

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**TEN PERCENT (10%) LETTER**

**Independent Auditors' Report**

Date: [REDACTED]

To: Indiana Housing and Community Development Authority  
30 South Meridian Street, Suite 1000  
Indianapolis, IN 46204

And

[REDACTED] (the "Owner")  
[REDACTED] (Street)  
[REDACTED] (City, State, Zip Code)

RE: BIN: [REDACTED]

We have audited the accompanying Certification of Costs Incurred ("Exhibit [REDACTED]") of the Owner for [REDACTED] (the "Development") as of [REDACTED], 20[REDACTED]. Exhibit [REDACTED] is the responsibility of the Owner's management. Our responsibility is to express an opinion on Exhibit [REDACTED] based on our audit.

Also, in the process of our audit, we have received a copy of and we are familiar with:

1. The completed Application for a Conditional Reservation of 20 [REDACTED] Section 1602 funds and

related package dated [REDACTED], 20 [REDACTED] (the "Initial Application"), submitted to the Indiana Housing and

Community Development Authority (the "IHCDA") for the purpose of requesting, in connection with the captioned development (the "Development"), award of Section 1602 funds ("Section 1602") available under the American Recovery and Reinvestment Act of 2009 and Section 42 of the Internal Revenue Code of 1986, as amended.

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

The accompanying Exhibit [REDACTED] was prepared in conformity with the accounting practices prescribed by the Internal Revenue Service under the accrual method of accounting and by the Indiana Housing and Community Development Authority (the "Authority"), which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, Exhibit [REDACTED] referred to above presents fairly, in all material respects, costs incurred for the Development as of [REDACTED], 20 [REDACTED], on the basis of accounting described above.



In addition to auditing Exhibit [REDACTED] we have, at your request, performed certain agreed-upon procedures, as enumerated below, with respect to the Development.

These procedures, which were agreed to by the Owner and the Authority, were performed to assist you in determining whether the Development has met the 10% test in accordance with Internal Revenue Code Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6. These agreed-upon procedures were performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations regarding the sufficiency of the procedures below either for the purpose for which this report has been requested or for any other purpose.

**We performed the following procedures:**

- We calculated, based on estimates of total development costs provided by the Owner, the Development's total reasonably expected basis, as defined in Treasury Regulation Section 1.42-6, to be \$ [REDACTED] as of [REDACTED], 20 [REDACTED]. (Figure 1.)
- We calculated the reasonably expected basis incurred by the Owner as of [REDACTED], 20 [REDACTED] to be \$ [REDACTED]. (Figure 2.)
- We calculated the percentage of the development fee incurred by the Owner as of [REDACTED], 20 [REDACTED] to be [REDACTED] % of the total development fee. (Figure 3.)
- We compared the reasonably expected basis incurred as of [REDACTED], 20 [REDACTED] (Figure 2.) to the total reasonably expected basis of the Development ("Figure 1."), and calculated that [REDACTED] % had been incurred as of [REDACTED], 20 [REDACTED].
- We determined that the Owner uses the accrual method of accounting, and has not included any construction costs in carryover allocation basis that have not been properly accrued.
- Based on the amount of total reasonably expected basis listed above (Figure 1.), for the Owner to meet the 10% test in accordance with Internal Revenue Code Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6, we calculated that the Development needed to incur at least \$ [REDACTED] of costs prior to [REDACTED], 20 [REDACTED]. As of [REDACTED], 20 [REDACTED], costs of at least \$ [REDACTED] had been incurred, which is approximately [REDACTED] % of the total reasonably expected basis of the Development.

