

Company name            IA Capital Structures (Ireland) plc  
Headline                Notice to Noteholders of Series 139

19 August 2019

**THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**THIS NOTICE CONTAINS IMPORTANT INFORMATION OF INTEREST TO THE OWNERS OF THE NOTES. IF APPLICABLE, ALL DEPOSITARIES, CUSTODIANS AND OTHER INTERMEDIARIES RECEIVING THIS NOTICE ARE REQUESTED TO PASS THIS NOTICE TO SUCH OWNERS IN A TIMELY MANNER.**

**If you are in any doubt as to the action you should take, you are recommended to seek your own financial, legal or other advice immediately from your stockbroker, bank manager, solicitor, accountant or other appropriately authorised independent financial adviser.**

**If you have recently sold or otherwise transferred your entire holding(s) of the Notes referred to below, you should immediately forward this document to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.**

## **NOTICE FROM THE ISSUER TO NOTEHOLDERS**

**IA Capital Structures (Ireland) plc**  
(the “**Issuer**”)

Prodigy Network 25th Street Mezz Loan with Kicker (Series 139) Notes due 2022  
ISIN: XS1668825752 COMMON CODE: 166882575  
(the “**Notes**” or the “**Series**” and the holders thereof the “**Noteholders**”)

Reference is made to the investor letter from Prodigy Network LLC (“**Prodigy**”) (the “**Investor Notice**”), appended hereto as Annex.

Capitalised terms used but not otherwise defined in this notice shall have the meanings ascribed to them in the Series Memorandum in relation to the Notes dated 28 August 2017 and the Investor Notice.

### **BACKGROUND**

The Issuer hereby delivers to the Noteholders the attached Investor Notice it has received from Prodigy.

## **PROPOSED ACTION**

The Issuer proposes no course of action at this time. This notice is for informational purposes only and the Issuer expresses no opinion on the information contained in the Investor Notice.

## **Further Information**

For further information please contact the investment manager at [investorrelations@prodigynetwork.com](mailto:investorrelations@prodigynetwork.com)

## **ANNEX – THE INVESTOR NOTICE**

Dear Investors,

On behalf of Prodigy Network LLC, the investment manager of the project, we are writing to inform you of the current status of your indirect investment in the 114 East 25th Street Mezz Series for the property located at 114 East 25th Street in Manhattan (the “Property”).

**Investor Report Period:** January 1 - June 30 2019  
**Investment Manager:** Prodigy Network, LLC  
**Co-Owners:** Prodigy Network and Shorewood Real Estate Group  
**Fund Administrator:** NESF Fund Services Corp.  
**Property Managers:** The Assemblage Hospitality, LLC (“The Assemblage”) and Kokua Hospitality, LLC (“Kokua”)

**Property Performance Update**

For the six-month period measuring January 1 through June 30 2019, the Property achieved a 22% increase in total Membership, from 494 to a total of 601 Members. As seen in the table below, this was primarily due to an 87% increase in Resident Office Memberships, our most lucrative Membership tier, as well as solid increases in both Resident Desk and House Memberships. Assembly Memberships has been a weak point, seeing a decline of 31% in total Memberships during the same period. However, much of the decline in Assembly Memberships was due to 36 comped Memberships coming off the books, as opposed to paying Memberships.

<b>Assemblage Nomad - Membership Summary as of June 30, 2019</b>						
<b>Membership Type</b>	<b>1H 2019</b>	<b>1H 2018</b>	<b>% Change</b>	<b>Capacity</b>	<b>1H19 Occupancy</b>	
Resident Office	232	124	87%	314	74%	
Resident Desk	39	27	44%	54	72%	
House	199	152	31%	500	40%	
Assembly	131	191	-31%	1,500	9%	
<b>Total</b>	<b>601</b>	<b>494</b>	<b>22%</b>	<b>2,368</b>	<b>25%</b>	

Membership Revenue nearly doubled (+92%) during this period compared to last year, increasing by nearly \$1 million year-over-year. Total Revenue saw solid growth as well (+22%) in the first half of 2019 compared to the first half of 2018, with revenue intake of over \$2.5 million representing an increase of 79%. Events Revenue also played a part, more than doubling (+107%) to nearly \$200K. Operating Expenses for the first half of 2019 were approximately on par with the first half of 2018, seeing a 2% reduction. The combination of Revenue growth and maintenance of Operating Expenses generated a Net Operating Income (“NOI”) increase of over \$1.1 million, as seen in the table below. However, this was not as much growth as we had anticipated. The NOI forecast as per the original budget for 2019 was \$321K for the first half of 2019, while the actual result was approximately negative \$1.2 million. This was largely due to falling short of our projected Memberships for this period, and thus missing the Revenue forecast by \$1.2 million (\$3.7 million forecast vs \$2.5 million actual).

