

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

HEARTLAND-DELAVAN, LLC
WHEDA PROJECT NO.: 001595

DECEMBER 31, 2008 AND 2007

Heartland-Delavan, LLC
WHEDA Project No.: 001595

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Heartland-Delavan, LLC
WHEDA Project No.: 001595

December 31, 2008

MORTGAGOR'S CERTIFICATION

I hereby certify that I have examined the accompanying financial statements and supplemental data of Heartland-Delavan, LLC and, to the best of my knowledge and belief, the same are complete and accurate.

MANAGING MEMBER

Heartland Properties, Inc.

Signature

Date

By

Title

Corporation Employer

Identification Number: 39-1619182

Heartland-Delavan, LLC
WHEDA Project No.: 001595

December 31, 2008

MANAGING AGENT'S CERTIFICATION

I hereby certify that I have examined the accompanying financial statements and supplemental data of Heartland-Delavan, LLC and, to the best of my knowledge and belief, the same are complete and accurate.

MANAGING AGENT

Heartland Properties, Inc.

Signature

Date

By

Title

Managing Agent Employer

Identification Number: 39-1619182



COMPLIANCE CERTIFICATE

DEVELOPMENT NAME Heartland-Delavan, LLC

WHEDA_{SM} PROJECT # 001595

FISCAL YEAR END DATE December 31, 2008

Witnesseth that on this 23th day of February, 2009 the undersigned, having borrowed certain funds from the WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY for the purpose of providing housing for low and moderate income residents, does hereby certify that during the preceding twelve months the Project was continually in compliance with the Loan & Regulatory Agreement for this Development, which requires, among other things, that 94.39 % of the units be occupied by income eligible tenants and representations set forth herein are true and correct.

Heartland-Delavan, LLC
Organization Name

By: Heartland Properties, Inc.
Owner (Type Name)

Signature
President
Title

INDEPENDENT AUDITORS' REPORT

To the Members
Heartland-Delavan, LLC

We have audited the accompanying balance sheets of Heartland-Delavan, LLC, WHEDA Project No.: 001595, as of December 31, 2008 and 2007, and the related statements of profit and loss, members' capital, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 audits provide 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 Heartland-Delavan, LLC as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The 2008 supplemental information on pages 23 through 31 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Reznick Group, P.C.

Vienna, Virginia
February 23, 2009

Heartland-Delavan, LLC
 WHEDA Project No.: 001595

BALANCE SHEETS

December 31, 2008 and 2007

ASSETS

	2008	2007
RENTAL PROPERTY		
Land and land improvements	\$ 235,606	\$ 235,606
Buildings	1,649,174	1,649,174
Furnishings and equipment	49,290	49,290
	1,934,070	1,934,070
Less accumulated depreciation	(398,336)	(328,693)
	1,535,734	1,605,377
Cash	47,420	42,787
Accounts receivable - other	79	-
Prepaid expenses	1,696	1,478
Tenant security deposits held in trust	14,335	14,171
Mortgage escrow deposits	45	1,223
Reserve for replacements	27,577	19,768
	91,152	79,427
 OTHER ASSETS		
Financing costs, net of accumulated amortization of \$5,574 and \$4,561, respectively	17,590	18,603
	17,590	18,603
	\$ 1,644,476	\$ 1,703,407

(continued)

Heartland-Delavan, LLC
WHEDA Project No.: 001595

BALANCE SHEETS - CONTINUED

December 31, 2008 and 2007

LIABILITIES AND MEMBERS' CAPITAL

	<u>2008</u>	<u>2007</u>
LIABILITIES		
Mortgage note payable	\$ 937,376	\$ 957,284
Accrued interest on mortgage note payable	6,933	7,080
Note payable - school district	170,000	170,000
Accrued interest on note payable - school district	145,014	134,814
Promissory note - affiliate	-	17,096
Accrued interest on promissory note - affiliate	-	627
Promissory note - Horizon	10,728	15,728
HOME loan	220,000	220,000
Accounts payable - trade	15,066	13,277
Prepaid rents	3,069	38
Tenant security deposits payable	12,485	13,184
	<u>1,520,671</u>	<u>1,549,128</u>
Total liabilities	1,520,671	1,549,128
CONTINGENCY	-	-
MEMBERS' CAPITAL	<u>123,805</u>	<u>154,279</u>
	<u>\$ 1,644,476</u>	<u>\$ 1,703,407</u>

