Annual Report
Index Enterprise LLC and Subsidiaries

2015

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Contents

Independent Auditors' Report

Index Enterprise, LLC
Jupiter, Florida

We have audited the accompanying consolidated financial statements of Index Enterprise, LLC and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2015, and the related consolidated statements of operations, comprehensive loss, changes in members' deficit and cash flows for the year then ended, and the related notes to the consolidated 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 auditor's 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 on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Index Enterprise, LLC and Subsidiaries as of December 31, 2015, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kaufinan, Rossin & Co., P.A.
March 28, 2016
Miami, Florida

Consolidated Balance Sheet
December 31, 2015

ASSETS

RENTAL PROPERTY (NOTES 6 AND 13)	$ 136,897,600
ASSETS HELD FOR DEVELOPMENT (NOTES 5 AND 13)	42,571,560
RESORT PROPERTY (NOTE 7)	4,601,523
CASH AND CASH EQUIVALENTS	2,389,700
PUT DERIVATIVE (NOTE 4)	1,170,000
DUE FROM RELATED PARTIES (NOTE 13)	1,068,113
DEFERRED COSTS, NET (NOTE 12)	875,828
PREPAIDS AND OTHER	678,325
RESTRICTED CASH	568,894
ACCOUNTS RECEIVABLE, NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS OF $ 214,038	272,036
	$ 191,093,579

LIABILITIES AND MEMBERS' DEFICIT

LONG TERM DEBT (NOTE 9)	$ 109,537,454
LONG TERM DEBT – RELATED PARTIES (NOTES 3 AND 10)	92,460,708
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (NOTES 13 AND 14)	7,546,900
CONVERTIBLE DEBT (NOTE 11)	1,000,000
FAIR VALUE OF INTEREST RATE SWAPS	815,271
UNEARNED RENT	257,335
TENANT SECURITY DEPOSITS	247,422
COMMITMENTS AND CONTINGENCIES (NOTE 14)	–
MEMBERS' DEFICIT OF INDEX ENTERPRISE, LLC	(26,295,082)
NONCONTROLLING INTEREST	5,523,571
	$ 191,093,579

Consolidated Statement of Operations
Year ended December 31, 2015

INCOME

Rental	$ 9,868,940
Tenant expense recovery	857,970
Resort, net	674,280
Assisted living	149,444
Total income	**11,550,634**

OPERATING EXPENSES

Depreciation (Notes 6 and 7)	4,813,204
Common area maintenance	2,879,312
Management fees (Note 13)	2,709,207
Real estate taxes	1,896,078
Professional fees	690,819
Other operating expenses	4,002,014
Total operating expenses	**16,990,634**
LOSS FROM OPERATIONS	**(5,440,000)**

OTHER INCOME (EXPENSE)

Interest expense (Notes 9, 10 and 11)	(8,474,683)
Impairment loss (Note 6)	(1,241,284)
Equity in loss of unconsolidated investees (Note 4)	(724,132)
Interest income	27,399
Other income	87,582
Gain on proceeds from casualty insurance claim, net (Note 6)	684,933
Change in fair value of put derivative (Note 4)	1,170,000
Gain on sale of land (Note 6)	2,149,442
Total other income (expense)	**(6,320,743)**
NET LOSS	**(11,760,743)**

NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	1,015,089
NET LOSS ATTRIBUTABLE TO INDEX ENTERPRISE, LLC	**$ (10,745,654)**

Consolidated Statement of Comprehensive Loss
Year ended December 31, 2015

NET LOSS ATTRIBUTABLE TO INDEX ENTERPRISE, LLC	**$ (10,745,654)**
OTHER COMPREHENSIVE LOSS	
Change in fair value of interest rate swaps	(156,102)
COMPREHENSIVE LOSS ATTRIBUTABLE TO INDEX ENTERPRISE, LLC	**$ (10,901,756)**
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	**$ (1,015,089)**
OTHER COMPREHENSIVE LOSS	
Change in fair value of interest rate swaps	(33,113)
COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	**$ (1,048,202)**
NET LOSS	$ (11,760,743)
TOTAL OTHER COMPREHENSIVE LOSS	
Change in fair value of interest rate swaps	(189,215)
COMPREHENSIVE LOSS	**$ (11,949,958)**

Consolidated Statement of Changes in Members' Deficit Year ended December 31, 2015

	Members' deficit – Index Enterprise, LCC	Accumulated other comprehensive loss	Non-controlling Interest	Total
Members' deficit as of December 31, 2014	$ (14,876,830)	$ (516,496)	$ 2,564,466	$ (12,828,860)
Capital contributions – cash	-	-	2,450,675	2,450,675
Capital contributions – noncash	-	-	1,879,345	1,879,345
Distributions	-	-	(322,713)	(322,713)
Net loss	(10,745,654)	-	(1,015,089)	(11,760,743)
Other comprehensive loss	-	(156,102)	(33,113)	(189,215)
Members' deficit as of December 31, 2015	$ (25,622,484)	$ (672,598)	$ 5,523,571	$ (20,771,511)

Consolidated Statement of Cash Flows
Year ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$ (11,760,743)
Adjustments to reconcile net loss to net cash used in operating activities:	
Bad debt expense	111,653
Amortization of deferred costs	211,122
Depreciation	4,813,204
Equity in loss of unconsolidated investee	724,132
Gain on sale of land	(2,149,442)
Gain on casualty insurance claim	(684,933)
Impairment loss on rental property	1,241,284
Change in fair value of put derivative	(1,170,000)
Loss on abandonment of project	104,478
Accrued interest on long term debt – related parties	2,830,889
Changes in operating assets and liabilities:	
Accounts receivable	(245,862)
Prepaids and other	(316,222)
Accounts payable and accrued liabilities	817,141
Tenant security deposits	47,903
Unearned rent	161,007
Total adjustments	**6,496,354**
Net cash used in operating activities	**(5,264,389)**
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash paid for business acquired	(5,310,000)
Decrease in restricted cash	1,634,605
Return of investments in and advances to unconsolidated investees	179,000
Investments in rental and resort properties	(6,962,403)
Investments in assets held for development	(55,108,978)
Proceeds from sale of land	2,725,000
Proceeds from casualty insurance claim	776,058
Pre acquisition costs	(146,214)
Net repayments from related parties	1,112,764
Transfer of cash upon sale of subsidiary to a related party	(2,851,738)
Net cash used in investing activities	**(63,951,906)**
CASH FLOWS FROM FINANCING ACTIVITIES:	
Capital contributions – noncontrolling interest	2,450,675
Distributions – noncontrolling interest	(322,713)
Proceeds from long term debt – related parties	23,178,971
Repayments of long term debt – related parties	(3,079,166)
Proceeds from long term and convertible debt	51,251,698
Repayments of long term debt	(6,506,352)
Deferred financing costs	(450,567)
Net cash provided by financing activities	**66,522,546**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,693,749)**
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	5,083,449
CASH AND CASH EQUIVALENTS – END OF YEAR	**$ 2,389,700**

