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FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

EAST BATON ROUGE COMMUNITY DEVELOPMENT ENTITY LLC

DECEMBER 31, 2011 (AS RESTATED) AND 2010

East Baton Rouge Community Development Entity LLC

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INDEPENDENT AUDITORS' REPORT

To the Members
East Baton Rouge Community Development Entity LLC

We have audited the accompanying balance sheets of East Baton Rouge Community Development Entity LLC as of December 31, 2011 (as restated) and 2010, and the related statements of operations, members' equity and cash flows for the year ended December 31, 2011 (as restated) and the period February 23, 2009 (inception) through December 31, 2010. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 the 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 East Baton Rouge Community Development Entity LLC as of December 31, 2011 (as restated) and 2010, and the results of its operations, the changes in members' equity and its cash flows for the year ended December 31, 2011 (as restated) and the period February 23, 2009 (inception) through December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As described in note 6, the 2011 financial statements have been restated to correct the under accrual of asset management fees and structuring fees.

In accordance with Government Auditing Standards, we have also issued our report dated (Date), on our consideration of East Baton Rouge Community Development Entity LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in

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accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Reznick Group, P.C.

Baltimore, Maryland
May 25, 2012

East Baton Rouge Community Development Entity LLC

BALANCE SHEETS

December 31, 2011 (as restated) and 2010

	2011 (as restated)	2010
ASSETS		
Cash	$ 693,273	$ 18,192
Accounts receivable	15,631	3,168
Prepaid expense	352,907	76,900
Investment in limited liability companies	2,266	613
Total assets	$ 1,064,077	$ 98,873
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES	$ 650,000	$ -
CONTINGENCY	-	-
MEMBERS' EQUITY	414,077	98,873
Total liabilities and members' equity	$ 1,064,077	$ 98,873

See notes to financial statements

East Baton Rouge Community Development Entity LLC

STATEMENTS OF OPERATIONS

Year ended December 31, 2011 (as restated) and period
February 23, 2009 (inception) through December 31, 2010

	2011 (as restated)	2010
Operating income		
Fee income	$ 1,530,000	$ 549,000
Asset management fee income	15,631	3,168
Other income	-	10,000
Interest income	290	154
Income from investment in limited liability companies	-	3
Total operating income	1,545,921	562,325
Operating expenses		
Asset management fee	23,993	3,100
Structuring fees	1,200,000	320,000
Professional fees	6,694	64,962
Success fee	-	61,000
Compliance fee	-	15,000
Loss from investment in limited liability companies	30	-
Total operating expenses	1,230,717	464,062
Net income	$ 315,204	$ 98,263

See notes to financial statements

East Baton Rouge Community Development Entity LLC

STATEMENTS OF MEMBERS' EQUITY

Year ended December 31, 2011 (as restated) and period February 23, 2009 (inception) through December 31, 2010

	East Baton Rouge Redevelopment Authority	City of Baton Rouge/ Parish of East Baton Rouge	Total
Contributions	$ 610	$ -	$ 610
Net income	48,149	50,114	98,263
Balance, December 31, 2010	48,759	50,114	98,873
Net income (as restated)	154,450	160,754	315,204
Balance, December 31, 2011 (as restated)	$ 203,209	$ 210,868	$ 414,077

See notes to financial statements

East Baton Rouge Community Development Entity LLC

STATEMENTS OF CASH FLOWS

Year ended December 31, 2011 (as restated) and period February 23, 2009 (inception) through December 31, 2010

	2011 (as restated)	2010
Cash flows from operating activities		
Net income	$ 315,204	$ 98,263
Adjustments to reconcile net income to net cash provided by operating activities		
Loss (income) from investment in limited liability companies	30	(3)
Increase in assets		
Accounts receivable	(12,463)	(3,168)
Prepaid expense	(276,007)	(76,900)
Increase in liabilities		
Accounts payable and accrued expenses	650,000	-
Net cash provided by operating activities	676,764	18,192
Cash flows from investing activities		
Investment in limited liability companies	(1,700)	(610)
Distributions received from limited liability companies	17	-
Net cash used in investing activities	(1,683)	(610)
Cash flows from financing activities		
Contributions from members	-	610
Net cash provided by financing activities	-	610
NET INCREASE IN CASH	675,081	18,192
Cash, beginning	18,192	-
Cash, end	$ 693,273	$ 18,192

See notes to financial statements

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

East Baton Rouge Community Development Entity LLC (the Company) was formed on February 23, 2009, under the laws of the State of Louisiana. The Company is a qualified Community Development Entity (CDE) that holds New Market Tax Credits (NMTC) allocation authority to be used for investment in Qualified Active Low Income Community Businesses (QALICB) pursuant to Section 45D of the Internal Revenue Code (IRC). The Company was granted a seventh round allocation of $60,000,000 of NMTC authority from the U.S. Treasury's Community Development Financial Institutions Fund (CDFI Fund) under an Allocation Agreement dated October 30, 2009. In general, under Section 45D of the IRC, a qualified investor in a CDE can receive the NMTC to be used to reduce Federal taxes otherwise due in each year of a seven-year period.

