

**ENHANCED CAPITAL NEW MARKET DEVELOPMENT FUND XII, LLC**  
**REPORTS REQUIRED BY**  
**FLORIDA SINGLE AUDIT ACT**

For the year ended December 31, 2013

**ENHANCED CAPITAL NEW MARKET DEVELOPMENT FUND XII, LLC**

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE  
PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
CHAPTER 10.650, RULES OF THE FLORIDA AUDITOR GENERAL**

To the Members of  
Enhanced Capital New Market Development Fund XII, LLC:

**Report on Compliance for Each Major State Project**

We have audited the compliance of Enhanced Capital New Market Development Fund XII, LLC (the "Company") with the types of compliance requirements described in the *Department of Financial Services'* State Projects Compliance Supplement, that could have a direct and material effect on each of the Company's major State projects for the year ended December 31, 2013. The Company's major State projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major State projects.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the Company's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and Chapter 10.650, Rules of the Florida Auditor General. Those standards and Chapter 10.650, Rules of the Florida Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State project. However, our audit does not provide a legal determination on the Company's compliance with those requirements.

***Opinion on Each Major State Project***

In our opinion, the Company complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended, December 31, 2013.

## **Report on Internal Control Over Compliance**

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to State projects. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Florida Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a State project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or as combination of deficiencies, in internal control over compliance with the type of compliance requirement of a State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses, or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

## **Other Matters**

### ***Schedule of Expenditures and State Financial Assistance***

We have audited the financial statements of Enhanced Capital New Market Development Fund XII, LLC, as of and for the year ended December 31, 2013, and have issued our report thereon dated April 21, 2014. Our audit was conducted for the purpose of forming an opinion on the Company's basic financial statements. The accompanying Schedule of Expenditures and State Financial Assistance for the year ended December 31, 2013 is presented for purposes of additional analysis as required by Chapter 10.650, Rules of the Auditor General, and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures and State Financial Assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures and State Financial Assistance is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Novogradac & Company LLP*

Dover, Ohio  
May 28, 2014

To the Members of  
Enhanced Capital New Market Development Fund XII, LLC:

We have audited the financial statements of Enhanced Capital New Market Development Fund XII, LLC (“the Company”), as of and for the fiscal year ended December 31, 2013, and have issued our report thereon dated April 21, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Chapter 10.650, Rules of the Florida Auditor General. We have issued our Independent Auditors’ Report on Compliance for Each Major State Project and Report on Internal Control over Compliance Required by Chapter 10.650, Rules of the Florida Auditor General. Disclosures in those reports and schedule, which are dated May 28, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Florida Auditor General, which requires disclosure in the management letter noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. **Note:** Fraud, noncompliance with provisions of laws or regulations and contracts or grant agreements, or abuse that does not warrant the attention of those charged with governance, or internal control deficiencies that are not material weaknesses or significant deficiencies may be reported in the management letter based on professional judgment.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, others within the entity, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Novogradac & Company LLP*

Dover, Ohio  
May 28, 2014

**ENHANCED CAPITAL NEW MARKET DEVELOPMENT FUND XII, LLC  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS**

Fiscal Year Ended December 31, 2013

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the Company's basic financial statements.
2. No significant deficiencies in internal control were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Company were disclosed during the audit.
4. No significant deficiencies in internal control over a major State project were disclosed during the compliance testing; therefore no significant deficiencies were reported in the Independent Auditors' Report on Compliance for Each Major State Project and Report on Internal Control over Compliance Required by Chapter 10.650, Rules of the Florida Auditor General.
5. The auditors' report on compliance with requirements that could have a direct and material effect on each major State project for the Company expresses an unqualified opinion.
6. Our audit disclosed no findings required to be reported related to State projects required to be disclosed under Chapter 10.656, Rules of the Florida Auditor General.