Consolidated Statement of Cash Flows (continued)
Year ended December 31, 2015

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid, net of capitalized interest	$	7,166,412
Income taxes paid	$	–

SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING AND INVESTING ACTIVITIES:		
Unpaid interest expense capitalized as assets held for development	$	273,311
Change in fair value of interest rate swaps recorded in other comprehensive loss	$	189,215
Transfer of related party debt pursuant to sale of subsidiary to a related party	$	4,300,444
Transfer of restricted cash pursuant to sale of subsidiary to a related party	$	1,448,706
Developer fees included in assets held for development recorded as capital contributions	$	1,879,345
Net transfers from assets held for development to rental property	$	38,989,198
Amortization of loan costs capitalized to assets held for development	$	108,459
Fair value of assets of acquired business, principally resort property	$	5,310,000
Transfer from pre acquisition costs to investments in unconsolidated investees	$	179,000

Notes To Consolidated Financial Statements

Note 1. Summary Of Significant Accounting Policies

Business Activity
Index Enterprise, LLC ("Index") is a Florida limited liability company formed on November 19, 2012. Index was established as a real estate investment vehicle; its primary purpose is the pursuit of opportunistic investments within the real estate industry. Index owns, develops and invests in real estate through its wholly owned and controlled subsidiaries in Florida, New York and Michigan and its unconsolidated investees in Florida. Index's portfolio includes a primary emphasis on multi family residential rental developments in Florida, as well as industrial property redevelopments, commercial office and retail space, development of assisted living facilities, development of residential condominiums, and development of a resort and golf club. Approximately 80 % of Index's rental property and assets held for development at December 31, 2015 and approximately 76 % of income for the year ended December 31, 2015 were from multi family residential developments.

Basis of Consolidation
The consolidated financial statements include the accounts of Index and its wholly owned and controlled subsidiaries, collectively referred to as the "Company." All significant intercompany accounts and transactions have been eliminated in consolidation. Noncontrolling interest represents the portion of equity that Index does not own in entities that are consolidated. The following is a list of consolidated entities grouped by their respective lines of business:

Multi family residential rental developments
Index Apartments, LLC
Investor Management, LLC
Dakota Abacoa Housing, LLC
Mangrove Bay Housing, LLC
Little Palm Cottages, LLC
Bridgewater Lake Osborne, LLC
High Ridge Housing, LLC
Sonoma Pointe Housing, LLC
Marathon Ocean Housing, LLC
Monterey Pointe Housing, LLC

Assisted living facilities
Index Senior Living Group, LLC
Index Senior Living Hobe Sound, LLC
Index Senior Living Sebastian, LLC
Index Senior Living East Lake, LLC
Index Senior Living Lake Nona, LLC
Watercrest of Lake Nona Senior Living, LLC
Watercrest of Lake Nona Real Estate, LLC
Index Senior Living Huntsville, LLC
Index Senior Living Viera, LLC

Industria
Viking Ventures America, LLC
Vector Venture, LLC
OMX, LLC
ONX1, LLC
ONX3, LLC

Residential Condominium
Index Riva, LLC

Commercial
Index Acquisitions, LLC
Jupiter Harbour Office, LLC
Jupiter Inlet Development, LLC
Seaward Properties, LLC

Resort
Index Resort Development, LLC
Florida Keys Resort Holdings, LLC
Florida Keys Resort, LLC

Unconsolidated Investees
Investments in unconsolidated investees, in which the Company exercises significant influence, but is not the managing member nor possesses overriding control, are accounted for under the equity method of accounting, whereby the Company recognizes its proportionate share of the investee's undistributed earnings or losses and reduces its investment to reflect distributions received from the investee.

Assets Held for Development
Assets held for development are recorded at cost and no depreciation is recorded. All direct and indirect costs related to development activities are capitalized. Costs incurred include land costs and pre development expenditures directly related to a specific project including development and construction costs, interest, insurance and real estate taxes. Indirect general and administrative development costs include travel and other related costs that are associated with the development of the project. The capitalization of such expenses ceases when the project is ready for its intended use. If it is determined that a project is no longer probable, all development project costs are expensed.

Rental Property
Rental property is recorded at cost. Expenditures for major betterments and additions are charged to the asset accounts, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are charged to expense as incurred.

Depreciation and Amortization
Depreciation of rental property is computed by the straight line method using various rates based generally on the estimated useful lives of the assets, which are 39 years for buildings, 15 years for property improvements, and 5 years for furniture and fixtures.

Pre acquisition Costs
Costs related to locating, evaluating, negotiating and structuring property investment prior to acquisition are capitalized if all of the following conditions are met: (i) costs are directly identifiable with the specific property, (ii) costs would be capitalized if the property was already acquired and, (iii) acquisition of the property is probable. Costs are charged to expense when it is known that the property will not be acquired.

Impairment of Long Lived Assets
Long lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized to the extent the carrying amount of the impaired asset exceeds fair value. Management's assessment of the recoverability of its long lived assets includes, but is not limited to, recent operating results, expected undiscounted net operating cash flow and management's plans for future operations. If an asset is considered held for sale, a provision for loss is recognized if the fair value of the asset, less the estimated cost to sell, is less than the carrying amount of the asset. Depreciation and amortization expense, related to an asset, ceases once an asset is considered held for sale.

Notes To Consolidated Financial Statements

Note 1. Summary Of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

From time to time, the Company maintains cash balances with financial institutions in excess of federally insured limits.

Restricted Cash

Restricted cash consists principally of tenant security deposits, reserves for real estate taxes and improvements on rental property, and an escrow holdback on the sale of land.