See notes to financial statements

Heartland-Delavan, LLC
 WHEDA Project No.: 001595

STATEMENTS OF PROFIT AND LOSS

Years ended December 31, 2008 and 2007

	2008	2007
RENTAL INCOME		
Gross rental income	\$ 335,107	\$ 334,765
Vacancies and concessions	(9,451)	(1,984)
Net rental income	325,656	332,781
Other operating income	17,101	4,038
Net operating revenue	342,757	336,819
RENTAL EXPENSES		
Administrative	78,421	69,576
Utilities	36,206	32,603
Operating and maintenance	59,528	52,929
Taxes and insurance	35,538	37,252
	209,693	192,360
Operating income	133,064	144,459
FINANCIAL INCOME (EXPENSE)		
Interest income	1,599	2,307
Interest expense - WHEDA mortgage loan	(84,015)	(85,712)
Interest expense - school district loan	(10,200)	(10,200)
Interest expense - promissory note - affiliate	(266)	(1,084)
	(92,882)	(94,689)
Income before other income (expense)	40,182	49,770
OTHER INCOME (EXPENSE)		
Depreciation and amortization	(70,656)	(71,955)
Net loss	\$ (30,474)	\$ (22,185)

See notes to financial statements

Heartland-Delavan, LLC
WHEDA Project No.: 001595

STATEMENTS OF MEMBERS' CAPITAL

Years ended December 31, 2008 and 2007

	<u>Managing Member</u>	<u>Investor Member</u>	<u>Total</u>
Members' capital at January 1, 2007	\$ 66	\$ 176,398	\$ 176,464
Net loss	<u>(2)</u>	<u>(22,183)</u>	<u>(22,185)</u>
Members' capital at December 31, 2007	64	154,215	154,279
Net loss	<u>(3)</u>	<u>(30,471)</u>	<u>(30,474)</u>
Members' capital at December 31, 2008	<u>\$ 61</u>	<u>\$ 123,744</u>	<u>\$ 123,805</u>

See notes to financial statements

Heartland-Delavan, LLC
 WHEDA Project No.: 001595

STATEMENTS OF CASH FLOWS

Years ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Rental income received	\$ 326,351	\$ 332,633
Interest income received	1,599	2,307
Other income received	17,101	4,038
Wages paid	(39,605)	2,532
Interest paid	(85,055)	(89,908)
Administrative expenses paid	(24,855)	(49,403)
Management fee paid	(20,128)	(20,247)
Utilities paid	(35,872)	(32,172)
Operating and maintenance expenses paid	(49,251)	(55,164)
Taxes and insurance paid	(36,154)	(37,252)
Net tenant security deposits (paid) received	(863)	(328)
Mortgage escrow deposits received (paid)	1,178	13,800
	54,446	70,836
Net cash provided by operating activities		
Cash flows from investing activities		
Withdrawals from (deposits to) reserve for replacements - net	(7,809)	(7,696)
Purchase of property and equipment	-	(11,109)
	(7,809)	(18,805)
Net cash used in investing activities		
Cash flows from financing activities		
Payment on promissory note - Horizon	(5,000)	(4,442)
Payment on mortgage	(19,908)	(18,223)
Payment on promissory note - affiliate	(17,096)	(14,904)
	(42,004)	(37,569)
Net cash used in financing activities		
NET INCREASE IN CASH	4,633	14,462
Cash, beginning	42,787	28,325
Cash, end	\$ 47,420	\$ 42,787

(continued)

Heartland-Delavan, LLC
 WHEDA Project No.: 001595

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended December 31, 2008 and 2007

	2008	2007
Reconciliation of net loss to net cash provided by operating activities		
Net loss	\$ (30,474)	\$ (22,185)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities		
Depreciation and amortization	70,656	71,955
(Increase) decrease in assets		
Accounts receivable - other	(79)	211
Prepaid expenses	(218)	(83)
Mortgage escrows	1,178	13,800
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	1,789	737
Accrued interest payable	10,053	10,065
Accrued interest payable - affiliate	(627)	(2,419)
Accrued interest payable - promissory note - Horizon	-	(558)
Tenant security deposits - net	(863)	(328)
Prepaid rents	3,031	(359)
	\$ 54,446	\$ 70,836
Net cash provided by operating activities	\$ 54,446	\$ 70,836

See notes to financial statements

Heartland-Delavan, LLC
WHEDA Project No.: 001595

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

Heartland-Delavan, LLC (the company) was originally organized as a limited liability company under the laws of the State of Wisconsin on August 18, 1994, for the purpose of acquiring, constructing and operating a low-income residential housing project consisting of 46 rental units located in the City of Delavan, Wisconsin. Community Action, Inc. of Rock and Walworth Counties (CAI) has an economic interest in the company. During 1996, the company entered into a permanent loan and regulatory agreement with the Wisconsin Housing and Economic Development Authority (WHEDA). The company remains in effect until December 31, 2044. Effective January 1, 2001, Heartland Fund I-Delavan, Inc. and Heartland Properties Equity Investment Fund I both assigned and transferred their ownership interest to Heartland Properties, Inc. (HPI). HPI became the sole member of the company.

