Index Enterprise, LLC and Subsidiaries

Consolidated Financial Statements
December 31, 2017

KAUFMAN ROSSIN

C O N T E N T S

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, 2017, and the related consolidated statements of income, 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.

KAUFMAN ROSSIN
cpa • advisors

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, 2017, 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.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has debt obligations due within a year from the date the consolidated financial statements were available to be issued that cash flows from operations will not be sufficient to satisfy. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 2. There can be no assurance that the Company will be successful in achieving its objectives and substantial doubt exists about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Kaufman, Rossin & Co.

Kaufman, Rossin & Co., P.A.

April 30, 2018
Miami, Florida

INDEX ENTERPRISE, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2017

ASSETS	
RENTAL PROPERTY (NOTES 4 AND 11)	$ 89,622,861
ASSETS HELD FOR DEVELOPMENT (NOTES 5 AND 11)	29,043,494
NOTES RECEIVABLE (NOTES 6 AND 8)	3,705,825
CASH AND CASH EQUIVALENTS	2,101,772
INVESTMENT IN UNCONSOLIDATED INVESTEES (NOTE 7)	2,659,075
PREPAIDS AND OTHER	2,919,033
RESTRICTED CASH	1,234,980
ACCOUNTS RECEIVABLE, NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS OF $377,686	160,186
DEFERRED LEASING COSTS, NET	526,091
DUE FROM RELATED PARTIES (NOTE 11)	3,465,508
	$ 135,438,825

LIABILITIES AND MEMBERS' DEFICIT	
LONG-TERM DEBT, NET OF DEFERRED COSTS (NOTE 9)	$ 67,146,838
LONG-TERM DEBT - RELATED PARTIES (NOTES 2 AND 10)	81,269,596
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (NOTE 11)	3,010,203
CAPITAL LEASE OBLIGATIONS	63,480
TENANT SECURITY DEPOSITS	304,419
UNEARNED RENT	172,878
COMMITMENTS AND CONTINGENCIES (NOTE 12)	
MEMBERS' DEFICIT OF INDEX ENTERPRISE, LLC	(18,038,507)
NONCONTROLLING INTEREST	1,509,918
	$ 135,438,825

See accompanying notes.

INDEX ENTERPRISE, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2017

INCOME	
Rental	$ 12,270,007
Tenant expense recovery	1,330,592
Resort, net	694,528
Total income	14,295,127
OPERATING EXPENSES	
Depreciation (Note 4)	6,614,300
Management fees (Note 11)	2,563,359
Common area maintenance	2,908,860
Real estate taxes	1,806,159
Professional fees	677,670
Lease termination fee	250,000
Other operating expenses	4,449,534
Total operating expenses	19,269,882
LOSS FROM OPERATIONS	(4,974,755)
OTHER INCOME (EXPENSE)	
Gain on sales of properties (Note 4)	25,666,832
Gain on insurance proceeds from hurricane loss (Note 5)	445,608
Income from unconsolidated investee (Note 7)	102,861
Interest income	281,477
Other income	235,978
Change in fair value of interest rate swap	4,557
Interest expense (Notes 9 and 10)	(10,428,171)
Total other income (expense)	16,309,142
NET INCOME	11,334,387
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	(3,043,553)
NET INCOME ATTRIBUTABLE TO INDEX ENTERPRISE, LLC	$ 8,290,834

See accompanying notes.

INDEX ENTERPRISE, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' DEFICIT
YEAR ENDED DECEMBER 31, 2017

	Members' deficit - Index Enterprise, LLC	Non controlling Interest	Total
Members' deficit as of December 31, 2016	$(22,613,523)	$ 5,074,721	$(17,538,802)
Capital contributions - cash	801,346	-	801,346
Distributions	(4,517,164)	(6,608,356)	(11,125,520)
Net income	8,290,834	3,043,553	11,334,387
Members' deficit as of December 31, 2017	$(18,038,507)	$ 1,509,918	$(16,528,589)

See accompanying notes.

