 31, 2016, the replacement reserve balance was \$1,634,293.

RTH Restoration Housing Limited Partnership

Notes to Schedules December 31, 2016

Operating reserve

The Partnership shall fund an operating reserve from the proceeds of the investor limited partner's third installment in the amount of \$1,197,027. Funds held in the operating reserve may be released to pay operating expenses and require consent of the investor limited partner. The operating reserve shall be maintained throughout the Compliance Period, as defined. As of December 31, 2016, the operating reserve was not funded.

Bond reserves

At Project acquisition, proceeds of the bonds were deposited into various reserves held by the trustee, U.S. Bank. Such funds held in trust are disbursed on a regular basis upon the submission of the requisitions for payments of approved development/construction costs. As of December 31, 2016, the balance of the funds held in trust was \$1,025,619.

Note 4 - Capital contributions

Capital contributions in the original amount totaling \$12,030,308 are due from the investor limited partner as certain milestones are achieved as disclosed in the Partnership Agreement. It is currently estimated that a downward capital adjuster of \$179,623 will be required to reduce the amount of capital contributions received. As of December 31, 2016, the investor limited partner funded capital contributions totaling \$1,406,771. The remaining balance will be paid in accordance with the terms of the Partnership Agreement.

The investor limited partner contributions may be reduced by any tax credit shortfall, as calculated in accordance with the Partnership Agreement.

The general partner and the special limited partner are required to make capital contributions totaling \$100 and \$0, respectively.

Note 5 - Related party transactions

Development fee

The Partnership has entered into a development agreement with RTH. The agreement provides for a development fee in the amount of \$2,022,576 for services performed during rehabilitation of the Project. The fee will be paid from capital contributions and net cash flow. It is expected that \$372,500 will be deferred, bear interest at the long-term applicable federal rate for the month in which project completion occurs (2.26%) and be payable from net cash flow as prioritized in the Partnership Agreement. All amounts will be due and payable by the 13th anniversary of project completion. As of December 31, 2016, fees of \$2,022,576 were incurred, of which \$2,022,576 remain payable.

Note 6 - Contingencies

Tax credit compliance

The Project's federal 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 federal tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor limited partner.

RTH Restoration Housing Limited Partnership

Notes to Schedules December 31, 2016

Construction contract

The Partnership has entered into a construction contract with an unrelated third party general contractor, in connection with the rehabilitation of the Project. The adjusted contract amount, including additive change orders, totals \$10,584,227, all of which has been incurred and capitalized to the rental property, and \$1,951,180 remains payable as of December 31, 2016.

Note 7 - Subsequent events

Events that occur after the final cost certification date but before the final cost certification was issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the final cost certification date are recognized in the accompanying final cost certification. Subsequent events which provide evidence about conditions that existed after the cost certification date require disclosure in the accompanying notes. Management evaluated the activity of the Partnership through January 11, 2018 (the date the final cost certification was available to be issued) and concluded that no subsequent events have occurred that would require recognition in the final cost certification or disclosure in the notes to schedules, except as disclosed below and in Note 2.

In June 2017, the construction loan was paid in full and the Partnership received the permanent loan and State HTC loan proceeds.

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