CYPRESS TRAILS LIMITED PARTNERSHIP

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2011

CYPRESS TRAILS LIMITED PARTNERSHIP

TABLE OF CONTENTS

DECEMBER 31, 2011

LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

INDEPENDENT AUDITORS' REPORT

To the Partner
Cypress Trails Limited Partnership
Lafayette, Louisiana

We have audited the accompanying balance sheet of Cypress Trails Limited Partnership (the "Partnership") as of December 31, 2011, and the related statements of operations, partners' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cypress Trails Limited Partnership, as of December 31, 2011, and the results of its operations, changes in partners' equity, and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenses is presented for purposes of additional analysis and is 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 audit 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.

Little & Associates, LLC
Monroe, Louisiana
May 8, 2012

PHONE (318) 361-9600 • FAX (318) 361-9620 • 805 NORTH 31ST STREET • MONROE, LA 71201
MAILING ADDRESS: P. O. BOX 4058 • MONROE, LA 71211-4058

CYPRESS TRAILS LIMITED PARTNERSHIP
BALANCE SHEET
DECEMBER 31,

ASSETS

	2011
CURRENT ASSETS	
Cash and Cash Equivalents	$ 14,418
Accounts Receivable - Tenants	571
Prepaid Expenses	37,059
Total Current Assets	52,048
RESTRICTED DEPOSITS AND FUNDED RESERVES	
Tenants' Security Deposits	2,800
Total Restricted Deposits and Funded Reserves	2,800
PROPERTY AND EQUIPMENT	
Buildings	7,353,967
Furniture and Equipment	316,665
Site Improvements	1,252,551
Total	8,923,183
Less: Accumulated Depreciation	(23,179)
Net Depreciable Assets	8,900,004
Land	319,556
Total Property and Equipment	9,219,560
OTHER ASSETS	
Permanent Loan Fees	86,163
Tax Credit Fees	46,000
Total Other Assets	132,163
Total Assets	$ 9,406,571

The accompanying notes are an integral part of these financial statements.

CYPRESS TRAILS LIMITED PARTNERSHIP
BALANCE SHEET
DECEMBER 31,

LIABILITIES AND PARTNERS' EQUITY

		2011
CURRENT LIABILITIES		
Accounts Payable	$	352
Construction Costs Payable		351,782
Development Costs Payable		74,607
Developer Fee Payable		730,462
Note Payable - Regions Bridge Loan		1,960,809
Construction Loan Payable - Regions		2,316,000
Total Current Liabilities		5,434,012
DEPOSITS		
Tenants' Security Deposits		2,200
Total Deposits		2,200
LONG-TERM LIABILITIES		
Note Payable - LPTFA		700,000
Note Payable - LHFA HOME		811,867
Deferred Developer Fee Payable		45,329
Total Long-Term Liabilities		1,557,196
Total Liabilities		6,993,408
PARTNERS' EQUITY		
Partners' Equity		2,413,163
Total Partners' Equity		2,413,163
Total Liabilities and Partners' Equity	$	9,406,571

The accompanying notes are an integral part of these financial statements.

CYPRESS TRAILS LIMITED PARTNERSHIP
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31,

		2011
REVENUE		
Rents	$	50,796
Vacancies		(46,388)
Appliccation Fees		1,130
Total Revenue		5,538
EXPENSES		
Administrative		9,651
Management Fees		6,000
Taxes		956
Insurance		3,369
Interest		16,627
Depreciation and Amortization		23,179
Total Expenses		59,782
Net Income (Loss)	$	(54,244)

The accompanying notes are an integral part of these financial statements.

CYPRESS TRAILS LIMITED PARTNERSHIP
STATEMENT OF PARTNERS' EQUITY (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2011

	Total	General Partner Cypress Trails Corporation	Investment Limited Partner Regions Bank	Special Limited Partner RB Affordable Housing, Inc.
Partners' Equity (Deficit), January 1, 2011	$ 1,000	$ -	$ 1,000	$ -
Contributions	2,481,773	-	2,481,773	-
Syndication Costs	(15,366)	-	(15,366)	-
Net Loss	(54,244)	(5)	(54,238)	(1)
Partners' Equity (Deficit), December 31, 2011	$ 2,413,163	$ (5)	$ 2,413,169	$ (1)
Profit and Loss Percentages	100.000%	0.009%	99.990%	0.001%

The accompanying notes are an integral part of these financial statements.