Effective July 1, 2003, National Equity Fund, Inc. (NEF) purchased a 99.99% member interest in the company. The member interest was simultaneously sold and transferred to NEF Assignment Corporation (NEFAC). HPI remains the managing member, having a 0.01% interest.

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. 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, Heartland-Delavan, LLC has executed a land use restriction agreement which requires the utilization of the project pursuant to Section 42 for a minimum of 30 years, even if disposition of the project by the company occurs.

Advertising Costs

Advertising costs are charged to operations when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported

Heartland-Delavan, LLC
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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.

Rental Property

Rental property is carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method for financial reporting purposes. For income tax purposes, accelerated lives and methods are used. For financial statement purposes, the following estimated useful lives are used:

	<u>Years</u>
Land improvements	8
Buildings and improvements	27
Furnishings and equipment	4 - 10

The company reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by comparison of the carrying amount of the rental property to the future undiscounted cash flow expected to be generated by the rental property. If the rental property is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the rental property exceeds the fair value of such property. There was no impairment loss recognized in 2008 or 2007.

Amortization

Financing fees are amortized over the term of the loan using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization expense for the years ended

Heartland-Delavan, LLC
WHEDA Project No.: 001595

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

December 31, 2008 and 2007 was \$1,013 and \$1,014, respectively. Estimated amortization expense for each of the ensuing years through December 31, 2026 is \$1,013 per year.

Rental Income

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

Income Taxes

No provision for federal and state income taxes is made in the accompanying financial statements as the company is a Wisconsin Limited Liability Company and, as such, any taxable income or loss passes through to, and is reported by, the members individually.

In June 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes" an interpretation of FASB Statement No. 109. The effective date of FIN 48 was for fiscal years beginning after December 15, 2006. The effective date was delayed in 2007 and was delayed again in 2008 for nonpublic companies. The new effective date for FIN 48 for nonpublic companies is for fiscal years beginning after December 15, 2008. The Company has elected to defer application of FIN 48, as permitted by FSP FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises," until 2009. The Company does not anticipate that the provisions of FIN 48 will have any significant impact on its financial statements. However, additional disclosures may be required of situations, if any, where the Company's tax positions are considered uncertain. Currently, the FASB is deliberating the manner and extent to which pass-through entities such as the Company will need to apply the provisions of FIN 48.

NOTE 2 - MORTGAGE NOTE PAYABLE

The company entered into a mortgage loan with WHEDA, dated December 26, 1996, in the original amount of \$1,090,000, bearing interest at the rate of 8.875%. The loan calls for monthly payments of principal and interest of \$8,673 based on a 30-year amortization schedule commencing February 1, 1997. The loan matures on January 1, 2027.

In connection with the WHEDA loan, the project is subject to a Regulatory Agreement with WHEDA effective December 26, 1996 which contains, among other things, restrictions on transferring any of the project's property, assigning the rights to manage or receive the rents

Heartland-Delavan, LLC
WHEDA Project No.: 001595

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

and profits of the property or assuming additional indebtedness. Surplus cash, as defined by WHEDA, may be distributed only upon approval by WHEDA. The mortgage note is secured by a real estate mortgage and security agreement. The member has assumed no personal liability for the mortgage. The loan may not be prepaid at any time.

WHEDA requires the project to make monthly deposits of \$575 to the reserve for replacements fund held by WHEDA. Disbursements are restricted to replacement of structural elements or equipment and may be made only upon approval by WHEDA. Upon satisfaction of the mortgage note payable, the funds on deposit in the replacement reserve shall be disbursed first to the borrower in an amount sufficient for payment of approved distributions and then to WHEDA for deposit into its general reserve funds. Additionally, there are restrictions as to operating policies and operating expenditures and limitations placed on annual cash flows available for distribution.

The project is required to make monthly deposits to WHEDA to provide for the payment of real estate taxes.

Payment of principal due on the mortgage note for each of the next five years and thereafter is as follows:

December 31, 2009	\$ 21,748
2010	23,760
2011	25,956
2012	28,356
2013	30,977
Thereafter	<u>806,579</u>
	<u>\$ 937,376</u>

NOTE 3 - SECOND MORTGAGE

The company entered into a loan with the School District of Delavan - Darien dated October 12, 1994 in the original amount of \$170,000. The loan bears interest at 6% per annum and is payable in 11 specified annual installments commencing October 12, 2010 through maturity on October 12, 2020. The loan may be prepaid at any time without penalty and is secured with a second mortgage on the rental property. Accrued interest on the loan is \$145,014 and \$134,814 at December 31, 2008 and 2007, respectively.

