

# **Informações complementares a respeito da Avaliação de Oportunidade de Aquisição de Participação Primária na AHS**

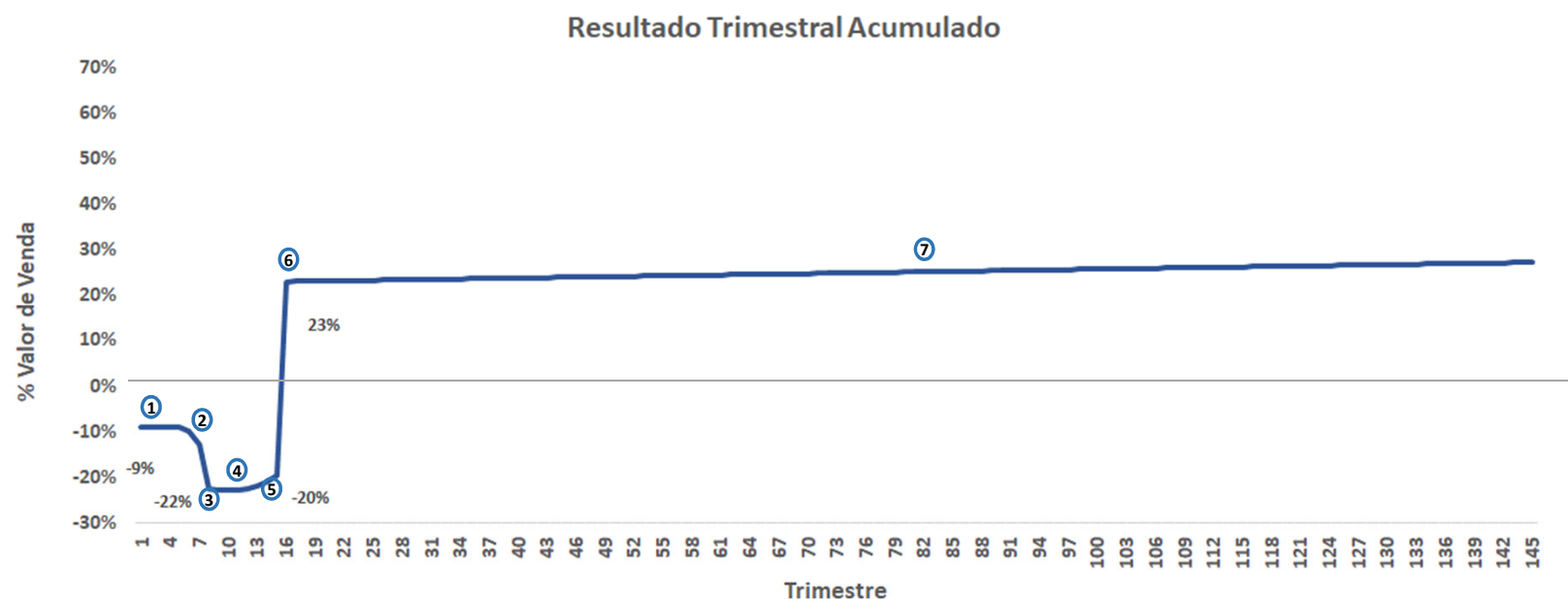
# Premissas Operacionais



Premissas operacionais		
Vacância	4%	* Do total do número de apartamentos
Aluguel médio (US\$)	1.482	
Custo do terreno (%do valor de venda) <sup>(a)</sup>	9%	
Custo de construção (% do valor de venda) <sup>(a)</sup>	67%	
Tempo de legalização do terreno (Em meses)	18	
Período de construção (Em meses)	14	
Período de maturação do aluguel (Em meses)	8	
Período pós maturação até a venda (Em meses)	4	
Outros resultados referentes à administração de condomínio (recebimentos - desembolsos)	1,5%	* Percentual sobre o recebimento operacional
OPEX	39,6%	* Percentual sobre o recebimento operacional
Premissas da dívida de construção		
Taxa de juros (a.a)	4,50%	
Taxa de captação	0,50%	* Sobre o principal (Pago na captação uma única vez)
LTC	73%	* Principal / Custo total (Terreno + Construção)
Premissas da dívida do refinanciamento		
Taxa de juros (a.a)	3,80%	
Taxa de Captação	0,65%	* Sobre o principal (Pago uma única vez a cada captação)
Prazo da dívida (Em meses)	360	
LTV	70%	* Captação limitada à 70% do valor de venda
Período de Amortização (Em meses)	120	
Valuation		
Cap Rate	5,25%	

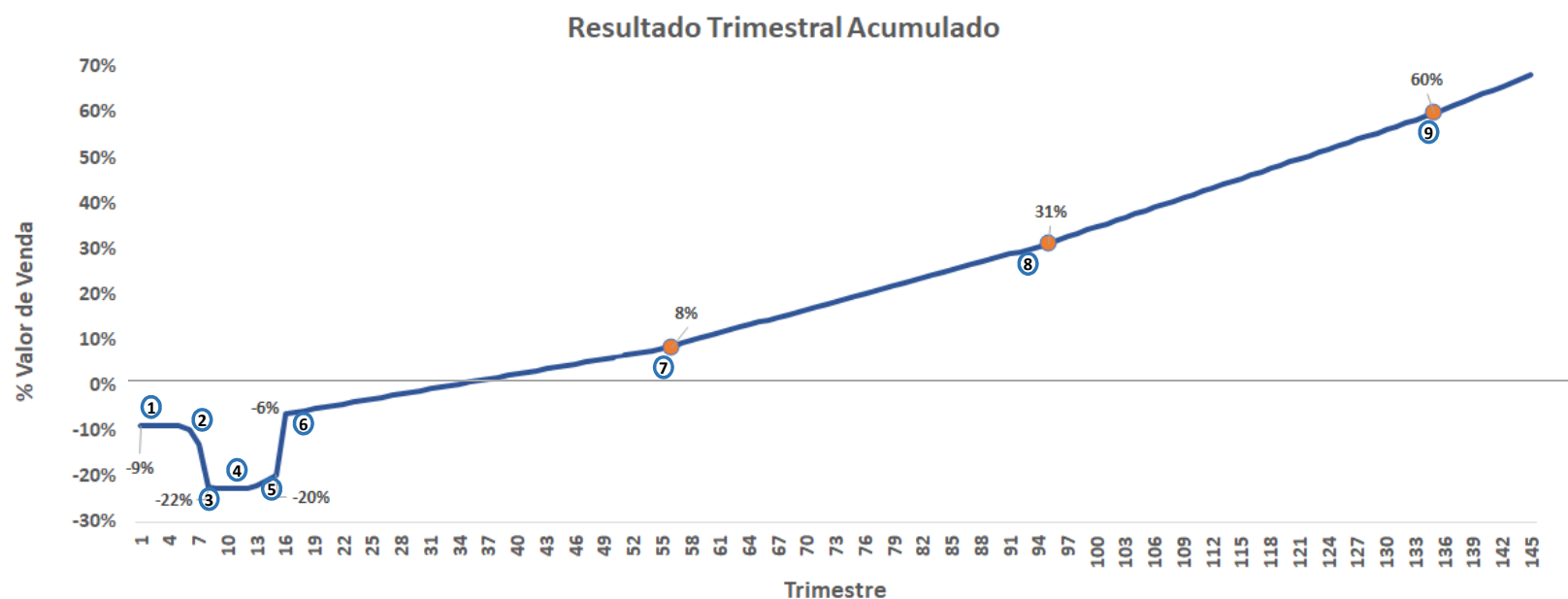
(a) Valor de venda = NOI/Cap Rate

## Fluxo de Caixa: Com Venda do Empreendimento (Valores em % do valor de venda)



- ① T1 ao T5: Período entre a aquisição do terreno e o início da construção
- ② T5 ao T8: Desembolso de construção financiado com capital próprio
- ③ T8 ao T12: Desembolso de construção financiado com dívida
- ④ T12: Início do período de estabilização do aluguel
- ⑤ T15: A operação se torna estável
- ⑥ T16: O empreendimento é vendido
- ⑦ T16 em diante: Recebimento líquido de 0,033% do valor de venda (Administração de condomínio)

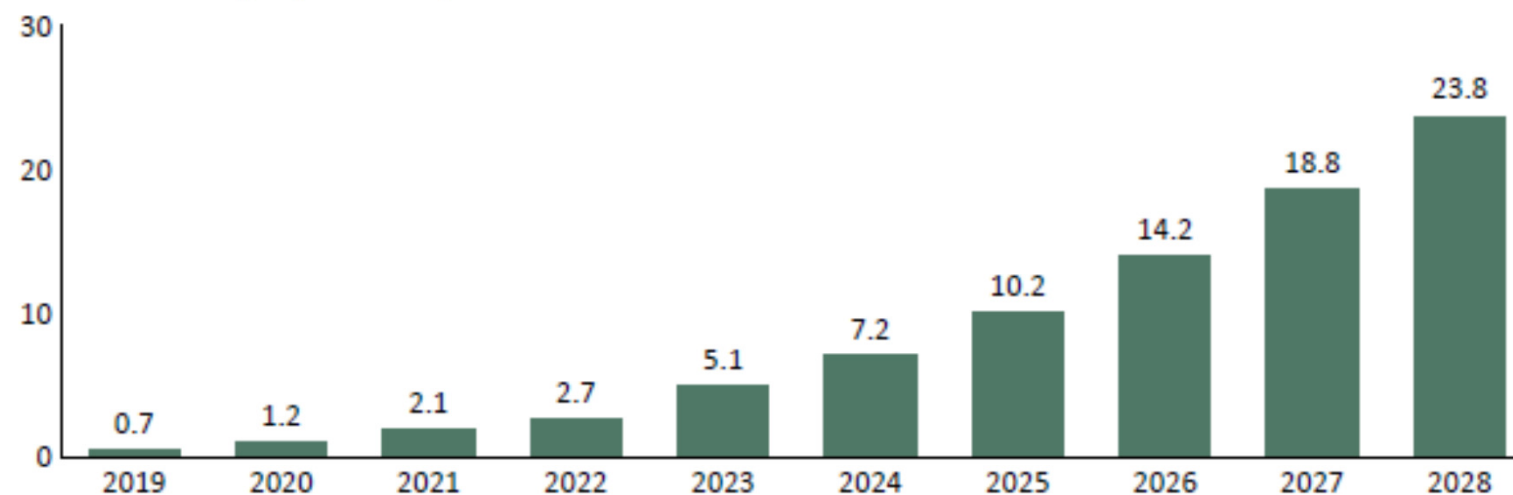
## Fluxo de Caixa: Com Refinanciamento do Empreendimento (Valores em % do valor de venda)



- ① T1 ao T5: Período entre a aquisição do terreno e o início da construção
- ② T5 ao T8: Desembolso de construção financiado com capital próprio
- ③ T8 ao T12: Desembolso de construção financiado com dívida
- ④ T12: Início do período de estabilização do aluguel
- ⑤ T15: A operação se torna estável
- ⑥ T16: Refinanciamento da dívida à construção
- ⑦ T51: 1ª Rolagem da dívida de refinanciamento
- ⑧ T95: 2ª Rolagem da dívida de refinanciamento
- ⑨ T135: 3ª Rolagem da dívida de refinanciamento

## Ramp up de unidades produzidas até 2028

Operação, portfólio sob administração (K unidades)



Infusão de capital (U\$M)	46	0	70	120	0	0	0	0	0	0
Construção (unidades/ano)	0.6	0.9	1.7	2.3	2.7	3.6	4.4	4.9	5.1	5.1

