

**GENTRY MILLS CAPITAL, LLC  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AND INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2016**



## INDEPENDENT AUDITORS' REPORT

To the Members of  
Gentry Mills Capital, LLC and Subsidiaries  
Irving, Texas

We have audited the accompanying consolidated financial statements of Gentry Mills Capital, LLC and Subsidiaries, a Texas limited liability company (the "Company"), which comprise the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of income, changes in members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated 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 (GAAP); 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.

### Auditors' 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 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 the Company, as of December 31, 2016, and the results of their operations and their cash flows for the year then ended in accordance with GAAP.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Consolidating Balance Sheet and Consolidating Statement of Income are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAP. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Emphasis of Matter

As described in Note 3 to the consolidated financial statements, the December 31, 2015 amounts have been restated to correct a misstatement of the investment in unconsolidated entities' account. Our opinion is not modified with respect to that matter.



Saville, Dodgen & Company, P.L.L.C.  
Dallas, Texas

September 28, 2017

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2016

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ASSETS

ASSETS

Investment in real estate, net	\$ 12,470,937
Investments in unconsolidated entities	49,653,881
Cash and cash equivalents	2,505,683
Restricted cash	535,741
Receivables	202,812
Related party receivables	400,000
Other assets	86,102

TOTAL ASSETS \$ 65,855,156

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES

Long-term debt	\$ 9,716,103
Bridge loans	6,420,055
Line of credit	265,000
Accounts payable	49,026
Accrued liabilities	934,071

TOTAL LIABILITIES 17,384,255

MEMBERS' EQUITY

Parent's equity	1,290,835
Noncontrolling interest	47,180,066
Total members' equity	<u>48,470,901</u>

TOTAL LIABILITIES AND MEMBERS' EQUITY \$ 65,855,156

See accompanying independent auditors' report and notes.

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2016

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REVENUE	
Hotel room rental revenue	\$ 4,539,226
Other hotel revenue	880,663
Fee income	697,500
Total revenue	6,117,389
OPERATING EXPENSES	
Salaries, wages, and benefits	1,772,485
Advertising and marketing	350,446
Real estate operating expenses	2,609,372
General and administrative expenses	800,362
Consulting and advisory expenses	1,204,606
Depreciation and amortization	923,833
Total operating expenses	7,661,104
OTHER INCOME (EXPENSE)	
Interest expense	(2,090,429)
Other income	16,594
Other expense	(37,570)
Total other income (expense)	(2,111,405)
NET LOSS BEFORE EQUITY IN	
EARNINGS OF UNCONSOLIDATED ENTITIES	(3,655,120)
EQUITY IN EARNINGS OF UNCONSOLIDATED ENTITIES	
	4,448,395
NET INCOME	
	793,275
Less: Net loss attributable to the noncontrolling interest	(1,085,750)
NET INCOME ATTRIBUTABLE TO PARENT	
	\$ 1,879,025

See accompanying independent auditors' report and notes.

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Parent	Noncontrolling Interest	Total
Balance, January 1, 2016	\$ (1,248,178)	\$ 24,554,239	\$ 23,306,061
Restatement	1,982,859	2,409,901	4,392,760
Balance, January 1, 2016 (restated)	734,681	26,964,140	27,698,821
Contributions, net of offering expenses of \$1,029,680	-	34,029,721	34,029,721
Distributions	(1,322,871)	(12,728,045)	(14,050,916)
Net income (loss)	1,879,025	(1,085,750)	793,275
Balance, December 31, 2016	\$ 1,290,835	\$ 47,180,066	\$ 48,470,901

See accompanying independent auditors' report and notes.

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net income	\$ 793,275
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation and amortization	923,833
Amortization of deferred loan origination fees	179,905
Equity in earnings of unconsolidated entities	(4,448,395)
Changes in operating assets and liabilities:	
Receivables	(559,162)
Other assets	5,641
Accounts payable	(167,565)
Accrued liabilities	252,906
	<u>252,906</u>
Net cash used in operating activities	<u>(3,019,562)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Change in restricted cash	355,453
Additions to real estate assets	(501,646)
Contributions to unconsolidated entities	(19,628,780)
Distributions from unconsolidated entities	14,639,963
	<u>14,639,963</u>
Net cash used in investing activities	<u>(5,135,010)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net change in line of credit	265,000
Proceeds from bridge loans	20,900,000
Principal payments on bridge loans	(32,462,173)
Principal payments on long-term debt	(165,726)
Loan origination fees	(274,000)
Equity contributions	34,029,721
Equity distributions	(14,050,916)
	<u>(14,050,916)</u>
Net cash provided by financing activities	<u>8,241,906</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>87,334</b>
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,418,349</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 2,505,683</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>	
Cash paid during the year for interest	<u><u>\$ 1,853,787</u></u>

See accompanying independent auditors' report and notes.