Heartland-Delavan, LLC
WHEDA Project No.: 001595

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

NOTE 4 - HOME LOAN

The company entered into a HOME loan contract with the State of Wisconsin, Department of Administration under the CHDO Rental Housing Development Program dated October 12, 1994 in the amount of \$220,000. The loan is noninterest bearing and is due on November 30, 2025. The loan is a nonrecourse obligation and is secured by a mortgage on the property, which is subordinate to the WHEDA mortgage loan and the second mortgage in favor of the School District of Delavan - Darien.

NOTE 5 - CAPITALIZED COSTS

The costs incurred to obtain financing of the project have been capitalized and are being amortized as described below:

	Amortization Period	2008	2007
Financing costs	30 years	\$ 23,164	\$ 23,164
Less: Accumulated amortization		<u>5,574</u>	<u>4,561</u>
Net capitalized costs		<u>\$ 17,590</u>	<u>\$ 18,603</u>

Heartland-Delavan, LLC
 WHEDA Project No.: 001595

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

NOTE 6 - RESTRICTED ESCROW DEPOSITS AND RESERVES

According to the Loan and Regulatory Agreements, the company is required to fund a real estate tax escrow account and a replacement reserve equal to \$575 per month. The following shows the activity in such accounts during 2008 and 2007:

	Beginning Balance December 31, 2007	Additions and Interest	Withdrawals and Transfers	Ending Balance December 31, 2008
Replacement reserve	\$ 19,768	\$ 7,809	\$ -	\$ 27,577
Real estate tax escrow	<u>1,223</u>	<u>27,705</u>	<u>(28,883)</u>	<u>45</u>
Total	<u>\$ 20,991</u>	<u>\$ 35,514</u>	<u>\$ (28,883)</u>	<u>\$ 27,622</u>
	Beginning Balance December 31, 2006	Additions and Interest	Withdrawals and Transfers	Ending Balance December 31, 2007
Replacement reserve	\$ 12,072	\$ 7,696	\$ -	\$ 19,768
Real estate tax escrow	<u>15,023</u>	<u>27,933</u>	<u>(41,733)</u>	<u>1,223</u>
Total	<u>\$ 27,095</u>	<u>\$ 35,629</u>	<u>\$ (41,733)</u>	<u>\$ 20,991</u>

NOTE 7 - MANAGEMENT AGREEMENT

Under the terms of a management agreement with the managing member, the company is required to pay a property management fee equal to 6% of the operating revenue. Accordingly, \$20,692 and \$20,188 was charged to operations during 2008 and 2007, respectively, of which \$581 and \$17 remained payable at December 31, 2008 and 2007, respectively. The agreement renews annually and may be terminated by the company without cause upon 30 days written notice to the manager.

Heartland-Delavan, LLC
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

NOTE 8 - ALLOCATIONS OF PROFITS, LOSSES AND DISTRIBUTION OF CASH FLOW

Distributions of cash flow, as approved by WHEDA, are distributed 1% to CAI and the balance, 80% to the managing member as an incentive management fee and the remainder distributed 50% to the managing member and 50% to the investor member, after payments on other liabilities as defined in the operating and note agreements. Profits and losses are allocated pro rata in accordance with the members' ownership percentages.

At December 31, 2008 there was \$22,476 of surplus cash available for distribution.

NOTE 9 - RELATED PARTY TRANSACTIONS

The company entered into an agreement with CAI, whereby CAI earns an annual fee of \$5,100 for services it provides in connection with the reporting requirements under the HOME loan contract. During both 2008 and 2007, \$5,100 was charged to operations. The managing member earns an incentive management fee equal to 80% of cash flows subject to availability and authorization by WHEDA.

The managing member advanced the project \$32,000 during 2004 to fund operating deficits. The amount payable was reimbursed by the managing member during 2008 through the funding of a promissory note. The note bears interest at 4.76% per annum and may be prepaid at any time without penalty. During 2008, there was a payment of principal and interest in the amounts of \$17,096 and \$893, respectively. The amount payable at December 31, 2007 was \$17,096 and accrued interest on the loan was \$627. The loan was paid in full on April 25, 2008.