Under the Company's Allocation Agreement with CDFI Fund, Redevelopment Authority Fund I, LLC (Fund I) and Redevelopment Authority Fund II, LLC (Fund II) have become approved "Subsidiary Allocatees" of the Company. The Company is the managing member of the Subsidiary Allocatees. An Allocation Agreement places restrictions on the CDEs' operations, including, but not limited to, a specific geographical area of the low-income communities the CDEs must serve. The Company has been approved to serve low-income communities in East Baton Rouge Parish, Louisiana. As of December 31, 2011, the Company has allocated $6,100,000 and $17,000,000, respectively, of its NMTC authority to Fund I and Fund II, respectively.

In accordance with the Company's operating agreement, profits, losses and cash flows (subject to special allocations) are allocated 49% to East Baton Rouge Redevelopment Authority and 51% to the City of Baton Rouge/Parish of East Baton Rouge.

The Company shall continue in full force perpetually unless terminated pursuant to the operating agreement or law.

<u>Financial Statement Presentation</u>

The Company distinguishes operating revenue and expenses from nonoperating items. The operating revenue and expenses generally result from providing services in connection with the Company's ongoing operations. The principal operating revenue for the Company is fee income. Operating expenses may include income or loss from the investment in limited liability companies, management fees, compliance fees, success fees, professional fees and miscellaneous administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could materially differ from those estimates.

Investment in Limited Liability Companies

The Company accounts for its investment in the limited liability companies using the equity method of accounting. Under the equity method, the investment is recorded at cost, and increased or decreased by the Company's share of the limited liability companies' income or losses, and increased or decreased by the amount of any contributions made or distributions received. The Company holds a 0.01% membership interest in Fund I and Fund II as of December 31, 2011.

Fund I and Fund II are not considered VIEs as the Company is not expected to absorb any expected losses and is not the recipient of the expected benefits. The Company's investment represents its maximum exposure to loss.

Revenue Recognition

Fee income associated with the assignment of NMTC to its Subsidiary Allocatees is recognized when the Subsidiary Allocatees make qualified low-income community investments (QLICI) in QALICBs. Asset management fees are recognized when earned.

Income Taxes

The Company has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns, if applicable. The Company's federal tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity. The Company is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes. For income tax purposes, the Company reports on a calendar year basis.

NOTE 2 - RELATED PARTY TRANSACTIONS

Asset Management Fee Income

In accordance with the operating agreement of Fund I, the Company earns an annual asset management fee in the amount of $11,639 for services provided to Fund I. For the year ended December 31, 2011 and the period ended December 31, 2010, such fees earned were $11,639 and $3,168, respectively, As of December 31, 2011 and 2010, $11,639 and $3,168, respectively, remain receivable and are included in accounts receivable.

In accordance with the operating agreement of Fund II, the Company earns an annual asset management fee in the amount of $13,714 for services provided to Fund II. For the period ended December 31, 2011, such fees earned were $3,992, all of which is included in accounts receivable as of December 31, 2011.

Fee Income

During 2011, the Company earned and was paid a Sponsor Fee from WF Red Stick Investment Fund, LLC in the amount of $1,020,000 in connection with the Company's coordination of the investment in Fund II.

During 2011, in accordance with the operating agreement of Fund II, the Company earned and was paid a placement fee in the amount of $510,000 in connection with the investor member of Fund II's investment in Fund II.

During 2010, the Company earned and was paid a fee from COCRF Investor I, LLC in the amount of $366,000 as compensation for services related to the NMTC suballocation to Fund I.

During 2010, in accordance with the operating agreement of Fund I, the Company earned and was paid a Suballocation Purchase Fee in the amount of $183,000 for the transfer of a portion of its NMTC allocation and ongoing asset management services to be provided to Fund I.

Asset Management Fee and Structuring Fee

In accordance with the management services agreement of the Company, the Company shall pay East Baton Rouge Redevelopment Authority a fee up to the amount of 15% of the NMTC Allocation subject to the available cash flow. As of December 31, 2011 and 2010, $1,500,000 and $400,000, respectively, of this fee has been incurred by the Company. As of December 31, 2011 and 2010, $650,000 and $-0-, respectively, remain payable and included in accounts payable and accrued expenses. In accordance with the agreement eighty percent of the fee will be recognized as an expense in conjunction with the NMTC suballocation for services related to structuring the transaction. The remainder of the fee will be recognized over the NMTC compliance period of seven years. During the period ended December 31, 2011 and 2010, asset management fees of $23,993 and $3,100, respectively, and structuring fees of $1,200,000 and $320,000, respectively, have been expensed. As of December 31, 2011 and 2010, prepaid asset management fees of $352,907 and $76,900, respectively, remain as prepaid expenses. See also Note 6 for restatement.