Summary of Key Performance Metrics				
Year-over-Year as of June 30, 2019				
Metric	1H 2019	1H 2018	% Change	\$ Change
<b>Total Revenue</b>	<b>\$2,518,309</b>	<b>\$1,406,286</b>	<b>79%</b>	<b>\$1,112,023</b>
<i>Membership Revenue</i>	<i>\$2,019,009</i>	<i>\$1,050,554</i>	<i>92%</i>	<i>\$968,455</i>
<i>Events Revenue</i>	<i>\$193,752</i>	<i>\$93,449</i>	<i>107%</i>	<i>\$100,303</i>
<i>F&amp;B Revenue</i>	<i>\$155,897</i>	<i>\$143,083</i>	<i>9%</i>	<i>\$12,814</i>
<i>Conf. Room Revenue</i>	<i>\$133,051</i>	<i>\$118,550</i>	<i>12%</i>	<i>\$14,501</i>
<b>Operating Expenses</b>	<b>\$3,749,884</b>	<b>\$3,809,521</b>	<b>-2%</b>	<b>-\$59,637</b>
<b>Net Operating Income</b>	<b>(\$1,231,575)</b>	<b>(\$2,403,235)</b>	<b>N/A</b>	<b>\$1,171,660</b>

**Business & Operating Improvements**

While NOI was negative for the first half of 2019 overall, the month of June saw the Property nearly breakeven operationally, and early estimates for July show that we have finally achieved an operating profitability and we expect continued operating improvements going forward. Yet, this growth has not occurred as fast as expected and Kokua has not been able to meet expectations as a Property Manager. In order accelerate the Property to profitability, Prodigy recently implemented a significant overhaul of Property operations during the 2nd Quarter of 2019 and there was significant performance improvement from the first quarter to the second quarter, as seen in the following table:

Summary of Key Operating Metrics				
1H19 Quarter-over-Quarter				
Metric	2Q 2019	1Q 2019	% Change	\$ Change
<b>Total Revenue</b>	<b>\$1,331,365</b>	<b>\$1,186,944</b>	<b>12%</b>	<b>\$144,421</b>
<i>Membership Revenue</i>	<i>\$1,033,020</i>	<i>\$1,186,944</i>	<i>-13%</i>	<i>(153,924)</i>
<i>Events Revenue</i>	<i>\$132,579</i>	<i>\$61,173</i>	<i>117%</i>	<i>71,406</i>
<i>F&amp;B Revenue</i>	<i>\$80,083</i>	<i>\$75,814</i>	<i>6%</i>	<i>4,269</i>
<i>Conf. Room Revenue</i>	<i>\$77,863</i>	<i>\$55,188</i>	<i>41%</i>	<i>22,675</i>
<b>Operating Expenses</b>	<b>\$1,578,801</b>	<b>\$2,171,083</b>	<b>-27%</b>	<b>(592,282)</b>
<b>Net Operating Income</b>	<b>(\$247,436)</b>	<b>(\$984,139)</b>	<b>N/A</b>	<b>\$736,703</b>

These recent changes to the business have already generated over \$300,000 per month in additional NOI, with the largest two contributors being strategic cost reductions in Staff (approximately 50% of the NOI increase) and F&B expenses (approximately 10% of the NOI increase). Estimates for the 3<sup>rd</sup> Quarter of 2019 show NOI of nearly \$200,000 total, with NOI of over \$100,000 in September alone.