NOTE 10 - HORIZON PROMISSORY NOTE

On January 1, 2005, the property entered into a loan with Horizon in the amount of \$20,880, the proceeds of which were used to pay off a remaining unpaid deferred development fee. The loan bears interest at the rate of 3.76%. In the event a minimum of \$5,000 is paid towards the principal during calendar years 2008 to 2010, the interest for that year shall be forgiven. A payment of \$5,000 was made in 2008. The balance of principal and accrued interest at December 31, 2008 is \$10,728 and \$0, respectively. The balance of principal and accrued interest at December 31, 2007 was \$15,728 and \$0, respectively. No interest expense was charged to operations for the years ended December 31, 2008 and 2007, respectively. Any balance remaining as of December 31, 2010 will be forgiven.

Heartland-Delavan, LLC
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2008 and 2007

NOTE 11 - CONTINGENCY

The project's 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 tax credits plus interest. In connection with the transfer of member's interests in a prior year, the transferor member posted a tax credit recapture bond.

NOTE 12 - ECONOMIC DEPENDENCY

The company operates the property located in Delavan, Wisconsin. Future operations could be affected by changes in the economy or other conditions in that geographical area or the demand for such housing.

SUPPLEMENTAL INFORMATION
SUPPORTING DATA REQUIRED BY WHEDA

ANNUAL SCHEDULE OF ASSETS for Multifamily Projects

Project Name: Parkside Village Apartments

Period Beginning: 1/1/08 thru: 12/31/08

Project Number: 001595

	Description of Account	ID	Account	Amount	Totals
1100	Cash - Operations		1120	\$ 47,420	
CURRENT	Construction Cash Account		1121	-	
ASSETS	Cash - Entity		1125	-	
	Tenant Accounts Receivable		1130	-	
	Allowance for Doubtful Accounts (deduct)		1131	-	
	Accounts Receivable - WHEDA		1135	-	
	Accounts and Notes Receivable - Operations		1140	79	
	Accounts and Notes Receivable - Entity		1145	-	
	Accounts Receivable - Interest		1160	-	
	Interest Reduction Payment Receivable		1165	-	
	Short Term Investments - Operations		1170	-	
	Short Term Investments - Entity		1175	-	
	Miscellaneous Current Assets		1190	-	
	Insurance Escrow		1312	-	
	Real Estate Tax or PILOT Escrow		1311	-	
	TOTAL CURRENT ASSETS		1100		\$ 47,499
1191	Tenant Security Deposits - RESTRICTED ASSET		1191		\$ 14,335
1200 PREPAID	Miscellaneous Prepaid Expenses		1200		\$ 1,696
EXPENSES					
1300	Escrow Deposits		1310	\$ 45	
FUNDED	Reserve for Replacements		1320	27,577	
RESERVES	Other Reserve		1330	-	
	Residual Receipts Reserve		1340	-	
	Management Improvement and Operating Plan		1381	-	
	Development Cost Escrow (DCE)		1390	-	
	FHA Insurance Reserve		1392	-	
	Total Funded Reserves		1300		\$ 27,622
1400	Land		1410	\$ 235,606	
FIXED	Buildings		1420	1,649,174	
ASSETS	Building Equipment (portable)		1440	-	
	Furniture for Project/Tenant Use		1450	-	
	Furnishings		1460	49,290	
	Office Furniture and Equipment		1465	-	
	Maintenance Equipment		1470	-	
	Motor Vehicles		1480	-	
	Miscellaneous Fixed Assets		1490	-	
	Gross Fixed Assets		1400	\$ 1,934,070	
1495	Accumulated Depreciation		1495	\$ 398,336	
ALLOWANCE					
ACCOUNTS	Total Accumulated Depreciation			\$ 398,336	
	Net Fixed Assets		1400		\$ 1,535,734
1500	Investments - Operations		1510	\$ -	
INVESTMENTS	Investments - Entity		1515	-	
	Intangible Assets		1520	17,590	
	Miscellaneous Other Assets		1590	-	
	TOTAL OTHER ASSETS		1500	\$ 17,590	
	TOTAL ASSETS		1000		\$ 1,644,476

