Hencorp Credit Opportunities, LLC

Financial Statements
December 31, 2017

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, 2017, 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.

KAUFMAN ROSSIN
cpa • advisors

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, 2017, 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 26, 2018
Miami, Florida

HENCORP CREDIT OPPORTUNITIES, LLC
BALANCE SHEET
DECEMBER 31, 2017

ASSETS		
RESTRICTED CASH	$	65,162
LOANS RECEIVABLE (NOTE 2)		12,550,000
INTEREST RECEIVABLE		2,260
DEFERRED FINANCING COSTS, NET		39,055
	$	12,656,477
LIABILITIES AND MEMBER'S EQUITY		
INTEREST PAYABLE	$	36,159
LINE OF CREDIT (NOTE 3)		10,000,000
DUE TO RELATED PARTY (NOTE 4)		24,721
ACCOUNTS PAYABLE		14,792
CONTINGENCIES (NOTE 5)		
MEMBER'S EQUITY		2,580,805
	$	12,656,477

See accompanying notes.

HENCORP CREDIT OPPORTUNITIES, LLC
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2017

NET INTEREST INCOME		
Interest income	$	781,267
Interest expense	(	392,066)
Amortization of deferred financing costs	(	29,835)
Net interest income		359,366
OPERATING EXPENSES		48,562
NET INCOME	$	310,804

See accompanying notes.

HENCORP CREDIT OPPORTUNITIES, LLC
STATEMENT OF CHANGES IN MEMBER'S EQUITY
YEAR ENDED DECEMBER 31, 2017

MEMBER'S EQUITY AS OF DECEMBER 31, 2016	$	2,710,632
DISTRIBUTIONS	(	440,631)
NET INCOME		310,804
MEMBER'S EQUITY AS OF DECEMBER 31, 2017	$	2,580,805

See accompanying notes.

HENCORP CREDIT OPPORTUNITIES, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$	310,804
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs		29,835
Changes in operating assets and liabilities:		
Interest receivable	(	225)
Interest payable		6,384
Due to related party	(	19,195)
Total adjustments		16,799
Net cash provided by operating activities		327,603
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted cash		230,285
Purchase of loans	(	32,139,949)
Principal repayments and repurchases of loans		31,214,893
Net cash used in investing activities	(	694,771)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions to member	(	440,631)
Net proceeds from line of credit		825,000
Deferred financing costs	(	17,201)
Net cash provided by financing activities		367,168
NET CHANGE IN CASH, REPRESENTING ENDING BALANCE	$	-
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$	385,682
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 occurrence 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, 2017, four borrowers accounted for approximately 64% 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 $59,051 at December 31, 2017.

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, 2017, the loans receivable portfolio purchased from Capital amounted to $12,550,000 and earns interest ranging from 6.00% to 7.25%, with maturities not to exceed 180 days. Generally, interest is due on a monthly basis. The loan receivable serves 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, 2017. As management believes that the loans are fully collectible, management has not recorded an allowance for loan losses at December 31, 2017.

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, 2017 consisted of loans from borrowers located in the following countries:

El Salvador	$	4,550,000
Nicaragua		3,500,000
Costa Rica		2,500,000
Honduras		2,000,000
	$	12,550,000

NOTE 3. LINE OF CREDIT

The Company, in conjunction with its Parent and Hencorp Panama, S. de R.L. (“Panama”), an entity related by common management, has a secured revolving line of credit facility (the "Facility") with the Lender, providing for maximum borrowings of up to $10,000,000. No borrowings have been made under this facility by either the Parent or Panama. The Facility is collateralized by the Company's loan receivable portfolio (Note 2) and has a limited guarantee from an officer of the Company. The Facility bears interest at a rate of one-month Libor plus 3%, payable monthly (effectively 4.56% at December 31, 2017). 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 2017, Capital reacquired approximately $28,185,000 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.

NOTE 3. LINE OF CREDIT (Continued)

As of December 31, 2017, $10,000,000 was outstanding on the line of credit. Interest expense on the Facility for the year ended December 31, 2017 amounted to approximately $392,000.

NOTE 4. DUE TO RELATED PARTY

At December 31, 2017, the Company had unsecured, non-interest bearing expense reimbursements totaling approximately $25,000 due to Capital. The Company is making monthly payments of approximately $2,200 until balance is fully repaid.

NOTE 5. CONTINGENCIES

Risk and Uncertainties

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.

Going Concern Considerations

The accompanying financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations. As of December 31, 2017, the line of credit facility is scheduled to mature November 2018. Management believes that the lender or another financial institution will renew or refinance the existing credit facility.

NOTE 6. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 26, 2018, which is the date the accompanying financial statements were available to be issued.