Summary of Key Performance Metrics						
Monthly Historicals and Projections as of June 30, 2019						
	April (actual)	May (actual)	June (actual)	July (est.)	August (est.)	Sept. (est.)
Gross Revenue	\$424,131	\$483,399	\$423,835	\$423,255	\$427,739	\$506,218
Operating Expenses	(573,569)	(557,552)	(447,680)	(392,048)	(377,783)	(399,175)
Net Operating Income	<b>(\$149,438)</b>	<b>(\$74,153)</b>	<b>(\$23,845)</b>	<b>\$31,208</b>	<b>\$49,956</b>	<b>\$107,043</b>

These strategic changes are outlined below:

*Staff & Corporate Employee Expense Reduction:*

- Total cost savings of over \$150,000 per month following recent reduction
- Eliminated non-essential and/or inefficient property staff while still maintaining high level of Assemblage brand standard / offerings
- Salaries & expenses reduced nearly 50% to just over \$200,000 per month as of 6/30
- Nomad previously had over \$400,000 per month in staff & corporate salaries/expenses

*Food & Beverage Savings:*

- F&B expense reduction of \$30,000 per month, from over \$40,000 per month to approximately \$10,000 per month
- Unbundled F&B from memberships effective June 1st 2019; F&B subscription was significantly underpriced at \$200 per month per member

**Capitalization Update**

Despite the aforementioned significant advances in NOI, the Property is still not able to meet its near-term anticipated debt obligations. In addition to the strategy change outlined in this Report, we are working with Newmark Knight Frank to evaluate the most optimal financial plan in the near-term. Meanwhile, there have been capital requirements to ensure the property continues to operate throughout this evaluation period with no threat of default or immediate shortfall. Two Manager Loan Promissory Notes were recently contributed by Prodigy in order to meet financial obligations while the Property continues to ramp up NOI. The total amount loaned thus far by Prodigy is approximately \$875,000 at an interest rate of 8% accruing. It is anticipated that an additional capital infusion of an estimated \$2 million to \$2.5 million will be required to fulfill the Senior and Mezzanine debt obligations. We expect to communicate to Investors the result of Newmark's evaluation shortly. The updated Property Capitalization is detailed below:

<b>The Assemblage Nomad - Capitalization Table as of June 30, 2019</b>							
<u>Entity</u>	<u>Capitalization</u>	<u>Lender / Owner</u>	<u>JV Seniority</u>	<u>Fund Seniority</u>	<u>Amount**</u>	<u>Rate</u>	<u>Maturity</u>
25th Street Property Owner LLC	Senior Debt	Arbor	1	-	\$39,000,000	L + 5.25%	7/30/2020 w/ one 1-year extension
25th Street JV LLC	Manager Loan	Prodigy	2	-	\$780,985	8% accrual	-
25th Street JV LLC - 25th Street Mezz Series	JV Preferred Equity	PN Investors	3	-	\$16,422,080	8% current + 2% accrual	9/30/2020 w/ three 1-year extensions
Prodigy Shorewood Master Rep Fund LLC	Manager Loan	Prodigy	-	1	\$94,257	8% accrual	-
Prodigy Shorewood Master Rep Fund LLC	Preferred Interest Equity	PN Investors	4	2	\$64,586,801	6% IRR hurdle	-
Prodigy Shorewood Master Rep Fund LLC	Common Interest Equity	PSIM	5	3	-	-	-
<b>Total:</b>					<b>\$120,884,123</b>		

Note - above summary excludes accrued operating liabilities of the property and fund and accrued interest on all loans/debt.

\*\*Amount = equity at original basis (i.e. deployed capital, not fair value), and outstanding principal amount for all debt/loans (excludes accrued interest)

### Capital Accounts

<b>The Assemblage Nomad - Cash Reserves</b>	
<b>Cash Balance through June 30, 2019</b>	
<u>Account</u>	<u>Current</u>
Operating Cash On Hand	\$191,297
Interest Reserve	\$674,489
RET Escrow	\$250,878
Insurance Escrow	\$60,180
FF&E Reserve	\$109,052
<b>Total</b>	<b>\$1,285,895</b>