# Memória de cálculo do Capital Infusion



## 1ª Tranche

Capital Infusion	
(a) NAV @ jun/19	175.933.702
(b) Units @ jun/19	163.125
(c) NAV / Unit @ 30/06 \$	1.079 (a)/(b)
(d) Additional Capital @ jul/19 \$	10.000.000
(e) Unit \$	720
(f) Additional Units @ jul/19	13.889 (d)/(e)
(g) NAV + Add \$	185.933.702 (a)+(d)
(h) Total Units @ jul/19	177.014 (b)+(f)
(i) NAV + Add / Total Units \$	1.050 (g)/(h)
(j) Total Units after Equity Infusion	221.267 (h)/(1-20%)
(k) Units 20%	44.253 20%*(j)
<b>Capital 20% \$</b>	<b>46.483.425 (k)*(i)</b>

\*Considera 100% de venda dos ativos

## 2ª Tranche

Capital Infusion	
(a) NAV @ feb/21	299.457.363
(b) Total Units pre 2nd Tranche	221.267
(c) NAV / Unit @ 2nd Tranche	1.353 (a)/(b)
(d) MRV Stake pre 2nd Tranche	20%
(e) MRV Units pre 2nd Tranche	44.253 (d)*(b)
(f) MRV Stake post 2nd Tranche	51%
(g) Total Units post 2nd Tranche	361.253 [(b)-(e)]/[1-(f)]
(h) MRV Units post 2nd Tranche	184.239 (f)*(g)
(i) Additional MRV Units	139.985 (h)-(e)
<b>MRV Capital \$</b>	<b>189.452.617 (i)*(c)</b>

\*Considera 90% de venda dos ativos



Consolidated Financial Statements and Report of  
Independent Certified Public Accountants

**AHS Residential, LLC**

December 31, 2018

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Members of  
AHS Residential, LLC

We have audited the accompanying consolidated financial statements of AHS Residential, LLC and subsidiaries, which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of income, members' capital, and cash flows for the year then ended, 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of AHS Residential, LLC and subsidiaries as of December 31, 2018, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Supplementary information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet and consolidating statement of income are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



Fort Lauderdale, Florida  
April 30, 2019

**AHS Residential, LLC**

**CONSOLIDATED BALANCE SHEET**

**December 31, 2018**

**ASSETS**

Cash and cash equivalents (see Note 4)	\$ 10,251,571
Investments in U.S. Treasuries, at fair value	1,111,170
Restricted cash	6,303,412
Accounts receivable	100,870
Other receivables	14,162
Prepaid expenses	729,649
Property and equipment, net (see Note 3)	62,151,102
Land and land for development	16,825,945
Investment in real estate	81,655,892
Security deposits and other assets	133,482
Pre-development costs (see Note 4)	<u>1,304,852</u>
Total assets	<u>\$ 180,582,107</u>

**LIABILITIES AND MEMBERS' CAPITAL**

Accounts payable	\$ 7,952,595
Accrued expenses	758,712
Security deposits	533,908
Instalment vehicle loans	40,263
Construction loans (see Note 6)	43,312,580
Term loans, net (see Note 7)	<u>62,842,164</u>
Total liabilities	115,440,222
Members' capital (see Consolidated Statement of Members' Capital)	<u>65,141,885</u>
Total liabilities and members' capital	<u>\$ 180,582,107</u>

The accompanying notes are an integral part of this consolidated financial statement.

**AHS Residential, LLC**

**CONSOLIDATED STATEMENT OF INCOME**

**For the Year Ended December 31, 2018**

Rental revenues	\$ 10,688,586
Costs of operations	<u>3,842,580</u>
Gross profit	6,846,006
General and administrative expenses	<u>3,786,815</u>
Income before depreciation and amortization	3,059,191
Depreciation expense	2,878,074
Debt issuance cost amortization	<u>71,559</u>
Income from operations	109,558
Other income (expenses):	
Gain on sale of asset	4,784,088
Write-off of anticipated projects (see Note 11)	(35,276)
Write-off of start-up cost (see Note 12)	(922,113)
Interest income	47,720
Interest expense	(3,543,521)
Other	<u>334,831</u>
Net income	<u>\$ 775,287</u>

The accompanying notes are an integral part of this consolidated financial statement.

**AHS Residential, LLC**

**CONSOLIDATED STATEMENT OF MEMBERS' CAPITAL**

**For the Year Ended December 31, 2018**

	<u>AHS Development Group, LLC</u>	<u>SP AHS Multifamily, LLC</u>	<u>Total</u>
Balance at December 31, 2017	\$ 54,413,270	\$ 4,953,328	\$ 59,366,598
Contributions	4,724,518	275,482	5,000,000
Net income	<u>732,571</u>	<u>42,716</u>	<u>775,287</u>
Balance at December 31, 2018	<u>\$ 59,870,359</u>	<u>\$ 5,271,526</u>	<u>\$ 65,141,885</u>

The accompanying notes are an integral part of this consolidated financial statement.

**AHS Residential, LLC**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2018**

Cash flows from operating activities:	
Net income	\$ 775,287
Adjustments to reconcile net income to cash used in operating activities:	
Depreciation	2,878,074
Amortization	71,559
Gain on sale of assets	(4,784,088)
Loss on write-off of start-up costs	922,113
Changes in assets and liabilities:	
Restricted cash	(4,461,739)
Accounts receivable	(30,090)
Other receivables	45,662
Prepaid expenses	(619,857)
Pre-development cost	317,982
Accounts payable and accrued expenses	4,134,715
Security deposits returnable	<u>46,704</u>
Cash flows used in operating activities	(703,678)
Cash flows from investing activities:	
Investment in real estate	(59,095,219)
Proceeds from the sale of real estate	38,000,000
Purchase of investments in U.S. Treasuries	<u>(1,111,170)</u>
Cash flows used in investing activities	(22,206,389)
Cash flows from financing activities:	
Proceeds from debt issuance	45,259,094
Repayment of debt	(26,186,816)
Members' contributions	<u>5,000,000</u>
Cash flows provided by financing activities	24,072,278
Net increase in cash	1,162,211
Cash at beginning of the year	<u>9,089,360</u>
Cash at end of the year	<u><u>\$ 10,251,571</u></u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	\$ 3,593,940
Supplemental disclosure of non-cash activities:	
Finance costs capitalized into investment in real estate	\$ 670,983

The accompanying notes are an integral part of this consolidated financial statement.

## AHS Residential, LLC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

#### NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

AHS Residential, LLC, ("AHS Residential"), was formed on July 1, 2017 and began operations on October 1, 2017. On October 1, 2017 substantially all of the assets and liabilities of AHS Development Group LLC, the predecessor company ("AHS Development") were transferred to AHS Residential together with additional cash contributions from Members.

AHS Residential and its wholly owned subsidiaries; Princeton Groves Village, LLC, Village at Dania Beach, LLC, Village at Lake Osborne, LLC, Village at Crystal Lakes, LLC, Village of Tuscany, LLC, Lake Worth Village, LLC, Village at Coral Reef, LLC, AHS Logistics, LLC, Village of Mangonia, LLC, Pine Groves Village, LLC and AHS NW 3<sup>rd</sup> Street, LLC (collectively the "Development Companies") were formed for the purpose of performing land and building developments with the intention of subsequently renting the developed units to middle to low income workers. AHS Construction, LLC a wholly owned subsidiary of AHS Residential, (the "Construction Company") was formed for the purpose of performing land and building development construction contracts for the companies. AHS Property Management, LLC a wholly owned subsidiary of AHS Residential, (the "Management Company") was formed for the purpose of managing rental properties once completed. The Development Companies, Construction Company and Management Company collectively will be referred to hereafter as "AHS". All subsidiaries are located in the State of Florida. Each of the subsidiaries are incorporated under the laws of the State of Florida. AHS Residential together with its wholly owned subsidiaries and referred to hereafter as the "Company".

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Principles of Consolidation

The consolidated financial statements include the accounts of the AHS Residential and its wholly-owned subsidiaries as follows:

AHS Construction LLC	Lake Worth Village, LLC
Princeton Groves Village, LLC	Village at Coral Reef, LLC
Village at Dania Beach, LLC	Village at Lake Osborne, LLC
Village at Crystal Lakes, LLC	AHS Property Management, LLC
Village of Tuscany, LLC	Village at Mangonia Lake, LLC
AHS Logistics, LLC	AHS NW 3 <sup>rd</sup> Street, LLC
Pine Groves Village, LLC	

All significant intercompany transactions have been eliminated in consolidation.

##### Use of Estimates

Management uses estimates and assumptions in preparing these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

(continued)

**AHS Residential, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments in U.S. Treasuries

The Company invests in high credit-quality funds in order to obtain higher yields on its unrestricted cash balances. At December 31, 2018, investments consisted of U.S. Treasuries. Investments are classified in trading securities and are recorded at fair value based on the closing market price. The Company recognizes realized gains and losses and unrealized gains and losses in earnings. As of December 31, 2018 the unrealized gains and losses were immaterial. As of December 31, 2018 all investments had a maturity of less than one year.

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 Fair Value Measurement, defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. The Company uses the following three level valuation hierarchy based upon observable and non-observable inputs:

Level 1 - Quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 - Other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs that are used to measure fair value to the extent that observable inputs are not available. This valuation method utilizes management’s estimates of market participant assumptions.

The recorded values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values based on their short-term nature. The following table summarizes the Company’s investments measured at fair value on a recurring basis as of December 31, 2018:

<u>Description</u>	<u>December 31, 2018</u>	<u>Fair Value Measurements at December 31, 2018</u>		
		<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
U.S. Treasuries	\$ 1,111,170	\$ -	\$ 1,111,170	\$ -
	<u>\$ 1,111,170</u>	<u>\$ -</u>	<u>\$ 1,111,170</u>	<u>\$ -</u>

(continued)

**AHS Residential, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Restricted Cash

Restricted cash includes tenant security deposits and restricted cash held in escrow with lenders for real estate taxes, insurance and repair reserves.

Revenue Recognition

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term. Leases are generally for periods of one year or less. Also included within revenue are other revenues which generally consist of parking revenues, pet rents, late fees and other incidental fees. These fees are recognized when earned and billed in conjunction with rent.

Accounts Receivable

Accounts receivable are stated net of any allowance for doubtful accounts. The Company uses the allowance method to account for uncollectible accounts receivable. Many factors are considered in the evaluation of the allowance, including past payment history and aging. As of December 31, 2018 no allowance for doubtful accounts was deemed necessary.

Investment in Real Estate

The investment in real estate relates to real estate under construction. Capitalization of these costs begins when the activities and related expenditures commence and cease when the project is substantially complete and ready for its intended use. Upon completion, investments in real estate are transferred to property and equipment. Costs include freehold rights for land, amounts paid to contractors for construction, finance costs, planning and design costs, cost of site preparation, professional fees for legal services, property taxes and other related costs. Costs are capitalized to the extent the total carrying value of the property does not exceed the net realizable value of the completed property.

Depreciation and Amortization

Items of property and equipment are depreciated using the straight-line-method over their respective estimated useful lives. Land is not depreciated. Debt issuance costs are over the life of the related debt.

Finance Costs

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the costs of the asset. Capitalization of finance costs ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. Other finance costs are recognized as expense in the period in which they are incurred.

(continued)

**AHS Residential, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Lived Assets

The Company reviews the carrying value of property, plant, and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at December 31, 2018.

Pre-Development Costs

Pre-development costs consist primarily of land deposits and other due diligence costs. As of December 31, 2018, \$675,000 related to returnable land deposits. Additionally \$571,640 is related to the Banyan Ridge and Tamiami sites. The Banyan Ridge site was acquired by the Company in March 2019. The Tamiami site is owned by a member.