The projects tested as major projects included the following:

<u>State Project</u>	<u>State CSFA No.</u>	<u>Year</u>
Department of Economic Opportunity	40.020	2012

7. The threshold for distinguishing Type A and Type B projects was \$500,000 for major State projects.

**B. FINDINGS – FINANCIAL STATEMENTS**

There are no findings to the Company's financial statements as of December 31, 2013.

**ENHANCED CAPITAL NEW MARKET DEVELOPMENT FUND XII, LLC  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS (CONTINUED)**

Fiscal Year Ended December 31, 2013

**C. FINDINGS AND QUESTIONED COSTS –MAJOR STATE PROJECTS**

There are no findings or questioned costs relating to the Florida Department of Economic Opportunity and their regulations over the state New Markets Development Program and the Department of Financial Services' State Projects Compliance Supplement.

**D. OTHER ISSUES**

The Supplemental Reports do not include the Summary Schedule of Prior Audit Findings because there were no prior audit findings related to State Projects and no Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.



**ENHANCED CAPITAL NEW MARKET DEVELOPMENT FUND XII, LLC**  
**SCHEDULE OF EXPENDITURES AND STATE FINANCIAL ASSISTANCE**

Fiscal Year Ended December 31, 2013

<u>STATE AGENCY</u>	<u>State CSFA</u>	<u>Grant Number</u>	<u>Project Expenditures</u>
Department of Economic Opportunity			
<u>Direct Projects</u>			
Florida New Markets Development Program			
Qualified Low-Income Community Investments	40.020	N/A	\$ <u>9,600,000</u>
			<u>\$ 9,600,000</u>

Pursuant to the State of Florida New Markets Tax Credit statute (the "Florida Statute"), the Company applied for and received the authority to issue up to \$10,000,000 in Florida qualified equity investments ("Florida QEIs") in 2012. Under the Florida Statute, the Company's Members will be allowed to claim Florida new markets tax credits ("Florida NMTCs") over seven periods spanning six years and one day for any equity investment made by such Member that is designated as a Florida QEI within the meaning of the Florida Statute and has at least 85% of its cash purchase price used by the issuer to make qualified low-income community investments ("Florida QLICs"). Pursuant to the Company's approval from the State of Florida on June 17, 2013 to issue up to \$10,000,000 of Florida QEIs, the Company designated the capital contributions received by the Investment Fund in the amount of \$10,000,000 as Florida QEIs. During 2013, the Company made loans in the amount of \$9,600,000 that constitute Florida QLICs. As of December 31, 2013, \$9,600,000 constitutes Florida QLICs.

**Enhanced Capital New Market Development Fund XII, LLC**

Financial Statements

For the Years Ended December 31, 2013 and  
the period August 24, 2012 (commencement of operations)  
to December 31, 2012

With

Report of Independent Auditors Thereon

Report of Independent Auditors

To the Members of  
Enhanced Capital New Market Development Fund XII, LLC:

We have audited the accompanying financial statements of Enhanced Capital New Market Development Fund XII, LLC, which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, changes in members' equity, and cash flows for the year ended December 31, 2013 and the period August 24, 2012 (commencement of operations) to December 31, 2012, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enhanced Capital New Market Development Fund XII, LLC, as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the year ended December 31, 2013 and the period August 24, 2012 (commencement of operations) to December 31, 2012, in accordance with accounting principles generally accepted in the United States of America.

*Novogradac & Company LLP*

April 21, 2014

**ENHANCED CAPITAL NEW MARKET DEVELOPMENT FUND XII, LLC**  
**BALANCE SHEETS**  
December 31, 2013 and 2012

	2013	2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,000	\$ 10,000,000
Loans	9,600,000	-
Intangible asset, net	366,545	-
Total assets	\$ 9,967,545	\$ 10,000,000
 <b>MEMBERS' EQUITY</b>	 \$ 9,967,545	 \$ 10,000,000

see accompanying notes to financial statements

**ENHANCED CAPITAL NEW MARKET DEVELOPMENT FUND XII, LLC**  
**STATEMENTS OF OPERATIONS**

For the Year Ended December 31, 2013 and the period  
August 24, 2012 (commencement of operations) to December 31, 2012

