

*OCTOBER–  
DECEMBER  
2016*

The Manager of Index Enterprise LLC hereby presents the interim financial statement and management report for the period October 1st, 2016 – December 31st, 2016.

The financial report is prepared in US Dollars, USD.

## Administration Report

### Operations

Index Enterprise LLC (the “Company”) is a limited liability company organized under the laws of the State of Florida. The Company holds a diversified Real Estate Portfolio and presently owns, develops and invests in properties predominantly located in Florida through its wholly owned subsidiaries together with its US joint venturers. The Company’s investment strategy rests primarily on the multi-family residential platform and is also actively engaged in the acquisition for development of senior living facilities throughout the southeastern United States as well as the acquisition of commercial properties with a residential/living development component.

### Ownership structure

The Company has its principal office in Jupiter, Florida and is jointly owned by Vector Holdings, LLC and Fredrik Alama.

### I. – Significant events

#### *Multifamily Rental Projects*

The Company, through its wholly owned subsidiary Index Apartments LLC, has a portfolio of six (6) completed multi-family rental apartment projects in Florida which include: Riverwalk Pointe at Mangrove Bay; High Ridge Landing; Little Torch; Sonoma Pointe; Tarpon Harbour and Monterey Pointe. The projects comprise a total of 808 intelligently designed multi-family residential rental apartment units in attractive locations throughout Florida. Index Apartments LLC is developing desirable rental apartment communities with environmentally sustainable features and technology. In addition to the completed projects the group has two multifamily projects under development, Seaward in Marathon, Florida (54 units) and Westshore Pointe in Tampa, FL (442 units), both expected to start construction during 2017.

- Little Torch and Sonoma Pointe both maintained a lease level in excess of 94%.
- Tarpon Harbour and Monterey Pointe leasing activity is above projections.
- High Ridge Landing construction commenced in November, 2015. Leasing activity began in Q4, 2016.

### Assisted Living Facilities

The Company, through its wholly owned subsidiary Index Senior Living Group, LLC and joint venturer Watercrest Senior Living Group, LLC (a respected assisted living developer/operator based in Florida), is focused on acquiring and developing assisted living

and memory care facilities throughout the southeastern United States. The objective of the joint venture is to develop and own a portfolio of high-end senior living facilities primarily in the southeastern United States. The current portfolio consists of three (3) projects: Palm Coast in Palm Coast, Florida; Viera in Brevard County, Florida; and Summerlin in Las Vegas, Nevada.

- Lake Nona has completed its cycle and was sold in October, 2016.
- Viera construction is on track and was completed in Q4, 2016.
- Palm Coast land site was acquired in Q4, 2016.

### Industrial Projects

The Company, through its subsidiary Viking Ventures America LLC, continues to work on the redevelopment of its industrial properties located in New York and Michigan. The Company continues to market the commercial properties for long-term lease.

### Commercial Projects

Index Enterprise LLC, through its wholly owned affiliated companies, controls the entire commercial area known as Jupiter Harbour.

- Jupiter Inlet Development, LLC is a waterfront property with a restaurant building. The 10,000 square foot building was demolished and construction commenced on the new mixed use (restaurant and office) building in Q4, 2016.
- Jupiter Harbour Office, LLC, wholly owned by Index Enterprise LLC, acquired a 12,000 square foot office building located in the desirable area by the inlet in Jupiter, Florida. The office building is 100% leased.

### Mixed Use Projects

- Index Enterprise LLC acquired the Florida Keys Country Club, a 120-acre property located in the Florida Keys through its subsidiary Index Resort Development, LLC. Phase I redevelopment is currently underway and consists of a complete cutting edge redesign of the golf course, club house and tennis courts as well as the construction of a hotel with 90 units, 15 cottages and a marina.

### II. – Significant events after the end of the financial period.

- Index Enterprise LLC continues to source residential real estate developments and to optimistically view the real estate market in the southeastern US.
- Lake Nona was sold in October, 2016.
- Palm Coast land site was acquired in Q4, 2016.
- High Ridge Landing and Monterey Pointe construction was completed in Q4, 2016 and leasing activities are above projections.

Bjarne Borg  
Manager

# Consolidated Balance Sheet

## December 31, 2016

### ASSETS

RENTAL PROPERTY	\$ 152,664,290
ASSETS HELD FOR DEVELOPMENT	13,387,785
RESORT PROPERTY	3,965,827
CASH AND CASH EQUIVALENTS	3,183,698
NOTES RECEIVABLE	7,388,865
DUE FROM RELATED PARTIES	1,426,568
DEFERRED COSTS, NET	218,034
INVESTMENT IN UNCONSOLIDATED INVESTEE	1,664,546
PRE-ACQUISITION COSTS	829,865
PREPAIDS AND OTHER	963,711
RESTRICTED CASH	855,998
ACCOUNTS RECEIVABLE, NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS OF \$ 216,932	373,997
	<b>\$ 186,923,184</b>

### LIABILITIES AND MEMBERS' DEFICIT

LONG-TERM DEBT, NET	\$ 104,576,100
LONG-TERM DEBT - RELATED PARTY, NET	91,365,946
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	5,076,942
FAIR VALUE OF INTEREST RATE SWAPS	521,657
UNEARNED RENT	136,206
TENANT SECURITY DEPOSITS	245,417
COMMITMENTS AND CONTINGENCIES MEMBERS' DEFICIT OF INDEX ENTERPRISE, LLC	(21,251,040)
NONCONTROLLING INTEREST	6,251,956
	<b>\$ 186,923,184</b>