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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1) NATURE OF BUSINESS

Gentry Mills Capital, LLC, a Texas limited liability company (the “Company”), was formed in 1998. The Company principally provides investment offerings in existing and developmental real estate projects. The Company’s real estate projects are located throughout the United States, and the Company’s primary operations are located in Irving, Texas.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements of the Company are prepared using accounting principles generally accepted in the United States of America (GAAP). These consolidated financial statements include the accounts of the Company and its interests in the related parties listed below, collectively referred to as “Investment Level Partnerships.”

Investment Level Partnerships	
GMI-108 Mission, LP	GMI-Broomfield 139, LP
GMI-192 Mission, LP	GMI-Orlando, LP
GMI-Mueller Hospitality, LP	GMI-Overland Park, LP
GMI-ALH 20, LP	GMI-Lake Mary 125, LP
GMI-Bay Vista Apartments I, LP	GMI-Shiloh/O’Fallon, LP
GMI-164 Corpus, LP	GMI-Palmdale Hospitality, LP
GMI-Camp Creek, LP	GMI-Long Island 154, LP
GMI-Pine Hill Crossing, LP	GMI-BWI GP, LP
GMI-AF GP, LP	GMI-Long Island HWS

The Company has 100% ownership of the entities that are the general partner of the above listed Investment Level Partnerships. The Company has determined that the Investment Level Partnerships are *variable interest entities* as defined in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, *Consolidation*. Under ASC 810, an entity is a variable interest entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. As the primary beneficiary of the Investment Level Partnerships, the Company is required to consolidate the Investment Level Partnerships. Refer to Note 6 for further details.

The consolidated financial statements also include the results of Broomfield 139, LLC which owns the aLoft Hotel in Broomfield, Colorado. This hotel is consolidated as it is a wholly-owned subsidiary of GMI-Broomfield 139, LP (“Broomfield”). All significant intercompany transactions have been eliminated in consolidation.

See accompanying independent auditors’ report.



GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all instruments with an original maturity of three months or less to be cash equivalents. The Company has a concentration of credit risk for cash deposits maintained at certain financial institutions which, at times, may exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

Receivables

Receivables include both individual and corporate accounts at Broomfield, and asset management fees due to the Company from the other operating properties. The Company estimates an allowance for doubtful accounts based on its historical collection experience. Receivables are considered past due based on the due date determined by contractual terms.

Restricted Cash

Restricted cash is from Broomfield and includes money held by the mortgage holder in escrow for taxes, insurance, and other expenses.

Investments in Real Estate

Real estate is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Building	39 years
Building improvements	15 years
Furniture, fixtures, and equipment	5-7 years

See accompanying independent auditors' report.

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Unconsolidated Entities

The Investment Level Partnerships account for the interests in the Property Level Partnerships using the equity method of accounting. The investment balances are measured using the hypothetical liquidation at book value method as of December 31, 2016. This method uses the contractual waterfall schedule outlined in the partnership agreements and determines the hypothetical proceeds that would be received by the reporting entity if the underlying partnership was liquidated at book value as of the balance sheet date.

Non-Controlling Interest

Multiple outside investors also hold interests in the Investment Level Partnerships. The portion of equity attributed to the outside investors is shown as the non-controlling interest on the face of the consolidated financial statements. The non-controlling interest is measured using the hypothetical liquidation at book value method. This method uses the contractual waterfalls to calculate the hypothetical proceeds that would be due to the outside investors if the partnership was liquidated at book value as of the balance sheet date. The non-controlling interest is shown as a component of equity on the face of the balance sheet.