INDEX ENTERPRISE, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$	11,334,387
Adjustments to reconcile net income to net cash used in operating activities:		
Gain on sales of properties	(	25,666,832)
Bad debt expense		361,303
Amortization of deferred loan costs included in interest expense		501,768
Equity in earnings of unconsolidated investee	(	102,861)
Depreciation and amortization		6,672,243
Accrued interest income	(	226,214)
Change in fair value of interest rate swaps	(	4,557)
Accrued interest on long-term debt - related parties		3,332,889
Changes in operating assets and liabilities:		
Accounts receivable	(	147,376)
Prepaids and other	(	1,720,408)
Deferred leasing costs	(	366,000)
Accounts payable and accrued liabilities	(	1,531,879)
Tenant security deposits		59,002
Unearned rent		36,672
Total adjustments	(	18,802,250)
Net cash used in operating activities	(	7,467,863)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Advances on loans receivable	(	167,112)
Increase in restricted cash	(	583,115)
Investments in assets held for development	(	6,225,729)
Investments in rental properties	(	6,147,021)
Proceeds from sales of properties		86,332,703
Investments in unconsolidated investees	(	872,668)
Net advances to related parties	(	3,316,407)
Net cash provided by investing activities		69,020,651
CASH FLOWS FROM FINANCING ACTIVITIES:		
Stockholder distributions	(	4,517,164)
Capital contributions		801,436
Distributions - noncontrolling interest	(	6,608,356)
Proceeds from long-term debt - related parties		6,346,424
Repayments of long-term debt - related parties	(	19,775,663)
Proceeds from long-term debt		24,951,922
Repayments of long-term debt	(	62,620,223)
Deferred financing costs	(	323,669)
Settlement of interest rate swap	(	517,100)
Net cash used in financing activities	(	62,262,393)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(	709,605)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		2,811,377
CASH AND CASH EQUIVALENTS - END OF YEAR	$	2,101,772

See accompanying notes.

INDEX ENTERPRISE, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
YEAR ENDED DECEMBER 31, 2017

Supplemental Disclosure of Cash Flow Information:		
Interest paid, net of capitalized interest	$	6,885,999
Income taxes paid	$	-
Supplemental Disclosure of Noncash Financing and Investing Activities:		
Assets held for development acquired through satisfaction of note receivable	$	4,826,366
Note receivable from sale of property	$	750,000
Net transfers from pre-acquisition costs to assets held for development	$	829,865
Amortization of loan costs capitalized to assets held for development	$	56,465

See accompanying notes.

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 and Nevada. 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, and development of a resort and golf club. Approximately 82% of Index's rental property at December 31, 2017 and approximately 78% of income for the year ended December 31, 2017 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 material 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
Mangrove Bay Housing, LLC *
Little Palm Cottages, 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 Sebastian, LLC
Index Senior Living East Lake, LLC
Index Senior Living Huntsville, LLC
Index Senior Living Viera, LLC
Index Senior Living Palm Coast, LLC
Index Senior Living Summerlin, LLC *

Industrial

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

Commercial
Investor Management, LLC
Index Acquisitions, LLC
Jupiter Harbour Office, LLC
Jupiter Inlet Development, LLC

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

Residence
Index Enterprise, LLC
Index Atlantic, LLC
Index Residence, LLC
Westshore Pointe Holdings, LLC
Westshore Pointe, LLC
Commerce Pointe, LLC
Seaward Marathon Holdings, LLC
Seaward Properties, LLC

* Company and/or underlying assets disposed in 2017

Unconsolidated Investees

Investments in unconsolidated investees, in which the Company exercises significant influence, but is not the managing member nor possesses 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.

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.

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 and reserves for real estate taxes, insurance and improvements on rental property.

Notes Receivable and Due from Related Parties

Amounts due on notes receivable and from related parties are stated at the outstanding balance of funds due for loans and 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

Accounts receivable consists principally of amounts due from tenants which are uncollateralized and 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. Amortization of deferred leasing costs amounted to approximately $58,000 for the year ended December 31, 2017 and is included in other operating expenses in the accompanying consolidated statement of income.

Deferred Financing Costs

The Company typically incurs debt issuance costs in connection with debt financing. Such costs are recorded as a direct reduction to the contractual principal balance of the related debt and amortized over the terms of the respective debt obligations. Debt issuance costs consist principally of loan origination and related fees, and are amortized on a straight line basis over the term of the loan, which approximates the interest method. The related amortization is included in interest expense for operating properties or capitalized for qualified expenditures to assets held for development.

Revenue Recognition

<u>Rental Income and Tenant Expense Reimbursement</u>

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 direct 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.

