

MAPLE MULTI-FAMILY LAND SE, LP

October 3, 2018

Dave Deiters, Chair
Avondale Estates Downtown Development Authority
21 North Avondale Plaza
Avondale Estates, Georgia 30002

Re: Bond Inducement Application for Maple Multi-Family Land SE, LP

Trammell Crow Residential (the “**Applicant**”), through its subsidiary, Maple Multi-Family Land SE, LP, is proposing the development of a new residential and retail facility (the “**Project**”) located in the City of Avondale Estates.

1. Nature and description of project

The Project consists of a new 270-unit, 5-story market rate apartment building with 7,100 square feet of ground level retail. Additionally, the project will include a new publicly accessible road connecting Hillyer Ave to Maple Street and furthering the connectivity of downtown Avondale Estates. There will also be ample sidewalks and streetscapes along all four (4) right of ways.

2. Project location or locations under consideration

The proposed Project will be located at the following addresses: 2740 E College Ave, 2748 E College Ave, 142 Maple St, and 134 Maple St.

3. Project size and breakdown of estimated costs

The total estimated capital expenditures for the Project will be approximately \$65,000,000

Land Costs: \$6,938,760

Building: \$57,511,240

Equipment: \$550,000

4. Number of jobs created or saved

The Project is estimated to create approximately 400 construction jobs and 6 permanent property management jobs in addition to approximately 24 jobs in the retail space.

5. Salaries and job classifications

The approximately 400 construction jobs will be temporary will have varying wages while

the 6 permanent property management jobs will earn approximately \$50,000/year while the 24 retail jobs are estimated to earn \$30,000/year.

6. How the project affects Avondale Estates

The proposed project will have substantial economic benefits for Avondale Estates as a job creator, a driver of population growth, and the incremental tax revenue created by the development. Additionally, as the property currently stands it is a blighted 4 acres of dilapidated and vacant buildings. This will be a significant improvement for the neighborhood and the county at large.

7. Why Development Authority participation is important to the project

The proposed project includes some atypical costs that are benefits to the public but funded privately. Namely, a proposed 550' publicly accessible road connection Hillyer Ave and Maple Street (\$650,000), environmental cleanup (\$200,000), and city park improvements (\$175,000), underground sanitary sewer tank (\$250,000) total approximately \$1,375,000 in direct public benefit and financial burden on the developer.

8. Other information you deem pertinent to the Application

Trammell Crow Residential (TCR) (www.tcr.com) is the premier multi-family real estate company – the only national group with nearly 40 years of experience in residential development and asset management. Since 1977, Dallas-based TCR has developed more than 250,000 units in major markets. With deep knowledge of local trends and a contemporary vision, TCR is proud to develop and construct market-leading rental communities that offer residents a comfortable and convenient lifestyle.

TCR has been developing and constructing high-quality rental communities for decades. As the preferred developer in major markets, we have extensive experience securing city entitlements, long-term relationships with top design consultants, and have built a seasoned quality control team, ensuring that all stages of development and construction are completed in accordance with TCR's strict design guidelines. Behind our commitment to quality is a strong focus on relationships and communication.

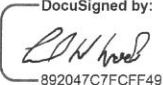
Since 2012, TCR has developed, financed, and asset managed more than \$4 billion of multi-family projects totaling nearly 20,000 units.

TCR is committed to working with minority and female owned enterprises in connection with developing the Project. In previous projects in the Atlanta metro area, an affiliated company, Crow Holdings Industrial, employed a minority/female owned business to manage the third-party general contractor of a project. This is an example of the commitment this organization has to working with minority and female owned businesses. While, TCR will likely not work with this exact group due to the general contractor being an in-house function, the organization is committed to making our best efforts to include minority and female owned businesses/subcontractors in the bid process for Alexan Gateway.

Yours truly,

Maple Multi-Family Land SE, L.P., a Delaware limited partnership

By: Maple Multi-Family Development, L.L.C., a Texas limited liability company, its general partner

By:  DocuSigned by:
892047C7FCFF491...
Leonard Wood, Jr., Vice President

Avondale Estate Downtown Development Authority Bond Inducement Application Form

This information is necessary to process a request for a bond inducement from Avondale Estates Downtown Development Authority ("AEDDA") A bond inducement is a preliminary action of the Authority indicating the framework in which it is willing to further consider the request of the applicant and does not constitute final action or financing. Please fill in all of the blanks, using "none" or "not applicable" where necessary. Send an electronic file copy and two (2) printed complete copies of this application along with all other required documentation to the office of the Authority at least two weeks prior to the next scheduled Authority meeting, which are regularly scheduled for the second Tuesday of each month.

Note that the Authority serves as a conduit for financing and does not itself provide or arrange financing. The applicant must obtain an underwriter or lender and make arrangements for the financing satisfactory to the Authority; the Authority does not provide credit or credit support for bonds.

1. APPLICANT INFORMATION:

A. General Information

| | | | |
|---|-------------------------|---|-------------------|
| Name of Applicant Company Maple Multi-Family Land SE, LP | FEIN | Type of Organization (e.g. Nonprofit Corporation organized in Georgia) Limited Partnership | |
| Address 3715 Northside Pkwy, Suite 1-200 | City Atlanta | State GA | Zip Code 30327 |
| Name and Title of Contact Person W. Justin Adams | Email jadams@tcr.com | Telephone Number 404-496-6197 | |

B. Principal User Information (if different from applicant)

| | | | |
|----------------------------------|-------|---|----------|
| Name of Principal User Company | FEIN | Type of Organization (e.g. For-Profit LLC Organized in Delaware) | |
| Address | City | State | Zip Code |
| Name and Title of Contact Person | Email | Telephone Number | |

C. Other Users (and percentage of project anticipated to be utilized)

| | |
|--------------------|---------------------------|
| Name of Other User | Percentage to be Utilized |
| Name of Other User | Percentage to be Utilized |

D. Additional Contact Information (person responsible for on-going relationship with AEDDA regarding bonds and taxes)

| | | | |
|---|-------------------------|----------------------------------|-------------------|
| Name and Title of Contact Person W. Justin Adams | Email jadams@tcr.com | Telephone Number 404-496-6197 | |
| Address 3715 Northside Pkwy, Suite 1-200 | City Atlanta | State GA | Zip Code 30327 |