	<u>2013</u>	<u>August 24, 2012 (commencement of operations) to December 31, 2012</u>
<b>REVENUE</b>		
Interest income	\$ 49,067	\$ -
<b>EXPENSE</b>		
Amortization expense	<u>33,455</u>	<u>-</u>
Net income	<u>\$ 15,612</u>	<u>\$ -</u>

see accompanying notes to financial statements

**ENHANCED CAPITAL NEW MARKET DEVELOPMENT FUND XII, LLC**  
**STATEMENTS OF CHANGES IN MEMBERS' EQUITY**  
For the Year Ended December 31, 2013 and the period  
August 24, 2012 (commencement of operations) to December 31, 2012

	Enhanced Community Development, LLC	Enhanced Capital Florida NMTC Investment Fund, LLC	Enhanced Capital Florida NMTC Investment Fund I, LLC	Total Members' Equity
BALANCE, AUGUST 24, 2012 (commencement of operations)	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000
Net income	-	-	-	-
BALANCE, DECEMBER 31, 2012	-	10,000,000	-	10,000,000
Contributions	1,000	-	-	1,000
Transfer of membership interests	-	(10,000,000)	10,000,000	-
Distributions	(5)	-	(49,062)	(49,067)
Net income	2	-	15,610	15,612
BALANCE, DECEMBER 31, 2013	<u>\$ 997</u>	<u>\$ -</u>	<u>\$ 9,966,548</u>	<u>\$ 9,967,545</u>

**ENHANCED CAPITAL NEW MARKET DEVELOPMENT FUND XII, LLC**  
**STATEMENTS OF CASH FLOWS**  
For the Year Ended December 31, 2013 and the period  
August 24, 2012 (commencement of operations) to December 31, 2012

	2013	August 24, 2012 (commencement of operations) to December 31, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 15,612	\$ -
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization expense	33,455	-
Net cash provided by operating activities	49,067	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in intangible assets	(400,000)	-
Loans	(9,600,000)	-
Net cash used in investing activities	(10,000,000)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital contributions	1,000	10,000,000
Distributions	(49,067)	-
Net cash (used in) provided by financing activities	(48,067)	10,000,000
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(9,999,000)	10,000,000
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	10,000,000	-
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$ 1,000	\$ 10,000,000

see accompanying notes to financial statements



**ENHANCED CAPITAL NEW MARKET DEVELOPMENT FUND XII, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013 and 2012

**NOTE 1 - ORGANIZATION**

Enhanced Capital New Market Development Fund XII, LLC (the Company), a Louisiana limited liability company, was formed on May 13, 2010 pursuant to an initial operating agreement which was amended and restated on August 24, 2012 to admit Enhanced Capital Florida NMTC Investment Fund, LLC (the Initial Investor Member), a Delaware limited liability company, as an investor member to the Company and Enhanced Community Development, LLC (the Managing Member) as a managing member to the Company. This agreement was again amended and restated (the Operating Agreement) on June 27, 2013 to admit Enhanced Capital Florida NMTC Investment Fund I, LLC (the Investor Member), a Delaware limited liability company, to the Company pursuant to a membership interest purchase agreement with the Initial Investor Member.

Pursuant to the Operating Agreement, the Investor Member (99.99% ownership interest) is required to provide capital contributions of \$10,000,000 and the Managing Member (0.01% ownership interest) is required to provide capital contributions of \$1,000. As of December 31, 2013 and 2012, the Investor Member and Managing Member have provided capital contributions of \$10,000,000 and \$1,000, respectively.

The Managing Member has been certified by the Florida Department of Economic Opportunity (DEO) as a Qualified Community Development Entity (QCDE). As of December 31, 2013 and 2012, the Managing Member has been awarded issuance of up to \$37,279,602 and \$32,471,910, respectively, of Qualified Investments (QIs) by the DEO. As a QCDE, the Managing Member's primary purpose is serving or providing investment capital for low-income communities in the State of Florida. The Company was organized for the purpose of receiving a sub-allocation of Florida New Markets Tax Credits (Florida NMTCs) from the Managing Member. As of December 31, 2013 and 2012, the Managing Member has sub-allocated \$10,000,000 of its Florida NMTC allocation to the Company.