**The 2019 Monthly Statement of Operations (Actual + Forecast, Unaudited):**

<b>The Assemblage Nomad</b>													
	1/31/2019	2/28/2019	3/31/2019	4/30/2019	5/31/2019	6/30/2019	7/31/2019	8/31/2019	9/30/2019	10/31/2019	11/30/2019	12/31/2019	2019 Total
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Paying Members (Month End)	539	540	537	556	561	550	557	565	573	590	604	616	616
<b>Revenue</b>													
Membership Revenue	\$ 311,993	\$ 354,932	\$ 327,844	\$ 328,418	\$ 363,859	\$ 348,563	\$ 353,255	\$ 376,125	\$ 398,788	\$ 423,585	\$ 443,783	\$ 457,253	\$ 4,488,399
Events Revenue	21,180	19,087	20,906	50,955	66,777	14,847	20,000	20,049	75,370	75,556	75,743	75,929	536,400
F&B Revenue	\$ 27,359	\$ 23,767	\$ 24,688	\$ 20,795	\$ 27,138	\$ 32,150	\$ 30,000	\$ 31,565	\$ 32,059	\$ 32,869	\$ 33,479	\$ 33,978	\$ 349,847
Conference Room Revenue	18,700	20,438	16,050	23,963	25,625	28,275	20,000	-	-	-	-	-	153,051
<b>Total Revenue</b>	<b>\$ 379,232</b>	<b>\$ 418,224</b>	<b>\$ 389,488</b>	<b>\$ 424,131</b>	<b>\$ 483,399</b>	<b>\$ 423,835</b>	<b>\$ 423,255</b>	<b>\$ 427,739</b>	<b>\$ 506,218</b>	<b>\$ 532,010</b>	<b>\$ 553,005</b>	<b>\$ 567,160</b>	<b>\$ 5,527,696</b>
<b>Operating Expenses</b>													
Payroll	321,962	308,971	309,494	313,405	211,596	235,503	200,000	180,000	180,297	180,595	180,893	181,192	2,803,909
Kitchen Costs	39,818	44,876	41,994	37,525	42,965	11,240	10,564	11,059	11,215	11,470	11,662	11,818	286,206
Café Costs	4,102	2,852	5,140	2,701	3,136	1,548	1,455	1,523	1,545	1,580	1,606	1,628	28,815
Sales Expense	1,788	14,991	31,459	(22,643)	9,867	1,286	2,000	2,003	2,007	2,010	2,013	2,017	48,798
Marketing Expense	-	-	-	-	-	-	5,000	10,000	25,000	25,000	25,000	25,000	115,000
Event Expenses	2,974	1,340	244	-	2,844	-	1,000	1,002	3,769	3,778	3,787	3,796	24,534
Cowork/ Member Expenses	48,029	45,816	59,331	72,454	61,721	37,689	15,000	15,025	15,050	15,074	15,099	15,124	415,412
Assemblage Expenses	99,548	110,192	85,154	-	-	-	-	-	-	-	-	-	294,894
General & Administration	43,360	34,948	34,193	22,495	23,193	28,765	17,298	17,272	19,629	20,405	21,037	21,464	304,059
IT Costs	45,867	25,323	44,290	34,408	42,121	25,124	35,000	35,058	35,116	35,174	35,232	35,290	428,002
Engineering Expenses	14,782	12,378	22,995	18,405	23,050	5,696	15,000	15,025	15,050	15,074	15,099	15,124	187,678
Utilities	9,012	13,233	27,318	10,411	10,420	21,859	10,000	10,017	10,033	10,050	10,066	10,083	152,501
Management Fee	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,124	10,640	11,060	11,343	123,168
Owner's Expenses	50,541	94,130	88,638	74,408	116,639	68,970	69,732	69,798	70,341	70,461	70,560	70,634	914,853
<b>Total Operating Expenses</b>	<b>\$ 691,783</b>	<b>\$ 719,050</b>	<b>\$ 760,250</b>	<b>\$ 573,569</b>	<b>\$ 557,552</b>	<b>\$ 447,680</b>	<b>\$ 392,048</b>	<b>\$ 377,783</b>	<b>\$ 399,175</b>	<b>\$ 401,312</b>	<b>\$ 403,116</b>	<b>\$ 404,514</b>	<b>\$ 6,127,831</b>
<b>Net Operating Income</b>	<b>\$ (312,551)</b>	<b>\$ (300,826)</b>	<b>\$ (370,762)</b>	<b>\$ (149,438)</b>	<b>\$ (74,153)</b>	<b>\$ (23,845)</b>	<b>\$ 31,208</b>	<b>\$ 49,956</b>	<b>\$ 107,043</b>	<b>\$ 130,699</b>	<b>\$ 149,889</b>	<b>\$ 162,645</b>	<b>\$ (600,135)</b>
Senior Debt Service	252,330	252,330	252,330	252,330	252,330	252,330	252,330	252,330	252,330	252,330	252,330	252,330	3,027,960
Mezzanine Debt Service	106,667	106,667	106,667	106,667	106,667	106,667	106,667	106,667	106,667	106,667	106,667	106,667	1,280,000
Fund Expenses	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	780,000
<b>Net Results</b>	<b>\$ (736,548)</b>	<b>\$ (724,823)</b>	<b>\$ (794,759)</b>	<b>\$ (573,435)</b>	<b>\$ (498,150)</b>	<b>\$ (447,842)</b>	<b>\$ (392,789)</b>	<b>\$ (374,041)</b>	<b>\$ (316,953)</b>	<b>\$ (293,298)</b>	<b>\$ (274,107)</b>	<b>\$ (261,351)</b>	<b>\$ (5,688,095)</b>