Revenue Recognition

The Company's hotel room rental and other hotel revenue are derived from operations of the Broomfield hotel and are recognized as services are provided. The Company also earns fees from each operating property. The Company recognizes the revenue related to these fees as they are earned.

Income Taxes

The Company has elected to be treated as a partnership for federal income tax purposes. The income tax effects of its operations are attributed to the members. Therefore, no provision for federal income tax has been included in the Company's consolidated financial statements. The Company is subject to state margin tax, but no provision has been recorded for the year ended December 31, 2016.

Asset Impairment

The Company reviews long-lived assets, including real estate investments and investments in unconsolidated entities, for impairment whenever events or circumstances indicate the carry amounts may not be recoverable. An impairment loss is recognized when the future undiscounted cash flows from the asset are less than the asset's carrying amount. The impairment loss would then be measured as the difference between the asset's carrying amount and its fair value. The Company did not recognize an impairment loss during 2016.

See accompanying independent auditors' report.

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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3) RESTATEMENT

The December 31, 2015, consolidated financial statements have been restated to correct a misstatement of the investment in affiliates balance. Our estimating procedures for 2016 involved a more detailed analysis than what was included for 2015. The restatement adjustments are summarized as follows:

Account	2015 (As Reported)	Restatement Adjustments	2015 (Restated)
Investment in affiliates	\$ 35,823,909	\$ 4,392,760	\$ 40,216,669
Total	\$ 35,823,909	\$ 4,392,760	\$ 40,216,669

The restatement adjustments increased net income for the year ended December 31, 2015 and years prior by \$4,392,760.

4) INVESTMENT IN REAL ESTATE

The Company's net investment in real estate includes Broomfield's real estate and consists of the following at December 31, 2016:

Buildings	\$ 8,968,961
Building improvements	610,948
Furniture, fixtures, and equipment	3,697,354
Land	1,447,498
Property, at cost	14,724,761
Less accumulated depreciation	(2,253,824)
Property, net	\$12,470,937

Depreciation expense for the year ended December 31, 2016 was \$ 923,833.

See accompanying independent auditors' report.

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5) INVESTMENTS IN UNCONSOLIDATED ENTITIES

*Summary of Investments*

We participate in real estate ventures in which we do not have a controlling financial interest. Our investments in unconsolidated entities at December 31, 2016 are comprised of:

Investment Name	Investment Balance
108 Mission, LTD	\$ 1,676,398
192 Mission, LTD	401,842
Mueller Hospitality, LP	337,323
ALH Properties No. Twenty, LP	-
Bay Vista Apartments I, LP	4,194,429
164 Corpus, LTD	853,928
SI Overland Park, LP	2,983,016
SI Orlando, LP	261,636
SI Camp Creek, LP	57,439
SI Lake Mary, LP	4,063,114
Pine Hill Crossing, LLC	2,916,897
Excel Holdings 3, LLC	3,031,519
Palmdale Hospitality, LP	4,200,000
Excel Long Island, LLC	7,565,760
Excel Holdings 6, LLC	4,018,000
Excel Holdings 7, LLC	4,978,052
Excel Holdings 8, LLC	3,924,951
Excel Holdings 9, LLC	4,189,577
	\$ 49,653,881

The table below presents the activity of our investments in unconsolidated entities for the year ended December 31, 2016:

Balance, January 1, 2016	\$ 40,216,669
Contributions	19,628,780
Distributions	(14,639,963)
Equity in earnings	4,448,395
Balance, December 31, 2016	\$ 49,653,881

See accompanying independent auditors' report.

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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5) INVESTMENTS IN UNCONSOLIDATED ENTITIES (Continued)

The following is a summary of the aggregate financial position at December 31, 2016 and the aggregate results of operations for the year then ended for the unconsolidated entities:

Assets	\$ 210,594,464
Liabilities	\$ 159,735,942
Equity	\$ 50,858,522
Net income	\$ 4,962,656

The balance, less the amount attributable to the general partners of each property, is shown as the investment in unconsolidated entities line item on the balance sheet.

*Changes in Investments in Unconsolidated Entities*

During the year ended December 31, 2016, the hotels held by SI Camp Creek, LP and SI Orlando, LP were sold. The total sales proceeds received for the two properties were \$30,000,000, which were then distributed proportionately to the Investor Level Partnerships. An investment in unconsolidated entities balance remains for both of the properties due to cash held at the unconsolidated entity level.

