

**Independent Accountant's Report on  
Applying Agreed-Upon Procedures**

**1830 Spring Branch Dr LLC**

**July 25, 2017**



Independent Accountant's Report on  
Applying Agreed-Upon Procedures

To:

Tennessee Housing Development Agency (THDA)  
404 James Robertson Parkway, Suite 1114  
Nashville, TN 37243

And

Brian Harvey  
1830 Spring Branch Dr LLC  
c/o GVA Property Management  
302 Apple Creek  
Georgetown, TX 78626

Re: Spring Branch Apartments (the Project)

At the request of the general partner of the Owner, we have performed certain procedures as enumerated below which were agreed to by the general partner of the Owner and in accordance with THDA requirements with respect to the computations and Exhibit A and Worksheets A through E of Exhibit A (collectively, the Supporting Schedules) supplied to us and attached to this report as well as other records and information supplied to us. These procedures were performed solely to assist you with respect to whether the appropriate items and amounts were included in the calculation of the Qualified Contract Price of the Project as of July 25, 2017 in accordance with Internal Revenue Code (IRC) Section 42(h)(6)(F) through (H) and Treasury Regulation (Treas. Reg.) Section 1.42-18(c)(1) through (6) (the Calculation). Management of the Owner is responsible for preparation of the Calculation and its records supporting the Calculation. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Owner and THDA. Consequently, we make no representations regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and findings identified were as follows:

**A) Worksheet A – Calculation of Outstanding Indebtedness With Respect to the Low-Income Building(s) [IRC Section 42(h)(6)(F)(i)(I) and Treas. Reg. Section 1.42-18(c)(3)]**

1. We compared the outstanding balance of the mortgage payable to the outstanding balance on the audited financial statements obtained from the Owner.

**We compared the outstanding balance of the mortgage payable to the outstanding balance on the unaudited financial statements dated July 25, 2017 obtained from the Owner. No exceptions were noted.**

2. We recalculated “total indebtedness”.

**No exceptions were noted.**

3. We recalculated the Outstanding Indebtedness Limitation for original non-Qualifying Building Costs funded by the total indebtedness.

**No exceptions were noted.**

4. We compared the Qualifying Building Costs in accordance with Treas. Reg. Sections 1.42-18(b)(4)(i) and 1.42-18(b)(4)(ii) to the eligible building and other depreciable assets as reflected on the cost certification obtained from the Owner.

**No exceptions were noted.**

5. We recalculated the limitations for original non-Qualifying Building Costs funded by the total indebtedness.

**No exceptions were noted.**

6. We compared the additional Qualifying Building Costs in accordance with Treas. Reg. Section 1.42-18(b)(4)(iii) to fixed asset additions as reflected in tax returns obtained from the Owner.

**No exceptions were noted.**

7. We recalculated total Qualifying Building Cost Limitation.

**No exceptions were noted.**

8. We agreed the Outstanding Indebtedness was the lesser of the Outstanding Indebtedness Limitation, as recalculated in procedure 3 above, and the Qualifying Building Cost Limitation as recalculated in procedure 7 above.

**No exceptions were noted.**

**B) Worksheet B – Calculation of Adjusted Investor Equity in the Low-Income Building [IRC Section 42(h)(6)(F)(i)(II) and Treas. Reg. Section 1.42-18(c)(4)]**

1. We compared the unadjusted investment amount for each year to the capital contributions in each year's audited financial statement obtained from the Owner.

**We compared the unadjusted investment amount for each year to the capital contributions in each year's audited financial statement from 2002 to 2016 and unaudited balance sheet dated July 25, 2017 obtained from the Owner. No exceptions were noted.**

2. We recalculated the cost-of-living adjustment percentage for each year by dividing the CPI-U index for the Base Calendar Year by the CPI-U index for the 'as of' date, the Base Calendar Year as established pursuant to the definition of Base Calendar Year under IRC Sec. 42(h)(6)(G)(i) and Treas. Reg. Section 1.42-18(c)(4)(iv) and adjusting for CPI-U annual increases exceeding 5% under IRC Sec. 42(h)(6)(G)(ii) and Reg. 1.42-18(c)(4)(vi)(D) (CPI-U factors obtained from the Department of Labor CPI report) and subtracting 1 (one) from the result.