Purchase Accounting for the Acquisition of Rental Properties

Upon the acquisition of rental properties, the purchase price is allocated to the acquired tangible assets, consisting of land, land improvements, building and equipment, and identifiable intangible assets and liabilities, such as the value of above market and below market leases, and the value of in place leases, based in each case on their fair values. The fair value of contingent consideration and certain potential liabilities are included in the purchase price allocation and acquisition costs are expensed as incurred.

Due from Related Parties

Amounts due from related parties are stated at the outstanding balance of funds due for repayment of cash advances. The carrying amount may be reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. As management believes that the amounts are fully collectible and are therefore stated at net realizable value, management has not recorded an allowance for doubtful accounts.

Accounts Receivable

Tenant receivables are uncollateralized tenant obligations due under normal lease terms. The carrying amount of tenant receivables may be reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all tenant receivables and based on assessment of current credit worthiness, estimates the portion, if any, of the balance that will not be collected. Receivables are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Deferred Leasing Costs

Costs incurred in connection with executing leases, such as broker commissions and legal fees, are deferred and amortized over the initial term of the related lease using the straight line method.

Deferred Financing Costs

Deferred financing costs, principally loan origination and related fees, are deferred and amortized to interest expense on a straight line method over the term of the loan, which approximates the effective interest method.

Revenue Recognition

Rental Income and Tenant Expense Reimbursement

Tenant leases are classified as operating leases. Rental income is recognized when rent is due from tenants and collectibility is reasonably assured. For leases that provide rent concessions or fixed escalations over the lease term, rental income is recognized on a straight line basis over the terms of the respective leases. Contingent rents are not recognized until realized. Base minimum rents in excess of actual tenant billings are classified as deferred rent receivable.

Operating expense reimbursements charged to tenants for estimated operating expenses to run the properties are billed monthly to tenants with an annual actual to estimate reconciliation adjustment performed at calendar year end in accordance with the tenant leases. Tenant rents received in advance of the due date are classified as unearned rent. The Company presents revenues net of any applicable sales tax.

Resort Income

Resort income consists of revenue from membership dues, golf course fees, and restaurant revenue, net of operating expenses as the expenses are not significant. Membership dues are recorded as earned ratably over the term of a membership and collectibility is reasonably assured. Golf course fees and restaurant revenue are recorded when earned and collectibility is reasonably assured. The Company presents revenues net of any applicable sales tax.

Environmental Costs

Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site specific costs. Generally, such recognition coincides with the Company's commitment to a formal plan of action. Accruals for environmental matters exclude claims for recoveries from insurance carriers and other third parties until it is probable that such recoveries will be realized.

Interest Rate Swaps

The Company uses interest rate swaps to manage or hedge interest risks and records the derivatives in its consolidated balance sheet at fair value. The Company has elected to adopt Financial Accounting Standards Board Accounting Standards Update No. 2014 03 which permits private companies to use a simplified hedge accounting approach to account for swaps that are entered into for the purpose of economically converting a variable rate borrowing into a fixed rate borrowing. Under this simplified approach, an eligible private company can assume that a hedging relationship is perfectly effective if the swap and the debt meet certain qualitative criteria.

Changes in the fair value of cash flow hedges are recorded each period in other comprehensive income (loss) as long as the hedge is effective. If a cash flow hedge is determined to be ineffective, the hedge is immediately recognized in earnings to the extent that the change in value of the derivative does not perfectly offset the change in value of the instrument being hedged.

Fair Value Measurements

Fair value is defined as the price that the Company would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent counter party in the principal market or in the absence of a principal market, the most advantageous market for the investment or liability. "Fair Value Measurements" as prescribed by the Accounting Standards Codification, establishes a three tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available

Notes To Consolidated Financial Statements

Note 1. Summary Of Significant Accounting Policies (Continued)

in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Company's assets and liabilities. The inputs are summarized in the three broad levels listed below.

Level 1 quoted prices in active markets for identical assets and liabilities

Level 2 observable inputs other than Level 1 process, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities (including the Company's own assumptions in determining the fair values of assets and liabilities).

The following is a description of the valuation methodologies used for the Company's financial assets and liabilities measured at fair value on a recurring basis, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy:

Interest rate swaps – The Company's interest rate swaps are valued under an income approach using industry standard models that consider various assumptions, including time value, volatility factors, current market and contractual prices for the underlying and counter party non performance risk. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, and can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. This financial instrument is measured at fair value on a recurring basis, using Level 2 measurement inputs in the three tier fair value hierarchy.

Put derivative – The Company's put derivative is valued at the discounted settlement amount. This financial instrument is measured at fair value on a recurring basis, using Level 3 measurement inputs in the three tier fair value hierarchy.

In addition, the Company has certain assets measured at fair value on a nonrecurring basis; that is, the assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. The following is a description of the valuation methodologies used for the Company's non financial assets measured at fair value on a nonrecurring basis, as well as the general classification of such assets pursuant to the valuation hierarchy:

Rental property – Impaired rental property is recorded at the lower of carrying amount or fair value. Rental property value is estimated using Level 3 inputs (Note 6).

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating the fair values of each class of non derivative financial instruments disclosed herein:

Long term debt, long term debt – related parties, convertible debt and note receivable (included as a component of due from related parties) – Based upon the interest rates, current economic conditions, risk characteristics, collateral and other factors, the carrying amount of these financial instruments approximates fair value.

Advances to related parties (included as a component of due from related parties) – Based on the short term nature, the carrying amount of this financial instrument approximates fair value.

Federal Withholding Liabilities

The Company regularly borrows money from certain lenders in Sweden. Should the related loan agreements not meet the U.S. Internal Revenue Service ("IRS") requirements for portfolio interest, the IRS rules may require withholding of federal income taxes for foreign note holders.

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations as incurred. For the year ended December 31, 2015, advertising and marketing costs amounted to approximately $391,000, and are included as a component of other operating expenses in the accompanying consolidated statement of operations.

Income Taxes

The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable by the Company. Members are taxed individually on their share of the Company's earnings. The Company's net income or loss is allocated among the members in accordance with the operating agreement of the Company. No provision for income taxes is included in the accompanying financial statements. The Company is subject to certain state income taxes.

The Company assesses its tax positions in accordance with "Accounting for Uncertainties in Income Taxes" as prescribed by the Accounting Standards Codification, which provides guidance for financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return for open tax years (generally a period of three years from the later of each return's due date or the date filed) that remain subject to examination by the Company's major tax jurisdictions. Generally, the Company is subject to income tax examinations by major taxing authorities since inception.