Income Taxes

As a limited liability company, the Company's taxable income or loss is passed through to its members pursuant to Section 701 of the Internal Revenue Code and is not taxed as a corporation. Therefore, no provision or liability for income taxes has been included in the financial statements. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. The Company did not incur any penalties for the year ended December 31, 2018.

The Company accounts for uncertain tax positions in accordance with ASC 740, *Income Taxes*. This pronouncement prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. The interpretation also provides guidance on recognition, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. No amounts were recognized in the consolidated financial statements for uncertain tax positions.

**AHS Residential, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2018**

**NOTE 3 - PROPERTY AND EQUIPMENT, NET**

Cost, accumulated depreciation and estimated useful lives at December 31, 2018 are as follows:

<u>Category</u>	<u>Estimated Useful Lives</u>	<u>Amount</u>
Buildings	39 Years	\$ 64,266,503
Leasehold improvements	5 Years	1,390,161
Transportation equipment	5 Years	238,905
Office furniture and fixtures	7 Years	199,000
Office equipment	7 Years	295,455
Computer equipment	3-5 Years	153,983
Software	3-5 Years	<u>693,781</u>
		67,237,788
Less: Accumulated depreciation		<u>(5,086,686)</u>
		<u><u>\$ 62,151,102</u></u>

Depreciation for the year ended December 31, 2018 was \$2,878,074. Finance costs capitalized into buildings for the year ended December 31, 2018 was \$670,983.

**NOTE 4 - CONCENTRATION OF CREDIT RISK**

The Company places its cash and cash equivalents with high quality financial institutions. At times, the amounts may exceed the Federal Deposit Insurance Corporation limits. The Company has not experienced any losses in such accounts.

At December 31, 2018, two vendors comprised 14% of the Company's total payables. Total accounts payable due to these vendors amounted to approximately \$1,120,000.

The Company's activities are located in Florida. Consequently, any significant economic downturn in this market could potentially have a negative effect on the Company's business, results of operations and financial condition.

**NOTE 5 - LINE OF CREDIT**

On September 7, 2017 the Company entered into a revolving line of credit agreement with a financial institution, which allows them to make borrowings up to \$5,000,000. The interest rate on the note is equal to one-month LIBOR plus margin of 3.00%. The original maturity date was September 7, 2018. On June 25, 2018, the note was amended to temporarily increase the maximum borrowings to \$7,500,000 and the maturity date was extended to September 7, 2019. The maximum borrowing had returned to \$5,000,000 by December 31, 2018. At December 31, 2018, there was no outstanding balance on the line of credit.

**AHS Residential, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2018**

**NOTE 6 - CONSTRUCTION LOANS**

On March 31, 2015, Village at Dania Beach, LLC, entered into a construction note agreement with a financial institution, which allows them to make borrowings up to \$16,490,000. The interest rate on the note is equal to one-month LIBOR plus a margin of 2.25%. The note original maturity date was March 31, 2017, with two 6-month extension options to March 31, 2018. On December 2016, the note was amended to increase the maximum borrowings to \$18,490,000 and the maturity date was extended to June 30, 2018. In October 2018, the building and land held by Village at Dania Beach were sold and the proceeds from the sale were used to repay the related debt. At December 31, 2018, no amount was outstanding.

On July 19, 2016, Village at Crystal Lakes, LLC entered into a construction note agreement with a financial institution, which allows them to make borrowings up to \$13,500,000. On June 2018, the note was amended to increase the maximum borrowings to \$16,000,000. The interest rate on the note is equal to one-month LIBOR plus a margin of 2.50%; however, margin reduces to 2.25% upon lien-free completion of the improvements. The note maturity date is July 2019 with two 12-month extension options to July 2021. At December 31, 2018, the outstanding balance of the loan was \$15,408,889.

On October 6, 2017, Village at Tuscany, LLC entered into a construction note agreement with a financial institution, which allows them to make borrowings up to \$27,380,000. The interest rate on the note is equal to one-month LIBOR rate plus a margin of 2.25%. The note maturity date is April 1, 2020 with two 6-month extension options to April 2021. At December 31, 2018, the outstanding balance of the loan was \$15,649,655.

On March 6, 2018, Village at Mangonia Lakes, LLC entered into a construction note agreement with a financial institution, which allows them to make borrowings up to \$27,150,000. The interest rate on the note is equal to one-month LIBOR rate plus a margin of 2.60%. The note maturity date is March 6, 2020. At December 31, 2018, the outstanding balance of the loan was \$12,254,036.

**NOTE 7 - TERM LOANS**

The Company's fixed rate term loans consist of the following:

3.95%	Lake Worth Village, LLC note payable in monthly installments of \$80,646 interest only for 24 months and \$116,262 thereafter starting June 2018, including principal and interest, maturing on June 2026 and secured by company buildings.	<u>\$ 24,292,649</u>
4.38%	Princeton Groves Village, LLC note payable in monthly installments of \$93,348, interest only, for 24 months and \$123,646 thereafter starting October 2019, including principal and interest, maturing on October 2027 and secured by company buildings.	<u>\$ 24,750,000</u>

(continued)

# AHS Residential, LLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2018

### NOTE 7 - TERM LOANS - Continued

4.63% Village at Lake Osborne, LLC note payable in monthly installments of \$52,548 interest only, for 24 months and \$67,803 thereafter starting January 2021, including principal and interest, maturing on January 2028 and secured by company buildings. \$ 13,180,000

6.00% Pine Groves Village, LLC note payable in quarterly installments of \$18,090, interest only, for 12 quarters with a balloon payment due July 2020 and secured by land. This debt was paid in full in the subsequent to year-end. \$ 1,200,000

Future principal payments of notes are as follows:

December 31,	<u>Amount</u>
2019	\$ 493,841
2020	2,037,382
2021	1,389,117
2022	1,522,487
2023	1,551,868
Thereafter	<u>56,427,954</u>
	63,422,649
Less: Deferred issuance costs	<u>(580,485)</u>
Total term loans	<u>\$ 62,842,164</u>

### NOTE 8 - RELATED PARTY TRANSACTIONS

The Company rents office space from a related party that is controlled by a member under a lease agreement dated June 1, 2013 that was amended on October 1, 2017 and expired on January 31, 2018. The lease calls for monthly rental payments of \$8,750, including sales taxes. Total rent expense under this lease agreement for the year ended December 31, 2018 was \$105,855. Total future minimum lease payments, including sales taxes are \$8,995. The Company is currently negotiating an extension for the lease.

### NOTE 9 - EMPLOYEE BENEFIT PLAN

The Company has established a 401(k) profit sharing plan, covering substantially all employees. Participating employees can contribute up to 75% of pretax annual compensation in accordance with Section 401(k) of the Internal Revenue Code. The required matching contribution is 100% of employee contribution on the first 3% of compensation that each employee contributes, which decreases to 50% to a maximum matching contribution of 4%. Additional contributions may be made to the plan at the discretion of the members. Contributions to the plan were approximately \$103,737 for the year ended December 31, 2018.

**AHS Residential, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2018**

**NOTE 10 - STOCK APPRECIATION RIGHTS**

The Company has granted stock appreciation rights to certain employees under the AHS Residential LLC Unit Appreciation Rights Plan (the "Plan"). Under the Plan 5,000 stock appreciation rights can be granted. The stock appreciation rights provide the employees with the right to receive, at the date the rights are exercised, a cash settlement equal to the market appreciation since the date of the grant. The employees do not have the ability to receive an ownership interest in AHS Residential. All of the stock appreciation rights vest at the end of 5 years and expire at the end of 10 years after the grant date. The Company has elected to measure its stock appreciation rights under the intrinsic value method permitted under ASC 718, *Compensation – Stock Compensation*. As of December 31, 2018, 1,915 stock appreciation rights have been granted resulting in an immaterial liability.

**NOTE 11 - WRITE-OFF OF COSTS INCURRED ON ANTICIPATED PROJECTS**

The Company may incur costs on various projects which do not go forward. These costs are written off when the determination is made that the project will not go forward. In the year ended December 31, 2018, \$35,276 was written off.

**NOTE 12 - WRITE-OFF OF START-UP COSTS INCURRED**

As of December 31, 2018, the Company had incurred unamortized costs related to the testing and implementation of its concrete forming system. These costs were written off when the determination was made that there was no associated future economic benefits. In the year ended December 31, 2018, \$922,113 was written off.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

Letters of Credit

As of December 31, 2018 the Company had standby letters of credit totaling \$509,080 relating to three projects whereby the beneficiaries are municipalities. There were no draws against these letters of credit during the year ended December 31, 2018.

Operating Leases

The Company accounts for rent expense for its operating leases on the straight-line basis in accordance with ASC 840, *Leases*. AHS Logistics, LLC leases a warehouse facility with a lease term expiring in 2020. Total rent expense under this lease agreement for the year ended December 31, 2018 was \$96,343.

Subsequent to December 31, 2018, the Company and landlord agreed to terminate the lease. Under the termination agreement the Company was relieved of all liability for future rentals a termination payment equal to the security deposit was paid.

(continued)

**AHS Residential, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2018**

NOTE 13 - COMMITMENTS AND CONTINGENCIES - Continued

Litigation

The Company may, from time to time, may be involved in various claims and legal actions in the ordinary course of business. Management does not believe that the impact of such matters will have a material adverse effect on the financial position or results of operations when resolved.

NOTE 14 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 30, 2019, the date these consolidated financial statements were available to be issued.

In January 2019, the Village of Crystal Lakes, LLC was transferred from investments in real estate to property and equipment.

In February 2019, the Pine Groves Village, LLC term note loan was paid in full.

Subsequent to December 31, 2018, the Company and landlord agreed to terminate the lease held by AHS Logistics, LLC. Under the termination agreement the Company was relieved of all liability for future rentals a termination payment equal to the security deposit was paid.