ANNUAL SCHEDULE OF LIABILITIES AND EQUITY for Multifamily Projects

Project Name: Parkside Village Apartments

Period Beginning: 1/1/08 thru: 12/31/08

Project Number: 001595

	Description of Account	Account	Amount	Totals
2100 CURRENT LIABILITIES	Bank Overdraft - Operations	2105	\$ -	
	Accounts Payable-30 Days	2109	-	
	Accounts Payable - Operations	2110	14,036	
	Accounts Payable - Construction/Development	2111	-	
	Accounts Payable-Project Improvements Items	2112	-	
	Accounts Payable - Entity	2113	-	
	Accounts Payable-236 Excess Income Due HUD	2115	-	
	Accounts Payable-WHEDA/HUD	2116	-	
	Accrued Wages Payable	2120	449	
	Accrued Payroll Taxes Payable	2121	-	
	Accrued Management Fee Payable	2123	581	
	Accrued Interest Payable - Section 236	2130	-	
	Accrued Interest Payable - First Mortgage	2131	6,933	
	Accrued Interest Payable - Second Mortgage	2132	145,014	
	Accrued Interest Payable - Other Loans & Notes(Surplus Cash)	2133	-	
	Accrued Interest Payable - Other Loans and Notes	2134	-	
	Accrued Interest Payable - Flexible Subsidy Loan	2135	-	
	Accrued Interest Payable - Capital Improvement Loan	2136	-	
	Accrued Interest Payable - Operating Loss Loan	2137	-	
	Accrued Real Estate & Property Tax Payable	2150	-	
	Short Term Notes Payable	2160	-	
	Mortgage Payable - First Mortgage (Short Term)	2170	21,748	
	Mortgage Payable - Second Mortgage (Short Term)	2172	-	
	Other Loans and Notes Payable, Surplus Cash (Short Term)	2173	-	
Other Loans and Notes (Short Term)	2174	-		
Flexible Subsidy Loan Payable (Short Term)	2175	-		
Capital Improvement Loan Payable (Short Term)	2176	-		
Operating Loss Loan Payable (Short Term)	2177	-		
Utility Allowances	2180	-		
Miscellaneous Current Liabilities/ Preservation Fee	2190	-		
	TOTAL CURRENT LIABILITIES			\$ 188,761
2191	Tenant Security Deposits - CONTRA ASSET	2191		\$ 12,485
2200 PREPAID REVENUES	Prepaid Revenue	2210		\$ 3,069
	Total Current Liabilities	2122		\$ 204,315
2300 LONG-TERM LIABILITIES	Notes Payable - Long Term	2310	\$ -	
	Notes Payable - Surplus Cash	2311	-	
	Mortgage Payable - First Mortgage	2320	915,628	
	Mortgage Payable - Second Mortgage	2322	170,000	
	Other Loans and Notes Payable - Surplus Cash	2323	-	
	Other Loans and Notes Payable	2324	220,000	
	Flexible Subsidy Loan Payable	2325	-	
	Capital Improvement Loan Payable	2326	-	
	Operating Loss Loan Payable	2327	-	
	Miscellaneous Long Term Liabilities	2390	10,728	
	Total Long Term Liabilities	2300		\$ 1,316,356
	TOTAL LIABILITIES	2000		\$ 1,520,671
3033 TOTAL EQUITY	Total Equity/Retained Earnings	3033	\$ 123,805	
	TOTAL LIABILITIES and EQUITY/RETAINED EARNING	2033		\$ 1,644,476

SCHEDULE OF PROFIT AND LOSS for Multifamily Projects

Project Name: Parkside Village Apartments		Project Number: 001595		
Period Beginning: 1/1/08 thru: 12/31/2008		Year: 2008		
	Description of Account	Acct. No.	Amount	Totals
5100	Rent Revenue - Gross Potential	5120	\$ 335,107	
RENTAL	Tenant Assistance Payments	5121	-	
REVENUE	Rent Revenue - Commercial/Stores @ 100%	5140	-	
	Rent Revenue - Garage/Parking @ 100%	5170	12,359	
	Flexible Subsidy Revenue	5180	-	
	Miscellaneous Rent Revenue	5190	-	
	Excess Rent	5191	-	
	Rent Revenue/Insurance	5192	-	
	Special Claims Revenue	5193	-	
	Retained Excess Income	5194	-	
	Total Rent Revenue Potential	5100		\$ 347,466
5200	Apartment Vacancies	5220	9,451	
VACANCIES	Stores/Commercial Vacancies or Concessions	5240	-	
	Rental Concessions	5250	-	
	Garage/Parking Vacancies or Concessions	5270	-	
	Miscellaneous	5290	-	
	Total Vacancies or Concessions	5200		\$ 9,451
	Net Rental Revenue (Rent Revenue less Vacancies)	5152		\$ 338,015
5300	Total Service Income	5300		\$ -
5400	Financial Revenue - Project Operations	5410	690	
FINANCIAL	Revenue from Investments-Residual Receipts	5430	-	
REVENUE	Revenue from Investments-Replacement Reserve	5440	909	
	Revenue from Investments-Miscellaneous	5490	-	
	Total Financial Revenue	5400		\$ 1,599
5900	Laundry/Vending Income (Net)	5910	3,602	
MISC.	Tenant Charges	5920	345	
REVENUE	Miscellaneous Revenue	5990	795	
	Total Miscellaneous Revenue	5900		\$ 4,742
	Total Revenue	5000		\$ 344,356
6200	Conventions and Meetings	6203	-	
RENT	Management Consultants	6204	-	
EXPENSE	Advertising/Marketing Expense	6210	4,573	
	Other Rent Expense	6250	-	
	Total Rent Expense		4,573	
6300	Office Salaries	6310	-	
ADMIN.	Office Expenses	6311	1,451	
EXPENSES	Office or Model Apartment Rent	6312	-	
	Management Fee - Residential Rents	6320	20,692	
	Management Fee - Commercial Rents	6321	-	
	Management Fee - Miscellaneous Income	6322	-	
	Manager/Superintendent Salaries	6330	28,826	
	Administrative Rent-free Unit	6331	1,332	
	Legal Expense-project only	6340	-	
	Audit Expense-project only	6350	6,833	
	Bookkeeping Fees/Accounting Services	6351	-	
	Bad Debt Expense	6370	925	
	Miscellaneous Administrative Expense	6390	13,789	
	Total Administrative Expense		73,848	
6200 + 6300	Total Rent & Administrative Expense	6263		\$ 78,421
6400	Fuel Oil	6420	-	
UTILITIES	Electricity	6450	12,821	
EXPENSE	Water	6451	6,690	
	Gas	6452	16,695	
	Sewer	6453	-	
	Total Utilities Expense	6400		\$ 36,206