The Company assesses its tax positions and determines whether it has any material unrecognized liabilities for uncertain tax positions. The Company records these liabilities to the extent it deems them more likely than not to be incurred. Interest and penalties related to uncertain tax positions, if any, would be classified as a component of income tax expense.

The Company believes that it does not have any significant uncertain tax positions requiring recognition or measurement in the accompanying financial statements.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the balance sheet date and the reported amounts of revenues and expenses for the year presented. Actual results could differ from those estimates.

Notes To Consolidated Financial Statements

Note 2. Business Combinations

Golf Course and Club Acquisition

On January 15, 2015, in order to expand its real estate portfolio, the Company acquired the Sombrero Country Club ("SCC") in Marathon, Florida for $5,252,000. SCC consists of 11.7 acres of land with a golf course, restaurant, pro shop, club house and tennis courts. The fair value of the assets acquired were allocated as follows: $3,121,000 to land and the remainder to buildings, improvements, equipment, furniture and fixtures and are included in resort property in the accompanying consolidated balance sheet. No values were assigned to intangible assets as of the date of acquisition as the fair market value of these items approximated zero. The Company plans to develop the property as a resort and golf club. The purchase price was financed with related party debt of $4,000,000 and capital contribution of $1,310,000.

Note 3. Economic dependency

A large part of the Company's financing is derived from related parties, principally Swedish entities. The Company is dependent upon such financing to fund its real estate investment activities, including capital commitments. In the absence of receiving sufficient operating cash flow from its current real estate investments, the Company's ongoing liquidity and ability to make future investments is dependent upon continued financing from its related parties. Additionally, any changes in the laws, economy or political conditions of Sweden that curtail related parties lending to the Company could result in a material adverse effect on the operating results and financial condition of the Company.

Note 4. Investment in unconsolidated investees

Investments in unconsolidated investees at December 31, 2015, consisted of the following:

Residential Condominium Development	
Premier Riva, LLC	$ –
Assisted Living Facility	
Viera ALF, LLC	$ –

Residential Condominium Development

On October 9, 2014, the Company acquired a 50 % interest in Premier Riva, LLC, an entity developing one residential condominium unit. Although the Company is a 50 % owner, it is not the managing member and does not control the investee, as such it reflects its invest ment on the equity method.

At December 31, 2015, the Company's aggregate equity method investment in its residential condominium development investee consisted of the following:

	Amount
Balance – December 31, 2014	$ 724,132
Proportionate share of loss for the year ended December 31, 2015	(724,132)
Balance – December 31, 2015	**$ –**

The results of operations and financial position of the Company's residential condominium development investee consisted of the following:

Condensed Statement of Operations Information	For the year ended December 31, 2015 (unaudited)
Revenue	$ –
Expenses	(2,879,295)
Net loss	$ (2,879,295)
Company's equity in net loss	**$ (724,132)**

Condensed Balance Sheet Information	December 31, 2015 (unaudited)
Total assets	$ 30,599,514
Total liabilities	(29,890,439)
Members' equity	**$ 709,075**

Notes To Consolidated Financial Statements

Note 4. Investment in unconsolidated investees, (Continued)

As the Company has no obligation, and does not intend, to fund future deficits, the equity in net loss has not been reduced to below zero. Pursuant to the Amended and Restated Operating Agreement between the Company and Premier Developers V, LLC ("Premier"), the Company has the right to put, and Premier has the right to call, the Company's entire membership interest for an amount equal to the Company's unreturned capital contributions, plus 11% on the Company's unreturned capital contributions. The put is a derivative financial instrument and accordingly, is recorded at its fair value as an asset in the accompanying consolidated balance sheets with the associated change in fair value included in the accompanying consolidated statements of operations. The fair value of the put derivative at December 31, 2015 was determined to be $1,170,000. In March 2016, the Company exercised the put and received approximately $1,170,000.

Assisted Living Facility
The Company owns a 50% interest in Viera ALF, LLC. Viera ALF LLC owns 50% of Market Street Viera Senior Real Estate LLC, the development entity for the Viera assisted living facility. Since the Company effectively owns 25% of the development entity, it is not the managing member, and does not control the investee, it accounts for this investment on the equity method.

At December 31, 2015, the Company's aggregate equity method investment in its assisted living facility investee consisted of the following:

	Amount
Balance – December 31, 2014	$ –
Predevelopment costs converted to contribution	179,000
Distributions	(179,000)
Balance – December 31, 2015	**$ –**

The results of operations and financial position of the Company's assisted living facility investee consisted of the following:

Condensed Statement of Operations Information	For the year ended December 31, 2015 (unaudited)
Revenue	$ –
Expenses	–
Net income/loss	$ –
Company's equity in net income/loss	**$ –**

Condensed Balance Sheet Information	December 31, 2015 (unaudited)
Total assets	$ 7,071,886
Total liabilities	(1,472,017)
Members' equity	**$ 5,599,869**

Note 5. Assets held for development

Assets held for development, consisting of multi family residential rental development entities, an assisted living facility development and a retail development all located in Florida, are as follows at December 31, 2015:

Land and land deposits	$ 9,375,689
Construction in progress	32,921,256
Capitalized interest	274,615
	$ 42,571,560

In 2015, certain assets held for development were placed into service as rental property.

Notes To Consolidated Financial Statements

Note 6. Rental property

Rental property, consisting of industrial property located in New York and Michigan, residential rental property located in Florida, a commercial office building in Jupiter, Florida, and an assisted living facility in Orlando, Florida is as follows at December 31, 2015:

Land	$ 18,473,969
Buildings and improvements	113,497,982
Furniture and fixtures	11,735,684
	143,707,635
Less: accumulated depreciation	(6,810,035)
	$ 136,897,600

Depreciation expense of rental property amounted to $4,136,445$ for the year ended December 31, 2015. Rental property located in Florida accounts for 91 % of all rental property.

Impairment Loss
During 2015, the Company recognized an impairment loss on Jupiter Harbour Office, LLC commercial property of $1,241,284. – The impairment was determined based on recent appraisals that valued the property at $2,200,000 which was less than the carrying value. The valuation method utilized was the discounted cash flow method, which involves projections of periodic cash flow to the operating property and an appropriate market derived discount rate applied to establish an indication of the present value of the cash flow stream. Significant observable inputs to the valuation include a rental rate of approximately $205 per square foot and a discount rate of 8.25 %.