Profits and losses generally are allocated among the members in accordance with their ownership interests. Cash is distributed to the members in accordance with their ownership interests.

The term of the Company shall continue until the occurrence of certain dissolution events, as defined in the Operating Agreement or by law, whichever is earlier.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Company prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**Concentration Risk**

The Company's major assets are loans receivable from JCC Charitable Project, Inc. (JCC) The Company's primary source of revenue is derived from these assets. JCC's operations are located in Tampa, Florida. Future operations could be affected by changes in the economic conditions of this entity or its parent companies.

**Income Taxes**

The Company is treated as a partnership for income tax purposes. All income and expenses of the Company are attributed to the taxable income of the individual members. Consequently, no provision for income taxes has been made in the accompanying financial statements.

**ENHANCED CAPITAL NEW MARKET DEVELOPMENT FUND XII, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013 and 2012

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Income Taxes (continued)**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Company to report information regarding its exposure to various tax positions taken by the Company. Management has determined whether any tax positions have met the recognition threshold and has measured the Company's exposure to those tax positions. Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state taxing authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Company are recorded in operating expenses. No interest or penalties from federal or state taxing authorities were recorded in the accompanying financial statements.

**Revenue Recognition**

Interest income is accrued as earned in accordance with the contractual terms of the agreements.

**Loans**

The Company periodically reviews the need for an allowance for its loan receivable and considers a loan impaired when based on current information or factors, it is probable that the Company will not collect the principal and interest payments contractually due. The impairment is measured based on the Company's known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of underlying collateral, expected future cash flows of the project, and current economic conditions. The Company's key credit quality indicator is a loan's performance status, defined as accruing or non-accruing. Performing loans are considered to have a lower risk of loss, while nonaccrual loans are those which the Company believes have a higher risk of loss. Loans that are 90 days or more past due, based on the contractual terms of the loan agreement, are classified on nonaccrual status. Loans may also be placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection of interest is doubtful.

When ultimate collectability of the principal balance of an impaired loan is in doubt, all cash receipts from the impaired loan are applied to principal until the principal has been fully recovered and are recognized as interest income thereafter. Loans may resume accruing interest if management no longer believes a loan is impaired or the collection of principal and interest is no longer in doubt. Increases in the allowance are charged to provisions for loan losses. Loans are written off against the allowance when all possible means of collection have been exhausted and the potential for recovery is considered remote. At December 31, 2013 and 2012, the loans receivable are performing in accordance with the terms of the agreements and the Company does not believe the loans receivable are impaired.

**Use of Estimates**

The preparation of financial statements in accordance 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 differ from those estimates.

**Cash and Cash Equivalents**

The Company considers all short-term financial instruments with a maturity of three months or less at the date of acquisition to be cash equivalents.

**ENHANCED CAPITAL NEW MARKET DEVELOPMENT FUND XII, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013 and 2012

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Intangible Assets**

Sub-allocation fees of \$400,000 are amortized ratably over 74 months using the straight-line method. Accumulated amortization as of December 31, 2013 was \$33,455.

**Subsequent Events**

Subsequent events have been evaluated through April 21, 2014, which is the date the financial statements were available to be issued and there are no subsequent events requiring disclosure.

**NOTE 3 – CASH**

The Company maintains cash in a bank, which may, at times, exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on these accounts.

