Hencorp Credit Opportunities, LLC

Financial Statements
December 31, 2016

KAUFMAN ROSSIN

C O N T E N T S

KAUFMAN | ROSSIN
cpa • advisors

INDEPENDENT AUDITORS' REPORT

Hencorp Credit Opportunities, LLC
Miami, FL

We have audited the accompanying financial statements of Hencorp Credit Opportunities, LLC, which comprise the balance sheet as of December 31, 2016, and the related statements of income, changes in member's equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hencorp Credit Opportunities, LLC as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kaufman, Rossin & Co.

Kaufman, Rossin & Co., P.A.

April 25, 2017
Miami, Florida

HENCORP CREDIT OPPORTUNITIES, LLC
BALANCE SHEET
DECEMBER 31, 2016

ASSETS		
RESTRICTED CASH	$	295,447
LOANS RECEIVABLE (NOTE 2)		11,624,944
INTEREST RECEIVABLE		2,035
DEFERRED FINANCING COSTS, NET		51,689
	$	11,974,115
LIABILITIES AND MEMBER'S EQUITY		
INTEREST PAYABLE	$	29,775
LINE OF CREDIT (NOTE 3)		9,175,000
DUE TO RELATED PARTY (NOTE 4)		58,708
MEMBER'S EQUITY		2,710,632
	$	11,974,115

See accompanying notes.

HENCORP CREDIT OPPORTUNITIES, LLC
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2016

NET INTEREST INCOME		
Interest income	$	739,913
Interest expense	(	339,363)
Amortization of deferred financing costs	(	26,968)
Net interest income		373,582
OPERATING EXPENSES		
Professional fees		15,474
Other general and administrative expenses		1,674
Total operating expenses		17,148
NET INCOME	$	356,434

See accompanying notes.

HENCORP CREDIT OPPORTUNITIES, LLC
STATEMENT OF CHANGES IN MEMBER'S EQUITY
YEAR ENDED DECEMBER 31, 2016

MEMBER'S EQUITY AS OF DECEMBER 31, 2015	$	2,491,128
DISTRIBUTIONS	(	136,930)
NET INCOME		356,434
MEMBER'S EQUITY AS OF DECEMBER 31, 2016	$	2,710,632

See accompanying notes.

HENCORP CREDIT OPPORTUNITIES, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$	356,434
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs		26,968
Changes in operating assets and liabilities:		
Interest receivable	(	25)
Interest payable		13,233
Due to related party	(	76,292)
Total adjustments	(	36,116)
Net cash provided by operating activities		320,318
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of loans	(	34,198,424)
Principal repayments and repurchases of loans		34,923,480
Net cash provided by investing activities		725,056
CASH FLOWS FROM FINANCING ACTIVITIES:		
Restricted cash	(	203,444)
Distributions to member	(	136,930)
Net repayments on line of credit	(	705,000)
Net cash used in financing activities	(	1,045,374)
NET CHANGE IN CASH, REPRESENTING ENDING BALANCE	$	-
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$	326,131
Income taxes paid	$	-

See accompanying notes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business and Organization

Hencorp Credit Opportunities, LLC (the "Company") was organized on September 9, 2015 as a Florida Limited Liability Company. The Company is wholly-owned by Hencorp Becstone, L.C. (the "Parent"). The Company is a special purpose vehicle, which together with the Parent, entered into a revolving line of credit facility with Bank United ("Lender"). The facility is collateralized by new and existing loans originated by Hencorp Becstone Capital, L.C. ("Capital"), a fellow subsidiary of the Parent, and participated to the Company without recourse to Capital. Upon the occurence of certain events, as discussed in Note 3 to the financial statements, the Parent is required to reacquire the loans from the Company. The loans are serviced by Capital. The Company's operations are conducted by the management of Capital and no cost allocation is made for expenses incurred.

Pursuant to the terms of the Company's operating agreement (the "Agreement"), the Company shall continue indefinitely unless dissolved at some earlier time in accordance with the Agreement.

Restricted Cash

Restricted cash represents amounts controlled by the Lender pursuant to the terms of the loan agreement. From time to time, the Company may, during the course of operations, maintain restricted cash balances in financial institutions in excess of insured limits.