Sale of Land
On September 24, 2015, ONX1, LLC sold 14.6 acres of the 127 acre property for $2,725,000. The parcel of land consisted of undeveloped land and a parking lot. The Company allocated $375,000 of land cost to the sale and incurred approximately $201,000 of closing costs.

Casualty Gain
On August 3, 2015, a portion of the ONX3, LLC property was damaged by a fire. The Company received insurance proceeds of approximately $776,000. The damaged property had a basis of $67,000 and the Company incurred additional costs to clean up the damage of approximately $24,000.

Sales of Rental Property – Subsequent Events
On February 17, 2016, the Company closed on the sale of the rental property of Dakota Abacoa Housing, LLC for $42,000,000. At December 31, 2015, total assets were $26,262,000 and total liabilities were $25,145,000. Included in rental property at December 31, 2015 was $4,009,000 of land, $21,173,000 of building and improvements, $3,376,000 of furniture and fixtures, and $2,716,000 in accumulated depreciation. As part of the closing, the Company repaid all outstanding debts on the project (Note 17).

On February 11, 2016, the Company entered into a purchase and sale agreement to sell the rental property of Bridgewater Lake Osborne, LLC for $24,000,000. The sale has not closed as of the date of issuance of these financial statements. At December 31, 2015, total assets were $16,721,000 and total liabilities were $13,036,000. Included in rental property at December 31, 2015 was $1,260,000 of land, $14,503,000 of building and improvements, $2,277,000 of furniture and fixtures, and $1,639,000 in accumulated depreciation.

Note 7. Resort property

The resort property, consisting of a golf course, restaurant, club and other amenities located in Marathon Florida, consists of the following at December 31, 2015:

Land	$ 3,120,831
Building and improvements	1,779,893
Furniture and fixtures	377,558
	5,278,282
Less: accumulated depreciation	(676,759)
	$ 4,601,523

Depreciation expense of resort property amounted to $676,759 for the year ended December 31, 2015.

As of December 31, 2015, the Company incurred pre development costs associated with the resort property of $375,000, which is included in assets held for development as construction in progress.

Notes To Consolidated Financial Statements

Note 8. Fair value measurement

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2015:

ASSETS AND LIABILITIES, at fair value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Put derivative	$ –	$ –	$ 1,170,000	$ 1,170,000
Interest rate swap	–	815,271	–	815,271
	$ –	$ 815,271	$ 1,170,000	$ 1,985,271

The following table presents information about the Company's assets measured at fair value on a non recurring basis as of December 31, 2015:

ASSETS, at fair value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Jupiter Harbour Office) (included in rental property	$ –	$ –	$ 2,200,000	$ 2,200,000

Changes in Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2015 are as follows:

ASSETS, at fair value	Put Derivative
Balance – January 1, 2015	$ –
Unrealized gains	1,170,000
Balance – December 31, 2015	$ 1,170,000

Note 9. Long-term debt

Long term debt at December 31, 2015 consisted of the following:

Dakota Abacoa Housing, LLC
Dakota Abacoa Housing, LLC ("Dakota") held a construction loan with PNC Bank, N.A., with a principal balance of $20,000,000, requiring monthly payments of interest only at an annual rate of 4.5%. As of June 20, 2014, Dakota refinanced the loan which increased the principal balance to $25,559,349 and extended the loan's maturity date to June 20, 2021. Concurrent with the refinancing, the Company entered into two interest rate swap agreements under consistent notional and maturity terms, effectively fixing the variable interest rate exposure to 2.305% on the initial $20,000,000 draw and 1.91% on the remaining $5,400,000 at December 31, 2014. The loan provides for monthly payments of $32,556 principal plus interest, which may increase as described in the loan agreement. The loan is collateralized by the real estate owned by Dakota with a net book value of approximately $25,843,000 and guaranteed by the noncontrolling member. The property was sold on February 17, 2016 and the loan was repaid. See further discussion in Note 7. The interest rate swaps were transferred to Sonoma Pointe Housing, LLC on February 17, 2016. *$ 24,908,843*

Bridgewater Lake Osborne, LLC
Bridgewater Lake Osborne, LLC ("Bridgewater") holds a loan with Branch Banking and Trust Company, dated January 22, 2013 in a an amount not to exceed $13,000,000 to fund the construction and development of the project. The construction loan required monthly payments of interest only at an annual rate equal to the sum of 2.5% plus the 30 day LIBOR for the interest period. In February 2016, the loan was converted into a term loan providing for monthly payments of $54,102, including interest at 2.91% per annum, through maturity in January 2020. The loan is collateralized by the real estate owned by Bridgewater with a net book value of approximately $16,401,000 and guaranteed by the noncontrolling member and a related entity to the Company. *12,948,018*

Little Palm Cottages, LLC
Little Palm Cottages, LLC ("Little Torch") holds a loan with Branch Banking and Trust Company, dated October 11, 2013, in an amount not to exceed $9,300,000 to fund the construction and development of the project. The loan requires monthly payments of $37,786, including principal and interest at 2.8% per annum, through maturity in October 2019. The loan is collateralized by the real estate owned by Little Torch with a net book value of approximately $12,892,000 and guaranteed by the noncontrolling member and related entity to the Company. *9,165,728*

Notes To Consolidated Financial Statements

Note 9. Long-term debt (Continued)

Mangrove Bay Housing, LLC
Mangrove Bay Housing, LLC ("Mangrove Bay") holds a loan with Key-Bank National Association, dated July 26, 2013, in an amount not to exceed $14,100,000 to fund the construction and development of the project. The construction loan requires monthly payments of interest only at an annual rate equal to 2.94%. All outstanding principal and unpaid interest amounts are payable on or before the loan's maturity date, in January 2016, which was extended to July 26, 2016. The loan is collateralized by the real estate owned by Mangrove Bay with a net book value of approximately $22,833,000 and guaranteed by the noncontrolling member and a related entity to the Company. *14,100,000*

Sonoma Pointe Housing, LLC
Sonoma Pointe Housing, LLC ("Sonoma Pointe") holds a loan with PNC Bank, dated August 25, 2014, in an amount not to exceed $19,475,000 to fund the construction and development of the project. The construction loan requires monthly payments of interest only at an annual rate equal to 2.56%. All outstanding principal and unpaid interest amounts are payable on or before the loan's maturity date, August 25 2017. The loan is collateralized by the real estate owned by Sonoma Pointe with a net book value of approximately $25,852,000 and guaranteed by the noncontrolling member and a related entity to the Company. *19,079,759*