Presentation of Financial Statements - Going Concern

In August 2014, the Financial Accounting Standards Board issued Accounting Standards Update, *ASU 2014-15, Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (ASU 2015-14).* Under this standard, management must evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued. This evaluation initially does not take into consideration the potential mitigating effect of management's plans that have not been fully implemented as of the date the financial statements are issued. When substantial doubt exists under this methodology, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company's ability to continue as a going concern. The mitigating effect of management's plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued. Generally, to be considered probable of being effectively implemented, the plans must have been approved before the date that the financial statements are available to be issued. The Company's assessment of its ability to continue as a going concern is further discussed in Note 2: Going Concern and Economic Dependency.

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. When appropriate, the Company uses 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.

For interest rate swaps that do not meet the requirements for simplified hedge accounting, 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.

The interest rate swap was settled in August 2017 for $517,100 with proceeds from the sale of Sonoma Pointe Housing, LLC.

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 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:

Convertible Note Receivable - The Company's convertible note receivable is valued using a discounted cash flow approach considering the fair market value of the asset underlying the conversion feature, the value of the collateral and the probability of conversion. A significant decrease in the value of the collateral could result in a lower fair market value and a significant increase in the value of the asset underlying the conversion feature could result in a higher fair market value. This financial instrument is measured at fair value on a recurring basis, using Level 3 measurement inputs in the three-tier fair value hierarchy.

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, and notes receivable - Based upon the interest rates, current economic conditions, risk characteristics, collateral and other factors, the carrying amount of these financial instruments approximates fair value.

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. Additionally, the Company may be required to withhold federal income taxes on earnings and distributions to foreign owners. The Company believes it is in compliance with all applicable regulations.

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations as incurred. For the year ended December 31, 2017, advertising and marketing costs amounted to approximately $199,000 and are included as a component of other operating expenses in the accompanying consolidated statement of income.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 2. GOING CONCERN AND 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 party lending to the Company could result in a material adverse effect on the operating results and financial condition of the Company.

NOTE 2. GOING CONCERN AND ECONOMIC DEPENDENCY (Continued)

The Company has approximately $66,229,000 of third party debt (see Note 9) and $78,244,000 of related party debt (see Note 10) that is due in 2018. In January 2018, the Company refinanced certain third party debt and borrowed an additional $6,500,000, which is also due in 2018. Additionally, the Company is a guarantor in favor of Swedish Trust AB for a bond offering with approximately $46 million U.S. Dollars outstanding at December 31, 2017 that has a final redemption date of November 22, 2018 (see Note 12). Cash flows from operations will not be sufficient to satisfy these debt obligations. These factors indicate that there is substantial doubt about the Company's ability to continue as a going concern through April 30, 2019 (one year after the accompanying consolidated financial statements were available to be issued).

Management will continue to monitor the Company's liquidity and address its cash needs through a combination of one or more of the following actions:

- Reduction of both third party and related party liabilities through the sale of real estate property. The Company has entered into a purchase and sale agreement for one of its properties that is expected to close before May 31, 2018. In addition, the Company has listed two other properties for sale with expected closing dates no later than July 31, 2018.

- The related party lenders agreed to not demand payment prior to May 1, 2019 excluding amounts that the related parties may need to repay the bond offering.

Neither receipt of future sales proceeds or the extension of the related party loans through May 1, 2019 are considered probable, accordingly substantial doubt is deemed to exist about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 3. ASSET ACQUISITIONS

Westshore Pointe , LLC

On May 5, 2017, in order to expand its real estate portfolio, the Company acquired ninety-eight percent (98%) of the membership interests of Bermuda Bay Associates, LLC through a newly formed subsidiary, Westshore Pointe Holdings, LLC, ("Westshore Pointe Holdings") for a total purchase price of $6,000,000, which is comprised of a contract sales price of $5,200,000 plus $800,000 of reimbursement for certain Bermuda Bay Pre-Development costs. Bermuda Bay Associates, LLC is the sole owner of certain real property located in Hillsborough County, Florida. Subsequent to purchasing ninety-eight percent of the membership interest in Bermuda Bay Associates, LLC, the Company changed its name to Westshore Pointe, LLC ("Westshore Pointe"). The property consists of two contiguous parcels totaling approximately 23.05 gross acres. The fair value of the assets acquired were allocated to the land. The Company plans to develop 19 multi-family residential rental buildings plus a clubhouse with a fitness center, business center, social areas and administrative offices. The purchase price was financed through the satisfaction of a loan receivable the Company had from Bermuda Bay Associates, LLC with a principal amount of $4,336,625 plus interest of $489,741 and a capital contribution of $1,173,634.