## Consolidated Statement of Operations

### Year ended December 31, 2016

#### INCOME

Rental	\$ 12,083,932
Tenant expense recovery	800,101
Resort, net	784,367
Assisted living	618,501
<b>Total income</b>	<b>14,286,901</b>

#### OPERATING EXPENSES

Depreciation	4,291,832
Common area maintenance	2,116,197
Management fees	2,910,383
Real estate taxes	1,633,074
Professional fees	986,069
Other operating expenses	5,811,943
<b>Total operating expenses</b>	<b>17,749,498</b>
<b>LOSS FROM OPERATIONS</b>	<b>(3,462,597)</b>

#### OTHER INCOME

Gain on sale of rental properties	31,089,685
Gain on insurance proceeds from fire loss, net	2,348,046
Interest income	426,809
Other income	196,687
Impairment loss	(366,470)
Change in fair value of interest rate swap	(521,657)
Interest expense	(10,009,927)
<b>Total other income</b>	<b>23,163,173</b>
<b>NET INCOME</b>	<b>19,700,576</b>

NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	(6,565,680)
<b>NET INCOME ATTRIBUTABLE TO INDEX ENTERPRISE, LLC</b>	<b>\$ 13,134,896</b>

# Consolidated Statement of Comprehensive Income

## Year ended December 31, 2016

<b>NET INCOME ATTRIBUTABLE TO INDEX ENTERPRISE, LLC</b>	<b>\$ 13,134,896</b>
<b>OTHER COMPREHENSIVE INCOME</b>	
Change in fair value of interest rate swaps	672,598
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO INDEX ENTERPRISE, LLC</b>	<b>\$ 13,807,494</b>
<b>NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	<b>\$ 6,565,680</b>
<b>OTHER COMPREHENSIVE INCOME</b>	
Change in fair value of interest rate swaps	142,673
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	<b>\$ 6,708,353</b>
NET INCOME	\$ 19,700,576
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	
Change in fair value of interest rate swaps	815,271
<b>COMPREHENSIVE INCOME</b>	<b>\$ 20,515,847</b>

## Consolidated Statement of Changes in Members' Deficit Year ended December 31, 2016

	Members' deficit - Index Enterprise, LCC	Accumulated other comprehensive loss	Non-controlling Interest	Total
Members' deficit as of December 31, 2015	\$ (25,622,484)	\$ (672,598)	\$ 5,523,571	\$ (20,771,511)
Capital contributions - cash	-	-	126,150	126,150
Capital contributions - noncash	-	-	2,042,200	2,042,200
Distributions	(8,763,452)	-	(8,148,318)	(16,911,770)
Net income	13,134,896	-	6,565,680	19,700,576
Other comprehensive income	-	672,598	142,673	815,271
Members' deficit as of December 31, 2016	\$ (21,251,040)	\$ -	\$ 6,251,956	\$ (14,999,084)

## Consolidated Statement of Cash Flows Year ended December 31, 2016

### CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 19,700,576
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### Adjustments to reconcile net income to net cash used in operating activities:

Bad debt expense	11,329
Amortization of deferred costs	211,122
Depreciation	4,291,832
Gain on sale of rental properties	(31,089,685)
Change in fair value of put derivative	521,657
Accrued interest on long-term debt - related parties	887,705

### Changes in operating assets and liabilities:

Accounts receivable	(113,290)
Prepays and other	(285,386)
Accounts payable and accrued liabilities	(2,469,958)
Tenant security deposits	(2,005)
Unearned rent	(121,129)
<b>Total adjustments</b>	<b>(28,157,808)</b>
<b>Net cash used in operating activities</b>	<b>(8,457,232)</b>

## Consolidated Statement of Cash Flows (Continued)

### Year ended December 31, 2016

#### CASH FLOWS FROM INVESTING ACTIVITIES:

Increase in restricted cash	(287,104)
Investments in rental and resort properties	(45,733,699)
Investments in assets held for development	(3,023,467)
Investment in unconsolidated investee	(1,664,546)
Proceeds from sale of rental property	91,650,000
Proceeds from put derivative	1,170,000
Pre-acquisition costs	(829,865)
Advances from related parties, net	(358,455)
Repayment of convertible debt	(1,000,000)
Notes receivable, net	(7,388,865)
<b>Net cash provided by investing activities</b>	<b>32,533,999</b>

#### CASH FLOWS FROM FINANCING ACTIVITIES:

Distributions - noncontrolling interest	(8,148,318)
Distributions - controlling interest	(8,763,452)
Contributions - noncontrolling interest	126,150
Repayments of long-term debt - related parties, net	(1,982,467)
Repayment of long-term debt, net	(4,961,354)
Deferred financing costs	446,672
<b>Net cash used in financing activities</b>	<b>(23,282,769)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>793,998</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>2,389,700</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 3,183,698</b>

#### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Interest paid, net of capitalized interest	\$ 5,219,543
Income taxes paid	\$ -

#### SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES:

Change in fair value of interest rate swaps recorded in other comprehensive loss	\$ 815,271
Developer fees included in assets held for development recorded as capital contributions	\$ 2,042,200

Jupiter, FL, USA, 2017-02-28



**Bjarne Borg**  
Manager