6) VARIABLE INTEREST ENTITIES

The Company has determined it is the primary beneficiary of the Investor Level Partnerships because it directs all of their activities and because of its financial interest in the distribution waterfall schedules established in each of the partnership agreements. According to each waterfall schedule, the Company is entitled to a percentage of remaining distributions after the outside investors receive a return of their capital and a preferred rate of return established in the agreements.

The Investment Level Partnerships are managed by the Company, and have no employees in addition to the Company's employees. The sole purpose of the Investment Level Partnerships is to own and manage the equity interests in the unconsolidated entities.

See accompanying independent auditors' report.

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6) VARIABLE INTEREST ENTITIES (Continued)

The following is a summary of the aggregate financial position at December 31, 2016 of the variable interest entities that are consolidated in the Company's consolidated balance sheet:

Assets	\$ 50,745,669
Liabilities	\$ 6,527,511

The consolidated assets primarily consist of the equity method investment in the unconsolidated entities. The consolidated liabilities primarily consist of the bridge loans entered into to fund the unconsolidated entities.

7) NOTES PAYABLE

Our debt obligations are comprised of the following at December 31, 2016:

Debt Description	Interest Rate	Maturity Date	Amount Due at December 31, 2016
<u>Bridge loans</u>			
Bridge Excel Holdings 6	12%	November 30, 2017	\$ 4,100,000
Bridge Excel Holdings 8	12%	August 5, 2017	1,134,387
Bridge Excel Holdings 9	12%	August 30, 2017	1,316,690
Total bridge loans			6,551,077
 TCB Line of credit	 4.5%	 December 15, 2017	 265,000
Broomfield	4.7%	May 6, 2024	9,986,901
			\$ 16,802,978

Bridge Loans

With each investment offering made, the Company uses the proceeds of a bridge loan to provide the upfront capital to the Investment Level Partnerships. These bridge loans are short term in nature and are in the name of the Company. The Company deposits the bridge loans received into the Investment Level Partnerships, and the Investment Level Partnerships make the principal payments in accordance with the loan documents on behalf of the Company. During the year ended December 31, 2016, there were four new borrowings in the name of the Company providing net proceeds of \$20,900,000 and \$32,462,173 was repaid by certain Investment Level Partnerships. The bridge loans also charge a 2% financing charge at the beginning of each loan.

At December 31, 2016, the Company has three bridge loans outstanding, which will expire in 2017. Interest is payable monthly, and principal is payable as amounts are received from the investment offerings but no later than the maturity date. The bridge loans are secured by the Company's membership interests in the applicable Investment Level Partnerships.

See accompanying independent auditors' report.

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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7) NOTES PAYABLE (Continued)

Lines Of Credit

On February 23, 2016, the Company renewed a line of credit with Frost Bank of \$100,000 maturing on February 18, 2018. The line of credit's interest rate is 4.5% annually. At December 31, 2016, there was no outstanding balance.

On December 15, 2016, the Company renewed a line of credit with Texas Capital Bank of \$300,000 maturing on December 15, 2016. The line of credit's interest rate is 4.5% annually. At December 31, 2016, \$265,000 was outstanding.

Broomfield Note

On April 17, 2014, in conjunction with the acquisition of the hotel, Broomfield entered into a note agreement with a financial institution in the amount of \$10,400,000 maturing on May 6, 2024. Monthly payments are due based upon a 30-year amortization. The unpaid principal amount plus any unpaid accrued interest is due on the maturity date.

Future Principal Payments – Long-Term Debt

The aggregate amounts of required future principal payments on long-term debt at December 31, 2016 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2017	\$ 182,546
2018	191,313
2019	200,501
2020	210,130
2021	220,222
Thereafter	8,982,189
Total	<u>\$ 9,986,901</u>

Loan Origination Fees

In April 2015, the FASB issued Accounting Standard Update (ASU) 2015-03, which requires that loan fees, net of accumulated amortization, be reported as a direct deduction from the face amount of the debt to which such costs relate, and the amortization of these fees should be recognized in interest expense. The Company adopted this ASU during the fiscal year ended December 31, 2016. As such, \$401,820 of net loan origination fees were reclassified from other assets to note payable for the fiscal year ended December 31, 2016. Amortization expense for these fees is included in interest expense and totals \$179,905 for the fiscal year ended December 31, 2016.