NOTE 4. RENTAL PROPERTY

Rental property, consisting of industrial property located in New York, residential rental property located in Florida, and a commercial office building in Jupiter, Florida is as follows at December 31, 2017:

Land and improvements	$ 17,678,145
Buildings and improvements	65,771,264
Furniture and fixtures	12,668,848
	96,118,257
Less: accumulated depreciation	(6,495,396)
	$ 89,622,861

Depreciation expense of rental property amounted to $6,312,000 for the year ended December 31, 2017. Rental property located in Florida accounts for 84% of all rental property.

Sales of Properties

<u>*Little Palm Cottages, LLC*</u>

In June 2017, the Company executed an Agreement of Purchase and Sale with an unrelated party for the sale of the residential property owned by Little Palm Cottages, LLC for $19,000,000. The sale was finalized in July 2017 and resulted in a net gain of approximately $6,046,000. which is included as a component of gain on sales of properties in the accompanying consolidated statement of income. The Company repaid approximately $8,800,000 of third party debt with proceeds from the sale.

NOTE 4. RENTAL PROPERTY (Continued)

Mangrove Bay Housing, LLC
In April 2017, the Company executed an Agreement of Purchase and Sale with an unrelated party for the sale of the residential property owned by Mangrove Bay Housing, LLC for $26,750,000. The sale was finalized in May 2017 and resulted in a net gain of approximately $4,610,000, which is included as a component of gain on sales of properties in the accompanying consolidated statement of income. The Company repaid approximately $15,378,000 of third party debt with proceeds from the sale.

Sonoma Pointe Housing, LLC
In May 2017, the Company executed an Agreement of Purchase and Sale with an unrelated party for the sale of the residential property owned by Sonoma Pointe Housing, LLC for $40,000,000. The sale was finalized in August 2017 and resulted in a net gain of approximately $15,126,000, which is included as a component of gain on sales of properties in the accompanying consolidated statement of income. The Company repaid approximately $24,600,000 of third party debt with proceeds from the sale.

OMX, LLC
In February 2017, the Company executed a Purchase and Sale Agreement with an unrelated party for the sale of the commercial property owned by OMX, LLC for $3,150,000. The sale was finalized in September 2017 and resulted in a net loss of approximately $115,000, which is included as a component of gain on sales of properties in the accompanying consolidated statement of income. The Company repaid approximately $1,610,000 of related party debt with proceeds from the sale. In conjunction with the sale, the Company executed a note receivable from the purchaser for $750,000 ("Seller Financing Payment"), which is secured by a first mortgage or equivalent security interest on property (See Note 6).

NOTE 5. ASSETS HELD FOR DEVELOPMENT

Assets held for development are as follows at December 31, 2017:

Seaward Properties	$ 6,591,632
Florida Keys Resort Holdings	5,710,411
Jupiter Inlet Development	8,836,158
Commerce Pointe	392,679
Westshore Pointe	7,512,614
	$ 29,043,494

Seaward

Acquired in November 2016, the property consists of 4.65 acres of waterfront land with an existing motel in Marathon, Florida. The Company plans to sub-divide and develop the property as residential homes and workforce housing.

In September 2017, a portion of the Seaward Properties, LLC property was damaged by a hurricane. The Company received insurance proceeds of approximately $446,000. There was some physical damage to the motel on the property, however, no value was allocated to the motel when the property was acquired because it was determined that there was minimal value to the motel at the date of acquisition and the Company intends to demolish the motel for development. Accordingly, the Company recorded a gain on proceeds received from the insurance claim of approximately $446,000.

Florida Keys Resort Holdings

Acquired in January 2015, the property consists of 11.7 acres of land in Marathon, Florida with a golf course, restaurant, pro shop, clubhouse and tennis courts. The Company is operating the current facilities, but plans to redevelop the property as a luxury resort and golf club. Depreciation expense amounted to approximately $320,000 for the year ended December 31, 2017.