**No exceptions were noted.**

3. We recalculated the adjusted investment amount for each year by multiplying each year's unadjusted investment amount by the cost-of-living adjustment percentage applicable to such year and adding the product to the unadjusted investment amount for each applicable year.

**No exceptions were noted.**

4. We recalculated the total adjusted investor equity by adding the adjusted investment amount for each year.

**No exceptions were noted.**

5. We recalculated the reduction for non-Qualifying Building Costs funded by the investment amount.

**No exceptions were noted.**

**C) Worksheet C – Calculation of Other Capital Contributions [IRC Section 42(h)(6)(F)(i)(III) and Treas. Reg. Section 1.42-18(c)(5)]**

1. We compared the investment amount for each year to the 'other capital contributions' in each year's audited financial statement obtained from the Owner.

**We compared the investment amount for each year to the 'other capital contributions' in each year's audited financial statement from 2002 to 2016**

**and unaudited balance sheet dated July 25, 2017 obtained from the Owner. No exceptions were noted.**

**D) Worksheet D – Calculation of Cash Distributions From or Available From the Project [IRC Section 42(h)(6)(F)(ii) and Treas. Reg. Section 1.42-18(c)(6)]**

1. We compared the total distribution amount for each year to the distributions per each year's audited financial statement obtained from the Owner.

**We compared the total distribution amount for each year to the distributions per each year's audited financial statement from 2002 to 2016 and unaudited balance sheet dated July 25, 2017 obtained from the Owner. No exceptions were noted.**

2. We compared the total cash available for distribution to the cash balances per the balance sheet in the most recent audited financial statement and obtained a representation from the Owner that the amounts excluded as cash available for distribution remain with the building following the sale.

**We compared the total cash available for distribution to the cash balances per the balance sheet in the unaudited financial statement dated July 25, 2017 and obtained a representation from the Owner that the amounts excluded as cash available for distribution remain with the building following the sale. No exceptions were noted.**

**E) Worksheet E – Fair market value of non low-income portion of the building [IRC Sec. 42(h)(6)(F)]**

1. We compared the Fair Market Value of the non low-income portion of the building to the property appraisal obtained from the Owner.

**No exceptions were noted.**

**F) Exhibit A - Calculation of Qualified Contract Price**

1. We compared the component amounts of the Qualified Contract Price as presented on Exhibit A to the applicable supporting schedule (Worksheets A through E of Exhibit A).

**No exceptions were noted.**

2. We compared the applicable fraction as presented on Exhibit A to the Extended Low-Income Housing Agreement obtained from the Owner.

**No exceptions were noted.**

3. We recalculated the Qualified Contract Price as \$8,406,670 presented on Exhibit A.

**No exceptions were noted.**

We were not engaged to, and did not perform an audit or examination, the objective of which would be the expression of an opinion or conclusion on the calculation of the Qualified Contract Price and Supporting Schedules. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report is intended solely for the information and use of the Owner and THDA and is not intended to be and should not be used by anyone other than these specified parties.

*Tidwell Group, LLC*

Birmingham, Alabama  
August 25, 2017

**Spring Branch Apartments  
Worksheet A  
July 25, 2017**

**Calculation of Outstanding Indebtedness With Respect to Low-Income Building(s)\*  
IRC Section 42 (h)(6)(F) and Treas. Reg. Section 1.42-18(c)(3)**

**First Mortgage Loan:**

Lender:	<input type="text" value="Suntrust Bank"/>	
Principal Balance		<input type="text" value="\$ 4,450,000"/>
Accrued Interest		<input type="text" value="\$ -"/>
Maturity Date	<input type="text" value="8/1/2024"/>	
Other information	<input type="text" value="Interest Rate at 3.88% annually"/>	
	Subtotal	<input type="text" value="\$ 4,450,000"/>

**Second Mortgage Loan:**

Lender:	<input type="text"/>	
Principal Balance		<input type="text" value="\$ -"/>
Accrued Interest		<input type="text"/>
Maturity Date	<input type="text"/>	
Other Information	<input type="text"/>	
	Subtotal	<input type="text" value="\$ -"/>