**Sources & Uses Summary**

<b>25th Street Mezz Series</b>			
<b>Sources and Uses</b>			
<b>Inception through 6/30/2019</b>			
	<i>Balance</i>		
<i>Sources</i>			
Preferred Equity - Offshore	\$	16,132,310	
Preferred Equity - Domestic		330,000	
Realized Gain on Investment in 25th Street JV LLC		1,946,352	
<b>Total Sources</b>		<b>18,408,662</b>	
<i>Uses</i>			
Preferred Return Distributions		1,475,635	
Accrued Preferred Return Distributions		789,345	
Operations:			
*Management Fees (PN)		553,417	3.01%
Investments:			
Equity Invested in 25th Street JV LLC		16,422,080	89.21%
<b>Total Uses</b>		<b>19,240,477</b>	<b>104.52%</b>
Net Working Capital on Hand:			
Cash and other assets		381,150	
Payables (third party)		(74,446)	
Payables (PN)		(349,174)	
Payables (investors)		(789,345)	
		(831,815)	-4.52%
		(0)	100%

\*As stated in the Supplement to Offering Memorandum, the Investment Manager will receive a management fee (the "Management Fee") in an amount equal to 2% of the contributed capital contributions with respect to Preferred Equity Interests (irrespective of whether such capital is repaid to the investors pursuant to the Master Fund's Operating Agreement as described in the section titled "Distributions" below)(such amount, the "Raised Capital"). The Management Fee is payable by the 25th Street Mezz Series to the Investment Manager in advance on each Semiannual Distribution Date.

## **Assemblage Strategy for 2019 & Beyond**

114 East 25th St. (“NoMad”), along with the John St. and PAS locations, operates under the Assemblage brand, which is a community-based Coworking and Social Membership concept with additional revenue verticals from Private Events and Food & Beverage. Prodigy, the owner of the Assemblage brand, has developed a 2-year business plan to unlock the potential for NoMad and chart a course for the future of the Assemblage brand. Following is a summary of major elements of the 2-year business plan by revenue/expense vertical:

### ***Operational Focus:***

- Based on lessons learned over the past 2 years from operations at NoMad, as well as at the John St. location, significant cost reductions were achieved at NoMad with a major focus on the bloated F&B department due in part to the all-you-can-eat breakfast and lunch buffet
- Going forward, the focus will be on top line growth from a new vision of selling Coworking Memberships, and Social Memberships and Private Events will be built up around the addition of a liquor license and a reconfiguration of the location’s food service

### ***Coworking Memberships:***

- We are in the process of rolling out a broker program offering very competitive fees to licensed real estate brokers who introduce members, with substantial incentives for longer term membership contracts
- An additional channel for Resident Desk and House memberships, which have historically been more difficult for our in-house sales team to sell, will be groups such as Techstars who would bring a large rotating membership base