We were not engaged to, and did not; perform an audit of the Owner's financial statements or of the Development's total reasonably expected basis. Accordingly, we do not express such an opinion. 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 management of the Owner and for filing with the Authority and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

City, State  
[REDACTED], 20 [REDACTED]

Very truly yours,



(Name of CPA Firm)

By: \_\_\_\_\_  
Its Duly Authorized Representative

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**ALLOCATION OF 2010 Section 1602 Tax Credit Exchange Program**

**CARRYOVER AGREEMENT**

**DATE: \_\_\_\_\_, 2010 \_\_\_\_\_**

The Indiana Housing and Community Development Authority (the "Authority") has reviewed the Application for \_\_\_\_\_ Section 1602 funds (the "Application") of \_\_\_\_\_ ("Owner") for an allocation of 2010 carryover Section 1602 funds (the "Section 1602") for the development identified on Schedule A, attached hereto and made a part hereof (the "Development") and hereby issues a carryover allocation to Owner, as set forth on Schedule A, subject to the terms and conditions stated herein (this "Carryover Agreement") and the Conditional Section 1602 Commitment issued by the Authority to Owner on \_\_\_\_\_, 2010 (the "Conditional Commitment").

Owner hereby certifies that each building for which allocation evidenced hereby is being made is a "qualified building" as defined in Section 42 of the Internal Revenue Code of 1986, as amended (the "Code").

If the Authority believes, in its sole discretion, that the Development will not be completed or that any condition set forth in the Application or the Conditional Commitment will not be satisfied within the required time period, or will become unsatisfied or will otherwise cause the Development to fail to qualify for a Section 1602 allocation, Owner agrees that the Authority may rescind and retrieve the Credits from Owner. If Owner determines it is unable to complete the Development within the time frame required under this Carryover Agreement, Owner agrees it shall return the Section 1602 funds to the Authority, by written notice, at the time of such determination.

Owner hereby estimates that as of \_\_\_\_\_, 20\_\_\_\_\_, Owner will have an accumulated "basis" (as defined in the Code) of at least \$\_\_\_\_\_ in the Development, representing \_\_\_\_\_% of the total reasonably expected basis of \$\_\_\_\_\_ in the Development. On or prior to the Authority's execution hereof (but in any event no later than June 30, 2010), Owner shall demonstrate to the Authority, in a manner satisfactory to the Authority, that such 10% requirement has been satisfied. In connection therewith, Owner shall provide the Authority with an independent certified public accountant's certification (or other professional determination satisfactory to the Authority) demonstrating compliance with the Code and other applicable requirements of the Internal Revenue Service, and which states that at least 10% of Owner's reasonably expected basis in the Development has been incurred to date, together with such other evidence the Authority deems necessary to permit it to make a determination that such requirement has been met.



Owner covenants and agrees to timely complete the Development as contemplated in the Application and Conditional Commitment.

If this box is checked, Owner hereby irrevocably elects, pursuant to Section 42(b)(2)(A)(ii)(I) of the Code, to fix the applicable Credit percentage(s) for the Development as the percentage(s) prescribed by the Secretary of the Treasury for the month of December, 20\_\_\_\_, which is the month in which this Carryover Agreement is executed.

If this box is checked, Owner may irrevocably elect to enter into a separate binding agreement, pursuant to Section 42(b)(2)(A)(ii)(I) of the Code, to fix the applicable credit percentage(s) for the Development as the percentage(s) prescribed by the Secretary of the Treasury for a month prior to the month the Development is placed in service. Such election must be made timely pursuant to the requirements of the Code. If no election is made by Owner prior to the fifth day of the month the Development is placed in service, then the applicable Credit percentage(s) for the Development shall be deemed to be the percentage(s) prescribed by the Secretary of the Treasury for the month the Development is placed in service, pursuant to Section 42(b)(2)(A)(i) of the Code.

If this box is checked, Owner hereby irrevocably elects to set the gross rent floor contemplated under Section 42(g)(2) of the Code for the month of December 20\_\_\_\_, which is the month in which this Carryover Agreement is executed.

If this box is checked, Owner hereby irrevocably elects to set the gross rent floor contemplated under Section 42(g)(2) of the Code for the month the Development is placed in service. Such election must be made and written notice thereof provided to the Authority no later than the placed-in-service date and must otherwise comply with the requirements of the Code.

The Authority and Owner hereby acknowledge that this Carryover Agreement constitutes an agreement binding upon the Authority, Owner and all successors in interest to Owner as owners of the Development, as to the allocation of 2010 Section 1602 amounts to the building(s) comprising the Development, subject to compliance by Owner with the requirements of the Code, the Section 1602 Tax Credit Exchange Program Policies and Procedures as Amended, Rental Housing Tax Credit Qualified Allocation Plan for the State of Indiana, and such other requirements of the Authority as are stated from time to time.