Marathon Ocean Housing, LLC
Marathon Ocean Housing, LLC ("Marathon Ocean") holds a loan with Branch Banking and Trust Company, dated March 10, 2015, in an amount not to exceed $21,200,000 to fund the construction and development of the project. The previous loan was refinanced and paid off with the existing loan. The construction loan requires monthly payments of interest only at an annual rate equal to 2.81% at December 31, 2015. All outstanding principal and unpaid interest amounts are payable on or before the loan's maturity date, March 10, 2018. The loan is collateralized by the real estate owned by Marathon Ocean with a net book value of approximately $24,928,000 and guaranteed by the noncontrolling member and related entity to the Company. *15,248,433*

High Ridge Housing, LLC
HighRidge Housing, LLC ("High Ridge") holds a loan with PNC Bank, National Association, dated October 16, 2015, in an amount not to exceed $20,363,000 to fund the construction and development of the project. The construction loan requires monthly payments of interest only at an annual rate equal to LIBOR plus 2.25% (2.58% at December 31, 2015). All outstanding principal and interest amounts are payable on or before the loan's maturity date, October 16, 2018. The loan is collateralized by the real estate owned by High Ridge with a net book value of approximately $8,135,000 and guaranteed by the noncontrolling member and a related entity to the Company. *85,525*

Jupiter Harbour Office, LLC
Jupiter Harbour Office, LLC ("Jupiter Harbour") holds a loan with Stonegate Bank, dated March 7, 2014, in an amount not to exceed $1,750,000 as a mortgage collateralized by the property. The mortgage requires monthly payments of approximately $7,800 of principal and interest at an annual rate equal to 4.80% during the initial 5 year term, to be adjusted thereafter. All outstanding principal and unpaid interest amounts are payable on or before the loan's maturity date, March 7, 2024. The loan is collateralized by the real estate owned by Jupiter Harbour with a net book value of approximately $2,200,000 and guaranteed by a member of the Company. *1,291,397*

Watercrest of Lake Nona Senior Real Estate, LLC
Watercrest of Lake Nona Senior Real Estate, LLC ("Lake Nona Real Estate"), holds a loan with Community and Southern Bank, dated August 27, 2014, in the amount of $13,746,594 to fund the construction and development of the project. The construction loan requires monthly payments of interest only at an annual rate equal to 4.50% at December 31, 2015. All outstanding principal and unpaid interest amounts are payable on or before the loan's maturity date, August 27, 2017. The loan is collateralized by the real estate owned by Lake Nona Real Estate with a net book value of approximately $18,047,000 and guaranteed by a member of Lake Nona Real Estate and Index International AB, a Swedish company related by virtue of common ownership and management. *12,709,751*

Monterey Pointe Housing, LLC
Monterey Pointe Housing, LLC ("MPL"), holds a loan with PNC Bank, dated September 4, 2015, in the amount of $14,500,000 to fund the construction and development of the project. The construction loan requires monthly interest only payments at an annual rate equal to LIBOR plus 2.4% (2.76% at December 31, 2015). All outstanding principal and unpaid interest amounts are payable on or before the loan's maturity date, September 4, 2018. The loan is collateralized by the real estate owned by MPL with a net book value of approximately $6,141,000 and guaranteed by the noncontrolling member and a related entity to the Company. No amounts were drawn on the loan at December 31, 2015. -

$ 109,537,454

Aggregate maturities of long term debt subsequent to December 31, 2015 are as follows:

2016	$ 14,973,455
2017	32,700,938
2018	16,261,167
2019	943,482
2020	20,581,006
Thereafter	24,077,406
	$ 109,537,454

Interest incurred on third party obligations and related interest rate swap agreements amounted to $2,879,000 for the year ended December 31, 2015, of which approximately $425,000 was capitalized.

Principally all of the long term debt is subject to certain covenants that if not met, could cause the loans to be due on demand.

Notes To Consolidated Financial Statements

Note 10. Long term debt – related parties

Long term debt with related parties at December 31, 2015, consisted of the following:

Index Apartments, LLC
$53,622,000 promissory note with Index International AB ("IIAB"), a Swedish company related by virtue of common ownership and management; interest accrues at a variable rate that corresponds with IIAB registered bond obligations plus 0.5% (effectively 7.9% at December 31, 2015); principal and accrued interest are due upon maturity on December 31, 2018; uncollateralized; outstanding balance includes accrued interest of $1,336,000. *$ 54,958,168*

ONX1, LLC
$3,500,000 promissory note with Index Alternative Equity AB ("IAEAB"), a Swedish company related by virtue of common ownership and management; with a stated interest amount of $1,750,000 through maturity December 9, 2013 (effectively 45% per annum); upon non payment at maturity the loan was in technical default and $450,000 of additional interest became due; collateralized by the membership interest in ONX1, LLC ("ONX1"), a 75% owned, controlled subsidiary of the Company, and a first mortgage and security agreement on industrial property located in Syracuse, New York, with a net book value of approximately $5,800,000, personally guaranteed by the noncontrolling member of ONX1. The loan was modified in 2014 to forgive the default interest charge, charge no additional interest, and make the note due on demand. The $450,000 of forgiven interest was recorded as a capital contribution. All accrued interest was paid in 2015. *3,502,602*

Index Enterprise, LLC
$13,950,000 promissory note with IIAB; interest accrues at a fixed rate of 9.5% per annum; principal and accrued interest are due on demand; uncollateralized; outstanding balance includes accrued interest of $1,302,000. *12,109,158*

Index Senior Living Lake Nona, LLC
$4,300,000 promissory note with Index IIAB; interest accrues at a variable rate that corresponds with IIAB registered bond obligations plus 0.5% (effectively 7.9% at December 31, 2015); principal and accrued interest are due on demand 90 days after written notice; uncollateralized; outstanding balance includes accrued interest of $148,000. *4,573,208*

OMX, LLC
$4,000,000 promissory note with Index Alternative Investment 2 AB ("IAI2AB"), a Swedish company related by virtue of common ownership and management; interest accrues at 15% compounding monthly; default interest of 16%; principal and accrued interest were due on December 31, 2014; collateralized by the property with a net book value of approximately $3,202,000 and members' ownership interest in OMX, LLC; outstanding balance includes accrued interest of $476,000; loan is in default. *3,819,235*