2. PROJECT INFORMATION:

A. Project Description

| | |
|---|--------------------|
| Principal User's General Nature of Business Multifamily Housing Developer | |
| Business to be Conducted in Avondale Estates The proposed project is a 270-unit 5 story market rate apartment building with up to 7,100 square feed of ground level retail located along E College Ave and Hillyer Ave. | |
| General Description of Proposed Project, including Location, Building Size, Equipment, Purpose, etc. Address: _____ Within City <input checked="" type="checkbox"/> Yes / <input type="checkbox"/> No Within TAD <input type="checkbox"/> Yes / <input checked="" type="checkbox"/> No | |
| The proposed project is a 270-unit 5 story market rate apartment building with up to 7,100 square feed of ground level retail located at 2740 E College Ave, 2748 E College Ave, 142 Maple St, and 134 Maple St. | |
| Estimated Cost Budget: (or attach a separate sheet) Land: \$6,938,760 Building: \$57,511,240 Equipment: 550,000 Other (Describe): | |
| Describe the years in which the investment will be made and amounts for each year The investment will be made over a two year period starting in Q4 2018. Approximately \$10MM will be spent in 2018, \$45MM in 2019, and \$10MM in 2020. | |
| Land Parcel ID No: 1524822002, 1524822012, 1524822010, 1524822001 | NAICS Code: 531390 |
| Is the Proposed Project a New Facility or an Expansion of an Existing Facility in Avondale Estates (and explain)? The project is a new facility in DeKalb County. | |
| Elaborate on why this Project could not proceed if Authority bonds were not issued: The proposed project includes some atypical costs that are benefits to the public but funded privately. Namely, a proposed 550' publicly accessible road connection Hillyer Ave and Maple Street (\$650,000), environmental cleanup (\$250,000), city park improvements (\$175,000), underground sanitary sewer tank (\$250,000) total approximately \$1,325,000 in direct public benefit and financial burden on the developer. Given the financial burden of these atypical improvements the developer would not be able to complete the project if the bonds were not issued. | |

B. Project Employment Information

| | |
|--|---|
| Number of Current Employees Companywide | Number of Current Employees in Avondale Estates |
| Number of New Jobs Expected in Avondale Estates 150-250 Construction Jobs and 6 Permanent Property Management | Average Salary of New Jobs in Avondale Estates Permanent jobs have an estimated annual salary of \$55,000. |
| Number of Retained Jobs Expected in Avondale Estates | Average Salary of Retained Jobs in Avondale Estates |

3. FINANCING INFORMATION:

A. Issue Size and Type

| | |
|--|--|
| Proposed Amount of Issue \$65,000,000 | Type of Issue: 501(c)(3) <input type="checkbox"/> Small Issue <input type="checkbox"/> Taxable <input type="checkbox"/> Exempt Facility <input type="checkbox"/> Exempt Manufacturing <input type="checkbox"/> Other (Describe) <input type="checkbox"/> _____ |
| Description of Financing* (Include anticipated rating, if any, and identify any proposed Lender or credit enhancer) Taxable revenue bond to provide tax incentive. | Private or Public Offering? (Authority Policy limits public offerings) Private |

B. Underwriter or Financial Advisor (if applicable)

| | | | |
|----------------------------------|-------|------------------|----------|
| Name | | | |
| Address | City | State | Zip Code |
| Name and Title of Contact Person | Email | Telephone Number | |

C. Lender (if applicable)

| | | | |
|------------------------|-------|------------------|----------|
| Name of Lender Company | | | |
| Address | City | State | Zip Code |
| Name of Contact Person | Email | Telephone Number | |

D. Bond Counsel (if selected)

| | | | |
|---|-----------------------------------|----------------------------------|-------------------|
| Name of Bond Counsel Gray Pannell & Woodward LLP | | | |
| Address 3060 Peachtree Road, Suite 730 | City Atlanta | State GA | Zip Code 30305 |
| Name and Contact Person James R. Woodward | Email jwoodward@gpwlawfirm.com | Telephone Number 404-429-0870 | |

E. Applicant's Counsel

| | | | |
|--|-------|------------------|----------|
| Name of Applicant's Counsel Same as bond counsel. | | | |
| Address | City | State | Zip Code |
| Name of Contact Person | Email | Telephone Number | |

Open Records request with respect to the Confidential Information. The Authority and its staff may treat any information provided to it and not specified as Confidential Information in the Trade Secret Affidavit or information that it determines does not constitute a trade secret as non-confidential and not constituting a trade secret.

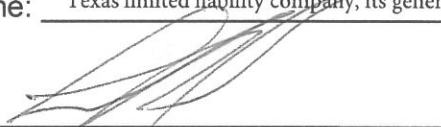
6. APPLICANT'S ACKNOWLEDGMENT

The Applicant has reviewed this Application and the charges and other requirements stated herein as well as made general inquiry as to the Authority's bond inducement and issuance process, and hereby acknowledges that it understands these matters. Further, the Applicant is providing all the information requested and listed on the Authority's Project Check List (see below). Also enclosed with this Application is the required processing fee of \$3,000.00 (and cost of fiscal and economic impact analyses, if applicable) which is payable to the Avondale Estate Downtown Development Authority, and this fee is non-refundable in any and all events. The Applicant acknowledges that this fee serves to offset the costs of the Authority in reviewing and processing this Application. The Applicant further acknowledges that it is the responsibility of the Applicant to review with Applicant's counsel and Bond Counsel all filing requirements, deadline dates, IRS information, returns and payments, filing dates, and any and all related matters pertinent to this Application and the bonds that may be issued, and that Applicant hereby undertakes such responsibility and fully releases the Authority from any and all responsibility and liability related to such information and actions.

The Applicant further acknowledges that the Authority serves as a conduit for financing and does not itself provide or arrange financing. The Applicant further acknowledges that it must obtain an underwriter or lender and make arrangements for the financing satisfactory to the Authority and that the Authority does not provide credit or credit support for bonds.

Maple Multi-Family Land SE, L.P., a Delaware limited partnership

By: Maple Multi-Family Development, L.L.C., a Texas limited liability company, its general partner
Company Name: _____

Submitted by: 
(Authorized Company Officer Signature)

By: Leonard Wood, Jr., Vice President
(Print Name and Title)

Any inquiries may be directed to the following persons:

| | |
|---|------------------------|
| James P. Monacell, Counsel to the Authority | 404.815.3555 |
| Dave Dieters, Chair, AEDDA, via email: | ddeitersdda@gmail.com |
| Matt Delicata, Member, AEDDA via email: | mdelicatadda@gmail.com |

O.C.G.A. § 50-36-1(e)(2) Affidavit
(Complete, sign, notarize and submit with Application)

By executing this affidavit under oath, as an officer as indicated below for an applicant for a bonds from Avondale Estates Downtown Development Authority, the undersigned verifies one of the following with respect to the application:

- 1) X I am a United States citizen.
- 2) _____ I am a legal permanent resident of the United States.
- 3) _____ I am a qualified alien or non-immigrant under the Federal Immigration and Nationality Act with an alien number issued by the Department of Homeland Security or other federal immigration agency.