**Third Mortgage Loan:**

Lender:	<input type="text"/>	
Principal Balance		<input type="text" value="\$ -"/>
Accrued Interest		<input type="text" value="\$ -"/>
Maturity Date	<input type="text"/>	
Other Information	<input type="text"/>	
	Subtotal	<input type="text" value="\$ -"/>

**Other Indebtedness:**

Lender:	<input type="text"/>	
Principal Balance		<input type="text"/>
Accrued Interest		<input type="text" value="\$ -"/>
Maturity Date	<input type="text"/>	
Other Information	<input type="text"/>	
	Subtotal	<input type="text" value="\$ -"/>

**Other Indebtedness:**

Lender:	<input type="text"/>	
Principal Balance		<input type="text"/>
Accrued Interest		<input type="text" value="\$ -"/>
Maturity Date	<input type="text"/>	
Other Information	<input type="text"/>	
	Subtotal	<input type="text" value="\$ -"/>

Total Indebtedness

Total Indebtedness with Respect to Building(s)

Qualifying Building Cost Limitation

**Total Indebtedness with Respect to Low-Income Portion of the Building(s)**

See Independent Accountant's Report.

**Spring Branch Apartments  
Worksheet B  
July 25, 2017  
Calculation of Adjusted Investor Equity In the Low-Income Building(s)  
IRC Section 42 (h)(6)(F)(i)(II)**

The Cost of Living Adjustment is calculated using the Base Calendar Year as the beginning point for the adjustment. Base Calendar Year means the calendar year with or within which the first taxable year of the credit period ends.

F = Fiscal or C = Calendar Year

Base Year for Adjustments

On what year-end tax return did the property first claim credits?

Cost of Living Adjustment for Base Year

C
2002
2002
33.5660%

Year	General Partner(s)/ Managing Member(s)	Limited Partner (s)/ Investor Member (s)	Other Partner (s) / Other Member (s)	Total Investor Equity Contribution	Cost of Living Adjustment	Total Adjusted Investor Equity Contribution
2000	\$ 100	\$ 241,080	\$ -	\$ 241,180	33.5660%	\$ 322,134
2001	-	1,045,836	-	1,045,836	33.5660%	1,396,881
2002	-	342,066	-	342,066	33.5660%	456,884
2003	300	300,767	-	301,067	33.5660%	402,123
2004	-	-	-	-	33.5660%	-
2005	-	-	-	-	33.5660%	-
2006	-	-	-	-	33.5660%	-
2007	-	-	-	-	33.5660%	-
2008	-	-	-	-	33.5660%	-
2009	-	-	-	-	33.5660%	-
2010	-	-	-	-	33.5660%	-
2011	-	-	-	-	33.5660%	-
2012	-	-	-	-	33.5660%	-
2013	-	-	-	-	33.5660%	-
2014	-	-	-	-	33.5660%	-
2015	-	-	-	-	33.5660%	-
2016	-	-	-	-	33.5660%	-
2017	-	-	-	-	33.5660%	-
Totals	\$ 400	\$ 1,929,749	\$ -	\$ 1,930,149		\$ 2,578,022

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**Spring Branch Apartments  
Worksheet C  
July 25, 2017  
Other Capital Contributions  
IRC Section 42 (h)(6)(F)(i)(II)**

Year	Name of Investor	Investment Amount	Use of Contributions/Proceeds
2000		\$ -	
2001		-	
2002		-	
2003		-	
2004		-	
2005		-	
2006		-	
2007		-	
2008		-	
2009	John H. Murphy, Paul J. Murphy, and Key Investment Fund Limited Partnership XXVIII	5,471	Qualifying Building Cost
2010			
2011			
2012	John H. Murphy, Paul J. Murphy, and Key Investment Fund Limited Partnership XXVIII	146,059	Qualifying Building Cost
2013	John H. Murphy, Paul J. Murphy, and Key Investment Fund Limited Partnership XXVIII	11,923	Qualifying Building Cost
2014	John H. Murphy, Paul J. Murphy, and Key Investment Fund Limited Partnership XXVIII	13,519	Qualifying Building Cost
2015	John H. Murphy, Paul J. Murphy, and Key Investment Fund Limited Partnership XXVIII	12,033	Qualifying Building Cost
2016			
2017			
		<b>\$ 189,005</b>	<b>Total</b>