See accompanying independent auditors' report.

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7) NOTES PAYABLE (Continued)

Loan Origination Fees (Continued)

The table below reconciles the amount owed to the bank with the balance shown on the balance sheet.

	<u>Bridge Loans</u>	<u>Long-term Debt</u>
Debt owed	\$ 6,551,077	\$ 9,986,901
Unamortized debt origination fees	<u>(131,022)</u>	<u>(270,798)</u>
Net debt reported on balance sheet	<u>\$ 6,420,055</u>	<u>\$ 9,716,103</u>

8) RELATED PARTY TRANSACTIONS

*Summary*

The table below summarizes fees incurred and expense reimbursements payable to the Company for the year ended December 31, 2016 and amounts payable at December 31, 2016. A description of each of the fees included in the table follows:

<u>Description of fee/reimbursement</u>	<u>Amount Incurred During 2016</u>	<u>Unpaid at December 31, 2016</u>
Acquisition fees *	\$ 1,696,581	\$ -
Management fees**	427,500	85,000
Disposition fees	300,000	-
Expense reimbursements *	1,236,203	1,874,691
Participation interests *	436,415	-

\* Eliminated in consolidation except for portions relating to Broomfield.

\*\* Includes \$30,000 of management fees earned from Broomfield which are eliminated in consolidation.

See accompanying independent auditors' report.



GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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8) RELATED PARTY TRANSACTIONS (Continued)

*Summary (Continued)*

Acquisition fees – Investor Level Partnerships pay the Company an acquisition fee of 7% of equity contributions.

Management fees – The unconsolidated entities pay the Company management fees for investment services in the amount of \$2,500 - \$4,500 monthly per property.

Disposition fees – Investor Level Partnerships pay the Company disposition fees for investments sold in the amount of 1% of the gross sales price of the hotel.

Participation interest – The Company as the full owner of the general partner for each Investor Level Partnership is entitled to a share of the Investor Level Partnerships' distributions after distribution of an 8% annual return on unreturned capital and the return of capital to the limited partners.

Expense reimbursements – Investor Level Partnerships reimburse the Company for offering and organizational (O&O) costs limited to certain amounts based on investment, and certain administrative expenses.

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8) RELATED PARTY TRANSACTIONS (Continued)

*Related Party Transactions by Investment*

A summary of fees and reimbursements incurred during the year ended December 31, 2016 by investment is as follows:

Entity	Expense Reimbursements	Acquisition Fees *	Disposition Fees	Participation Interests *
GMI-164 Corpus, LP	\$ 25,930	\$ -	\$ -	\$ -
GMI-108 Mission, LP	26,670	-	-	-
GMI-Broomfield, LP	67,609	-	-	-
GMI-192 Mission, LP	30,557	-	-	-
GMI-Bay Vista Apartments I, LP	43,809	-	-	-
GMI-Overland Park, LP	53,664	-	-	-
GMI-Orlando, LP	27,246	-	155,000	155,450
GMI-Mueller Hospitality, LP	-	-	-	161,291
GMI-Camp Creek, LP	12,960	-	145,000	119,674
GMI-Lake Mary 125, LP	60,567	-	-	-
GMI-Pine Hill Crossing, LP	37,668	-	-	-
GMI-Shiloh/O'Fallon, LP	127,948	344,885	-	-
GMI-Palmdale Hospitality, LP	76,716	-	-	-
GMI-Long Island 154, LP	287,042	833,696	-	-
GMI-BWI, LP	181,131	518,000	-	-
GMI-AF, LP	174,155	-	-	-
GMI-Long Island HWS, LP	2,531	-	-	-
<b>Total</b>	<b>\$ 1,236,203</b>	<b>\$1,696,581</b>	<b>\$ 300,000</b>	<b>\$ 436,415</b>

*\*These amounts are eliminated in consolidation.*

See accompanying independent auditors' report.