## **SUPPLEMENTARY INFORMATION**

**AHS Residential, LLC**

**CONSOLIDATING BALANCE SHEET**

**December 31, 2018**

	AHS Residential, LLC	AHS Construction LLC	AHS Property Management LLC	AHS Logistics, LLC	Princeton Groves Village, LLC	Village at Dania Beach, LLC	Lake Worth Village, LLC	Village at Lake Osborne, LLC	Village at Crystal Lakes, LLC	Village at Coral Reef, LLC	Village at Tuscany, LLC	Village at Mangonia Lake, LLC	Pine Groves Village LLC	AHS NW 3rd Street, LLC	Eliminations and Adjustments	Consolidated Balance
<b>ASSETS</b>																
Cash and cash equivalents	\$ 8,944,548	\$ 600,523	\$ 20,065	\$ 18,311	\$ 115,424	\$ 117,905	\$ 65,593	\$ 49,032	\$ 19,579	\$ 51,652	\$ 11,944	\$ 200,257	\$ 36,176	\$ 562	\$ -	\$ 10,251,571
Investment in U.S. Treasuries, at fair value	1,111,170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,111,170
Restricted cash	-	-	-	-	547,187	4,994,384	461,200	297,746	2,805	-	-	-	-	-	-	6,303,412
Due to/(from) affiliates	1,550,970	7,474,092	48,945	274,120	-	(49,903)	-	-	-	-	1,500	-	(1,500)	-	(9,298,224)	-
Accounts receivable	31,079	-	-	-	38,985	-	20,175	10,535	-	-	-	-	96	-	-	100,870
Other receivables	9,589	-	-	-	1,545	-	-	3,028	-	-	-	-	-	-	-	14,162
Prepaid expenses	402,526	213,630	80,120	-	4,227	9,474	16,740	1,415	1,517	-	-	-	-	-	-	729,649
Costs and estimated earnings in excess of billings on uncompleted contracts	-	722,671	-	-	-	-	-	-	-	-	-	-	-	-	(722,671)	-
Property and equipment, net	878,996	852,348	2,576	-	24,189,538	-	22,010,662	14,208,768	8,214	-	-	-	-	-	-	62,151,102
Land and land for development	-	-	-	-	929,727	140,532	2,261,728	1,257,245	1,410,053	1,596,735	2,010,575	4,516,636	2,437,637	265,077	-	16,825,945
Investment in real estate	-	-	-	-	3,141	3,628	-	-	23,465,255	1,995,169	30,058,957	24,986,146	338,586	82,339	722,671	81,655,892
Investments in subsidiaries	50,797,485	-	-	-	-	-	-	-	-	-	-	-	-	-	(50,797,485)	-
Security deposits and other assets	53,778	-	-	-	8,995	10,587	-	-	15,122	-	-	45,000	-	-	-	133,482
Pre-development costs	1,304,852	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,304,852
<b>Total assets</b>	<b>\$ 65,084,993</b>	<b>\$ 9,863,264</b>	<b>\$ 151,706</b>	<b>\$ 292,431</b>	<b>\$ 25,838,769</b>	<b>\$ 5,226,607</b>	<b>\$ 24,836,188</b>	<b>\$ 15,827,769</b>	<b>\$ 24,922,545</b>	<b>\$ 3,643,556</b>	<b>\$ 32,082,976</b>	<b>\$ 29,748,039</b>	<b>\$ 2,810,995</b>	<b>\$ 347,978</b>	<b>\$ (60,095,709)</b>	<b>\$ 180,582,107</b>
<b>LIABILITIES AND MEMBERS' CAPITAL</b>																
Accounts payable	\$ 89,350	\$ 7,453,605	\$ 3,525	\$ 1,805	\$ 14,330	\$ (36,581)	\$ 9,195	\$ 84,890	\$ 12,746	\$ 140,543	\$ 11,331	\$ 120,818	\$ 47,038	\$ -	\$ -	\$ 7,952,595
Accrued expenses	(145,927)	223,129	77,588	14,577	66,436	537,310	130,943	92,560	23,228	-	-	-	29,095	1,346	(291,573)	758,712
Security deposits	-	-	-	-	239,900	-	167,854	123,304	2,850	-	-	-	-	-	-	533,908
Due to/(from) affiliates	(315)	1,651,089	39,958	19,407	-	115,659	-	-	572,335	-	3,703,574	3,060,961	-	-	(9,162,668)	-
Instalment vehicle loans	-	40,263	-	-	-	-	-	-	-	-	-	-	-	-	-	40,263
Construction loans	-	-	-	-	-	-	-	-	15,408,879	-	15,649,665	12,254,036	-	-	-	43,312,580
Term loans, net	-	-	-	-	24,481,976	-	24,097,558	13,062,630	-	-	-	-	1,200,000	-	-	62,842,164
<b>Total liabilities</b>	<b>(56,892)</b>	<b>9,368,086</b>	<b>121,071</b>	<b>35,789</b>	<b>24,802,642</b>	<b>616,388</b>	<b>24,405,550</b>	<b>13,363,384</b>	<b>16,020,038</b>	<b>140,543</b>	<b>19,364,570</b>	<b>15,435,815</b>	<b>1,276,133</b>	<b>1,346</b>	<b>(9,454,241)</b>	<b>115,440,222</b>
Members' capital	65,141,885	495,178	30,635	256,642	1,036,127	4,610,219	430,638	2,464,385	8,902,507	3,503,013	12,718,406	14,312,224	1,534,862	346,632	(50,641,468)	65,141,885
<b>Total liabilities and members' capital</b>	<b>\$ 65,084,993</b>	<b>\$ 9,863,264</b>	<b>\$ 151,706</b>	<b>\$ 292,431</b>	<b>\$ 25,838,769</b>	<b>\$ 5,226,607</b>	<b>\$ 24,836,188</b>	<b>\$ 15,827,769</b>	<b>\$ 24,922,545</b>	<b>\$ 3,643,556</b>	<b>\$ 32,082,976</b>	<b>\$ 29,748,039</b>	<b>\$ 2,810,995</b>	<b>\$ 347,978</b>	<b>\$ (60,095,709)</b>	<b>\$ 180,582,107</b>

**AHS Residential, LLC**

**CONSOLIDATING STATEMENT OF INCOME**

**For the Year Ended December 31, 2018**

	AHS Residential, LLC	AHS Construction LLC	AHS Property Management LLC	AHS Logistics, LLC	Princeton Groves Village, LLC	Village at Dania Beach, LLC	Lake Worth Village, LLC	Village at Lake Osborne, LLC	Village at Crystal Lakes, LLC	Village at Coral Reef, LLC	Village at Tuscany, LLC	Village at Mangonia Lake, LLC	Pine Groves Village LLC	AHS NW 3rd Street, LLC	Eliminations and Adjustments	Consolidated Balance
Rental revenues	\$ -	\$ 47,791,679	\$ 344,280	\$ 686,508	\$ 3,375,574	\$ 2,159,675	\$ 3,337,326	\$ 1,758,270	\$ -	\$ -	\$ -	\$ -	\$ 57,742	\$ -	\$ (48,822,467)	\$ 10,688,586
Cost of operations	-	47,069,113	-	-	1,187,676	988,555	1,226,470	695,802	81,832	-	-	-	6,525	-	(47,413,393)	3,842,580
Gross profit / (loss)	-	722,566	344,280	686,508	2,187,898	1,171,120	2,110,855	1,062,468	(81,832)	-	-	-	51,216	-	(1,409,074)	6,846,006
General and administrative expenses	2,662,919	1,105,205	473,385	637,828	-	3,099	9,324	-	-	-	-	-	260	-	(1,105,205)	3,786,815
Income before depreciation and amortization	(2,662,919)	(382,639)	(129,105)	48,680	2,187,898	1,168,020	2,101,531	1,062,468	(81,832)	-	-	-	50,956	-	(303,869)	3,059,191
Depreciation expense	110,500	32,166	-	377,320	663,842	647,889	641,738	436,785	-	-	-	-	-	-	(32,166)	2,878,074
Debt issuance cost amortization	-	-	-	-	31,854	-	26,603	13,102	-	-	-	-	-	-	-	71,559
Income / (loss) from operations	(2,773,419)	(414,805)	(129,105)	(328,640)	1,492,202	520,132	1,433,190	612,581	(81,832)	-	-	-	50,956	-	(271,703)	109,558
Other income (expenses):																
Gain on sale of asset	-	-	-	-	-	4,784,088	-	-	-	-	-	-	-	-	-	4,784,088
Write-off of costs incurred in anticipated projects	(35,276)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(35,276)
Write off of start up costs	-	-	-	(922,113)	-	-	-	-	-	-	-	-	-	-	-	(922,113)
Interest income	17,236	4	-	-	30,362	122	-	-	-	-	-	-	-	-	(4)	47,720
Interest expense	(127,348)	(2,101)	(222)	-	(1,099,106)	(601,531)	(979,469)	(618,709)	(44,774)	-	-	-	(72,361)	-	2,100	(3,543,521)
Other	3,694,094	34,560	-	-	10,882	20,957	-	-	-	-	-	-	-	-	(3,425,662)	334,831
Net income / (loss)	\$ 775,287	\$ (382,342)	\$ (129,327)	\$ (1,250,753)	\$ 434,340	\$ 4,723,768	\$ 453,721	\$ (6,128)	\$ (126,605)	\$ -	\$ -	\$ -	\$ (21,404)	\$ -	\$ (3,695,269)	\$ 775,287

July-19	CONSOLIDATED BALANCE
<b>Revenues earned</b>	
Rent Revenue Collected	5.423.267,09
Construction Billing	-
Other Income / Fees	2.352.818,19
<b>Total Income</b>	<b>\$ 7.776.085,28</b>
<b>Costs of Operations/Revenues Earned</b>	
Salaries & Benefits	(530.815,75)
Repairs & Maintenance	(290.818,54)
Utilities	(275.183,45)
Taxes, Insurance & Licenses	(170.817,34)
Real Estate Taxes	(930.466,12)
Marketing & Training	(86.521,70)
Apartment Turnover	(82.689,18)
Other Operating Expenses	(57.522,13)
Cost of Revenues earned	<b>\$ (2.424.834,21)</b>
<b>Gross profit / (loss)</b>	<b>\$ 5.351.251,07</b>
<b>General and administrative expenses</b>	
Advertising & Promotion	\$ (67.017,41)
IT Supplies & Services	(55.100,52)
Office Supplies & Expenses	(83.942,54)
Professional Fees	(345.371,72)
Rent	(106.964,86)
Salaries - Office	(2.817.550,91)
Employee Benefits	(190.441,81)
Payroll Taxes	(206.028,12)
Corporate Allocated Expenses	(42.287,70)
Other Admin Expense	(273.075,38)
Total General & Admin Expenses	<b>\$ (4.187.780,97)</b>
<b>Income / (Loss) from operations</b>	<b>\$ 1.163.470,10</b>
<b>Other Income / (Expenses), Net</b>	
Write-off of costs incurred in anticipated projects	(57.273,63)
Interest Income	63.339,36
interest Expense	(2.063.325,38)
Other Misc Expense	1.000,09
Other Operating Expenses	(7.414,89)
<b>Total Other Income / (Expenses), Net</b>	<b>\$ (2.063.674,45)</b>
<b>Net Income / (Loss) from Operations</b>	<b>\$ (900.204,35)</b>
<b>Income Tax, Dep &amp; Amrt Expense</b>	
Income (Loss) from Subsidiaries	(84.156,69)
Depreciation Expense	(1.284.834,82)
Loan Cost Amortization	(41.742,61)
<b>Total Income Tax, Dep &amp; Amrt (Exp)</b>	<b>\$ (1.410.734,12)</b>
<b>Net Income / (Loss)</b>	<b>\$ (2.310.938,47)</b>

July-19	CONSOLIDATED BALANCE
<b>ASSETS</b>	
Cash	5.358.517,88
Cash - Restricted	576.328,46
Accounts receivable - Rent	134.432,24
Accounts receivable - related party	71.079,14
Other receivables	24.198,88
Inventory	88.747,55
Land & Land for development	46.075.945,36
Prepaid Expenses	2.260.604,62
Debt Issue Costs	538.741,34
Construction in progress	94.691.303,75
Buildings	88.185.197,53
Other Fixed Assets	5.538.214,85
Accumulated Depreciation	(6.468.728,50)
Accumulated Amortization (write-off year-end)	(1.152.866,52)
Deposits	161.063,10
<a href="#">Land Pursuits (Deposits &amp; Due Diligence Costs)</a>	303.882,70
<a href="#">Land Deposit in Escrow</a>	250.000,00
Costs and estimated earnings in excess of	581.591,66
<b>TOTAL ASSETS</b>	<b>\$ 237.218.254,04</b>
<b>LIABILITIES AND MEMBER'S CAPITAL</b>	
<b>LIABILITIES</b>	
Accounts payable	7.349.987,93
Accrued Expenses	1.633.051,31
Security Deposits Returnable	576.992,98
Other Current Liabilities (overbillings)	(0,05)
Installment Loans	35.662,47
City National Credit Line	500.000,00
Construction Loan	70.709.546,20
Long Term Debt	61.971.408,82
<b>Total Liabilities</b>	<b>\$ 142.776.649,66</b>
<b>Beginning Balance - AHS Development</b>	<b>59.870.434,03</b>
<b>Beginning Balance - Silver Peak</b>	<b>5.271.450,77</b>
<b>Capital Contribution- AHS Development</b>	<b>29.953.444,00</b>
<b>Capital Contribution - Silver Peak</b>	<b>1.746.556,00</b>
<b>Total Beginning Balance</b>	<b>96.841.884,80</b>
<b>Net income (loss) as of date above</b>	<b>(2.400.280,42)</b>
<b>Ending Retained Balance</b>	<b>\$ 94.441.604,38</b>