My alien number issued by the Department of Homeland Security or other federal immigration agency is: _____.

The undersigned also hereby verifies that he or she is 18 years of age or older and has provided a copy of at least one secure and verifiable document, as required by O.C.G.A. § 50-36-1(e)(1), with this affidavit.

The secure and verifiable document provided with this affidavit can best be classified as:

☒ Driver's License

☐ Other (describe): _____

In making the above representation under oath, I understand that any person who knowingly and willfully makes a false, fictitious, or fraudulent statement or representation in an affidavit shall be guilty of a violation of O.C.G.A. § 16-10-20, and face criminal penalties as allowed by such criminal statute.

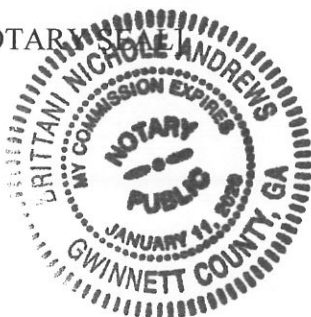
Executed in Atlanta (city), Georgia (state).

SUBSCRIBED AND SWORN BEFORE
ME ON THIS THE 1st DAY OF
October, 2018.

Brittani Nicholas Andrews
NOTARY PUBLIC

My Commission Expires: 01/11/2020

[NOTARY]



[Signature]
Signature of Officer of Applicant

Leonard Wood, Jr., Vice President

Printed Name of Person Signing

Maple Multi-Family Land SE, L.P., a Delaware limited partnership

By: Maple Multi-Family Development, L.L.C., a Texas limited liability company, its general partner

Name of Applicant Company

Delaware

State of Organization of Applicant Company

ALEXAN GATEWAY 5 YEAR FINANCIAL PROJECTION

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Gross Potential Rental Income: | \$ 5,786,880 | \$ 5,960,486 | \$ 6,139,301 | \$ 6,323,480 | \$ 6,513,184 |
| Gross Potential Amenity & Other Income: | | | | | |
| Parking Income | 30,000 | 30,900 | 31,827 | 32,782 | 33,765 |
| Unit Amenity Income | 75,300 | 77,559 | 79,886 | 82,282 | 84,751 |
| Retail Revenue | 177,500 | 182,825 | 188,310 | 193,959 | 199,778 |
| Other Income | 210,600 | 216,918 | 223,426 | 230,128 | 237,032 |
| Total Gross Potential Income: | \$ 6,280,280 | \$ 6,468,688 | \$ 6,662,749 | \$ 6,862,632 | \$ 7,068,510 |
| LESS: Vacancy (Non-Retail) | (305,139) | (314,293) | (323,722) | (333,434) | (343,437) |
| LESS: Vacancy (Retail) | (44,375) | (45,706) | (47,077) | (48,490) | (49,944) |
| Effective Gross Income | \$ 5,930,766 | \$ 6,108,689 | \$ 6,291,950 | \$ 6,480,708 | \$ 6,675,129 |
| LESS: Operating Expenses Including Capital Reserves: | (2,119,080) | (2,182,653) | (2,248,132) | (2,315,576) | (2,385,044) |
| Net Operating Income: | \$ 3,811,686 | \$ 3,926,036 | \$ 4,043,817 | \$ 4,165,132 | \$ 4,290,086 |



Grant Thornton

Consolidated Financial Statements and Report
of Independent Certified Public Accountants

Maple Residential, L.P. and Subsidiaries

December 31, 2017 and 2016

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**Partners**

Maple Residential, L.P. and Subsidiaries

We have audited the accompanying consolidated financial statements of Maple Residential, L.P. (a Delaware limited partnership) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, equity, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Maple Residential, L.P. and subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated - financial statements as a whole. The supplemental schedule of the statement of equity of non-controlling interests as of December 31, 2017 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Fort Lauderdale, Florida
April 27, 2018

Maple Residential, L.P. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31,

ASSETS

| | <u>2017</u> | <u>2016</u> |
|--|-----------------------|-----------------------|
| Current assets: | | |
| Cash | \$ 8,612,984 | \$ 15,713,122 |
| Contracts receivable, including retainage | 77,501,786 | 84,669,102 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 6,858,301 | 6,843,144 |
| Pursuit costs | 19,157,500 | 31,986,526 |
| Other current assets | <u>5,255,450</u> | <u>7,500,071</u> |
| Total current assets | 117,386,021 | 146,711,965 |
| Property and equipment, net | 1,277,897 | 1,285,872 |
| Other noncurrent assets | - | 63,237 |
| Investments in affiliates | <u>130,122,637</u> | <u>104,587,530</u> |
| Total assets | <u>\$ 248,786,555</u> | <u>\$ 252,648,604</u> |

LIABILITIES AND EQUITY

| | | |
|--|-----------------------|-----------------------|
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 102,621,910 | \$ 105,422,133 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | <u>3,712,554</u> | <u>7,782,345</u> |
| Total current liabilities | 106,334,464 | 113,204,478 |
| Equity: | | |
| Partners' capital | 25,937,420 | 33,072,058 |
| Non-controlling interests | <u>116,514,671</u> | <u>106,372,068</u> |
| Total equity | <u>142,452,091</u> | <u>139,444,126</u> |
| Total liabilities and equity | <u>\$ 248,786,555</u> | <u>\$ 252,648,604</u> |

The accompanying notes are an integral part of these consolidated financial statements.