**NOTE 4 - LOANS**

The Company has two loans to JCC Charitable Project, Inc. of which \$9,600,000 and \$0, respectively, is outstanding as of December 31, 2013 and 2012, the terms of the loans are as follows:

The first loan having a promissory note dated June 27, 2013 in the original amount of \$7,972,000, matures on December 1, 2048 and bears interest at 1.00% per annum. Interest payments are due annually on December 1 of each year through December 1, 2019, commencing on December 1, 2013. Commencing on December 1, 2020, payments of principal and interest are due annually on December 1 of each year until the maturity date. At maturity, the entire outstanding principal balance plus all accrued and unpaid interest thereon becomes due and payable in full to the Company. The loan may not be prepaid prior to August 24, 2019, and is secured by a mortgage, deed of trust, security agreement, and assignment of leases and rents. At December 31, 2013 and 2012, the total amount outstanding was \$7,972,000 and \$0, respectively.

The second loan having a promissory note dated June 27, 2013 in the original amount of \$1,628,000, matures on December 1, 2048 and bears interest at 1.00% per annum. Interest payments are due annually on December 1 of each year through December 1, 2019, commencing on December 1, 2013. Commencing on December 1, 2020, payments of principal and interest are due annually on December 1 of each year until the maturity date. At maturity, the entire outstanding principal balance plus all accrued and unpaid interest thereon becomes due and payable in full to the Company. The loan may not be prepaid prior to August 24, 2019, and is secured by a mortgage, deed of trust, security agreement, and assignment of leases and rents. At December 31, 2013 and 2012, the total amount outstanding was \$1,628,000 and \$0, respectively.

For the year ended December 31, 2013 and the period August 24, 2012 (commencement of operations) to December 31, 2012, the Company earned \$49,067 and \$0, respectively, in interest income on these loans.

**NOTE 5 – RELATED PARTY TRANSACTIONS**

During 2013, the Company paid a sub-allocation fee of \$400,000 to the Managing Member in consideration for the transfer of a portion of the Florida QI to the Company.

**ENHANCED CAPITAL NEW MARKET DEVELOPMENT FUND XII, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013 and 2012

**NOTE 6 – FLORIDA NEW MARKETS TAX CREDITS**

The Managing Member received a final order letter dated September 12, 2012 from the DEO certifying the issuance of up to \$26,513,761 of QIs by the Managing Member and allowing the Investor Member to earn Florida NMTCs. As of December 31, 2013 and 2012, the Managing Member has sub-allocated \$10,000,000 of its allocation to the Company. As of December 31, 2013 and 2012, the Company had received \$10,000,000 of QIs and had made \$10,000,000 of qualified low-income community investments (QLICIs).

In order to qualify for the Florida NMTCs, the Managing Member and the Company must comply with requirements of the Florida NMTC Program. Failure to comply with the requirements could result in the recapture of Florida NMTCs that have been previously claimed as well as the loss of any future Florida NMTCs.

Florida NMTCs are issued over seven years at a rate of 0% of the QI for years one and two, 7% for year three, and 8% for years four through seven. Based on the timing of the QIs, Florida NMTCs were not available for the year ended December 31, 2013 and the period August 24, 2012 (commencement of operations) to December 31, 2012.

Future Florida NMTC amounts as a result of QIs are expected to be as follows:

Year ending December 31,	
2014	\$ 700,000
2015	800,000
2016	800,000
2017	800,000
2018	<u>800,000</u>
Total	<u>\$ 3,900,000</u>

Client: **ECP015 - Enhanced Capital New Market Development Fund XII, LLC**  
 Engagement: **2013 Audit**  
 Period Ending: **12/31/2013**  
 Trial Balance: **B1-1 - Trial Balance**  
 Workpaper: **B1-2 - Audit Trial Balance.**