Jupiter Inlet Development

Acquired in December 2012, the Company began redeveloping the Jupiter, Florida property with a 15,000 square foot freestanding mixed use restaurant/office building, in 2015 and was under development through the year ended December 31, 2017. The Company completed construction in January 2018.

Commerce Pointe

Acquired in April 2016, the property consists of a parcel of land in Tampa, Florida which is expected to be developed as part of a planned multi-family residential rental development.

Westshore Pointe

Acquired May 2017 (see Note 3), the property consists of two contiguous parcels of land in Hillsborough County, Florida totaling approximately 23.05 gross acres, which is expected to be developed as part of a planned multi-family residential rental development.

NOTE 6. NOTES RECEIVABLE

Notes receivable consisted of the following at December 31, 2017:

Millhess, Inc. and Southall, Inc.

The Company has a convertible note receivable from Millhess, Inc and Southall, Inc. with a principal balance of $2,650,000 plus accrued interest of $223,108. Borrowings are collateralized by real property in Saint Lucie County, Florida. The note provides for interest to accrue at 7% per annum, with all accrued interest paid on December 18, 2017. The accrued interest due on December 18, 2017 was not paid and accordingly, the note is in default and the remaining note and unpaid interest is due on demand at the option of the Company. The note is convertible at any time prior to repayment, at the option of the Company, into a preferred return capital contribution in The Atlantic at Hutchinson Island, LLC, which is the entity formed to develop the property. The preferred return capital contribution shall bear interest at 12% per annum commencing on conversion. The convertible note receivable is recorded at its fair value of $2,873,108.

Phoenix Flint, LLC

The Company has a note receivable from Phoenix Flint, LLC in connection with the sale of OMX, with a principal balance of $750,000 plus accrued interest of $1,250. Borrowings are collateralized by a security interest in real property located in Mount Pleasant, Wisconsin. The note provides for monthly payments of interest only over two (2) years at 12% per annum commencing on October 24, 2017. Principal and unpaid interest will be due and payable on September 24, 2019.

CHEP, USA

The Company has notes receivable from Chep USA totaling $81,467. The notes provide for monthly payments of principal and interest over 10 years at 7% per annum through September 2024.

NOTE 7. INVESTMENTS IN UNCONSOLIDATED INVESTEES

Investments in unconsolidated investees at December 31, 2017, consisted of the following:

Market Street Palm Coast RE, LLC	$	2,510,075
The Atlantic at Hutchinson Island, LLC	$	149,000
Market Street Summerlin RE, LLC	$	-
Viera ALF, LLC	$	-

Market Street Palm Coast RE, LLC

In December 2016, the Company acquired a 50% interest in Market Street Palm Coast RE, LLC ("Palm Coast"), an entity developing an assisted living facility in Palm Coast, Florida. Although the Company is a 50% owner, it is not the managing member and does not control the investee, as such it reflects its investment on the equity method. At December 31, 2017, the unaudited balance sheet of Palm Coast consisted principally of property under development of approximately $9,705,000 and liabilities of approximately $9,707,000. Palm Coast had no operations through December 31, 2017.

The Atlantic at Hutchinson Island, LLC

In September 2016, in addition to the convertible note receivable (Note 6) the Company acquired a 37.5% interest in The Atlantic at Hutchinson Island, LLC ("Atlantic"), an entity planning to develop a drug and alcohol rehabilitation facility. The Company is a 37.5% owner but has 50% voting rights. However, it is not the managing member and does not control the investee, as such it reflects its investment on the equity method. At December 31, 2017, the unaudited balance sheet of Atlantic consisted principally of capitalized pre-development costs of approximately $341,000 and liabilities of approximately $22,000. Atlantic had no operations through December 31, 2017.

Market Street Summerlin RE, LLC

In March 2016, the Company acquired a 50% interest in Market Street Summerlin RE, LLC ("Summerlin"), an entity developing an assisted living facility in Las Vegas, Nevada. Although the Company is a 50% owner, it is not the managing member and does not control the investee, as such it reflects its investment on the equity method. At December 31, 2017, the unaudited balance sheet of Summerlin had no assets or liabilities remaining as a result of a land sale and distribution of the proceeds. Summerlin had no operations through December 31, 2017 other than a sale of land which resulted in income from unconsolidated investee of $102,861, and a distribution from Summerlin of approximately $688,000.