Invested Capital before dec/18	\$ 68.750.000,00
Capital Infusion @ dec/18	\$ 5.000.000,00
Accumulated Net Income / Loss until dec/18	\$ (8.608.115,20)
Balance @ dec/18	\$ 65.141.884,80
Additional Capital jan/19-jul/19	\$ 31.700.000,00
Accumulated Net Income / Loss jan/19-jul/19	\$ (2.400.280,42)
Balance @ jul/19	\$ 94.441.604,38

**Additional Information regarding the Opportunity  
assessment: Acquisition of AHS' primary equity**

# Operation Inputs



## Operation inputs

Vacancy	4%	* Considering the total number of apartments
Average Rent (US\$)	1.482	
Land Cost (% of the property value) <sup>(a)</sup>	9%	
Construction Cost (% of the property value) <sup>(a)</sup>	67%	
Permit Period (Months)	18	
Construction Period (Months)	14	
Lease-Up Period (Months)	8	
Operation to Sale (Months)	4	
Net other income (Property management)	1,5%	* Percentage of the operating income
OPEX	39,6%	* Percentage of the operating income

## Construction Loan Inputs

Interest rate (Annual)	4,50%	
Bank Fees	0,50%	* Over the principal (Paid once at each new loan)
LTC	73%	* Principal / Total cost (Land + Construction)

## Permanent Loan Inputs

Interest rate (Annual)	3,80%	
Bank Fees	0,65%	* Over the principal (Paid once at each new loan)
Loan Term (Months)	360	
LTV	70%	* Limited by 70% of the property value
Amortization period (Months)	120	

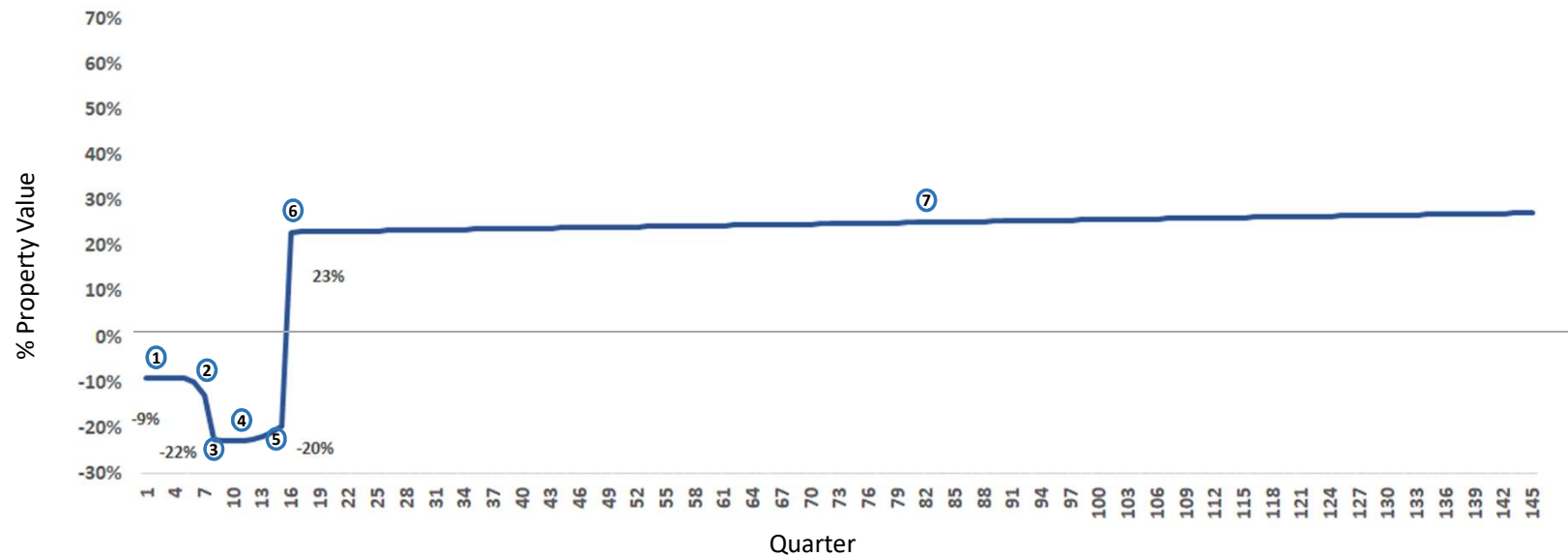
## Valuation

Cap Rate	5,25%
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(a) Property Value = NOI/Cap Rate

# Cash Flow: Property Sale Model

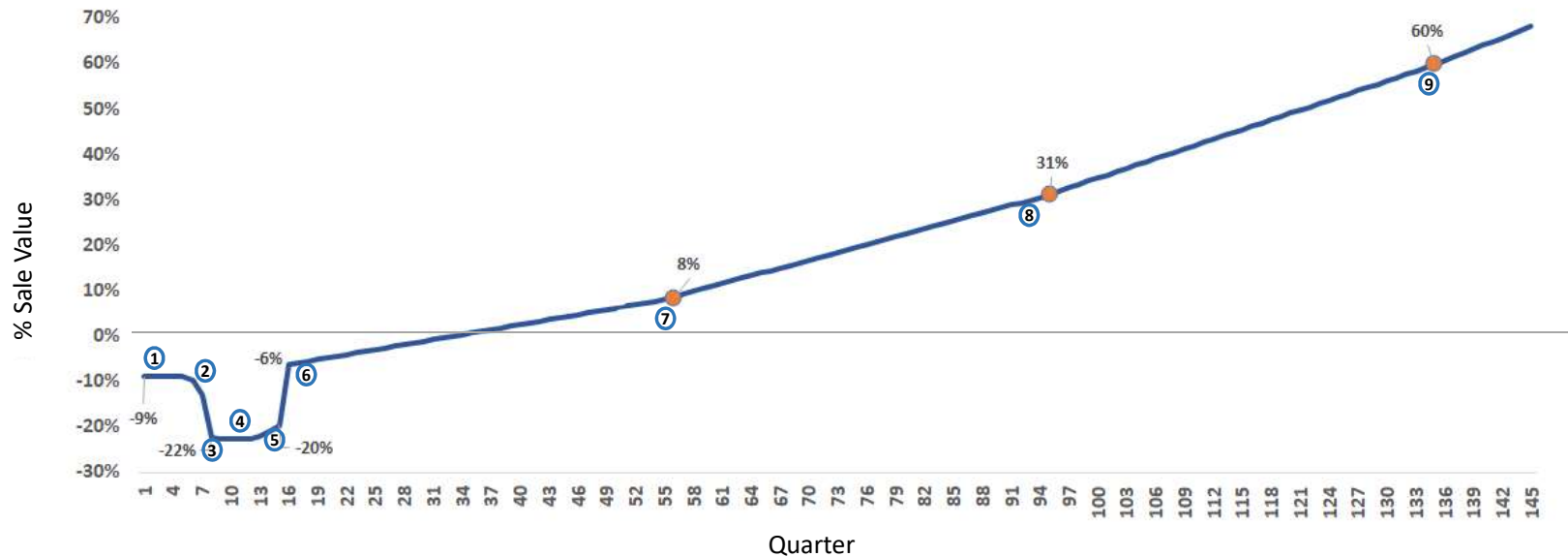
Quarterly Cumulative Cash Flow



- ① Q1 to Q5: Period between land acquisition and construction start
- ② Q5 to Q8: Construction expenditure financed with equity
- ③ Q8 to Q12: Construction expenditure financed with debt
- ④ Q12: Operation start
- ⑤ Q15: Operational Stability Achieved
- ⑥ Q16: Operational Stability Achieved and property sale Income
- ⑦ Q16 Onward: 0,033% of the property value (property management).

# Cash Flow: Permanent Loan Model

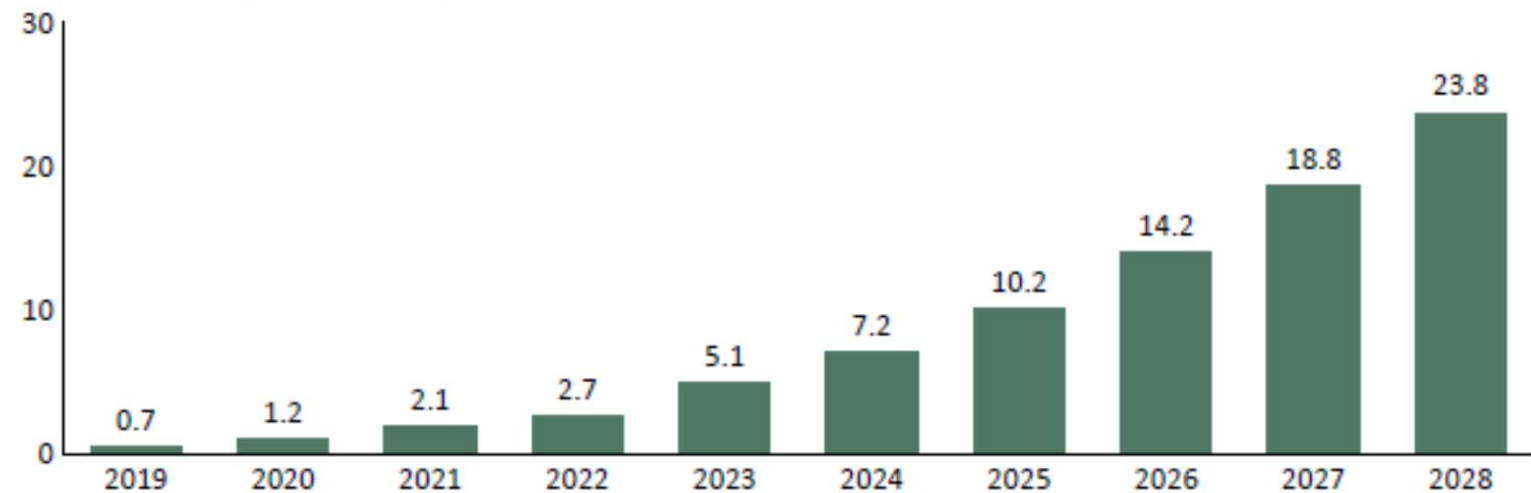
Quarterly Cumulative Cash Flow



- ① Q1 to Q5: Period between land acquisition and construction start
- ② Q5 to Q8: Construction expenditure financed with equity
- ③ Q8 to Q12: Construction expenditure financed with debt
- ④ Q12: Operation start
- ⑤ Q15: Operational Stability Achieved
- ⑥ Q16: Permanent Loan Refinance
- ⑦ Q51: First debt rollover
- ⑧ Q95: Second debt rollover
- ⑨ Q135: Third debt rollover

## Units Ramp up

Operation, administration (k units)



	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Capital Infusion (U\$M)	46	0	70	120	0	0	0	0	0	0
Construction (K units/year)	0.6	0.9	1.7	2.3	2.7	3.6	4.4	4.9	5.1	5.1

# Capital Infusion



## 1<sup>st</sup> Tranche

Capital Infusion	
(a) NAV @ jun/19	175.933.702
(b) Units @ jun/19	163.125
(c) NAV / Unit @ 30/06 \$	1.079 (a)/(b)
(d) Additional Capital @ jul/19 \$	10.000.000
(e) Unit \$	720
(f) Additional Units @ jul/19	13.889 (d)/(e)
(g) NAV + Add \$	185.933.702 (a)+(d)
(h) Total Units @ jul/19	177.014 (b)+(f)
(i) NAV + Add / Total Units \$	1.050 (g)/(h)
(j) Total Units after Equity Infusion	221.267 (h)/(1-20%)
(k) Units 20%	44.253 20%*(j)
<b>Capital 20% \$</b>	<b>46.483.425 (k)*(i)</b>