Maple Residential, L.P. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31,

| | <u>2017</u> | <u>2016</u> |
|--|-----------------------|---------------------|
| Revenues: | | |
| Construction contract revenue | \$ 522,893,776 | \$ 517,771,631 |
| Developer fees | 24,797,771 | 27,003,439 |
| Other revenue | <u>4,097,554</u> | <u>3,112,504</u> |
| Total revenues | 551,789,101 | 547,887,574 |
| Cost of revenues | <u>509,723,605</u> | <u>494,140,109</u> |
| Gross profit | 42,065,496 | 53,747,465 |
| Costs and other expenses: | | |
| General and administrative | <u>44,651,447</u> | <u>48,915,196</u> |
| Operating (loss) income | (2,585,951) | 4,832,269 |
| Other income: | | |
| Income from unconsolidated partnerships, net | 30,860,147 | 31,423,446 |
| Other | <u>-</u> | <u>239,096</u> |
| Total other income | 30,860,147 | 31,662,542 |
| Net income | 28,274,196 | 36,494,811 |
| Earnings attributable to non-controlling interests | <u>(30,740,905)</u> | <u>(31,011,640)</u> |
| (Loss) Income attributable to Maple Residential, L.P. and subsidiaries | <u>\$ (2,466,709)</u> | <u>\$ 5,483,171</u> |

The accompanying notes are an integral part of these consolidated financial statements.

Maple Residential, L.P. and Subsidiaries

CONSOLIDATED STATEMENTS OF EQUITY

For the Years Ended December 31, 2017 and 2016

| | General Partner | Limited Partners | Total Partners' Capital | Non-controlling Interests | | | | Non-controlling Interests Total | Total Equity |
|------------------------------|-----------------|------------------|-------------------------|---------------------------|--------------|-----------------------------------|--|---------------------------------|----------------|
| | | | | CFH | VF | Profit Sharing Entities and Other | | | |
| Balance at December 31, 2015 | \$ 211,775 | \$ 33,591,060 | \$ 33,802,835 | \$ 84,899,460 | \$ 8,126,796 | \$ 894,327 | | \$ 93,920,583 | \$ 127,723,418 |
| Partners' contributions | 48,543 | 7,699,773 | 7,748,316 | 25,931,564 | 2,171,041 | 4,421 | | 28,107,026 | 35,855,342 |
| Partners' distributions | (87,473) | (13,874,791) | (13,962,264) | (32,252,448) | (2,274,464) | (12,140,269) | | (46,667,181) | (60,629,445) |
| Net income | 34,352 | 5,448,819 | 5,483,171 | 16,941,847 | 1,318,479 | 12,751,314 | | 31,011,640 | 36,494,811 |
| Balance at December 31, 2016 | 207,197 | 32,864,861 | 33,072,058 | 95,520,423 | 9,341,852 | 1,509,793 | | 106,372,068 | 139,444,126 |
| Partners' contributions | 51,805 | 8,217,162 | 8,268,967 | 24,541,212 | 1,987,584 | 310,862 | | 26,839,658 | 35,108,625 |
| Partners' distributions | (81,050) | (12,855,846) | (12,936,896) | (30,000,746) | (3,766,898) | (13,670,316) | | (47,437,960) | (60,374,856) |
| Net (loss) income | (15,454) | (2,451,255) | (2,466,709) | 15,723,030 | 1,961,482 | 13,056,393 | | 30,740,905 | 28,274,196 |
| Balance at December 31, 2017 | \$ 162,498 | \$ 25,774,922 | \$ 25,937,420 | \$ 105,783,919 | \$ 9,524,020 | \$ 1,206,732 | | \$ 116,514,671 | \$ 142,452,091 |

The accompanying notes are an integral part of these consolidated financial statements.

Maple Residential, L.P. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31,

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|----------------------|
| Cash flows from operating activities: | | |
| Net income | \$ 28,274,196 | \$ 36,494,811 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 306,609 | 273,746 |
| Income from unconsolidated partnerships, net | (30,860,147) | (31,423,446) |
| Changes in operating assets and liabilities: | | |
| Restricted cash | - | 163,309 |
| Contracts receivable, including retainage | 6,288,833 | (16,279,497) |
| Costs and estimated earnings in excess of billings on uncompleted contracts | (15,157) | (962,351) |
| Pursuit costs | 12,829,026 | (9,928,960) |
| Other current assets | 2,244,621 | (1,464,363) |
| Other noncurrent assets | 63,237 | 884 |
| Accounts payable and accrued expenses | (2,949,370) | 25,688,357 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | (4,069,791) | (795,720) |
| Net cash provided by operating activities | <u>12,112,057</u> | <u>1,766,770</u> |
| Cash flows from investing activities: | | |
| Investments in unconsolidated partnerships (affiliates) | (41,160,773) | (29,227,872) |
| Distributions from unconsolidated partnerships (affiliates) | 47,513,392 | 46,787,881 |
| Purchases of property and equipment | (298,583) | (267,254) |
| Net cash provided by investing activities | <u>6,054,036</u> | <u>17,292,755</u> |
| Cash flows from financing activities: | | |
| Contributions from non-controlling interests | 26,839,658 | 28,107,026 |
| Distributions to non-controlling interests | (47,437,960) | (46,667,181) |
| Contributions from partners | 8,268,967 | 7,748,316 |
| Distributions to partners | (12,936,896) | (13,962,264) |
| Net cash used in financing activities | <u>(25,266,231)</u> | <u>(24,774,103)</u> |
| Net decrease in cash | (7,100,138) | (5,714,578) |
| Cash, beginning of year | <u>15,713,122</u> | <u>21,427,700</u> |
| Cash, end of year | <u>\$ 8,612,984</u> | <u>\$ 15,713,122</u> |

The accompanying notes are an integral part of these consolidated financial statements.

Maple Residential, L.P. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A - NATURE OF BUSINESS

Nature of Business

Maple Residential, L.P. (the "Partnership") is a Delaware limited partnership formed on January 20, 2012 and operates pursuant to the Agreement of Limited Partnership dated January 20, 2012, as amended on September 30, 2012 (the "Agreement"). The general partner is Maple Residential GP, L.L.C. and limited partner is Crow Holdings, L.P. (collectively, the "Partners").

Effective January 1, 2016, all ownership interest was transferred to Crow Holdings, L.P. from the former limited partners Trammell S. Crow Family Branch Partnership, L.P., Harlan R. Crow Family Branch Partnership, L.P., Stuart M. Crow Family Branch Partnership, L.P. and Carter T. Crow Family Branch Partnership, L.P.