### ***Social / Assembly Memberships:***

- In anticipation of the change in the Assemblage offering to include more attractive nightlife activities, we would look to hire a dedicated regional manager of the social vertical with experience in social membership businesses and/or social clubs
- The regional manager would be responsible for growth in the NOI contribution of this vertical, and would provide leadership on aligning programming and membership sales with the new bar component

### ***Private Events:***

- Expand business substantially with additional support and enhanced offering featuring liquor licenses and redesigned food service
- This vertical has the potential to contribute as much as \$200k to revenues, with a substantial portion flowing straight to the bottom line as a venue rental charge

### ***Food & Beverage:***

- Beginning in the fall, we will prepare for the opening of a bar or bars at NoMad with liquor licenses obtained in early 2020, with the hiring of a bar manager and regional director of

- the social vertical
- Reduce costs further in F&B, and redesign with a focus on aligning with the bar business and Private Events

**CONSOLIDATED FINANCIAL STATEMENTS**

**25<sup>TH</sup> STREET MEZZ SERIES**

**JUNE 30, 2019**

**(UNAUDITED)**

**PRODIGY NETWORK**

Fund Administration Services Provided By:

**NES** Financial™

(800) 339-1031 [www.nesfinancial.com](http://www.nesfinancial.com)

## **Introduction to the Unaudited Financial Statements**

The June 30, 2019 unaudited financial statements of the 25<sup>th</sup> Street Mezz Series are presented at fair market value based on the most recent appraisal of the underlying property. The Series' financials, together with the operating performance of the property, are intended to provide the current value of your investment as of June 30, 2019 and a detailed synopsis of the property's actual operating performance, respectively.

The Series' unaudited financial statements are being presented on a consolidated basis for the 25<sup>th</sup> Street Mezz Series of Prodigy Shorewood Master REP Fund, LLC, 25<sup>th</sup> Street Mezz, Inc., the 25<sup>th</sup> Street Mezz Series of Prodigy Shorewood New York REP Fund, LP, and the 25<sup>th</sup> Street Mezz Series of Prodigy Shorewood Domestic Feeder REP Fund, LLC, collectively referred to as the Series.

### **Description of Series' Assets**

The Series has invested in, and owns preferred equity in, 25<sup>th</sup> Street JV LLC, the joint venture. The joint venture wholly owns the property at 114 East 25<sup>th</sup> Street, New York, NY through one or more controlled entities.

The Series has invested all capital contributions received to date into the joint venture. The Series earns a 12% compounding annual return on its capital investment, as defined by the distribution terms set forth in the operating agreement of the joint venture. At June 30, 2019 the Series has invested \$16,422,080 in the joint venture. The Series' capital investment in the joint venture, and the 12% compounding annual return thereon, are junior to the senior debt and liabilities to vendors but senior to all distributions made to the 114 East 25<sup>th</sup> Street Series.

At June 30, 2019 the joint venture had senior debt and net operating liabilities of \$41,154,233. In the event of a hypothetical liquidation of the property, the joint venture would have sufficient proceeds to distribute all capital and preferred return earned by the Series. As such, the Series' investment in the joint venture as presented on the balance sheet which follows represents the capital investment plus preferred return earned and not yet distributed by the joint venture.

# PRODIGY NETWORK

## STATEMENTS OF ASSETS AND LIABILITIES

### 25TH STREET MEZZ SERIES (CONSOLIDATED)

JUNE 30, 2019 AND DECEMBER 31, 2018

(Unaudited)

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
<b>Assets:</b>		
Cash	\$ 18,506	\$ 40,975
Investments, cost basis	16,422,080	16,422,080
Investments, unrealized gain based on fair market value	1,484,840	651,782
Due from joint venture	322,414	816,161
Contributions receivable	40,230	40,230
<b>Total Assets</b>	<u>\$ 18,288,070</u>	<u>\$ 17,971,228</u>
<b>Liabilities:</b>		
Due to Series Manager	\$ 349,174	\$ 181,000
Accounts payable and accrued expenses	74,446	45,218
Preferred return distributions payable	789,345	617,191
<b>Total Liabilities</b>	<u>1,212,965</u>	<u>843,409</u>
<b>Total Members' Equity</b>	<u>17,075,105</u>	<u>17,127,819</u>
<b>Total Liabilities and Members' Equity</b>	<u>\$ 18,288,070</u>	<u>\$ 17,971,228</u>