Loans Receivable

Loans receivable are stated at the amount of unpaid principal of loan participations purchased from Capital and net of the allowance for loan losses, if any.

Loans are disaggregated for disclosure purposes by portfolio segment and by class. A segment is the level at which management develops and documents a systematic methodology to determine the reserve for credit losses. The Company has defined its segment as commercial. Class of loans is a subset of the segment that has similar risk characteristics; measurement attributes or risk monitoring method. The class within the commercial segment has been defined as short-term working capital.

A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Individually identified impaired loans are measured based on the present value of payments expected to be received, utilizing the historical effective loan rate as the discount rate. Alternatively, measurement may also be based on observable market prices.

At December 31, 2016, four borrowers accounted for approximately 60% of the loans receivable balance.

Deferred Financing Costs

Deferred financing costs, consisting of loan origination and related fees incurred on the Company's line of credit facility, are deferred and amortized on a straight-line basis over the term of the related debt, which approximates the effective interest method. Accumulated amortization was approximately $29,000 at December 31, 2016.

Interest Income

Interest income on loans is generally recognized using methods which approximate the interest method. In general, loans are placed on non-accrual status when a loan becomes delinquent for 90 days or more or when management believes that interest on such loans may not be collected in the ordinary course of doing business. Interest income is recognized on delinquent and impaired loans upon collection.

Income Taxes

The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable by the Company. The Company's Parent is taxed on the Company's earnings. No provision for income taxes is included in the accompanying financial statements.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. LOANS RECEIVABLE

At December 31, 2016, the loans receivable portfolio purchased from Capital amounted to $11,624,944 and earns interest ranging from 5.30% to 7.25%, with maturities not to exceed 180 days. Generally interest is due on a monthly basis. The loans receivable serve as collateral and are subject to the terms and conditions of a $10,000,000 line of credit facility (Note 3). None of the loans receivable is considered to be impaired as of December 31, 2016. As management believes that the loans are fully collectible, management has not recorded an allowance for loan losses at December 31, 2016.

The Company's portfolio and related interest receivable are denominated in United States dollars and are also subject to the credit risks inherent in the countries where the loans are issued. Loans receivable at December 31, 2016 consisted of loans from borrowers located in the following countries:

El Salvador	$ 4,650,000
Costa Rica	3,444,944
Mexico	1,530,000
Nicaragua	1,500,000
Guatemala	500,000
	$ 11,624,944

NOTE 3. LINE OF CREDIT

On November 25, 2015, the Company, in conjunction with its Parent, entered into a secured revolving line of credit facility (the "Facility") with the Lender, providing for maximum borrowings of up to $10,000,000. The Facility is collateralized by the Company's loan receivable portfolio (Note 2) and has a limited guarantee from two officers of the Company. The Facility bears interest at a rate of one-month Libor plus 3%, payable monthly (effectively 3.6% at December 31, 2016). Unpaid principal and accrued interest is due at maturity, November 25, 2018. Advances under the Facility are limited to 80% of the loan amount on eligible collateral loans, as defined in the loan agreement. Additionally, the Company shall not maintain loans for more than the earlier of (i) the maturity date of the loan or (ii) 180 days from the date of origination of a respective loan. If a loan remains outstanding after the maturity date or 180 days from the date of origination or if there is an event of default as defined in the loan agreement, the Parent is to reacquire such loans from the Company. During 2016, Capital reacquired approximately $30,986,000 of loans purchased by the Company from Capital. The Facility is subject to certain financial covenants along with other affirmative and negative covenants, and if compliance is not maintained, outstanding balances might be accelerated and would be due on demand.

As of December 31, 2016, $9,175,000 was outstanding on the line of credit. Interest expense on the Facility for the year ended December 31, 2016 amounted to approximately $339,000.

NOTE 4. DUE TO RELATED PARTY

At December 31, 2016, the Company had unsecured, non-interest bearing expense reimbursements totaling approximately $59,000 due to Capital. The Company is making monthly payments of approximately $2,200 until balance is fully repaid.

NOTE 5. RISK CONCENTRATIONS

The Company's loan receivable portfolio consists of customers that are domiciled in Central America. It is reasonably possible that changes in the laws, economy or political conditions in the region could significantly affect the Company's operations.

NOTE 6. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 25, 2017, which is the date the accompanying financial statements were available to be issued.