The Partnership, through its wholly owned subsidiaries, is engaged in the construction and development of residential multi-family buildings primarily in Texas, California, Colorado, Georgia, North Carolina, Florida, Maryland, Massachusetts, Washington D.C. and Washington State.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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 periods. Actual results could differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Partnership and its subsidiaries, which are as follows:

- Maple Multi-Family Operations, L.L.C.
- Maple Multi-Family Development, L.L.C.
- Maple Multi-Family TX Contractor, L.L.C.
- Maple Multi-Family SE Contractor, L.L.C.
- Maple Construction CA, L.P.
- Maple CA Construction GP, L.L.C.
- Maple NorCal Construction GP, L.L.C.
- Maple Multi-Family Land TX, L.P.
- Maple Multi-Family Land SE, L.P.
- Maple Multi-Family Land CA, L.P.

(continued)

Maple Residential, L.P. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Principles of Consolidation - Continued

In accordance with the consolidation assessment models set forth in ASC Topic 810-10, *Consolidation*, the Partnership consolidates all investments in partnerships and affiliates in which it has a controlling interest. In order to make this determination, an analysis is performed to determine if the entity is a voting interest entity ("VOE").

The ownership in the VOE's not owned by the Partnership is included in non-controlling interests and includes VF Residential, Ltd. (referred to as "VF"), CFH Maple Residential Investor, L.P. ("CFH"), Maple PSTX L.P., Maple PSCA, L.P., Maple PSGA, L.P., and Maple PSNORCAL LP (together, the last four entities are referred to as "Profit Sharing Entities") and the other individuals and trusts listed in Note F.

Voting Interest Entities

The Partnership applies the guidance in ASC 810-20 in determining whether it should consolidate an entity that it has an ownership interest in. Under ASC 810-20, the general partner or managing member is deemed to control the entity and therefore must consolidate it unless the unaffiliated limited partners or members (a) have the ability to remove the general partner or managing member without cause, (b) have the ability to dissolve the entity, or (c) have substantive participating rights. If the unaffiliated limited partners or members possess any of the foregoing rights, then the Partnership does not consolidate the entity, and either the equity or cost method of accounting is applied. If the unaffiliated limited partners or members do not have any such rights, the Partnership consolidates the entity.

Investments in Affiliates

Investments in affiliates are recorded using the equity method based on the Partnership's ownership interest, ability to influence the operations, and lack of being identified as a primary beneficiary under ASC Topic 810-10. Although the Partnership may hold membership interests, which provides a means to exercise significant influence, the remaining members maintain participating rights, which precludes the Partnership from exercising unilateral control over the activities of the partnership affiliates.

The Partnership recognizes its share of profit from these affiliates and presents the results of its activities in income from unconsolidated partnerships, net in the accompanying consolidated statements of income. Adjustments are made to carrying values when impairment is deemed to have occurred in accordance with ASC Topic 323, *Investments – Equity Method and Joint Ventures*.

Contributions and Distributions

Any additional capital contributions deemed necessary by the Partners and any distributions declared are to be made to each Partner in proportion to their ownership interest ("Percentage Interest") in the limited partnership.

(continued)

Maple Residential, L.P. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Allocation of Profits and Losses

Net profits, net losses and any other items of income, gain, loss or deduction shall be allocated annually to the Partners pro rata according to their respective Percentage Interest.

Revenue and Cost Recognition

The Partnership is a general contractor for multi-family apartment complexes. The fees per the Partnership's contracts for its general contractor services are cost-plus-fee, with certain contracts having a maximum amount of costs to be billed to the customer. Revenues from these contracts are recognized on the percentage of completion method, whereby revenues on long-term contracts are recorded on the basis of the Partnership's estimates of the percentage of completion of contracts based on the ratio of actual cost incurred to total estimated costs. This cost-to-cost method is used because management considers it to be the best available measure of progress on these contracts. Revenues from these cost-plus-fee contracts are recognized on the basis of costs incurred during the period plus the fee earned, measured on the cost-to-cost method.

The Partnership also enters into development agreements with the owners of the multi-family apartment complexes that are being developed, in which the Partnership charges a development fee for its services. The development fee is recognized on the percentage of completion method, measured on the basis of incurred costs to estimated total costs for each contract.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, and repairs. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

Selling, general, and administrative costs are charged to expense as incurred.

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenue recognized in excess of amounts billed on these contracts. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues earned.

Restricted Cash

Restricted cash represents cash held as collateral for certain letters of credit issued related to construction contracts.

(continued)

Maple Residential, L.P. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contracts Receivable

Contracts receivable are based on amounts billed to the customer. At December 31, 2017 and 2016, contracts receivable included \$29,857,726 and \$31,920,875, respectively, of retainage (discussed further below), which is being withheld by customers until completion of the contracts. At December 31, 2017 and 2016, there were no unbilled receivables on contracts completed or substantially complete at that date.

Many of the contracts under which the Partnership performs work contain retainage provisions. Retainage refers to that portion of billings made by the Partnership but held for payment by the customer pending satisfactory completion of the project. Unless reserved, the Partnership assumed that all amounts retained by customers under such provision are fully collectible. The Partnership includes in current assets retainage amounts receivable under construction contracts, which may extend beyond one year.

Credit is extended based on an evaluation of the customer's financial condition and, generally collateral is not required. Customers are billed in accordance with contractual terms, as work progresses. Generally, billed receivables are due within 30 days and are stated at amounts due from customers, net of an allowance for doubtful accounts. Billings that are outstanding longer than the contractual terms are considered past due. The Partnership determines its allowance for doubtful accounts by considering a number of factors, including the length of time billings are past due, previous loss history, the customer's ability to pay its obligation to the Partnership, and the condition of the general economy and the industry as a whole.

Contracts receivable are written off based on individual credit evaluation and specific circumstances of the customer, when such treatment is warranted. However, based upon a review of outstanding contracts receivable, historical collection information and existing economic conditions, management has determined that all contracts receivable at December 31, 2017 and 2016 are fully collectible, and accordingly, no allowance for doubtful accounts against contracts receivable is necessary.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the assets estimated useful lives. Furniture, fixtures and equipment are depreciated over 5 years, and leasehold improvements are amortized over the shorter of the useful life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred, unless it extends the life of the asset. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.

(continued)

Maple Residential, L.P. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Impairment of Long-Lived Assets

The Partnership reviews the carrying value of its long-lived assets annually or whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. The Partnership assesses recoverability of the carrying value of their long-lived assets by estimating their undiscounted future net cash flows. If the future undiscounted cash flows are less than the carrying value of their long-lived assets, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. No impairment was recorded as of December 31, 2017 and 2016.