CYPRESS TRAILS LIMITED PARTNERSHIP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,

	2011
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Income (Loss)	$ (54,244)
Adjustments to Reconcile Net Income (Loss) to Cash	
Provided by (Used in) Operating Activities:	
Depreciation and Amortization	23,179
(Increase)Decrease in Accounts Receivable - Tenants	(571)
(Increase)Decrease in Prepaid Insurance	(37,059)
Increase(Decrease) in Accounts Payable	352
Net Change in Tenants' Security Deposits	(600)
Total Adjustments	(14,699)
Net Cash Provided by (Used in) Operating Activities	(68,943)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition/Construction of Property and Equipment	(8,003,616)
Net Cash Provided by (Used in) Investing Activities	(8,003,616)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from Bridge Loan	1,960,809
Proceeds from Construction Loan	2,316,000
Proceeds from Long-Term Debt	1,511,867
Payment of Permanent Loan Fees	(86,163)
Payment of Tax Credit Fees	(46,000)
Payment of Syndication Costs	(15,366)
Receipt of Capital Contributions	2,482,773
Net Cash Provided by (Used in) Financing Activities	8,086,977
Net Increase (Decrease) in Cash and Cash Equivalents	14,418
Cash and Cash Equivalents at Beginning of Year	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 14,418

The accompanying notes are an integral part of these financial statements.

CYPRESS TRAILS LIMITED PARTNERSHIP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,

		2011
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for Interest (Net of Capitalized Interest of $68,623 paid in 2011)	$	16,627
Noncash Investing/Financing Activities:		
Property and Equipment acquired through the incurrence of Construction and Development Costs Payable	$	426,389
Property and Equipment acquired through the incurrence of Development Fee Payable	$	775,791

The accompanying notes are an integral part of these financial statements.

NOTE A – REPORTING ENTITY AND OPERATIONS

Cypress Trails, LP was formed as a Limited Partnership under the laws of the State of Louisiana on November 5, 2009, for the purpose to acquire, construct, own, finance, lease, and operate a qualified low income housing project within the meaning of Section 42 of the Internal Revenue Code. The project consists of a 72 unit, 18 building complex, located in Lafayette, Louisiana and was placed in service on December 7, 2011.

The project is eligible for Low-Income Housing Tax Credits established under the program described in Section 42 of the Internal Revenue Code (low-income housing credit) which regulates the use of the apartment complex as to occupant eligibility and unit gross rent, among other requirements. The major activities and operations of the Partnership are governed by the Amended and Restated Agreement of Limited Partnership (Operating Agreement) and are subject to the administrative directives, rules, and regulations of federal and state regulatory agencies, including but not limited to, the state housing finance agency. Such administrative directives, rules, and regulations are subject to change by federal and state agencies.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

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

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents represents unrestricted cash and all highly liquid and unrestricted debt instruments purchased with a maturity of three months or less.

Cash and Other Deposits

The Partnership has various checking, escrow, and other deposits at various financial institutions. The interest-bearing accounts at the financial institutions are insured by the Federal Deposit Insurance Corporation up to $250,000 per institution. All noninterest-bearing transaction accounts are insured in full by the Federal Deposit Insurance Corporation. As of December 31, 2011, there were no uninsured deposits.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collateralization Policy for Financial Instruments

The Partnership does not require collateral to support financial instruments subject to credit risk.

Property, Equipment and Depreciation

Land, buildings, improvements, and equipment are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations using the straight-line method over their estimated service lives as follows:

Buildings	40 years
Furniture, Fixtures and Equipment	10 years
Site Improvements	20 years

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. The resulting gains or losses are reflected in the statement of operations.

Amortization

Upon commencement of permanent financing, mortgage costs will be amortized over the term of the mortgage loan using the straight-line method. Tax Credit Costs are amortized over the ten year tax credit period using the straight-line method.

Tenants' Security Deposits

Tenants' security deposits are held in a separate bank account in the name of the Partnership. At December 31, 2011, this account was funded in an amount greater than the security deposit liability.

Rental Income and Deferred Rents

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 property are operating leases.

Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move out are charged with damages or cleaning fees, if applicable. Tenant receivable consists of amounts due for rental income, other tenant charges and charges for damages and cleaning fees in excess of forfeited security deposits. The Partnership does not accrue interest on the tenant receivable balances.

The Partnership used the direct write-off method to provide for uncollectible accounts. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the members individually. The time limit for taxing authorities to examine the Partnership's income tax returns is generally three years from the date of filing or the due date, whichever is later, unless civil or criminal fraud is proven, for which there is no time limit.

FASB ASC 360, *Property, Plant, and Equipment*

FASB ASC 360, *Property, Plant, and Equipment* requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Application of the impairment provisions of FASB ASC 360, *Property, Plant, and Equipment* has not materially affected the Partnership's reported earnings, financial condition or cash flows.