Owner acknowledges that all terms, conditions, obligations and deadlines set forth in this Carryover Agreement, the Application and in the Conditional Commitment constitute conditions precedent to this Carryover Agreement, and the Development's failure to comply with any of such terms and conditions shall entitle the Authority, in its sole discretion, to deem the allocation evidenced hereby canceled by mutual consent. After any such cancellation, Owner acknowledges that neither it nor the Development will have any right to claim Section 1602 funds pursuant to this Carryover Agreement or the Conditional Commitment. The Authority reserves the right, in its discretion, to modify and/or waive any such failed condition precedent, so long as such waiver does not violate any Code requirements relating to the Development.

Upon notification by Owner that the Development (or building(s) comprising the Development) has been placed in service, the Authority will issue an IRS Form 8609 for such building(s) to the extent required by, and in accordance with, the Code requirements and other applicable laws. The total dollar amount of the 2010 Section 1602 allocation reflected on Form 8609 will not exceed the housing credit dollar amount allocated to the building(s), as set forth on Schedule A.

In issuing Section 1602 funds under this Carryover Agreement, the Authority has solely relied upon the information submitted to it by Owner. Owner agrees it shall indemnify, defend and hold harmless the Authority from and against all claims, losses, costs, damages, expenses and liabilities of any nature,





**CARRYOVER ALLOCATION**

**Housing Credit Agency:** Indiana Housing and Community Development Authority

**TIN of Authority:** 35-1485172  
 30 South Meridian Street, Suite 1000  
 Indianapolis, IN 46204

<b>Owner Name</b>	
<b>Address</b>	
<b>City, State, Zip</b>	
<b>TIN of Owner</b>	

<b>Development Name</b>	
<b>Address</b>	
<b>City, State, Zip</b>	

Pursuant to Code Section 42(h)(1)(F), an allocation of Section 1602 funds may be made on a development basis or on a building-by-building basis; accordingly: **(check appropriate box)**

- Owner hereby requests the Authority to assign portions of this allocation to each individual building, as set forth below (i.e., on a building-by-building basis)
- Owner hereby requests the Authority to assign portions of this allocation to specific buildings within the development no later than the close of the calendar year in which the buildings are placed in service (i.e., on a development basis)

<b>BIN</b>	<b>Address**</b>	<b>Section 1602 Dollar Amount to be Allocated</b>	<b>Type of 1602 Project (N, A, and/or R)***</b>	<b>PIS Date****</b>




NOTE: If development has more than 10 buildings, please attach separate document listing all buildings

\*"BIN"-Building Identification Number(s) - This is assigned to each building in the year of allocation by the Authority

\*\* Include specific street address for each building (or if none exists, a specific description of its location)

\*\*\* "N" - New Construction; "A" - Acquisition; "R" - Substantial Rehabilitation

\*\*\*\* Expected Placed in Service Date

NOTE: A legal description labeled Exhibit A must be attached to this document.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**SECTION 1602 TAX CREDIT EXCHANGE PROGRAM**

**OWNER/TAXPAYER CERTIFICATION OF 10% EXPENDITURE**  
**CALCULATION OF 10% EXPENDITURE**  
 (as of , 20 )

**EXHIBIT A**

	Reasonably Expected Basis <sup>1</sup>	Accumulated Basis <sup>2</sup>
<b>1. Acquisition Costs</b>	<input type="text"/>	<input type="text"/>
i. Land Purchase	<input type="text"/>	<input type="text"/>
ii. Existing Building	<input type="text"/>	<input type="text"/>
iii. Title Insurance	<input type="text"/>	<input type="text"/>
iv. Survey Costs	<input type="text"/>	<input type="text"/>
v. Reporting Fees	<input type="text"/>	<input type="text"/>
vi. <input type="text"/>	<input type="text"/>	<input type="text"/>
<b>Acquisition Total</b>	<input type="text"/>	<input type="text"/>
<b>2. Construction/Rehabilitation</b>	<input type="text"/>	<input type="text"/>
i. Excavation	<input type="text"/>	<input type="text"/>
ii. Off-Site Improvements	<input type="text"/>	<input type="text"/>
iii. Foundations	<input type="text"/>	<input type="text"/>
iv. Construction Labor	<input type="text"/>	<input type="text"/>
v. <input type="text"/> % of Builder's Overhead/Profit	<input type="text"/>	<input type="text"/>
iv. <input type="text"/>	<input type="text"/>	<input type="text"/>
<b>Construction/Rehab Total</b>	<input type="text"/>	<input type="text"/>