Pursuit Costs

The Partnership searches for potential opportunities to develop future multi-family apartment complexes. Costs incurred in researching these opportunities are capitalized into pursuit costs on the accompanying consolidated balance sheets. If it is determined that the opportunity will be developed, the Partnership will transfer these costs to a joint venture, in which the Partnership and affiliates of the Partnership have an ownership interest in, and the Partnership is reimbursed by the joint venture for the costs incurred. If it is decided that the Partnership will not pursue the opportunity, the related pursuit costs for that opportunity are expensed once that decision is made. Total pursuit costs expensed as of December 31, 2017 and 2016 on opportunities that were abandoned was \$1,739,622 and \$912,342, respectively, which are included in general and administrative in the accompanying consolidated statements of income.

Income Taxes

The Partnership applies the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions* ("ASC 740-10"). Under these provisions, companies must determine and assess all material positions existing as of the reporting date, including all significant uncertain positions, for all tax years that are open to assessment or challenge under tax statutes. Additionally, those positions that have only timing consequences are analyzed and separated based on ASC 740-10's recognition and measurement model.

ASC 740-10 provides guidance related to uncertain tax positions for pass-through entities and tax-exempt not-for profit entities. ASC 740-10 also modifies disclosure requirements related to uncertain tax positions for nonpublic entities and provides that all entities are subject to ASC 740-10 even if the only tax position in question is the entity's status as a pass-through.

As required by the uncertain tax position guidance, the Partnership recognizes the financial statements benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Partnership applied the uncertain tax position guidance to all tax positions for which the statute of limitations remained open and determined that there are no uncertain tax positions as of December 31, 2017 and 2016.

(continued)

Maple Residential, L.P. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes - Continued

In conformity with the Internal Revenue Code and applicable state and local tax statutes, taxable income or loss of the Partnership is reported in the tax returns of the Partners in accordance with the terms of the Agreement. Accordingly, no provision has been made in the accompanying consolidated financial statements for any federal, state or local taxes. The Partnership's policy is to record interest and penalties, if any, as a component of general and administrative expenses.

Concentrations of Credit Risk

The Partnership maintains cash balances in financial institutions which may at times exceed the amount covered by the Federal Deposit Insurance Corporation. The Partnership has not experienced any losses and does not believe it is exposed to any significant risk on cash and cash equivalent balances.

No projects represent greater than 10% of total contracts receivable for the years ended December 31, 2017 and December 31, 2016. No project contracts represent greater than 10% of total revenues for the years ended December 31, 2017 and December 31, 2016.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. Certain prior year adjustments totaling approximately \$311,000 are included in contributions as of December 31, 2017.

Fair Value of Financial Instruments

The carrying amount of cash, contracts receivable, and accounts payable and accrued expenses approximate fair value due to the short-term maturities of these instruments.

NOTE C - COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Billing practices for the Partnership's contracts are governed by the contract terms of each project based on progress toward completion approved by the owner, achievement of milestones or pre-agreed schedules. Billings do not necessarily correlate with revenue recognized. The current asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed to the customer. The current liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

(continued)

Maple Residential, L.P. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE C - COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS - Continued

The two tables below set forth the costs incurred and earnings accrued on uncompleted contracts compared with the billings on those contracts through December 31, 2017 and 2016 and reconcile the net excess (deficit) billings to the amounts included in the consolidated balance sheets.

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|
| Costs incurred and estimated earnings on uncompleted, contracts | \$ 547,691,546 | \$ 544,775,070 |
| Less: Billings on uncompleted contracts | <u>(544,545,799)</u> | <u>(545,714,271)</u> |
| Excess (deficit) of costs incurred and estimated earnings over (less than) billings on uncompleted contracts | <u>\$ 3,145,747</u> | <u>\$ (939,201)</u> |
| Costs and estimated earnings in excess of billings on uncompleted contracts | \$ 6,858,301 | \$ 6,843,144 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | <u>(3,712,554)</u> | <u>(7,782,345)</u> |
| Excess (deficit) of costs incurred and estimated earnings over (less than) billings on uncompleted contracts | <u>\$ 3,145,747</u> | <u>\$ (939,201)</u> |

NOTE D - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at December 31:

| | <u>2017</u> | <u>2016</u> |
|-----------------------------------|---------------------|---------------------|
| Leasehold improvements | \$ 639,653 | \$ 639,653 |
| Furniture, fixtures and equipment | <u>1,674,953</u> | <u>1,376,319</u> |
| | 2,314,606 | 2,015,972 |
| Less: Accumulated depreciation | <u>(1,036,709)</u> | <u>(730,100)</u> |
| Property and equipment, net | <u>\$ 1,277,897</u> | <u>\$ 1,285,872</u> |

Depreciation expense of \$306,609 and \$273,746 was recorded on property and equipment as of December 31, 2017 and 2016, respectively, and is included in general and administrative in the accompanying consolidated statements of income.

Maple Residential, L.P. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE E - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following as of December 31:

| | 2017 | 2016 |
|-------------------------------------|-----------------------|-----------------------|
| Trade accounts payable | \$ 2,849,022 | \$ 1,248,713 |
| Retainage payable | 28,966,204 | 30,753,753 |
| Accrued construction costs | 63,038,269 | 60,868,696 |
| Accrued payroll, bonus and vacation | <u>7,768,415</u> | <u>12,550,971</u> |
| Total | <u>\$ 102,621,910</u> | <u>\$ 105,422,133</u> |

Many of the contracts under which vendors perform for the Partnership contain retainage provisions. Retainage refers to that portion of billings made to the Partnership but held for payment by the Partnership, pending satisfactory completion of the project. The Partnership assumed that all amounts retained by the Partnership under such provision will be paid. The Partnership includes in current liabilities retainage amounts payable under construction contracts, which may extend beyond one year.