	Description of Account	Acct. No.	Amount	Totals
6500 OPERATING & MAINTENANCE EXPENSE	Payroll	6510	11,021	
	Supplies	6515	2,331	
	Contracts	6520	26,844	
	Operating and Maintenance Rent Free Unit	6521	-	
	Garbage & Trash Removal	6525	996	
	Security Payroll/Contract (incl. taxes and benefits)	6530	-	
	Security Rent Free Unit	6531	-	
	Heating/Cooling Repairs & Maintenance	6546	2,847	
	Snow Removal	6548	2,974	
	Vehicle/Maintenance Equipment Operation & Repairs	6570	-	
	Misc. Operating & Maintenance Expense	6590	12,515	
	Total Operating & Maintenance Expense	6500		\$ 59,528
	6900	Total Service Expense	6900	
6700 TAXES AND INSURANCE	Real Estate & Personal Property Taxes	6710	27,661	
	Payroll Taxes (Project's Share)	6711	-	
	Property & Liability Insurance (Hazard)	6720	7,837	
	Fidelity Bond Insurance	6721	-	
	Workmen's Compensation	6722	-	
	Health Insurance and Other Employee Benefits	6723	-	
	Miscellaneous Taxes, Licenses, Permits and Insurance	6790	40	
	Total Taxes and Insurance	6700		\$ 35,538
3220	Replacement Reserve Deposits as Required by WHEDA	3220		\$ 6,900
	Total Operating Expenses			\$ 209,693
	Net Operating Income (NOI)			\$ 134,663
6800 FINANCIAL EXPENSE	Interest on Mortgage Payable	6820	84,015	
	Interest on Notes Payable (Long Term)	6830	10,466	
	Interest on Notes Payable (Short Term)	6840	-	
	Mortgage Insurance Premium/Service Charge	6850	-	
	Miscellaneous Financial Expense/Preservation Fee	6890	-	
	Total Financial Expense	6800		\$ 94,481
	Total Expenses of Operations Before Depreciation	6000		\$ 304,174
	Profit or (Loss) Before Depreciation	5060		\$ 40,182
6600	Depreciation Expense (Total)	6601		\$ 69,643
	Amortization Expense	6610		\$ 1,013
	Operating Profit or Loss	5060		\$ (30,474)
7100 CORPORATE OR MORTGAGOR EXPENSE	Officer's Salaries	7110		
	Legal Expense	7120		
	Federal, State and Other Income Taxes	7130		
	Interest Income	7140		
	Interest on Notes Payable	7141		
	Interest on Mortgage Payable	7142		
	Other Expense	7190		
	Net Entity Expenses	7100		\$ -
	NET PROFIT OR (LOSS)	3250		\$ (30,474)
TOTAL PRINCIPAL PAYMENTS	WHEDA First Mortgage	9910		\$ 19,908
	Second Mortgage	9911		NONE
	Other Mortgage(s)	9912		\$ 22,096
	Reserve releases to reimburse items expensed on this schedule.	9920		NONE
	Capital expenditures paid from project operations and expensed on this schedule.	9930		NONE

Heartland-Delavan, LLC
WHEDA Project No.: 001595

SUPPLEMENTAL INFORMATION - CONTINUED

Year ended December 31, 2008

DETAIL OF MISCELLANEOUS EXPENSES

Line 6390

Compliance service fees - WHEDA	\$	900
Miscellaneous administrative expenses		4,689
CHDO fee		5,100
Telephone\answering service		3,100
		<hr/>
	\$	13,789
		<hr/> <hr/>