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8) RELATED PARTY TRANSACTIONS (Continued)

*Related Party Transactions by Investment (Continued)*

Additionally, the following amounts were due to the Company as of December 31, 2016:

Entity	Bridge Loan *	Expense Reimbursement *	Asset Management Fees	Total
GMI-164 Corpus, LP	\$ -	\$ 70,439	\$ 2,500	\$ 72,939
GMI-Bay Vista Apartments I, LP	-	144,663	10,000	154,663
GMI-108 Mission, LP	-	172,905	-	172,905
GMI-192 Mission, LP	-	222,232	45,000	267,232
GMI-ALH 20, LP	-	187,786	-	187,786
GMI-Mueller Hospitality, LP	-	173,275	-	173,275
GMI-Camp Creek, LP	-	134,843	-	134,843
GMI-Broomfield 139, LP	-	155,961	2,500	158,461
GMI-Overland Park, LP	-	98,425	-	98,425
GMI-Pine Hill Crossing, LP	-	84,584	12,500	97,084
GMI-Orlando, LP	-	84,746	2,500	87,246
GMI-Lake Mary 125, LP	-	103,053	-	103,053
GMI-Shiloh/O'Fallon, LP	-	38,803	2,500	41,303
GMI-Palmdale Hospitality, LP	-	(5,000)	2,500	(2,500)
GMI-Long Island 154, LP	-	30,690	-	30,690
GMI-BWI, LP	-	8,131	2,500	10,631
GMI-AF, LP	2,451,077	169,155	2,500	2,622,732
GMI-Long Island HWS, LP	4,100,000	-	-	4,100,000
	<u>\$ 6,551,077</u>	<u>\$ 1,874,691</u>	<u>\$ 85,000</u>	<u>\$ 8,510,768</u>

*\* These amounts are eliminated in consolidation.*

In addition to the above amounts, as of December 31, 2016, Pine Hill Crossing, LLC owes the Company \$400,000 for additional funding support provided to it by the Company.

See accompanying independent auditors' report.

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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9) COMMITMENTS

Operating Leases

The Company leased office space, a postage machine, and a copier under operating leases expiring through 2021. Rent expense of approximately \$64,386 has been included in general and administrative expenses in the consolidated statement of operations for the year ended December 31, 2016. The future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2016 are as follows:

<u>Years Ending December 31,</u>	<u>Amounts</u>
2017	\$ 65,074
2018	66,514
2019	65,869
2020	22,620
2021	<u>1,250</u>
	<u>\$ 221,327</u>

Other Commitments

Acquired operating properties sometimes require a property improvement plan (“PIP”). When this is not funded on the day the property is acquired, the Investment Level Partnership is committed to funding this requirement.

10) 401(K) PLAN

The Company participates in a 401(k) plan (the Plan) which covers all eligible employees of the Company. The Plan provides for contributions by the Company at management’s discretion. The Company made \$59,172 in contributions to the Plan for the year ended December 31, 2016.

11) SUBSEQUENT EVENTS

The Company evaluated events through September 28, 2017, which is the date these consolidated financial statements were available to be issued.

See accompanying independent auditors’ report.

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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11) SUBSEQUENT EVENTS (Continued)

On January 19, 2017, the hotel owned by SI Overland Park, LP was sold. The investment balance for SI Overland Park, LP at December 31, 2016 was \$2,983,016. Of the net sales proceeds, \$6,799,099 was distributed to the Investor Level Partnership and a 1% disposition fee was paid to the Company.

On April 29, 2017, the hotel owned by the unconsolidated entity SI Lake Mary, LP was sold. The investment balance for SI Lake Mary, LP at December 31, 2016 was \$4,063,114. Of the net sales proceeds, \$7,136,252 was distributed to the Investor Level Partnership and a 1% disposition fee was paid to the Company.

Since the year end December 31, 2016, the Company has invested \$30,432,000 of bridge loan proceeds into four more affiliates: GMI – TPS Irving, LP; GMI – NOMA, LP; GMI – Lakeway 109, LP; and GMI – Portland 121, LP.