NOTE F - VOTING INTEREST ENTITIES

The Partnership holds interests in several limited partnerships and one limited liability company and serves as the general partner or managing member to each of these. These entities are considered VOE's and the Partnership consolidates these entities pursuant to ASC 810-20. The Partnership's related ownership percentage are as follows:

Limited Partnerships

| VOE | % Owned by Partnership | Limited Partners/Members | | |
|--|---------------------------|--------------------------------------|------------------|----------------------|
| CCH 100 West Hollywood, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSCA L.P. | VF Residential, Ltd. |
| CCH 101 Fullerton, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSCA L.P. | VF Residential, Ltd. |
| CCH 102 Melrose, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSCA, L.P. | VF Residential, Ltd. |
| CCH 103 East Village LP | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSCA L.P. | VF Residential, Ltd. |
| CCH 104 Anaheim, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSCA L.P. | VF Residential, Ltd. |
| CCH 105 Chula Vista, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSCA L.P. | VF Residential, Ltd. |
| CCH 106 Montclair, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSCA L.P. | VF Residential, Ltd. |
| CCH 107 South Echo, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSCA L.P. | VF Residential, Ltd. |
| CCH 108 Chula Vista, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSCA L.P. | VF Residential, Ltd. |
| CCH 109 Mission Valley, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSCA L.P. | VF Residential, Ltd. |
| COCH 103 Uptown LP | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| COCH 105 Cook Street Apartments, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| COCH 106 Lower Highlands, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| COCH 107 20th Street Station, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| COCH 108 Arapahoe, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| COCH 109 Diagonal, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| COCH 110 Market Street, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |

(continued)

Maple Residential, L.P. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE F - VOTING INTEREST ENTITIES - Continued

Limited Partnerships - Continued

| VOE | % Owned by Partnership | Limited Partners/Members | | |
|-------------------------------|---------------------------|--------------------------------------|----------------------|----------------------|
| DCH 103 Fairmount, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| DCH 104 Skyline, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| DCH Skyline Investor, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| DCH 108 West Dallas LP | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| DCH 109 Design District LP | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| DCH 110 Las Colinas LP | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| DCH 111 Austin LP | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| DCH 112 Cityline LP | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| DCH 113 Cityline Land LP | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| DCH 114 Henderson, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| DCH 115 Cityline II, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| DCH 116 Summit, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| DCH 117 Carlisle, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| DCH 118 Ross 2, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| DCH 120 Maple, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| DCH 122 Legacy Central, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| HCH 101 West University, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| HCH 102 Museum District, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| HCH 103 Enclave, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| HCH 105 Heights, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| HCH 106 Town & Country, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| | | M. Scot Davis | | |
| HCH 107 Auburn Lakes, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| HCH 108 Midtown, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| HCH 109 Yale, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| HCH 110 Downtown, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| HCH 111 Spring, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| HCH 112 Hidalgo, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| HCH 113 Ashford, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| HCH 114 Southside, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| HCH 115 Spring II, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| NCCH 100 Alameda, L.P. | 0.25% | Maple Multi-Family Land CA, L.P. | | |
| NCCH 101 Fifth Street, L.P. | 0.25% | Maple Multi-Family Land CA, L.P. | | |
| NCCH 102 Bryant Street, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSNORCAL, L.P. | VF Residential, Ltd. |
| NCCH 103 Napa, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSNORCAL, L.P. | VF Residential, Ltd. |
| NCCH 105 Danville LP | 0.25% | Maple Multi-Family Land CA, L.P. | | |
| NECH 100 Wrentham LP | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSGA, L.P. | VF Residential, Ltd. |
| NWCH 100 Marymoor, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| NWCH 102 Central Park, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| NWCH 103 Shoreline, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
| SCH 101 Krog, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSGA, L.P. | VF Residential, Ltd. |
| SCH 102 Chapel Hill, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSGA, L.P. | VF Residential, Ltd. |
| SCH 103 Clairemont, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSGA, L.P. | VF Residential, Ltd. |
| SCH 104 Cumberland, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSGA, L.P. | VF Residential, Ltd. |
| SCH 105 Crossroads, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSGA, L.P. | VF Residential, Ltd. |
| SCH 106 EAV, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSGA, L.P. | VF Residential, Ltd. |
| SCH 107 Concorde, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSGA, L.P. | VF Residential, Ltd. |
| SCH 108 Glenwood, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSGA, L.P. | VF Residential, Ltd. |
| SCH 109 Union Market, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSGA, L.P. | VF Residential, Ltd. |
| SCH 110 Perimeter, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSGA, L.P. | VF Residential, Ltd. |
| | | LWW Florida Holding LLC | | |

(continued)

Maple Residential, L.P. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE F - VOTING INTEREST ENTITIES - Continued

Limited Partnerships - Continued

| <u>VOE</u> | <u>% Owned by Partnership</u> | <u>Limited Partners/Members</u> | | |
|----------------------------------|-----------------------------------|---|------------------|----------------------|
| SCH 113 Cady Way, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSGA, L.P. | VF Residential, Ltd. |
| SCH 114 Woodland Park, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSGA, L.P. | VF Residential, Ltd. |
| SCH 115 Tompkins Mill, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSGA, L.P. | VF Residential, Ltd. |
| SCH 116 Boston Alpine Road, L.P. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSGA, L.P. | VF Residential, Ltd. |
| SCH 117 Winter Park, L.P. | 0.25% | Maple Multi-Family Land SE, L.P. | | |
| Maple PSCA, L.P. | 1.00% | Related party individuals - Breining Family Trust | VFRE, Ltd. | |
| Maple PSTX, L.P. | 1.00% | Related party individuals - Breining Family Trust | VFRE, Ltd. | |
| Maple PSGA, L.P. | 1.00% | Related party individuals - Breining Family Trust | VFRE, Ltd. | |
| Maple PSNORCAL, L.P. | 1.00% | Related party individuals - Breining Family Trust | VFRE, Ltd. | |
| | | ThompsonDorfman Holdings LLC | | |

Limited Liability Company

| | | | | |
|--------------------------|-------|--------------------------------------|------------------|----------------------|
| CoCH 101 Boulder, L.L.C. | 0.25% | CFH Maple Residential Investor, L.P. | Maple PSTX, L.P. | VF Residential, Ltd. |
|--------------------------|-------|--------------------------------------|------------------|----------------------|

The following table summarizes the assets and equity of the VOE's as of December 31:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|-----------------------|-----------------------|
| Assets: | | |
| Other current assets | \$ 503,677 | \$ 1,420,000 |
| Pursuit costs | 3,925,453 | 3,730,956 |
| Other noncurrent assets | - | 63,237 |
| Investment in affiliates | <u>130,122,637</u> | <u>104,587,530</u> |
| Total assets | <u>\$ 134,551,767</u> | <u>\$ 109,801,723</u> |
| Liabilities: | | |
| Accounts payable – affiliates | \$ 538,130 | \$ 465,480 |
| Equity | <u>134,013,637</u> | <u>109,336,243</u> |
| Total liabilities and equity | <u>\$ 134,551,767</u> | <u>\$ 109,801,723</u> |