NOTE D – NOTES PAYABLE

Note Payable –Bridge Loan

On December 1, 2010, Regions Bank has committed loan proceeds in the amount of $2,650,000, of which $1,960,809 has been received. The loan bears interest at a floating rate equal to three and one-half percent (3.50%) in excess of the LIBOR Quote, but in no event not less than five percent (5.00%). Interest only payments are required on a monthly basis commencing January 10, 2011. The maturity date on the loan is May 31, 2012. The loan is secured by the Partnership's pledge of its interest in capital contributions to be made to the Partnership. As of December 31, 2011, the balance of this loan was $1,960,809.

Construction Loan

On December 1, 2010, the Partnership obtained construction financing through Regions Bank in the amount of $2,316,000. The interest rate is a floating rate equal to three and one-half percent (3.50%) in excess of the LIBOR Quote, but in no event not less than five percent (5.00%). Interest only payments are required on a monthly basis until the construction loan matures. The loan will mature on November 30, 2012. The loan is collateralized by the property. As of December 31, 2011 the loan balance was $2,316,000.

Note Payable – Lafayette Public Trust Finance Authority (LPTFA)

During December 2010, the Partnership received financing through Lafayette Public Trust Finance Agency ("LPTFA") in the amount of $700,000. Commencing in January 2012, and annually thereafter until the maturity date, Cypress Trails Limited Partnership shall make payments to LPTFA consisting of fifty percent of the net cash flow as set forth in section 4.2 of the Partnership Agreement. The loan has a maturity date of December 30, 2025 and bears an annual interest rate of zero percent. As of December 31, 2011 the loan balance was $700,000.

NOTE D – NOTES PAYABLE (CONTINUED)

Note Payable – Louisiana Housing Finance Agency (LHFA) HOME

During 2010, the Partnership entered into a HOME Loan with Louisiana Housing Finance Agency ("LHFA") in the amount of $924,274. No interest rate is charged on this loan. Payments on the loan are to be made from Surplus Cash as outlined in the HOME Loan agreement commencing on April 1, 2012. The HOME Loan is collateralized by the property. Any accrued but unpaid amounts shall be paid on April 1, 2046, the maturity date. As of December 31, 2011 the loan balance was $811,867.

Maturities of Long-Term Debt

Maturities of long-term debt for the next five years and thereafter are as follows:

Year Ending December 31,	Amount
2012	$ 4,276,809
2013	$ -
2014	$ -
2015	$ -
2016	$ -
Thereafter	$ 1,511,867

NOTE E – RELATED PARTY TRANSACTIONS

Developer Fee

The Partnership incurred a developer fee of $1,225,712 to Cypress Trails Corporation, the Developer of the Project, for services rendered to the Partnership for overseeing the construction and development of the apartment complex. Cypress Trail Corporation is the General Partner for the Partnership. The developer fee has been capitalized into the basis of the building. As of December 31, 2011, the Partnership owed $775,791 in developer fees of which $45,329 is considered deferred.

Partnership Management Fee

The Partnership shall pay to the General Partner a non-cumulative Partnership Management Fee to the General Partner, 89.990% solely from the net cash flow of the Partnership to compensate the General Partner for managing the Partnership's operations and assets and coordinating the preparation of the required State Housing Finance Agency, federal, state, and local tax and other required filings and financial reports. At December 31, 2011, there was no Partnership Management Fee paid.

Investor Services Fee

The Partnership shall pay the Special Limited Partner an annual investor services fee for its services in connection with the Partnership's accounting matters relating to its tax credits and its Limited Partner, as well as the requirements specified in section 9.7 of the Partnership Agreement. For the years 2012 through 2017 an Investor Services Fee of $5,400 is to be charged to operations, subject to applicable Housing and Urban Development (HUD) requirements, shall be payable quarterly and in advance. The annual Investor

NOTE E – RELATED PARTY TRANSACTIONS (CONTINUED)

Investor Services Fee - Continued

Service Fee increases for the years 2018 through 2032 as outlined in section 6.12 of the Partnership Agreement. During 2011, the Partnership did not pay an Investor Services Fee. There was no Investor Services Fee Payable at December 31, 2011.