Line 6590

Elevator expense	\$	4,124
Fire equipment and safety		3,535
Exterminating expense		544
Appliance repair and maintenance expense		1,890
Other operating and maintenance expense		2,422
		<hr/>
	\$	12,515
		<hr/> <hr/>

ACCOUNTS AND NOTES RECEIVABLE (OTHER THAN FROM
REGULAR TENANTS)

Laundry accrual	\$	79
		<hr/> <hr/>

DELINQUENT TENANT ACCOUNTS RECEIVABLE

NONE

MORTGAGE ESCROW DEPOSITS

Estimated amount required as of December 31, 2008 for future payment of city, state and county taxes	\$	-
Amount on deposit in excess of estimated requirements		45
		<hr/>
Total confirmed by mortgagee	\$	45
		<hr/> <hr/>

Heartland-Delavan, LLC
WHEDA Project No.: 001595

SUPPLEMENTAL INFORMATION - CONTINUED

Year ended December 31, 2008

TENANT SECURITY DEPOSITS

Tenant security deposits are held in a separate money market account in the name of the project.

RESERVE FOR REPLACEMENTS

Balance as of December 31, 2007	\$	19,768
Monthly deposits \$575 x 12		6,900
Interest earned		<u>909</u>
Balance as of December 31, 2008	\$	<u><u>27,577</u></u>

ACCOUNTS PAYABLE (OTHER THAN TRADE CREDITORS)

NONE

LOANS AND NOTES PAYABLE (OTHER THAN THE INSURED MORTGAGE)

See notes 3, 4, 9 and 10

ACCRUED TAXES

NONE

Heartland-Delavan, LLC
 WHEDA Project No.: 001595

SUPPLEMENTAL INFORMATION - CONTINUED

Year ended December 31, 2008

OTHER ACCRUED EXPENSES

Description	Basis for accrual	Period covered	Date due	Amount accrued
Operating and maintenance	Estimate	12/08	1/2009	\$ 2,093
Wages	Estimate	12/08	1/2009	449
Utilities	Estimate	12/08	1/2009	4,931
Administrative	Estimate	12/08	1/2009	488
Management fee	Estimate	12/08	1/2009	<u>581</u>
				<u>\$ 8,542</u>
Mortgage interest	Amortization schedule	12/08	1/2009	<u>\$ 6,933</u>

COMPENSATION OF MEMBER

NONE

UNAUTHORIZED DISTRIBUTIONS TO MEMBER

NONE

MANAGEMENT FEE PAID

The management fee paid for the period January 1, 2008 to December 31, 2008 was \$20,128 in accordance with the terms of the management agreement. As of December 31, 2008, \$581 is payable. The project calculates the management fee based on 6% of operating revenue.

Heartland-Delavan, LLC
WHEDA Project No.: 001595

SUPPLEMENTAL INFORMATION - CONTINUED

Year ended December 31, 2008

WHEDA COMPUTATION OF SURPLUS CASH AND RESIDUAL RECEIPTS

Current assets	
Project cash on hand	\$ 47,420
Accounts receivable - other	79
Tenant security deposits (memo only) \$14,335	-
Real estate tax escrow	45
	<hr/>
Total current assets	47,544
	<hr/>
Current liabilities	
Accounts payable (due within 30 days)	6,524
Accrued expenses	8,542
Accrued interest	6,933
Prepaid rents	3,069
Tenant security deposits payable (memo only) \$12,485	-
	<hr/>
Total current liabilities	25,068
	<hr/>
CASH SURPLUS (DEFICIT)	\$ 22,476
	<hr/> <hr/>

Heartland-Delavan, LLC
 WHEDA Project No.: 001595

SUPPLEMENTAL INFORMATION - CONTINUED

Year ended December 31, 2008

CHANGES IN FIXED ASSET ACCOUNTS

	Assets			Accumulated depreciation			Net book value
	Balance 12/31/2007	Additions	Balance 12/31/2008	Balance 12/31/2007	Current provision	Balance 12/31/2008	
Land and land improvements	\$ 235,606	\$ -	\$ 235,606	\$ 15,707	\$ 3,491	\$ 19,198	\$ 216,408
Buildings and improvements	1,649,174	-	1,649,174	277,723	63,152	340,875	1,308,299
Furnishings and equipment	49,290	-	49,290	35,263	3,000	38,263	11,027
Total	\$ 1,934,070	\$ -	\$ 1,934,070	\$ 328,693	\$ 69,643	\$ 398,336	\$ 1,535,734