Viera ALF, LLC

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. 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.

NOTE 7. INVESTMENTS IN UNCONSOLIDATED INVESTEES (Continued)

The results of operations and financial position of Market Street Viera Senior Real Estate LLC consisted of the following:

Condensed Statement of Operations Information	For the year ended December 31, 2017 (unaudited)
Revenue	$ 2,044,000
Expenses	(2,703,000)
Net loss	$(659,000)
Company's equity in net income/loss	$(164,750)

Condensed Balance Sheet Information	December 31, 2017 (unaudited)
Total assets	$ 14,343,000
Total liabilities	(17,358,000)
Members' deficit	$ (3,015,000)

NOTE 8. FAIR VALUE MEASUREMENTS

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2017:

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
Convertible note receivable	$ -	$ -	$ 2,873,108	$ 2,873,108

Changes in Level 3 assets measured at fair value on a recurring basis for the year ended December 31, 2017 are as follows:

ASSETS, at fair value	
Balance - December 31, 2016 - Convertible note receivable	$ 2,687,608
Interest income on convertible note receivable	185,500
Balance - December 31, 2017 - Convertible note receivable	$ 2,873,108

NOTE 9. LONG-TERM DEBT

Long-term debt at December 31, 2017 consisted of the following:

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 construction loan requires monthly payments of interest only at an annual rate equal to one month LIBOR plus 2.50% (3.94% at December 31, 2017). All outstanding principal and unpaid interest amounts are payable on or before the loan's extended maturity date, June 10, 2018. The loan is collateralized by the real estate owned by Marathon Ocean with a net book value of approximately $28,800,000 and guaranteed by the noncontrolling member and related entity to the Company.	$ 21,200,000
High Ridge Housing, LLC High Ridge 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% (3.61% at December 31, 2017). 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 $25,700,000 and guaranteed by the noncontrolling member and a related entity to the Company.	19,806,426
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 $2,300,000 and guaranteed by a member of the Company.	1,227,958

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% (3.64% at December 31, 2017). 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 $18,100,000 and guaranteed by the noncontrolling member and a related entity to the Company.	14,099,531
Jupiter Inlet Development, LLC Jupiter Inlet Development, LLC ("JID"), holds a loan with Professional Bank, dated October 3, 2016, in the amount of $5,565,000, of which $4,380,000 may be used for the construction and development of the property. The interest rate is the lesser of 5.5% or 1 month LIBOR plus 4.5% (5.87% at December 31, 2017). Upon completion of the construction period, the Company can access up to the total loan amount based on the loan to value calculation set forth in the loan agreement. During the construction period, monthly interest only payments are required. At the end of the construction period, monthly principal and interest payments are required based on the outstanding balance as of that date through the maturity date of March 3, 2028. The loan is collateralized by the real estate owned by JID with a net book value of approximately $8,800,000 and guaranteed by the member and a related entity to the Company.	3,989,437
Seaward Properties, LLC Seaward Properties, LLC ("Seaward"), holds a loan with Iberia Bank, dated November 17, 2016, in the amount of $3,000,000. The loan requires monthly interest only payments at an annual rate equal to the prime lending rate, as defined, plus 1% (5.5% at December 31, 2017) but not less than 3.5% per annum. All outstanding principal and unpaid interest is payable at the extended maturity date of July 16, 2018. The loan is collateralized by the real estate owned by Seaward with a net book value of approximately $6,600,000.	3,000,000

ONX1, LLC		
ONX1, LLC ("ONX1"), holds a loan with Cornerstone Collateral Group, dated November 30, 2017, in the amount of $4,100,000. The loan requires monthly interest only payments at an annual rate equal to 14% per annum. All outstanding principal and unpaid interest is payable on demand; however, pursuant to the promissory note, the Lender will not demand payment prior to December 1, 2018. The loan is secured by a first mortgage encumbering real property with improvements located in the Town of Dewitt, Onondada County, New York.		4,100,000
Total long-term debt		67,423,352
Deferred financing costs, net of accumulated amortization	(	276,514)
Long-term debt, net	$	67,146,838

Aggregate maturities of long-term debt subsequent to December 31, 2017 are as follows:

2018	$ 66,229,217
2019	35,507
2020	37,276
2021	39,132
2022	41,082
Thereafter	1,041,138
	$ 67,423,352

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.