Account	Description	PP-FINAL 12/31/2012	UNADJ 12/31/2013	JE Ref #	AJE	ADJ 12/31/2013
Group : [4110] Cash & Equivalents						
<b>Subgroup : [4111] Cash</b>						
11000-001	Cash - Capital One	10,000,000.00	1,000.00		0.00	1,000.00
<b>Subtotal [4111] Cash</b>		<b>10,000,000.00</b>	<b>1,000.00</b>		<b>0.00</b>	<b>1,000.00</b>
<b>Total [4110] Cash &amp; Equivalents</b>		<b>10,000,000.00</b>	<b>1,000.00</b>		<b>0.00</b>	<b>1,000.00</b>
Group : [4510] Loans Receivable						
<b>Subgroup : [4512] Loans Receivable</b>						
14000-001	JCC Charitable Project Investment	0.00	9,600,000.00		0.00	9,600,000.00
<b>Subtotal [4512] Loans Receivable</b>		<b>0.00</b>	<b>9,600,000.00</b>		<b>0.00</b>	<b>9,600,000.00</b>
<b>Total [4510] Loans Receivable</b>		<b>0.00</b>	<b>9,600,000.00</b>		<b>0.00</b>	<b>9,600,000.00</b>
Group : [4710] Other Assets						
<b>Subgroup : [4714] Sub - Allocation Fee</b>						
17000-001	Prepaid Sub - Allocation Fee	0.00	366,545.00		0.00	366,545.00
<b>Subtotal [4714] Sub - Allocation Fee</b>		<b>0.00</b>	<b>366,545.00</b>		<b>0.00</b>	<b>366,545.00</b>
<b>Total [4710] Other Assets</b>		<b>0.00</b>	<b>366,545.00</b>		<b>0.00</b>	<b>366,545.00</b>
Group : [6110] Equity						
<b>Subgroup : [6111] GP Contributions</b>						
31000-002	Paid in Capital - ECD	0.00	(1,000.00)		0.00	(1,000.00)
<b>Subtotal [6111] GP Contributions</b>		<b>0.00</b>	<b>(1,000.00)</b>		<b>0.00</b>	<b>(1,000.00)</b>
<b>Subgroup : [6112] LP Contributions</b>						
31000-000	Paid in Capital - Florida NMTC	(10,000,000.00)	0.00		0.00	0.00
31000-001	Paid in Capital - Florida NMTC I	0.00	(10,000,000.00)		0.00	(10,000,000.00)
<b>Subtotal [6112] LP Contributions</b>		<b>(10,000,000.00)</b>	<b>(10,000,000.00)</b>		<b>0.00</b>	<b>(10,000,000.00)</b>
<b>Subgroup : [6113] Distributions</b>						
32000-000	Dividend Distribution - ECD	0.00	5.00		0.00	5.00
32000-001	Dividend Distribution - Florida NMTC	0.00	49,062.00		0.00	49,062.00
<b>Subtotal [6113] Distributions</b>		<b>0.00</b>	<b>49,067.00</b>		<b>0.00</b>	<b>49,067.00</b>
<b>Total [6110] Equity</b>		<b>(10,000,000.00)</b>	<b>(9,951,933.00)</b>		<b>0.00</b>	<b>(9,951,933.00)</b>
Group : [7110] Revenue						
<b>Subgroup : [7125] Investment Interest Income</b>						
41000-001	Interest Income - JCC	0.00	(49,067.00)		0.00	(49,067.00)
<b>Subtotal [7125] Investment Interest Income</b>		<b>0.00</b>	<b>(49,067.00)</b>		<b>0.00</b>	<b>(49,067.00)</b>
<b>Total [7110] Revenue</b>		<b>0.00</b>	<b>(49,067.00)</b>		<b>0.00</b>	<b>(49,067.00)</b>
Group : [7310] Operating Expenses						
<b>Subgroup : [7365] Amortization</b>						
72000-000	Sub - Allocation Fee Expense	0.00	33,455.00		0.00	33,455.00
<b>Subtotal [7365] Amortization</b>		<b>0.00</b>	<b>33,455.00</b>		<b>0.00</b>	<b>33,455.00</b>
<b>Total [7310] Operating Expenses</b>		<b>0.00</b>	<b>33,455.00</b>		<b>0.00</b>	<b>33,455.00</b>
<b>Sum of Account Groups</b>		<b>0.00</b>	<b>0.00</b>		<b>0.00</b>	<b>0.00</b>
<b>Net (Income) Loss</b>		<b>0.00</b>	<b>(15,612.00)</b>		<b>0.00</b>	<b>(15,612.00)</b>