NOTE F – RESTRICTED ESCROW DEPOSITS AND RESERVES

Operating Deficit Reserve

The Operating Deficit Reserve is to be funded at the time of the Investment Limited Partner's Third Installment. After initial funding, the General Partner shall fund the Operating Deficit Reserve from Net Cash Flow to maintain, to the extent possible, a balance at all times in the Operating Deficit Reserve equal to the Operating Deficit Reserve Amount, $238,910. The Operating Deficit Reserve account, set up with the Special Limited Member as a co-signatory, shall have instructions that provide that no withdrawal may be made from the account without the signature of the Special Limited Partner permitting such withdrawal. Interest earned on this account shall be added to the Operating Deficit Reserve. The General Partner may use funds in the Operating Deficit Reserve (but only after the Stabilization Date), with the consent of the Special Limited Partner, for any Partnership purpose, but only to the extent the revenues of the Partnership are insufficient to accomplish such purposes. The Operating Deficit Reserve shall be maintained throughout the term of the Partnership. Upon termination and winding up of the Partnership, subject to the provisions of Section 10.2, the balance in the Operating Deficit Reserve shall be used to (a) pay any tax (including exit and transfer taxes imposed) on the Partnership, Investment Limited Partner and its partners as a result of the sale of the Partnership property and winding up of the Partnership or (b) for other uses approved by the Investment Limited Partner. As of December 31, 2011, this account had not been funded.

Replacement Reserve

The General Partner shall set aside, in a separate Partnership bank account, a Replacement Reserve, to be funded in the amount of $300 per unit per year or the amount required by any of the lenders, whichever is greater. The Partnership shall utilize amounts in the Replacement Reserve to fund major repair, capital expenditures and replacement of capital items in the Project. The General Partner has to submit a request and obtain approval from the Special Limited Partner before a withdrawal can be made. Replacement Reserve funds shall be deposited in an interest bearing bank account with the Special Limited Partner as co-signatory on the account for disbursements in excess of $10,000. Interest earned on the account shall be added to the Replacement Reserve. Upon any sale of the Project, amounts in the Replacement Reserve shall be utilized to make any capital expenditures, repairs or improvements in connection with such sale or to other uses approved by the Special Limited Partner. As of December 31, 2011, the Replacement Reserve Account had not been established.

NOTE G – PARTNERS AND CONTRIBUTIONS

The Partnership consists of a General Partner – Cypress Trails Corporation, an Investment Limited Partner – Regions Bank and a Special Limited Partner – RB Affordable Housing, Inc. Annual income or loss is allocated .009% to the General Partner, 99.990% to the Investment Limited Partner and the remaining .001% to the Special Limited Partner. The Partnership records capital contributions as received. During the year ended December 31, 2011, the Investment Limited Partner make capital contributions of $2,482,773. During

NOTE G – PARTNERS AND CONTRIBUTIONS (CONTINUED)

the year ended December 31, 2011, the Special Limited Partner and the General Partner did not make any capital contributions.

NOTE H – CURRENT VULNERALBILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's sole asset is Cypress Trails Apartments Home. The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress. 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.

NOTE I - PARTNERSHIP PROFITS AND LOSSES AND DISTRIBUTIONS

All Partnership profits, losses, and tax credits are allocated according to Section 4.1 of the Limited Partnership Agreement. Distributions of cash flow are governed by Section 4.2 of the Limited Partnership Agreement.

NOTE J – MANAGEMENT FEE

The Partnership pays a management fee to Latter and Blum Property Management, Inc. equal to $1,500 or six percent (6.0%) of gross collections, whichever is greater, commencing ninety days prior the first unit available for lease. Gross collections include all other sums and charges paid tenants, including payments from tenants made in consideration of the cancellation, surrender or modification of any lease or made by reason of default provided. For the year ended December 31, 2011, management fee expense was $6,000.

NOTE K – ADVERTISING

During 2011, no advertising costs were incurred. Advertising costs are expensed as incurred.

NOTE L – TAXABLE INCOME (LOSS)

A reconciliation of financial statement net loss to taxable loss of the Partnership for the year ended December 31, 2011, is as follows:

	2011
Financial statement net income (loss)	$ (54,244)
Adjustments:	
Excess of depreciation for income tax purposes over financial reporting purposes	(1,557,180)
Other difference in income/expense recognition	2,269
Taxable loss shown on tax return	$ (1,609,155)

NOTE M – SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through May 8, 2012, the date which the financial statements were available for issue.

SUPPLEMENTARY INFORMATION

CYPRESS TRAILS LIMITED PARTNERSHIP
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31,

		2011
ADMINISTRATIVE		
Manager Salaries	$	3,186
Bank Charges		121
Bookkeeping/Accounting		450
Organization Costs		1,228
Office Expenses		729
Office Supplies		2,135
Telephone		731
Administrative Fee - LBPMI		100
Other Administrative Expenses		971
Total Administrative	$	9,651
TAXES		
Payroll Taxes	$	956
Total Taxes	$	956
INSURANCE		
Property and Liability Insurance	$	3,369
Total Insurance	$	3,369
INTEREST EXPENSE		
Interest on Mortgage	$	16,627
Total Interest Expense	$	16,627