**PRODIGY NETWORK**

**STATEMENT OF OPERATIONS**

**25TH STREET MEZZ SERIES (CONSOLIDATED)**

**PERIOD ENDED JUNE 30, 2019**

**(Unaudited)**

**Investment Income:**

Realized gain on investments	\$	-
Change in unrealized gain on investments		833,058
<b>Total Investment Income</b>		<u>833,058</u>

**Expenses:**

Asset management fees		<u>168,175</u>
<b>Net Increase in Members' Equity from Operations</b>	\$	<u><u>664,883</u></u>

**PRODIGY NETWORK**  
**STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**25TH STREET MEZZ SERIES (CONSOLIDATED)**

**PERIOD ENDED JUNE 30, 2019**

**(Unaudited)**

	<b>Master Preferred Interests</b>	<b>Master Common Interests</b>	<b>25th Street Mezz Series Consolidated</b>
<b>Balance, December 31, 2018</b>	\$ 16,861,280	\$ 266,539	17,127,819
Capital contributions	-	-	-
Preferred return distributions	(717,597)	-	(717,597)
Net Increase in Members' Equity from Operations	931,422	(266,539)	664,883
<b>Balance, June 30, 2019</b>	<b>\$ 17,075,105</b>	<b>\$ -</b>	<b>\$ 17,075,105</b>



## **Footnotes to the Unaudited Financial Statements**

### **Commentary on the Statements of Assets and Liabilities:**

#### **Investments, at cost and Investments, unrealized gain based on fair market value**

The investments, at cost represents the cost basis of the Series' investment in the joint venture to date. The investments, unrealized gain represents the appreciation of this investment based on the distribution terms of the joint venture, by which the Series earns a current 10% compounding annual preferred return distributed currently and 2% compounding annual preferred return deferred until liquidation of the investment.

Further, certain members of the Series, through their subscriptions thereto, have been granted common interests in the 114 East 25<sup>th</sup> Street Series. These interests are technically held by the 25<sup>th</sup> Street Mezz Series of Prodigy Shorewood Master Rep Fund LLC. As such, any unrealized gain or loss on the common interests held is included in this balance sheet item. The value of these interests has been determined by the Series Manager, which is also the Series Manager of the 114 East 25<sup>th</sup> Street Series.

The total of the investment cost and unrealized gain (\$17,906,920) represents the proceeds the Series would receive from the joint venture in the event of a liquidation of the investment on June 30, 2019. The common interests held in the 114 East 25<sup>th</sup> Street Series are valued at zero, based on the valuation of that Series.

#### **Contributions Receivable**

This receivable represents a planned capital contribution by the Series Manager, which shall be made upon final closing of the Series. The Series Manager plans to purchase Class A common stock in 25<sup>th</sup> Street Mezz Inc. in order to maintain an approximate 1% interest in the corporation.

#### **Due to Series Manager**

This liability represents accrued and unpaid asset management fees to the Series Manager. The Series Manager has intentionally deferred payment of such fees in order to provide cash flow to the Series to fund investments into the Property.

#### **Preferred Return Distributions Payable**

This liability represents preferred distributions to members of the Series which have accrued through June 30, 2019 but were unpaid at that date.

### **Commentary on the Statement of Operations:**

The Series has realized a gain on its Investments during the year ended June 30, 2019, which consists of the preferred return earned on the investment in the joint venture, offset by an unrealized loss on the common interests held in the 114 East 25<sup>th</sup> Street Series.

The Series incurs a 2% annual asset management fee which is payable to the Series Manager.

## **Footnotes to the Unaudited Financial Statements (continued)**

### **Commentary on the Statement of Members' Equity:**

The members' equity of the Series has remained fairly consistent during the period ended June 30, 2019 as the preferred return earned on the investment in the joint venture has been offset by accrued distribution of such return to Series' members, as well as the unrealized loss on the common interests.

The Net Increase in Members' Equity from Operations has been allocated in order to segregate the equity value resulting from the investment in the joint venture and all other operations of the Series, and the equity value resulting from the common interests held in the 114 East 25<sup>th</sup> Street Series.