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**Spring Branch Apartments  
Worksheet D  
July 25, 2017  
Cash Distributions From or Available From the Project  
IRC Section 42 (h)(6)(F)(ii)**

**Section A. Cash Distributed**

Year	General Partner(s)/ Managing Member(s)	Limited Partner (s)/ Investor Member (s)	Other Partner (s) / Other Member (s)	Total Distributions	Description
2001	\$ -	\$ -	\$ -	\$ -	
2002	-	-	-	-	
2003	-	-	-	-	
2004	-	-	-	-	
2005	-	-	-	-	
2006	-	-	-	-	
2007	-	-	-	-	
2008	-	-	-	-	
2009	-	-	-	-	
2010	-	-	-	-	
2011	-	-	-	-	
2012	-	-	-	-	
2013	-	-	-	-	
2014	-	-	-	-	
2015	-	-	-	-	
2016	-	90,206	-	90,206	Asset Management Fee
2017	-	-	-	-	
Totals	\$ -	\$ 90,206	\$ -	\$ 90,206	

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**Spring Branch Apartments**  
**Worksheet D - continued**  
**July 25, 2017**  
**Cash Distributions From or Available From the Project**  
**IRC Section 42 (h)(6)(F)(ii)**

**Section B Available for Distribution**

Amounts Held in Replacement Reserve Account(s) Amount Available for Distribution		\$ -
		\$ -
Amounts Held in Operating Reserve Account(s) Amount Available for Distribution		\$ -
		\$ -
Amounts Held in Other Reserve Accounts		
<b>Cash</b>		
Amount Held Amount Available for Distribution		\$ 15,151
		\$ 15,151
<b>Security Deposits</b>		
Amount Held Amount Available for Distribution		\$ 30,735
		\$ -
<b>Tax and Insurance</b>		
Amount Held Amount Available for Distribution		\$ -
		\$ -
Total Amount Available for Distribution:	\$ 15,151	Total Cash Dist. & Avail. For Dist.
		\$ 105,357

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**Spring Branch Apartments**  
**Worksheet E**  
**July 25, 2017**  
**Fair Market Value of Non-Low Income Portion of Building and Land**  
**IRC Section 42 (h)(6)(F)(ii)**

Fair Market Value of:

Land - As-is Value (restricted)

\$ 1,295,000

Residential Rental Units NOT Subject to Rental Restrictions

\$ -

Commercial Rental Units

-

Fair Market Value of Non Low-Income Portion

\$ 1,295,000

See Independent Accountant's Report.

**Spring Branch Apartments**  
**Exhibit A**  
**July 25, 2017**  
**Calculation of Qualified Contract Price**  
**IRC Section 42 (h)(6)(F) and Treas. Reg. Section 1.42-18(c)(1) through (6)**

**A. Calculation of Low-Income Portion of Payment:**

(i)	Outstanding Indebtedness secured by or with respect to the Buildings <i>(from Worksheet A)</i>	\$ 4,450,000
(ii)	Adjusted Investor Equity <i>(from Worksheet B)</i>	\$ 2,578,022
(iii)	Other Capital Contributions not reflected in (i) or (ii) <i>(from Worksheet C)</i>	\$ 189,005
(iv)	Total of (i), (ii) and (iii)	\$ 7,217,027
(v)	Cash Distributions from or available from the Project <i>(from Worksheet D)</i>	\$ (105,357)
(vi)	Line (iv) reduced by Line (v)	\$ 7,111,670
(vii)	Applicable fraction	100.00%
(viii)	Low-Income Portion of Qualified Contract Price (Line (vi) multiplied by Line (vii))	\$ 7,111,670

**B. Fair Market Value of Non Low-Income Portion of Building(s) *(from Worksheet E)*** \$ 1,295,000

**C. Qualified Contract Price (Sum of Line A (viii) and Line B)** \$ 8,406,670

See Independent Accountant's Report.