\*Considering 100% of the property sale

## 2<sup>nd</sup> Tranche

Capital Infusion	
(a) NAV @ feb/21	299.457.363
(b) Total Units pre 2nd Tranche	221.267
(c) NAV / Unit @ 2nd Tranche	1.353 (a)/(b)
(d) MRV Stake pre 2nd Tranche	20%
(e) MRV Units pre 2nd Tranche	44.253 (d)*(b)
(f) MRV Stake post 2nd Tranche	51%
(g) Total Units post 2nd Tranche	361.253 [(b)-(e)]/[1-(f)]
(h) MRV Units post 2nd Tranche	184.239 (f)*(g)
(i) Additional MRV Units	139.985 (h)-(e)
<b>MRV Capital \$</b>	<b>189.452.617 (i)*(c)</b>

\*Considering 90% of the property sale



Consolidated Financial Statements and Report of  
Independent Certified Public Accountants

**AHS Residential, LLC**

December 31, 2018

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Members of  
AHS Residential, LLC

We have audited the accompanying consolidated financial statements of AHS Residential, LLC and subsidiaries, which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of income, members' capital, and cash flows for the year then ended, 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of AHS Residential, LLC and subsidiaries as of December 31, 2018, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Supplementary information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet and consolidating statement of income are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



Fort Lauderdale, Florida  
April 30, 2019

**AHS Residential, LLC**

**CONSOLIDATED BALANCE SHEET**

**December 31, 2018**

**ASSETS**

Cash and cash equivalents (see Note 4)	\$ 10,251,571
Investments in U.S. Treasuries, at fair value	1,111,170
Restricted cash	6,303,412
Accounts receivable	100,870
Other receivables	14,162
Prepaid expenses	729,649
Property and equipment, net (see Note 3)	62,151,102
Land and land for development	16,825,945
Investment in real estate	81,655,892
Security deposits and other assets	133,482
Pre-development costs (see Note 4)	<u>1,304,852</u>
Total assets	<u>\$ 180,582,107</u>

**LIABILITIES AND MEMBERS' CAPITAL**

Accounts payable	\$ 7,952,595
Accrued expenses	758,712
Security deposits	533,908
Instalment vehicle loans	40,263
Construction loans (see Note 6)	43,312,580
Term loans, net (see Note 7)	<u>62,842,164</u>
Total liabilities	115,440,222
Members' capital (see Consolidated Statement of Members' Capital)	<u>65,141,885</u>
Total liabilities and members' capital	<u>\$ 180,582,107</u>

The accompanying notes are an integral part of this consolidated financial statement.

**AHS Residential, LLC**

**CONSOLIDATED STATEMENT OF INCOME**

**For the Year Ended December 31, 2018**

Rental revenues	\$ 10,688,586
Costs of operations	<u>3,842,580</u>
Gross profit	6,846,006
General and administrative expenses	<u>3,786,815</u>
Income before depreciation and amortization	3,059,191
Depreciation expense	2,878,074
Debt issuance cost amortization	<u>71,559</u>
Income from operations	109,558
Other income (expenses):	
Gain on sale of asset	4,784,088
Write-off of anticipated projects (see Note 11)	(35,276)
Write-off of start-up cost (see Note 12)	(922,113)
Interest income	47,720
Interest expense	(3,543,521)
Other	<u>334,831</u>
Net income	<u>\$ 775,287</u>

The accompanying notes are an integral part of this consolidated financial statement.

**AHS Residential, LLC**

**CONSOLIDATED STATEMENT OF MEMBERS' CAPITAL**

**For the Year Ended December 31, 2018**

	<u>AHS Development Group, LLC</u>	<u>SP AHS Multifamily, LLC</u>	<u>Total</u>
Balance at December 31, 2017	\$ 54,413,270	\$ 4,953,328	\$ 59,366,598
Contributions	4,724,518	275,482	5,000,000
Net income	<u>732,571</u>	<u>42,716</u>	<u>775,287</u>
Balance at December 31, 2018	<u>\$ 59,870,359</u>	<u>\$ 5,271,526</u>	<u>\$ 65,141,885</u>

The accompanying notes are an integral part of this consolidated financial statement.

**AHS Residential, LLC**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2018**

Cash flows from operating activities:	
Net income	\$ 775,287
Adjustments to reconcile net income to cash used in operating activities:	
Depreciation	2,878,074
Amortization	71,559
Gain on sale of assets	(4,784,088)
Loss on write-off of start-up costs	922,113
Changes in assets and liabilities:	
Restricted cash	(4,461,739)
Accounts receivable	(30,090)
Other receivables	45,662
Prepaid expenses	(619,857)
Pre-development cost	317,982
Accounts payable and accrued expenses	4,134,715
Security deposits returnable	<u>46,704</u>
Cash flows used in operating activities	(703,678)
Cash flows from investing activities:	
Investment in real estate	(59,095,219)
Proceeds from the sale of real estate	38,000,000
Purchase of investments in U.S. Treasuries	<u>(1,111,170)</u>
Cash flows used in investing activities	(22,206,389)
Cash flows from financing activities:	
Proceeds from debt issuance	45,259,094
Repayment of debt	(26,186,816)
Members' contributions	<u>5,000,000</u>
Cash flows provided by financing activities	24,072,278
Net increase in cash	1,162,211
Cash at beginning of the year	<u>9,089,360</u>
Cash at end of the year	<u><u>\$ 10,251,571</u></u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	\$ 3,593,940
Supplemental disclosure of non-cash activities:	
Finance costs capitalized into investment in real estate	\$ 670,983

The accompanying notes are an integral part of this consolidated financial statement.

## AHS Residential, LLC

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

#### NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

AHS Residential, LLC, ("AHS Residential"), was formed on July 1, 2017 and began operations on October 1, 2017. On October 1, 2017 substantially all of the assets and liabilities of AHS Development Group LLC, the predecessor company ("AHS Development") were transferred to AHS Residential together with additional cash contributions from Members.

AHS Residential and its wholly owned subsidiaries; Princeton Groves Village, LLC, Village at Dania Beach, LLC, Village at Lake Osborne, LLC, Village at Crystal Lakes, LLC, Village of Tuscany, LLC, Lake Worth Village, LLC, Village at Coral Reef, LLC, AHS Logistics, LLC, Village of Mangonia, LLC, Pine Groves Village, LLC and AHS NW 3<sup>rd</sup> Street, LLC (collectively the "Development Companies") were formed for the purpose of performing land and building developments with the intention of subsequently renting the developed units to middle to low income workers. AHS Construction, LLC a wholly owned subsidiary of AHS Residential, (the "Construction Company") was formed for the purpose of performing land and building development construction contracts for the companies. AHS Property Management, LLC a wholly owned subsidiary of AHS Residential, (the "Management Company") was formed for the purpose of managing rental properties once completed. The Development Companies, Construction Company and Management Company collectively will be referred to hereafter as "AHS". All subsidiaries are located in the State of Florida. Each of the subsidiaries are incorporated under the laws of the State of Florida. AHS Residential together with its wholly owned subsidiaries and referred to hereafter as the "Company".

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Principles of Consolidation

The consolidated financial statements include the accounts of the AHS Residential and its wholly-owned subsidiaries as follows:

AHS Construction LLC	Lake Worth Village, LLC
Princeton Groves Village, LLC	Village at Coral Reef, LLC
Village at Dania Beach, LLC	Village at Lake Osborne, LLC
Village at Crystal Lakes, LLC	AHS Property Management, LLC
Village of Tuscany, LLC	Village at Mangonia Lake, LLC
AHS Logistics, LLC	AHS NW 3 <sup>rd</sup> Street, LLC
Pine Groves Village, LLC	

All significant intercompany transactions have been eliminated in consolidation.

##### Use of Estimates

Management uses estimates and assumptions in preparing these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

(continued)

**AHS Residential, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments in U.S. Treasuries

The Company invests in high credit-quality funds in order to obtain higher yields on its unrestricted cash balances. At December 31, 2018, investments consisted of U.S. Treasuries. Investments are classified in trading securities and are recorded at fair value based on the closing market price. The Company recognizes realized gains and losses and unrealized gains and losses in earnings. As of December 31, 2018 the unrealized gains and losses were immaterial. As of December 31, 2018 all investments had a maturity of less than one year.

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 Fair Value Measurement, defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. The Company uses the following three level valuation hierarchy based upon observable and non-observable inputs:

Level 1 - Quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 - Other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs that are used to measure fair value to the extent that observable inputs are not available. This valuation method utilizes management’s estimates of market participant assumptions.

The recorded values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values based on their short-term nature. The following table summarizes the Company’s investments measured at fair value on a recurring basis as of December 31, 2018:

<u>Description</u>	<u>December 31, 2018</u>	<u>Fair Value Measurements at December 31, 2018</u>		
		<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
U.S. Treasuries	\$ 1,111,170	\$ -	\$ 1,111,170	\$ -
	<u>\$ 1,111,170</u>	<u>\$ -</u>	<u>\$ 1,111,170</u>	<u>\$ -</u>

(continued)

**AHS Residential, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Restricted Cash

Restricted cash includes tenant security deposits and restricted cash held in escrow with lenders for real estate taxes, insurance and repair reserves.

Revenue Recognition

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term. Leases are generally for periods of one year or less. Also included within revenue are other revenues which generally consist of parking revenues, pet rents, late fees and other incidental fees. These fees are recognized when earned and billed in conjunction with rent.

Accounts Receivable

Accounts receivable are stated net of any allowance for doubtful accounts. The Company uses the allowance method to account for uncollectible accounts receivable. Many factors are considered in the evaluation of the allowance, including past payment history and aging. As of December 31, 2018 no allowance for doubtful accounts was deemed necessary.

Investment in Real Estate

The investment in real estate relates to real estate under construction. Capitalization of these costs begins when the activities and related expenditures commence and cease when the project is substantially complete and ready for its intended use. Upon completion, investments in real estate are transferred to property and equipment. Costs include freehold rights for land, amounts paid to contractors for construction, finance costs, planning and design costs, cost of site preparation, professional fees for legal services, property taxes and other related costs. Costs are capitalized to the extent the total carrying value of the property does not exceed the net realizable value of the completed property.

Depreciation and Amortization

Items of property and equipment are depreciated using the straight-line-method over their respective estimated useful lives. Land is not depreciated. Debt issuance costs are over the life of the related debt.

Finance Costs

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the costs of the asset. Capitalization of finance costs ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. Other finance costs are recognized as expense in the period in which they are incurred.

(continued)

**AHS Residential, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Lived Assets

The Company reviews the carrying value of property, plant, and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at December 31, 2018.

Pre-Development Costs

Pre-development costs consist primarily of land deposits and other due diligence costs. As of December 31, 2018, \$675,000 related to returnable land deposits. Additionally \$571,640 is related to the Banyan Ridge and Tamiami sites. The Banyan Ridge site was acquired by the Company in March 2019. The Tamiami site is owned by a member.

Income Taxes

As a limited liability company, the Company's taxable income or loss is passed through to its members pursuant to Section 701 of the Internal Revenue Code and is not taxed as a corporation. Therefore, no provision or liability for income taxes has been included in the financial statements. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. The Company did not incur any penalties for the year ended December 31, 2018.

The Company accounts for uncertain tax positions in accordance with ASC 740, *Income Taxes*. This pronouncement prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. The interpretation also provides guidance on recognition, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. No amounts were recognized in the consolidated financial statements for uncertain tax positions.