Interest incurred on third-party obligations and related interest rate swap agreements amounted to approximately $3,376,000 for the year ended December 31, 2017, of which approximately $309,000 was capitalized to assets held for development. Amortization expense of deferred financing costs amounted to approximately $558,000 for the year ended December 31, 2017 of which approximately $56,000 was capitalized to assets held for development.

NOTE 10. LONG-TERM DEBT - RELATED PARTIES

Long-term debt with related parties at December 31, 2017, consisted of the following:

Index Apartments, LLC	
Promissory note with Index Residence AB (formerly 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 7.5% at December 31, 2017); principal and accrued interest are due upon maturity on December 31, 2018; uncollateralized; outstanding balance includes accrued interest of $884,000.	$ 28,600,273
ONX1, LLC	
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 the original maturity date of December 9, 2013 (effectively 50% per annum); currently, non-interest bearing and due on demand; collateralized by the membership interest in ONX1, LLC ("ONX1"), a 75% owned, controlled subsidiary of the Company, and a subordinated mortgage and security agreement on industrial property located in the Town of Dewitt, Onondada County, New York, with a net book value of approximately $6,900,000, personally guaranteed by the noncontrolling member of ONX1.	3,502,602
Index Enterprise, LLC	
Promissory note with IIAB; interest accrues at a variable rate that corresponds with IIAB registered bond obligations plus 0.5% (effectively 7.5% at December 31, 2017); principal and accrued interest are due upon maturity on December 31, 2018; uncollateralized; outstanding balance includes accrued interest of $961,000.	23,771,188
OMX, LLC	
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; the collateral was released because the property was sold during the year; outstanding balance includes accrued interest of $139,000; loan is in default.	3,801,718

ONX 3, LLC 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; collateralized a first mortgage and security agreement on industrial property located in the City of Sherrill, Oneida County, New York, with a net book value of approximately $7,800,000; outstanding balance includes accrued interest of $744,000.	2,643,548
ONX1, LLC 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 $312,000.	2,583,022
ONX3, LLC 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 $414,000.	1,113,663
ONX3, LLC Promissory 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 $147,000.	646,502
ONX 3, LLC 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 $44,000.	144,211
Index Resort Development, LLC Promissory note with Hornsberg 10 AB ("H10AB"), a Swedish company related by virtue of common ownership and management; interest accrues at a fixed rate of 9% per annum; principal and accrued interest are due on demand; uncollateralized; includes accrued interest of $500,000.	6,057,169
Florida Keys Resort, LLC Promissory note with a member of Florida Keys Resort LLC as an individual; interest payable monthly at a fixed rate of 7% per annum; principal and unpaid accrued interest due at maturity on February 4, 2019; collateralized by real estate.	3,000,000
Index Senior Living Group, LLC Promissory note with a member of the Company; interest accrues at a fixed rate of 9% per annum; principal and accrued interest are due on demand; uncollateralized; includes accrued interest of $47,000.	572,555

ONX3, LLC Promissory note with Index Management Services, LLC; a related party by virtue of common ownership and management; non-interest bearing, uncollateralized and due on demand.	250,000
Index Apartments, LLC Promissory note with Boca Lago, a related party by virtue of common ownership; interest accrues at a fixed rate of 6% per annum; principal and accrued interest are due on demand; uncollateralized; includes accrued interest of $26,000.	645,736
Index Enterprise, LLC Promissory note with Capstone Management AB, a related party by virtue of common ownership; interest accrues at a fixed rate of 2.54% per annum; principal and accrued interest are due on upon maturity on August 28, 2022; uncollateralized; includes accrued interest of $26,000.	3,025,836
Index Enterprise, LLC Promissory note with a member of the Company; interest accrues at a fixed rate of 9% per annum; principal and accrued interest are due on demand; uncollateralized; includes accrued interest of $74,000.	586,327
Index Enterprise, LLC Promissory note with Index Equity US, LLC, a related party by virtue of common ownership; interest accrues at a fixed rate of 9% per annum; principal and accrued interest are due on demand; uncollateralized; includes accrued interest of $3,000.	119,050
Various loans under $100,000	206,196
Total long-term debt - related party	$ 81,269,596

Subordination

All long-term debt - related parties obligations are subordinate to the Company's Guarantee related to IIAB's bond offering (Note 12).