NOTE 3 - INVESTMENT IN LIMITED LIABILITY COMPANIES

The following is the summarized condensed and combined financial information of the Company's investment in Fund I and II as of and for the year and period ended December 31, 2011 and in Fund I as of December 31, 2010 and for the period ended December 31, 2010:

SUMMARIZED BALANCE SHEETS

	2011	2010
ASSETS		
Cash	$ 84,215	$ 837
Notes and accrued interest receivable	22,444,541	5,954,803
Intangible assets, net	149,820	175,963
Total assets	$ 22,678,576	$ 6,131,603
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES	$ 15,631	$ 3,168
MEMBERS' EQUITY	22,662,945	6,128,435
Total liabilities and members' equity	$ 22,678,576	$ 6,131,603

SUMMARIZED STATEMENTS OF OPERATIONS

	2011	2010
Income	$ 257,591	$ 40,680
Operating expenses	41,774	10,205
Net income	$ 215,817	$ 30,475
(Loss) income allocated to the Company	$ (30)	$ 3

NOTE 4 - CONTINGENCY

The Company's NMTC allocation is contingent on the Company maintaining compliance with applicable sections of 45D of IRC and its Allocation Agreement with the CDFI Fund. Failure to maintain compliance or to correct noncompliance within a specified time period could result in the CDFI Fund exercising its right to take certain actions against the Company as provided for in the Allocation Agreement. Failure to maintain compliance or to correct noncompliance within a specified time period could also result in recapture of previously claimed tax credits plus penalties and interest.

In accordance with the terms of the operating agreement of Fund II, the Company shall be entitled to a Community Reinvestment Fee at the end of the seven-year tax credit compliance period in the amount of $31,773 from the proceeds of the principal repayment of the A note of Fund II.

NOTE 5 - REDEMPTION OPTION

In accordance with the operating agreement of Fund II, the investor member of Fund II has the right and option to require Fund II to redeem all of Fund II's investor member's interest in Fund II. This option may be exercised by the investor member of Fund II at any time during the 120-day period following the conclusion of the seven-year tax credit compliance period. The purchase price will be Fund II's investor member's share of any distributable cash held by Fund II and an assignment of the notes receivable of Fund II, provided that the Company shall be entitled to retain from the assets of Fund II cash in the amount of 0.01% of the notes receivable and other assets distributed by Fund II. After the expiration of Fund II's investor member's option period, the Company has the option to redeem Fund II's investor member's option or dissolve Fund II under the same terms described above.

NOTE 6 - RESTATEMENT OF 2011 FINANCIAL STATEMENTS

Subsequent to issuance, management discovered that the 2011 financial statements did not include all of the asset management fees and structuring fees due to the East Baton Rouge Redevelopment Authority. Fees totaling $650,000 were not accrued, which resulted in an understatement of accounts payable and accrued expenses. The under accrual also resulted in an understatement of prepaid expenses of $124,505 for the portion related to asset management fees applicable to future periods and an overstatement of net income of $525,495 for the portion related to structuring expense and amortized asset management fees.

The following schedule presents line items on the 2011 financial statements as of and for the year ended December 31, 2011, as previously reported and reissued:

	As previously reported	Change	As reissued
Prepaid expense	$ 228,402	$ 124,505	$ 352,907
Accounts payable and accrued expenses	$ -	$ 650,000	$ 650,000
Structuring fee expense	$ 680,000	$ 520,000	$ 1,200,000
Net income	$ 840,699	$ (525,495)	$ 315,204
Members' equity	$ 939,572	$ (525,495)	$ 414,077

NOTE 7 - SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Company through May 25, 2012 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members
East Baton Rouge Community Development Entity LLC

We have audited the financial statements of the East Baton Rouge Community Development Entity LLC as of and for the year ended December 31, 2011, and have issued our report thereon dated May 25, 2012. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Baton Rouge Community Development Entity LLC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Baton Rouge Community Development Entity LLC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the East Baton Rouge Community Development Entity LLC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We do not consider the deficiency described in the accompanying schedule of findings to be a material weakness.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control

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over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in finding 2011-1 on the accompanying schedule of findings and auditees' responses that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Baton Rouge Community Development Entity LLC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Company's members, others within the entity, awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Reznick Group, P.C.

Baltimore, Maryland
May 25, 2012

East Baton Rouge Community Development Entity LLC

SCHEDULE OF FINDINGS

December 31, 2011

Finding No. 2011-1

Statement of Condition

The Company does not have appropriate controls in place to record and accrue related party fees related to asset management and structuring fees.

Auditees' Summary Comments

Management has implemented additional controls and procedures to prevent and detect similar errors from occurring in the future.