**AHS Residential, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2018**

**NOTE 3 - PROPERTY AND EQUIPMENT, NET**

Cost, accumulated depreciation and estimated useful lives at December 31, 2018 are as follows:

<u>Category</u>	<u>Estimated Useful Lives</u>	<u>Amount</u>
Buildings	39 Years	\$ 64,266,503
Leasehold improvements	5 Years	1,390,161
Transportation equipment	5 Years	238,905
Office furniture and fixtures	7 Years	199,000
Office equipment	7 Years	295,455
Computer equipment	3-5 Years	153,983
Software	3-5 Years	<u>693,781</u>
		67,237,788
Less: Accumulated depreciation		<u>(5,086,686)</u>
		<u><u>\$ 62,151,102</u></u>

Depreciation for the year ended December 31, 2018 was \$2,878,074. Finance costs capitalized into buildings for the year ended December 31, 2018 was \$670,983.

**NOTE 4 - CONCENTRATION OF CREDIT RISK**

The Company places its cash and cash equivalents with high quality financial institutions. At times, the amounts may exceed the Federal Deposit Insurance Corporation limits. The Company has not experienced any losses in such accounts.

At December 31, 2018, two vendors comprised 14% of the Company's total payables. Total accounts payable due to these vendors amounted to approximately \$1,120,000.

The Company's activities are located in Florida. Consequently, any significant economic downturn in this market could potentially have a negative effect on the Company's business, results of operations and financial condition.

**NOTE 5 - LINE OF CREDIT**

On September 7, 2017 the Company entered into a revolving line of credit agreement with a financial institution, which allows them to make borrowings up to \$5,000,000. The interest rate on the note is equal to one-month LIBOR plus margin of 3.00%. The original maturity date was September 7, 2018. On June 25, 2018, the note was amended to temporarily increase the maximum borrowings to \$7,500,000 and the maturity date was extended to September 7, 2019. The maximum borrowing had returned to \$5,000,000 by December 31, 2018. At December 31, 2018, there was no outstanding balance on the line of credit.

**AHS Residential, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2018**

**NOTE 6 - CONSTRUCTION LOANS**

On March 31, 2015, Village at Dania Beach, LLC, entered into a construction note agreement with a financial institution, which allows them to make borrowings up to \$16,490,000. The interest rate on the note is equal to one-month LIBOR plus a margin of 2.25%. The note original maturity date was March 31, 2017, with two 6-month extension options to March 31, 2018. On December 2016, the note was amended to increase the maximum borrowings to \$18,490,000 and the maturity date was extended to June 30, 2018. In October 2018, the building and land held by Village at Dania Beach were sold and the proceeds from the sale were used to repay the related debt. At December 31, 2018, no amount was outstanding.

On July 19, 2016, Village at Crystal Lakes, LLC entered into a construction note agreement with a financial institution, which allows them to make borrowings up to \$13,500,000. On June 2018, the note was amended to increase the maximum borrowings to \$16,000,000. The interest rate on the note is equal to one-month LIBOR plus a margin of 2.50%; however, margin reduces to 2.25% upon lien-free completion of the improvements. The note maturity date is July 2019 with two 12-month extension options to July 2021. At December 31, 2018, the outstanding balance of the loan was \$15,408,889.

On October 6, 2017, Village at Tuscany, LLC entered into a construction note agreement with a financial institution, which allows them to make borrowings up to \$27,380,000. The interest rate on the note is equal to one-month LIBOR rate plus a margin of 2.25%. The note maturity date is April 1, 2020 with two 6-month extension options to April 2021. At December 31, 2018, the outstanding balance of the loan was \$15,649,655.

On March 6, 2018, Village at Mangonia Lakes, LLC entered into a construction note agreement with a financial institution, which allows them to make borrowings up to \$27,150,000. The interest rate on the note is equal to one-month LIBOR rate plus a margin of 2.60%. The note maturity date is March 6, 2020. At December 31, 2018, the outstanding balance of the loan was \$12,254,036.

**NOTE 7 - TERM LOANS**

The Company's fixed rate term loans consist of the following:

3.95%	Lake Worth Village, LLC note payable in monthly installments of \$80,646 interest only for 24 months and \$116,262 thereafter starting June 2018, including principal and interest, maturing on June 2026 and secured by company buildings.	<u>\$ 24,292,649</u>
4.38%	Princeton Groves Village, LLC note payable in monthly installments of \$93,348, interest only, for 24 months and \$123,646 thereafter starting October 2019, including principal and interest, maturing on October 2027 and secured by company buildings.	<u>\$ 24,750,000</u>

(continued)

# AHS Residential, LLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2018

### NOTE 7 - TERM LOANS - Continued

4.63% Village at Lake Osborne, LLC note payable in monthly installments of \$52,548 interest only, for 24 months and \$67,803 thereafter starting January 2021, including principal and interest, maturing on January 2028 and secured by company buildings. \$ 13,180,000

6.00% Pine Groves Village, LLC note payable in quarterly installments of \$18,090, interest only, for 12 quarters with a balloon payment due July 2020 and secured by land. This debt was paid in full in the subsequent to year-end. \$ 1,200,000

Future principal payments of notes are as follows:

December 31,	<u>Amount</u>
2019	\$ 493,841
2020	2,037,382
2021	1,389,117
2022	1,522,487
2023	1,551,868
Thereafter	<u>56,427,954</u>
	63,422,649
Less: Deferred issuance costs	<u>(580,485)</u>
Total term loans	<u>\$ 62,842,164</u>

### NOTE 8 - RELATED PARTY TRANSACTIONS

The Company rents office space from a related party that is controlled by a member under a lease agreement dated June 1, 2013 that was amended on October 1, 2017 and expired on January 31, 2018. The lease calls for monthly rental payments of \$8,750, including sales taxes. Total rent expense under this lease agreement for the year ended December 31, 2018 was \$105,855. Total future minimum lease payments, including sales taxes are \$8,995. The Company is currently negotiating an extension for the lease.

### NOTE 9 - EMPLOYEE BENEFIT PLAN

The Company has established a 401(k) profit sharing plan, covering substantially all employees. Participating employees can contribute up to 75% of pretax annual compensation in accordance with Section 401(k) of the Internal Revenue Code. The required matching contribution is 100% of employee contribution on the first 3% of compensation that each employee contributes, which decreases to 50% to a maximum matching contribution of 4%. Additional contributions may be made to the plan at the discretion of the members. Contributions to the plan were approximately \$103,737 for the year ended December 31, 2018.

**AHS Residential, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2018**

**NOTE 10 - STOCK APPRECIATION RIGHTS**

The Company has granted stock appreciation rights to certain employees under the AHS Residential LLC Unit Appreciation Rights Plan (the "Plan"). Under the Plan 5,000 stock appreciation rights can be granted. The stock appreciation rights provide the employees with the right to receive, at the date the rights are exercised, a cash settlement equal to the market appreciation since the date of the grant. The employees do not have the ability to receive an ownership interest in AHS Residential. All of the stock appreciation rights vest at the end of 5 years and expire at the end of 10 years after the grant date. The Company has elected to measure its stock appreciation rights under the intrinsic value method permitted under ASC 718, *Compensation – Stock Compensation*. As of December 31, 2018, 1,915 stock appreciation rights have been granted resulting in an immaterial liability.

**NOTE 11 - WRITE-OFF OF COSTS INCURRED ON ANTICIPATED PROJECTS**

The Company may incur costs on various projects which do not go forward. These costs are written off when the determination is made that the project will not go forward. In the year ended December 31, 2018, \$35,276 was written off.

**NOTE 12 - WRITE-OFF OF START-UP COSTS INCURRED**

As of December 31, 2018, the Company had incurred unamortized costs related to the testing and implementation of its concrete forming system. These costs were written off when the determination was made that there was no associated future economic benefits. In the year ended December 31, 2018, \$922,113 was written off.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

Letters of Credit

As of December 31, 2018 the Company had standby letters of credit totaling \$509,080 relating to three projects whereby the beneficiaries are municipalities. There were no draws against these letters of credit during the year ended December 31, 2018.

Operating Leases

The Company accounts for rent expense for its operating leases on the straight-line basis in accordance with ASC 840, *Leases*. AHS Logistics, LLC leases a warehouse facility with a lease term expiring in 2020. Total rent expense under this lease agreement for the year ended December 31, 2018 was \$96,343.

Subsequent to December 31, 2018, the Company and landlord agreed to terminate the lease. Under the termination agreement the Company was relieved of all liability for future rentals a termination payment equal to the security deposit was paid.

(continued)

**AHS Residential, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2018**

NOTE 13 - COMMITMENTS AND CONTINGENCIES - Continued

Litigation

The Company may, from time to time, may be involved in various claims and legal actions in the ordinary course of business. Management does not believe that the impact of such matters will have a material adverse effect on the financial position or results of operations when resolved.

NOTE 14 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 30, 2019, the date these consolidated financial statements were available to be issued.

In January 2019, the Village of Crystal Lakes, LLC was transferred from investments in real estate to property and equipment.

In February 2019, the Pine Groves Village, LLC term note loan was paid in full.

Subsequent to December 31, 2018, the Company and landlord agreed to terminate the lease held by AHS Logistics, LLC. Under the termination agreement the Company was relieved of all liability for future rentals a termination payment equal to the security deposit was paid.