ONX 3, LLC
$1,900,000 promissory note with Index Alternative Investment 1 AB ("IAI1AB"), a Swedish company related by virtue of common ownership and management; interest accrues at a fixed rate of 15% per annum; principal and accrued interest are due on demand; uncollateralized; outstanding balance includes accrued interest of $173,000. *2,072,767*

ONX1, LLC
$3,263,000 promissory note with IAEAB; interest accrues at a fixed rate of 9% per annum; principal and accrued interest are due on demand; uncollateralized; outstanding balance includes accrued interest of $368,000. *3,631,107*

Index Riva, LLC
$1,020,000 promissory note with Index Alternative Investment 3 AB, a Swedish company related by virtue of common ownership and management; interest accrues at a variable rate which was 8.03% per annum at December 31, 2015; principal and accrued interest are due on demand; uncollateralized; outstanding balance includes accrued interest of $75,000. The balance was paid with proceeds received from the settlement of the put derivative in March 2016. *1,095,130*

ONX3, LLC
$700,000 building loan with IAI1AB; interest accrues at a fixed rate of 15% per annum; principal and accrued interest are due on demand; uncollateralized; outstanding balance includes accrued interest of $203,000. *903,375*

ONX3, LLC
$502,000 demand note with IAI1AB; interest accrues at a fixed rate of 9% per annum; principal and accrued interest are due on demand; uncollateralized; outstanding balance includes accrued interest of $56,000. *558,019*

ONX 3, LLC
$100,000 promissory note with IAI1AB; interest accrues at a fixed rate of 9% per annum; principal and accrued interest are due on demand; uncollateralized; includes accrued interest of $26,000. *126,186*

Index Resort Development, LLC
$4,730,000 promissory note with Hornsberg 10 AB ("H10AB"), a Swedish company related by virtue of common ownership and management; interest accrues at a variable rate which was 8.03% per annum at December 31, 2015; principal and accrued interest are due upon maturity on December 31, 2018; uncollateralized; includes accrued interest of $365,000. *5,095,318*

Investor Management, LLC
$14,369 promissory note with Index INV, a Swedish company related by virtue of common ownership and management; interest accrues at a fixed rate of 6% per annum; principal and accrued interest are due upon maturity on December 31, 2018; uncollateralized; outstanding balance includes accrued interest of $1,000. *16,435*

$ 92,460,708

Subordination
All long term debt – related parties obligations are subordinate to the Company's Guarantee related to IIAB's bond offering. (Note 14)

Aggregate maturities of long term debt – related parties, including accrued interest due upon maturity, for the years subsequent to December 31, 2015 are as follows:

2016	$ 32,390,787
2017	-
2018	60,069,921
	$ 92,460,708

Interest incurred on long term debt – related parties amounted to approximately $6,119,000 for the year ended December 31, 2015 of which approximately $273,000 was capitalized.

Notes To Consolidated Financial Statements

Note 11. Convertible Debt

During 2015, Index Apartments, LLC ("IA") entered into two convertible debt agreements aggregating $ 1,000,000. Interest accrues at 8 % per annum, with all principal and interest due at maturity in August 2016. The loans are unsecured and convertible into shares of IIAB immediately prior to an initial public offering ("IPO") of IIAB on the Stockholm Nasdaq exchange, at the IPO price. For the year ended December 31, 2015, interest amounted to $ 22,000, which was unpaid at December 31, 2015 and included in accounts payable and accrued liabilities in the consolidated balance sheet.

Note 12. Deferred Costs

Deferred costs at December 31, 2015, consisted of the following:

Deferred financing costs	$ 1,214,679
Deferred leasing costs	314,915
	1,529,594
Less: accumulated amortization	(653,766)
Deferred costs, net	$ 875,828

Fees and costs incurred to obtain, refinance and extend long term financing are deferred and amortized over the term of the respective loan. Amortization of deferred financing costs for the year ended December 31, 2015 amounted to approximately $ 260,000, of which approximately $ 108,000 was capitalized and approximately $ 152,000 was expensed.

Fees and costs incurred in the successful negotiation of leases, including brokerage, legal and other costs are deferred and amortized over the life of the respective tenant's lease. Amortization expense on deferred leasing costs amounted to approximately $ 39,000 for the year ended December 31, 2015.

Note 13. Related Party Transactions

Note Receivable

In February 2013, the noncontrolling member of ONX1 entered into a promissory note in the amount of $ 1,000,000. The note is unsecured, bears interest at a fixed rate of 0.21 %, and matured on February 21, 2016. Interest only payments were due semi annually through maturity, at which time the outstanding principal balance and accrued interest were due. The outstanding balance at December 31, 2015 of $ 1,000,000 is included in due from related parties in the accompanying consolidated balance sheet. The note receivable was not repaid in February 2016 and accordingly is in default. Additionally, ONX1, entered into a note payable with the noncontrolling member to convert outstanding payables to Marathon Construction, an entity owned by the noncontrolling member, in the amount of $ 257,000. The note payable was recorded as an offset to the note receivable and the net balance outstanding at December 31, 2015 is included in due from related parties in the accompanying consolidated balance sheet.

Due from Related Parties

Amounts due from related parties represent advances to entities related by virtue of common ownership and management. These advances are unsecured, non interest bearing, and due on demand and amounted to approximately $325,000 at December 31, 2015.

General and Administrative Expenses

Related parties of the Company provide assistance in locating, evaluating, negotiating, structuring and disposing of investments for the Company, as well as providing all office facilities, equipment and personnel needed by the Company to carry out its business. Generally, no charge is levied to the Company by its related parties for such services.

Construction Costs

As of December 31, 2015, the Company's industrial property redevelopment subsidiaries capitalized approximately $7,168,000 of construction related costs to a general contractor entity owned by the noncontrolling member. For the year ended December 31, 2015, approximately $ 1,295,000 was incurred and capitalized as a component of rental property and approximately $ 146,000 owed to the contractor at December 31, 2015 is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheet.

On September 23, 2015, one of the Company's multi tenant rental subsidiary entered into a construction contract with a related entity through common ownership in the amount of $ 18,700,000. Through December 31, 2015, the Company capitalized $ 2,376,000, which is included in assets held for development in the consolidated balance sheet. At December 31, 2015, $ 1,585,000 was owed to the contractor which includes $ 91,000 of retainage. This amount is included in accounts payable and accrued liabilities in the consolidated balance sheet at December 31, 2015.