**SUPPLEMENTARY INFORMATION**

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
CONSOLIDATING BALANCE SHEET  
DECEMBER 31, 2016

	<u>ASSETS</u>			
	Gentry Mills Capital, LLC & Investor Level Entities	GMI - Broomfield 139, LP	Eliminations	Gentry Mills Capital, LLC & Subsidiaries
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
ASSETS				
Investment in real estate, net	\$ -	\$ 12,470,937	\$ -	\$ 12,470,937
Investments in unconsolidated entities	49,653,881	-	-	49,653,881
Cash and cash equivalents	1,191,624	1,314,059	-	2,505,683
Restricted cash	-	535,741	-	535,741
Receivables	243,353	117,812	(158,353)	202,812
Related party receivables	400,000	-	-	400,000
Other assets	34,785	51,317	-	86,102
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 51,523,643</u>	<u>\$ 14,489,866</u>	<u>\$ (158,353)</u>	<u>\$ 65,855,156</u>
	<u>LIABILITIES AND MEMBERS' EQUITY</u>			
LIABILITIES				
Long-term debt	\$ -	\$ 9,716,103	\$ -	\$ 9,716,103
Bridge loans	6,420,055	-	-	6,420,055
Line of credit	265,000	-	-	265,000
Accounts payable	2,718	204,661	(158,353)	49,026
Accrued liabilities	156,339	777,732	-	934,071
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	<u>6,844,112</u>	<u>10,698,496</u>	<u>(158,353)</u>	<u>17,384,255</u>
MEMBERS' EQUITY				
Parent's equity	1,252,921	37,914	-	1,290,835
Noncontrolling interest	43,426,610	3,753,456	-	47,180,066
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total members' equity	<u>44,679,531</u>	<u>3,791,370</u>	<u>-</u>	<u>48,470,901</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 51,523,643</u>	<u>\$ 14,489,866</u>	<u>\$ (158,353)</u>	<u>\$ 65,855,156</u>

See accompanying independent auditors' report and notes.

GENTRY MILLS CAPITAL, LLC AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Gentry Mills Capital, LLC & Investor Level Entities	GMI - Broomfield 139, LP	Eliminations	Gentry Mills Capital, LLC & Subsidiaries
<b>REVENUE</b>				
Hotel room rental revenue	\$ -	\$ 4,539,226	\$ -	\$ 4,539,226
Other hotel revenue	-	880,663	-	880,663
Interest expense reimbursements	1,571,608	-	(1,571,608)	-
Transactional income	2,132,996	-	(2,132,996)	-
Fee income	727,500	-	(30,000)	697,500
Total revenue	<u>4,432,104</u>	<u>5,419,889</u>	<u>(3,734,604)</u>	<u>6,117,389</u>
<b>OPERATING EXPENSES</b>				
Salaries, wages, and benefits	464,503	1,307,982	-	1,772,485
Advertising and marketing	-	350,446	-	350,446
Real estate operating expenses	139,089	2,470,283	-	2,609,372
General and administrative expenses	483,807	346,555	(30,000)	800,362
Consulting and advisory expenses	1,204,606	-	-	1,204,606
Depreciation and amortization	-	923,833	-	923,833
Total operating expenses	<u>2,292,005</u>	<u>5,399,099</u>	<u>(30,000)</u>	<u>7,661,104</u>
<b>OTHER INCOME (EXPENSE)</b>				
Interest expense	(1,571,608)	(518,821)	-	(2,090,429)
Other income	(335)	16,929	-	16,594
Other expense	(37,570)	-	-	(37,570)
Total other income (expense)	<u>(1,609,513)</u>	<u>(501,892)</u>	<u>-</u>	<u>(2,111,405)</u>
<b>NET LOSS BEFORE EQUITY IN EARNINGS OF UNCONSOLIDATED ENTITIES</b>				
	<u>530,586</u>	<u>(481,102)</u>	<u>(3,704,604)</u>	<u>(3,655,120)</u>
<b>EQUITY IN EARNINGS OF UNCONSOLIDATED ENTITIES</b>				
	<u>2,876,787</u>	<u>-</u>	<u>1,571,608</u>	<u>4,448,395</u>
<b>NET INCOME (LOSS)</b>				
	<u>3,407,373</u>	<u>(481,102)</u>	<u>(2,132,996)</u>	<u>793,275</u>
Less: Net loss attributable to the noncontrolling interest	(745,771)	(339,979)	-	(1,085,750)
<b>NET INCOME (LOSS) ATTRIBUTABLE TO PARENT</b>				
	<u>\$ 4,153,144</u>	<u>\$ (141,123)</u>	<u>\$ (2,132,996)</u>	<u>\$ 1,879,025</u>

See accompanying independent auditors' report and notes.