## **SUPPLEMENTARY INFORMATION**

**AHS Residential, LLC**

**CONSOLIDATING BALANCE SHEET**

**December 31, 2018**

	AHS Residential, LLC	AHS Construction LLC	AHS Property Management LLC	AHS Logistics, LLC	Princeton Groves Village, LLC	Village at Dania Beach, LLC	Lake Worth Village, LLC	Village at Lake Osborne, LLC	Village at Crystal Lakes, LLC	Village at Coral Reef, LLC	Village at Tuscany, LLC	Village at Mangonia Lake, LLC	Pine Groves Village LLC	AHS NW 3rd Street, LLC	Eliminations and Adjustments	Consolidated Balance
<b>ASSETS</b>																
Cash and cash equivalents	\$ 8,944,548	\$ 600,523	\$ 20,065	\$ 18,311	\$ 115,424	\$ 117,905	\$ 65,593	\$ 49,032	\$ 19,579	\$ 51,652	\$ 11,944	\$ 200,257	\$ 36,176	\$ 562	\$ -	\$ 10,251,571
Investment in U.S. Treasuries, at fair value	1,111,170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,111,170
Restricted cash	-	-	-	-	547,187	4,994,384	461,200	297,746	2,805	-	-	-	-	-	-	6,303,412
Due to/(from) affiliates	1,550,970	7,474,092	48,945	274,120	-	(49,903)	-	-	-	-	1,500	-	(1,500)	-	(9,298,224)	-
Accounts receivable	31,079	-	-	-	38,985	-	20,175	10,535	-	-	-	-	96	-	-	100,870
Other receivables	9,589	-	-	-	1,545	-	-	3,028	-	-	-	-	-	-	-	14,162
Prepaid expenses	402,526	213,630	80,120	-	4,227	9,474	16,740	1,415	1,517	-	-	-	-	-	-	729,649
Costs and estimated earnings in excess of billings on uncompleted contracts	-	722,671	-	-	-	-	-	-	-	-	-	-	-	-	(722,671)	-
Property and equipment, net	878,996	852,348	2,576	-	24,189,538	-	22,010,662	14,208,768	8,214	-	-	-	-	-	-	62,151,102
Land and land for development	-	-	-	-	929,727	140,532	2,261,728	1,257,245	1,410,053	1,596,735	2,010,575	4,516,636	2,437,637	265,077	-	16,825,945
Investment in real estate	-	-	-	-	3,141	3,628	-	-	23,465,255	1,995,169	30,058,957	24,986,146	338,586	82,339	722,671	81,655,892
Investments in subsidiaries	50,797,485	-	-	-	-	-	-	-	-	-	-	-	-	-	(50,797,485)	-
Security deposits and other assets	53,778	-	-	-	8,995	10,587	-	-	15,122	-	-	45,000	-	-	-	133,482
Pre-development costs	1,304,852	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,304,852
<b>Total assets</b>	<b>\$ 65,084,993</b>	<b>\$ 9,863,264</b>	<b>\$ 151,706</b>	<b>\$ 292,431</b>	<b>\$ 25,838,769</b>	<b>\$ 5,226,607</b>	<b>\$ 24,836,188</b>	<b>\$ 15,827,769</b>	<b>\$ 24,922,545</b>	<b>\$ 3,643,556</b>	<b>\$ 32,082,976</b>	<b>\$ 29,748,039</b>	<b>\$ 2,810,995</b>	<b>\$ 347,978</b>	<b>\$ (60,095,709)</b>	<b>\$ 180,582,107</b>
<b>LIABILITIES AND MEMBERS' CAPITAL</b>																
Accounts payable	\$ 89,350	\$ 7,453,605	\$ 3,525	\$ 1,805	\$ 14,330	\$ (36,581)	\$ 9,195	\$ 84,890	\$ 12,746	\$ 140,543	\$ 11,331	\$ 120,818	\$ 47,038	\$ -	\$ -	\$ 7,952,595
Accrued expenses	(145,927)	223,129	77,588	14,577	66,436	537,310	130,943	92,560	23,228	-	-	-	29,095	1,346	(291,573)	758,712
Security deposits	-	-	-	-	239,900	-	167,854	123,304	2,850	-	-	-	-	-	-	533,908
Due to/(from) affiliates	(315)	1,651,089	39,958	19,407	-	115,659	-	-	572,335	-	3,703,574	3,060,961	-	-	(9,162,668)	-
Instalment vehicle loans	-	40,263	-	-	-	-	-	-	-	-	-	-	-	-	-	40,263
Construction loans	-	-	-	-	-	-	-	-	15,408,879	-	15,649,665	12,254,036	-	-	-	43,312,580
Term loans, net	-	-	-	-	24,481,976	-	24,097,558	13,062,630	-	-	-	-	1,200,000	-	-	62,842,164
<b>Total liabilities</b>	<b>(56,892)</b>	<b>9,368,086</b>	<b>121,071</b>	<b>35,789</b>	<b>24,802,642</b>	<b>616,388</b>	<b>24,405,550</b>	<b>13,363,384</b>	<b>16,020,038</b>	<b>140,543</b>	<b>19,364,570</b>	<b>15,435,815</b>	<b>1,276,133</b>	<b>1,346</b>	<b>(9,454,241)</b>	<b>115,440,222</b>
Members' capital	65,141,885	495,178	30,635	256,642	1,036,127	4,610,219	430,638	2,464,385	8,902,507	3,503,013	12,718,406	14,312,224	1,534,862	346,632	(50,641,468)	65,141,885
<b>Total liabilities and members' capital</b>	<b>\$ 65,084,993</b>	<b>\$ 9,863,264</b>	<b>\$ 151,706</b>	<b>\$ 292,431</b>	<b>\$ 25,838,769</b>	<b>\$ 5,226,607</b>	<b>\$ 24,836,188</b>	<b>\$ 15,827,769</b>	<b>\$ 24,922,545</b>	<b>\$ 3,643,556</b>	<b>\$ 32,082,976</b>	<b>\$ 29,748,039</b>	<b>\$ 2,810,995</b>	<b>\$ 347,978</b>	<b>\$ (60,095,709)</b>	<b>\$ 180,582,107</b>

**AHS Residential, LLC**

**CONSOLIDATING STATEMENT OF INCOME**

**For the Year Ended December 31, 2018**

	AHS Residential, LLC	AHS Construction LLC	AHS Property Management LLC	AHS Logistics, LLC	Princeton Groves Village, LLC	Village at Dania Beach, LLC	Lake Worth Village, LLC	Village at Lake Osborne, LLC	Village at Crystal Lakes, LLC	Village at Coral Reef, LLC	Village at Tuscany, LLC	Village at Mangonia Lake, LLC	Pine Groves Village LLC	AHS NW 3rd Street, LLC	Eliminations and Adjustments	Consolidated Balance
Rental revenues	\$ -	\$ 47,791,679	\$ 344,280	\$ 686,508	\$ 3,375,574	\$ 2,159,675	\$ 3,337,326	\$ 1,758,270	\$ -	\$ -	\$ -	\$ -	\$ 57,742	\$ -	\$ (48,822,467)	\$ 10,688,586
Cost of operations	-	47,069,113	-	-	1,187,676	988,555	1,226,470	695,802	81,832	-	-	-	6,525	-	(47,413,393)	3,842,580
Gross profit / (loss)	-	722,566	344,280	686,508	2,187,898	1,171,120	2,110,855	1,062,468	(81,832)	-	-	-	51,216	-	(1,409,074)	6,846,006
General and administrative expenses	2,662,919	1,105,205	473,385	637,828	-	3,099	9,324	-	-	-	-	-	260	-	(1,105,205)	3,786,815
Income before depreciation and amortization	(2,662,919)	(382,639)	(129,105)	48,680	2,187,898	1,168,020	2,101,531	1,062,468	(81,832)	-	-	-	50,956	-	(303,869)	3,059,191
Depreciation expense	110,500	32,166	-	377,320	663,842	647,889	641,738	436,785	-	-	-	-	-	-	(32,166)	2,878,074
Debt issuance cost amortization	-	-	-	-	31,854	-	26,603	13,102	-	-	-	-	-	-	-	71,559
Income / (loss) from operations	(2,773,419)	(414,805)	(129,105)	(328,640)	1,492,202	520,132	1,433,190	612,581	(81,832)	-	-	-	50,956	-	(271,703)	109,558
Other income (expenses):																
Gain on sale of asset	-	-	-	-	-	4,784,088	-	-	-	-	-	-	-	-	-	4,784,088
Write-off of costs incurred in anticipated projects	(35,276)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(35,276)
Write off of start up costs	-	-	-	(922,113)	-	-	-	-	-	-	-	-	-	-	-	(922,113)
Interest income	17,236	4	-	-	30,362	122	-	-	-	-	-	-	-	-	(4)	47,720
Interest expense	(127,348)	(2,101)	(222)	-	(1,099,106)	(601,531)	(979,469)	(618,709)	(44,774)	-	-	-	(72,361)	-	2,100	(3,543,521)
Other	3,694,094	34,560	-	-	10,882	20,957	-	-	-	-	-	-	-	-	(3,425,662)	334,831
Net income / (loss)	\$ 775,287	\$ (382,342)	\$ (129,327)	\$ (1,250,753)	\$ 434,340	\$ 4,723,768	\$ 453,721	\$ (6,128)	\$ (126,605)	\$ -	\$ -	\$ -	\$ (21,404)	\$ -	\$ (3,695,269)	\$ 775,287

July-19	CONSOLIDATED BALANCE
<b>Revenues earned</b>	
Rent Revenue Collected	5.423.267,09
Construction Billing	-
Other Income / Fees	2.352.818,19
<b>Total Income</b>	<b>\$ 7.776.085,28</b>
<b>Costs of Operations/Revenues Earned</b>	
Salaries & Benefits	(530.815,75)
Repairs & Maintenance	(290.818,54)
Utilities	(275.183,45)
Taxes, Insurance & Licenses	(170.817,34)
Real Estate Taxes	(930.466,12)
Marketing & Training	(86.521,70)
Apartment Turnover	(82.689,18)
Other Operating Expenses	(57.522,13)
Cost of Revenues earned	<b>\$ (2.424.834,21)</b>
<b>Gross profit / (loss)</b>	<b>\$ 5.351.251,07</b>
<b>General and administrative expenses</b>	
Advertising & Promotion	\$ (67.017,41)
IT Supplies & Services	(55.100,52)
Office Supplies & Expenses	(83.942,54)
Professional Fees	(345.371,72)
Rent	(106.964,86)
Salaries - Office	(2.817.550,91)
Employee Benefits	(190.441,81)
Payroll Taxes	(206.028,12)
Corporate Allocated Expenses	(42.287,70)
Other Admin Expense	(273.075,38)
Total General & Admin Expenses	<b>\$ (4.187.780,97)</b>
<b>Income / (Loss) from operations</b>	<b>\$ 1.163.470,10</b>
<b>Other Income / (Expenses), Net</b>	
Write-off of costs incurred in anticipated projects	(57.273,63)
Interest Income	63.339,36
interest Expense	(2.063.325,38)
Other Misc Expense	1.000,09
Other Operating Expenses	(7.414,89)
<b>Total Other Income / (Expenses), Net</b>	<b>\$ (2.063.674,45)</b>
<b>Net Income / (Loss) from Operations</b>	<b>\$ (900.204,35)</b>
<b>Income Tax, Dep &amp; Amrt Expense</b>	
Income (Loss) from Subsidiaries	(84.156,69)
Depreciation Expense	(1.284.834,82)
Loan Cost Amortization	(41.742,61)
<b>Total Income Tax, Dep &amp; Amrt (Exp)</b>	<b>\$ (1.410.734,12)</b>
<b>Net Income / (Loss)</b>	<b>\$ (2.310.938,47)</b>

July-19	CONSOLIDATED BALANCE
<b>ASSETS</b>	
Cash	5.358.517,88
Cash - Restricted	576.328,46
Accounts receivable - Rent	134.432,24
Accounts receivable - related party	71.079,14
Other receivables	24.198,88
Inventory	88.747,55
Land & Land for development	46.075.945,36
Prepaid Expenses	2.260.604,62
Debt Issue Costs	538.741,34
Construction in progress	94.691.303,75
Buildings	88.185.197,53
Other Fixed Assets	5.538.214,85
Accumulated Depreciation	(6.468.728,50)
Accumulated Amortization (write-off year-end)	(1.152.866,52)
Deposits	161.063,10
<a href="#">Land Pursuits (Deposits &amp; Due Diligence Costs)</a>	303.882,70
<a href="#">Land Deposit in Escrow</a>	250.000,00
Costs and estimated earnings in excess of	581.591,66
<b>TOTAL ASSETS</b>	<b>\$ 237.218.254,04</b>
<b>LIABILITIES AND MEMBER'S CAPITAL</b>	
<b>LIABILITIES</b>	
Accounts payable	7.349.987,93
Accrued Expenses	1.633.051,31
Security Deposits Returnable	576.992,98
Other Current Liabilities (overbillings)	(0,05)
Installment Loans	35.662,47
City National Credit Line	500.000,00
Construction Loan	70.709.546,20
Long Term Debt	61.971.408,82
<b>Total Liabilities</b>	<b>\$ 142.776.649,66</b>
<b>Beginning Balance - AHS Development</b>	<b>59.870.434,03</b>
<b>Beginning Balance - Silver Peak</b>	<b>5.271.450,77</b>
<b>Capital Contribution- AHS Development</b>	<b>29.953.444,00</b>
<b>Capital Contribution - Silver Peak</b>	<b>1.746.556,00</b>
<b>Total Beginning Balance</b>	<b>96.841.884,80</b>
<b>Net income (loss) as of date above</b>	<b>(2.400.280,42)</b>
<b>Ending Retained Balance</b>	<b>\$ 94.441.604,38</b>

Invested Capital before dec/18	\$ 68.750.000,00
Capital Infusion @ dec/18	\$ 5.000.000,00
Accumulated Net Income / Loss until dec/18	\$ (8.608.115,20)
Balance @ dec/18	\$ 65.141.884,80
Additional Capital jan/19-jul/19	\$ 31.700.000,00
Accumulated Net Income / Loss jan/19-jul/19	\$ (2.400.280,42)
Balance @ jul/19	\$ 94.441.604,38