Notes To Consolidated Financial Statements

Note 13. Related Party Transactions (Continued)

Development and Construction Management Fees
Typically, the Company enters into development and construction management agreements with the noncontrolling member of its multi family residential rental development subsidiaries. As compensation for the planning and management of the development projects, the member earns a fixed fee based on each individual project budget. Total development and construction management fees incurred and capitalized in the Company's multi family residential rental development subsidiaries for the year ended December 31, 2015 amounted to approximately $2,093,000. At December 31, 2015, approximately $5,798,000 was included as a component of rental property and assets held for development in the accompanying consolidated balance sheet. Total development and construction management fees incurred to the non controlling member of the Company's assisted living facility subsidiary for the year ended December 31, 2015 amounted to approximately $433,000, which was all capitalized. At December 31, 2015, approximately $1,059,000 was included as a component of rental property in the accompanying consolidated balance sheet.

Consulting and Management Fees
During 2014, the Company entered into two consulting and management agreements with parties that are related by virtue of common ownership. For the year ended December 31, 2015, the Company incurred approximately $2,301,000 of consulting and management fees.

Sale of Corporate Entity
On January 1, 2015, the Company transferred its membership interest in Index Assurance, LLC, an entity which guarantees the majority of the Company's third party long term debt obligations, to IIAB. Index Assurance LLC's assets and liabilities at the date of transfer consisted of approximately $2,852,000 of cash, $1,449,000 of restricted cash, and $4,301,000 of long term debt to related parties. No gain or loss was recognized upon transfer.

Note 14. Commitments and Contingencies

Environmental Remediation
ONX1 has an ongoing potential environmental remediation matter related to a stormwater pond located on its property which was utilized for waste management of petroleum, various oils and chemicals by a former occupant of the property. There is no known litigation or enforcement related to the matter and management believes that if remediation was required, the prior occupant would be responsible. Remediation costs are unknown at this time, but could be significant.

OMX, LLC has an ongoing potential environmental remediation matter related to certain groundwater contamination on its property which was utilized by the prior occupant. Remediation efforts were performed by the prior occupant, however the matter has not been closed out by the Michigan Department of Environmental Quality. $300,000 of the prior occupant's funds remains in escrow with a title company until the matter is resolved. The Company believes these funds would be sufficient to pay for any outstanding environmental remediation costs related to this matter.

Litigation
Management does not believe there is any litigation threatened against the Company other than routine matters arising in the ordinary normal course of business, some of which are expected to be covered by liability insurance, and none of which are expected to have a material adverse effect on the consolidated financial statements of the Company.

Delinquent Property Taxes
The Company was delinquent in the payment of property taxes in Genesee County, Michigan related to the industrial property owned by OMX, LLC. In February 2016, the Company received a one year postponement of a tax foreclosure judgment. Delinquent taxes carry interest and penalties aggregating 18% per annum. As of December 31, 2015, the Company owed approximately $407,000 in property taxes related to this property, which is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheet.

Guarantee
In May 2014, Index became a guarantor in favor of Swedish Trust AB (the "Bond Trustee") for a bond offering by IIAB (the "Guarantee"). The bond offering is for a maximum original face value amount of 500 million Swedish Krona (approximately 60 million U.S. Dollars at December 31, 2015). The bonds have a final redemption date of May 22, 2018.

Index unconditionally guarantees the full and punctual payment when due of the obligations evidenced by the bonds, including all amounts payable by IIAB to the Bond Trustee under the terms and conditions of the bond offering. The Guarantee is an irrevocable and unconditional guarantee of payment and is not a guaranty of collection. Index does not have recourse with any other party in connection with the Guarantee. The Company does not believe it is probable that it will be called upon to perform on the Guarantee, and accordingly has not recorded a liability for the Guarantee as of December 31, 2015.

Notes To Consolidated Financial Statements

Note 15. Leasing arrangements

Leasing Arrangements

The Company leases commercial and industrial rental properties to tenants under noncancelable operating leases that expire on various dates through 2024. The lease agreements typically provide for base rent plus reimbursement of certain operating costs, as well as percentage rents based on tenant's revenue. Residential rental leases are typically short term. As of December 31, 2015, occupancy rates by property were as follows:

Property	
ONX1	13%
ONX3	55%
Jupiter Harbour	100%
Watercrest of Lake Nona Senior Living	38%
Dakota	95%
Little Torch	89%
Bridgewater	95%
Mangrove Bay	39%
Sonoma Pointe	35%

The approximate future minimum rents related to commercial and industrial properties, exclusive of reimbursements for operating costs and percentage rents, under noncancelable operating leases for the years subsequent to December 31, 2015 are as follows:

Year	Amount
2016	$ 1,555,000
2017	1,419,000
2018	1,211,000
2019	709,000
2020	599,000
Thereafter	792,000
	$ 6,285,000

Note 16. Member operating agreement

Pursuant to the Amended and Restated Operating Agreement of the Company (the "Agreement"), dated December 31, 2013, ownership interest is comprised of one class of membership units. Members have limited personal liability for the obligations and debts of the Company. The Company shall have perpetual existence unless terminated in accordance with the provisions of the Agreement. Generally, income and loss allocations and distributions shall be made to the members pro rata. As of December 31, 2015, the Company is owned 50/50 by two members.

Notes To Consolidated Financial Statements

Note 17. Subsequent events

Acquisitions and Loans Payable

On January 25, 2016, the Company lent $4,337,000 to the owner of a parcel of land in Tampa, Florida to refinance an existing loan and property taxes. The promissory note bears interest of 9% per annum and matures on December 31, 2016. The promissory note is collateralized by the real estate. The Company is seeking to acquire the property for future development.

On February 4, 2016, the Company entered into a promissory note with an unrelated individual for $3,000,000 to fund pre development costs of the SCC project. Interest rate is 7% per annum with monthly payments of $17,500 as interest only payments. The maturity date on this promissory note is February 4, 2017.

Subsequent to December 31, 2015, the Company repaid approximately $13,400,000 of long term debt – related parties and $24,900,000 of long term debt to third parties from proceeds received from the sale of rental property (Note 6).

Evaluation Date

The Company has evaluated subsequent events through March 28, 2016, which is the date the accompanying consolidated financial statements were available to be issued.

Jupiter, FL, USA, March 28, 2016

Bjarne Borg
Manager

INDEX
Est. 1998