<b>3. Construction Materials</b>		
i. Installed		
ii. Stored On-Site		
iii. <input type="text"/>		
<b>Construction Materials Total</b>		
<b>4. Accounting/Legal Fees</b>		
i. Attorney		
ii. Accountant		
<b>Accounting/Legal Fees Total</b>		
<b>5. Architectural &amp; Other Professional Fees</b>		
i. Architect Fees		
ii. Engineering Services		
iii. Environmental Services		
iv. Appraisal Fees		
v. Market Study Fees		
<b>Architectural/Prof. Fees Total</b>		
<b>6. Construction Financing</b>		
i. Land Financing		
ii. Construction Loan		
iii. <input type="text"/>		
<b>Construction Financing Total</b>		
<b>7. Development Fees Categories</b>		
i. <input type="text"/>		
ii. <input type="text"/>		
iii. <input type="text"/>		
iv. <input type="text"/>		
v. <input type="text"/>		
<b>8. Other</b>		
i. <input type="text"/>		
<b>Development Fees Total</b>		
<b>GRAND TOTAL:</b>	<b>(A)</b>	<b>(B)</b>



<sup>1</sup>As of the end of the second calendar year succeeding the allocation year. "Basis" means the adjusted basis of land and depreciable property, whether or not such amounts are included in the eligible basis.

<sup>2</sup>Owner/Taxpayer estimated incurred basis in the Development as of \_\_\_\_\_, 20\_\_\_\_ (but in any event no later than June 30, 2010).

**10% Basis Calculation:**

(B) divided by (A) x 100 = \_\_\_\_\_%  
(Accumulated Basis) (Reasonably Expected Basis)



**OWNER/TAXPAYER CERTIFICATION**

DEVELOPMENT NAME:

BIN

The undersigned , (the "Owner/Taxpayer") hereby certifies to the Indiana Housing and Community Development Authority (the "Authority") that the amounts shown in the Worksheet for Calculation of 10% Expenditure section above and the documentation submitted in verification thereof are true and correct, and that the Owner/Taxpayer anticipates expending more than 10% of the Owner/Taxpayer's reasonably expected basis in the above project, as required by Section 42 of the Internal Revenue Code (the "Code") and the applicable Treasury Regulations promulgated thereunder (the "Regulations").

I UNDERSTAND THAT REVIEW AND APPROVAL BY THE AUTHORITY OF THE CERTIFICATION OF 10% EXPENDITURE IS NOT BINDING UPON THE INTERNAL REVENUE SERVICE AND DOES NOT CONSTITUTE A REPRESENTATION OR WARRANTY FROM THE AUTHORITY TO THE OWNER/TAXPAYER THAT THE 10% REQUIREMENT HAS BEEN OR WILL BE MET OR THAT ALL BASIS ITEMS HAVE BEEN PROPERLY INCLUDED FOR FEDERAL TAX PURPOSES, AND THAT THE BURDEN OF COMPLIANCE WITH THE CODE AND THE REGULATIONS IS THE RESPONSIBILITY OF THE OWNER/TAXPAYER.

The undersigned represents and warrants that he/she has the power to execute, deliver and accept the terms of this Agreement, to enter into the transactions contemplated by this Agreement, and that the acceptance and performance of this Agreement have been duly authorized by all necessary and proper corporate and other action.

**OWNER/TAXPAYER:**

**BY:** \_\_\_\_\_  
**Signature**

**Type/Print Name & Title**

**Date:** , 20 .

<b>IHCDA Use Only</b>
<b>Date:</b>