The following table summarizes the net income of the VOE's as of December 31:

| | <u>2017</u> | <u>2016</u> |
|---|----------------------|----------------------|
| Income from unconsolidated partnerships | \$ 31,521,434 | \$ 31,835,252 |
| General and administrative expenses | <u>(661,287)</u> | <u>(411,806)</u> |
| Net income | <u>\$ 30,860,147</u> | <u>\$ 31,423,446</u> |

Maple Residential, L.P. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE G - INVESTMENTS IN UNCONSOLIDATED AFFILIATES

Investments in affiliates represent the Partnership's ownership interest in real estate partnerships and are accounted for under the equity method of accounting when the Partnership has less than a controlling interest, the joint venture partner has substantive participating rights, and the Partnership is not the primary beneficiary as defined in ASC Topic 810. Under the guidance of FASB ASC 323, *Investments-Equity Method and Joint Ventures*, the Partnership uses the equity method to account for limited partnership and limited liability company interests where it has concluded that it has more than a minor interest or exercises significant influence under the terms of the respective operating agreement.

The following table provides summarized financial information of the Partnership's investments in affiliates at December 31, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|--|-------------------------|-------------------------|
| Assets, primarily investments in real estate | \$ 2,232,480,442 | \$ 1,981,741,164 |
| Liabilities, primarily debt | 1,064,440,446 | 963,494,857 |
| Equity | <u>1,168,039,996</u> | <u>1,018,246,307</u> |
| | <u>\$ 2,232,480,442</u> | <u>\$ 1,981,741,164</u> |
| Revenue | \$ 67,500,215 | \$ 40,697,984 |
| Gain on sale of apartment projects | 144,581,908 | 90,040,389 |
| Expenses | <u>(105,940,942)</u> | <u>(62,056,865)</u> |
| Net income | <u>\$ 106,141,181</u> | <u>\$ 68,681,508</u> |

The Partnership provides development and general contractor services for the real estate partnerships.

The Partnership evaluates its investments in affiliates for impairment during each reporting period in accordance with ASC Topic 323. A series of operating losses of an investee or other factors may indicate that a decrease in value of the Partnership's investments in affiliates has occurred, which is other than temporary. The amount of impairment recognized is the excess of the investment's carrying value over its estimated fair value. The evaluation of investments in affiliates includes two critical assumptions: (1) projected future distributions from the affiliates and (2) discount rates applied to the future distributions. Assumptions on the projected future distributions from the affiliates are dependent on market conditions. Specifically, distributions are dependent on cash to be generated from rental operations by the affiliates or the affiliates' sale of the entire apartment complex. Such units are also reviewed for potential impairment by the affiliates in accordance with ASC Topic 323. If a valuation adjustment is recorded by an unconsolidated entity in accordance with ASC Topic 323, the Partnership's proportionate share is reflected in income from affiliates with a corresponding decrease to investments in affiliates. For the years ended December 31, 2017 and 2016, no impairment losses were recorded.

(continued)

Maple Residential, L.P. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE G - INVESTMENTS IN UNCONSOLIDATED AFFILIATES - Continued

The Partnership's share of net income is based upon its ownership interest. The Partnership may be required to make additional cash contributions to the ventures, pursuant to the operating agreements, to avoid the loss of all or part of its interest in such ventures.

Indebtedness of the affiliates is collateralized by its own assets. There is no cross collateralization of debt between different affiliates. In connection with a loan made to an affiliate by a third-party, the Partnership often guarantees to a lender either jointly and severally or on a several basis, the completion of the project and that the outstanding loan will be repaid (payment guarantee).

NOTE H - RELATED PARTY TRANSACTIONS

Most construction and development contracts are with entities that are related parties with the Partnership. These entities are related parties through an ownership interest by the Partnership and by affiliates of the Partnership. As such, all revenues, contract receivables, costs and estimated earnings in excess of billings on uncompleted contracts, and billings in excess of costs and estimated earnings on uncompleted contracts are with related parties.

The Partnership leases an office in an office building owned by an affiliate of the Partnership. The Partnership processes payroll for employees of an affiliate which is funded by this affiliate. As of December 31, 2017 and 2016, the Partnership has a payable and receivable for accrued payroll and bonuses due to and from this affiliate of \$142,526 and \$128,006, respectively, which is included in accounts payable and accrued expenses and accounts receivable on contracts receivable, including retainage on the accompanying consolidate balance sheets.

An affiliate of the Partnership provides certain general and administrative services to the Partnership. For the years ended December 31, 2017 and 2016, the Partnership incurred \$4,681,790 and \$3,920,149, respectively, in expenses for these services provided by this affiliate.

NOTE I - COMMITMENTS AND CONTINGENCIES

The Partnership is involved, from time to time, in various claims and legal actions in the ordinary course of business. Management does not believe that the impact of such matters will have a material adverse effect on the Partnership's financial position or results of operations when resolved.

The Partnership guarantees construction loans of several of the joint ventures. The Partnership also guarantees the completion of the construction and development of several of the joint ventures that the Partnership is providing general contractor and development services for. The Partnership does not anticipate being obligated to perform under these guarantees, and as such, no liability is reflected related to these guarantees in the consolidated financial statements. The total outstanding balance of loans for joint ventures guaranteed by the Partnership as of December 31, 2017 was \$1,110,741,018. As of December 31, 2017 and December 31, 2016, there were no letters of credit were outstanding.

Maple Residential, L.P. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2017 and 2016

NOTE J - BACKLOG

The following schedule shows a reconciliation of backlog representing the amount of revenue the Partnership expects to realize from work to be performed on uncompleted general contractor and developer contracts in progress at December 31, 2017 and 2016, and from contractual agreements entered into as of December 31, 2017 and 2016 on which work has not yet begun.

Backlog for the years ended December 31, 2017 and 2016 amounted to the following:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------------|-----------------------|------------------------|
| Contract revenues for new contracts | \$ 1,607,075,058 | \$ 2,214,857,897 |
| Less: Contract revenue earned | <u>(892,166,286)</u> | <u>(1,357,903,052)</u> |
| Total backlog | <u>\$ 714,908,772</u> | <u>\$ 856,954,845</u> |

NOTE K - SUBSEQUENT EVENTS

The Partnership evaluated its December 31, 2017 consolidated financial statements for subsequent events through April 27, 2018, the date the consolidated financial statements were available to be issued.