Aggregate maturities of long-term debt - related parties, including accrued interest due upon maturity, for the years subsequent to December 31, 2017 are as follows:

2018	$ 78,243,760
2019	-
2022	3,025,836
	$ 81,269,596

Interest incurred on long-term debt - related parties amounted to approximately $6,787,000 for the year ended December 31, 2017.

NOTE 11. RELATED PARTY TRANSACTIONS

Notes Receivable

The Company entered into two promissory notes with an entity related by virtue of common ownership. A note in the amount of $500,000 was entered into on December 11, 2017 and provides for interest only payments at a fixed rate of 8% per annum. All unpaid principal and accrued interest is due upon maturity on December 11, 2022. A note in the amount of $50,000 was entered into on July 17, 2017 and interest accrues at a fixed rate of 8% per annum. All unpaid principal and accrued interest is due upon maturity on July 17, 2018. The notes are secured by substantially all the assets of the borrower. The balance of $550,000 plus $4,252 of accrued interest is included in due from related parties in the accompanying consolidated balance sheet at December 31, 2017.

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 $2,911,000 at December 31, 2017.

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, 2017, the Company's industrial property redevelopment subsidiaries capitalized approximately $10,009,000 of construction related costs to a general contractor entity owned by the noncontrolling member. For the year ended December 31, 2017, approximately $1,255,000 was incurred and capitalized as a component of rental property and approximately $105,000 owed to the contractor at December 31, 2017 is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheet.

On August 22, 2016, one of the Company's commercial properties, Jupiter Inlet Development, entered into a construction contract with a related entity through common ownership. Through December 31, 2017, the Company incurred and capitalized approximately $4,393,000, which is included in assets held for development in the consolidated balance sheet. For the year ended December 31, 2017, approximately $3,702,000 was incurred and capitalized and approximately $433,000 was owed to the contractor which includes $180,000 of retainage. This amount is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheet at December 31, 2017.

NOTE 11. 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. There were no development and construction management fees incurred and capitalized in the Company's multi-family residential rental development subsidiaries for the year ended December 31, 2017 because all of the related projects were completed during 2016. At December 31, 2017, approximately $3,340,000 was included as a component of rental property in the accompanying consolidated balance sheet.

Additionally, the Company entered into a developer compensation agreement with a noncontrolling member of its resort subsidiary. The Company has incurred and capitalized $30,000 in management fees for the year ended December 31, 2017. At December 31, 2017, $270,000 was included as a component of assets held for development.

Consulting and Management Fees

The Company is a party to two consulting and management agreements with parties that are related by virtue of common ownership. For the year ended December 31, 2017, the Company incurred approximately $2,141,000 of consulting and management fees. At December 31, 2017, approximately $603,000 was paid in advance and is included as a component of prepaids and other in the accompanying consolidated balance sheet.

NOTE 12. 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, which was sold in 2017 (Note 4) 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. The Company could potentially be responsible for additional remediation efforts, however management believes the Company will not incur any amounts related to this matter.

NOTE 12. COMMITMENTS AND CONTINGENCIES (Continued)

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.

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 61 million U.S. Dollars at December 31, 2017). The bonds have an extended final redemption date of November 22, 2018. Approximately 400 million Swedish Krona (approximately $49 million U.S. dollars) was outstanding on the bond at December 31, 2017.

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, 2017. However, the Company may be required to repay a portion of the long-term debt - related parties should IIAB need funds to repay the bond.

NOTE 13. 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, 2017, occupancy rates by property were as follows:

Property	
ONX1	33 %
ONX3	58 %
Jupiter Harbour	98 %
High Ridge Housing	92 %
Marathon Ocean Housing	98 %
Monterey Pointe Housing	98 %

NOTE 13. LEASING ARRANGEMENTS (Continued)

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, 2017 are as follows:

Year	Amount
2018	$ 3,053,000
2019	3,079,000
2020	2,983,000
2021	2,715,000
2022	2,579,000
Thereafter	23,353,000
	$ 37,762,000

NOTE 14. 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, 2017, the Company is owned 50/50 by two members.

NOTE 15. SUBSEQUENT EVENTS

Evaluation Date

The Company has evaluated subsequent events through April 30, 2018, which is the date the accompanying consolidated financial statements were available to be issued.