

Company name        IA Capital Structures (Ireland) plc  
Headline             Notice to Noteholders of Series 87

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 AKA Wall Street Recap - 84 William Street (Series 87) Notes due 2021  
ISIN: XS1495638576 COMMON CODE: 149563857  
(the “**Notes**” or the “**Series**” and the holders thereof the “**Noteholders**”)

Reference is made to the investor letter from Prodigy Shorewood Investment Management LLC (“**PSIM**”) (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 30 September 2016 and the Investor Notice.

## **BACKGROUND**

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

## **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 Shorewood Investment Management LLC (“PSIM”), the investment manager of the project, we are writing to inform you of the current status of your investment in 84 William Realty Associates LLC for the property located at 84 William Street in Manhattan (the “Property”).

**Investor Report Period:** January 1 - June 30 2019  
**Investment Manager:** Prodigy Shorewood Investment Management, LLC  
**Co-Owners:** Affiliates of Prodigy Network (90%) and Korman Communities (10%)  
**Fund Administrator:** NESF Fund Services Corp.  
**Property Managers:** AKA, a Korman Communities’ brand (“AKA”)

**Performance Update**

For the six-month period measuring January 1 through June 30 2019, the Property achieved a \$276 Average Daily Room Rate (“ADR”), 71% Average Occupancy and \$200 Revenue per Available Room (“RevPAR”). As shown in the table below, this operating performance represents a slight year-over-year growth rate in ADR and small year-over-year decline in Occupancy and RevPAR. Due to continued oversupply in the local hotel market, average RevPAR performance across the city struggled with a decline of 4.5% year-over-year for the six-month period<sup>1</sup>.

**Summary of Key Revenue Metrics**

	First Half 2019	First Half 2018	
	<u>Actual</u>	<u>Actual</u>	<u>% Change</u>
ADR	\$276	\$274	1%
Occupancy	71%	73%	-3%
RevPAR	\$200	\$201	0%

Despite the year-over-year increase in ADR, the property’s six-month Total Revenue was \$4.8 million, which is approximately, \$100K lower than the Total Revenue for same period last year. To expand, there has been approximately, \$200K less this year in room revenue generated directly through the Online Travel Agents’ revenue-channel, inclusive of Booking.com and Expedia, this year which AKA believes is a factor of market conditions. This underperformance led to a year-over-year decline in Net Operating Income (“NOI”) as well, which is shown in greater detail within the table below.

**Summary of Key Financial Performance**

	First Half 2019	First Half 2018	
	<u>Actual</u>	<u>Actual</u>	<u>% Change</u>
*Total Revenue	\$ 4,835,442	\$ 4,935,448	-2%
*Net Operating Income	\$ 285,063	\$ 318,457	-10%

<sup>1</sup> [New York’s Dropping RevPAR dampens outlook for 2020](#). *Travel Weekly*. August 11, 2019

When compared with the anticipated operating performance at stabilization, which was initially forecasted for full-year 2019 at \$22-million of Total Revenue and \$9.3-million of NOI, the current results are significantly lower and therefore, the Property is not generating sufficient cash flow to meet its current and anticipated debt obligations. Pursuant to the property management agreement, in the Summer of 2020 AKA's management contract will be up for review and if, as anticipated, AKA fails the performance termination test, we will have the option to exercise our right to terminate their management contract and engage a new manager for the property. In previous communications, we have expressed our concern with the operating budgets that we are provided each year from AKA. Unfortunately, AKA continues to underperform as compared to the budgets they provide. For the six-month period in 2019, the actual NOI generated at the Property was approximately, \$1.3 million lower than AKA's budgeted forecast. As evident in the table below, the underperformance in NOI is primarily due to AKA's failure to generate ample room revenue. Furthermore, although actual operating expenses were approximately \$54,000 less than the budgeted amount, industry-wide standard is that some operating expenses are correlated to occupancy and room revenue. Therefore, since fewer rooms and less revenue were booked than forecasted, we would have expected that a larger expense savings than the \$54,000-figure.

**Budget Actual Variance**

**First Half 2019**

	<u>Actuals</u>	<u>**Budget</u>	<u>% Change</u>	<u>\$ Change</u>
*Total Revenue	\$ 4,835,442	\$ 6,167,068	-22%	\$ (1,331,626)
Operating Expenses	4,550,379	4,604,549	-1%	(54,170)
*Net Operating Income	\$ 285,063	\$ 1,562,519	-82%	\$ (1,277,456)

\*The NOI and Total Revenue shown in the tables above does not include the accrued commercial rental income from our restaurant retail tenant, Blue Ribbon Federal Grill. Due to continued underperformance, \$150,000 of additional income was not collected in both Jan-Jun 2018 and Jan-Jun 2019. Our management agreement with Blue Ribbon includes a management rent of \$25,000 per month and Blue Ribbon has not paid us a management rent since inception. For accounting purposes, this accrued commercial income will be displayed on the accompanying Statement of Operations within this report. Imperative to highlight that although Blue Ribbon is not in breach of the agreement, our right to terminate the agreement will occur in April 2020. Until then the management rent will continue to accrue.

\*\*Budget references AKA's operating budget provided to ownership prior to the year and may differ with more conservative operating forecasts created by Prodigy Network and included in past reports.

While we believe AKA has performed well in certain areas, such as increasing weekend-specific transient room revenue and growing corporate room booking revenue, the performance gap between current results and forecasted results is too large. As highlighted in our previous communication, the joint venture partnership that owns the AKA Wall Street is comprised of affiliates of Prodigy Network, Shorewood Real Estate Group and Korman Communities, and together, the partnership engaged Eastdil in late June to exclusively market the asset for sale. The property is currently on the market with progress updates including several prospective buyers conducting site tours and, in total, over one-hundred real estate firms requesting additional information to evaluate the deal. We have also engaged Eastdil's capital markets team to explore the alternative debt markets to re-finance the property ahead of the senior and mezzanine debt maturity dates in December 2019. It is anticipated that re-financing the property to a sustainable level of debt obligation will require additional capital contributions from investors as it was required in May 2019. Furthermore, the investment manager has engaged

Newmark Knight Frank as an advisor to evaluate the most optimal plan ahead for the Property, including alternative operational and financing strategies We will continue to keep you apprised of the progress.

## Capitalization Table

Entity	Capitalization	Lender / Owner	JV Seniority	Fund Seniority	Amount**	Rate	Maturity
84 William Street Property Owner LLC	Senior Debt	CIBC	1		\$84,000,000	L + 2.50%	12/10/19
84 William Street Mezz LLC	Mezzanine Debt	Vanbarton	2		\$24,217,660	11.50%	12/10/19
84 William MezzCo II LLC	MezzCo Equity - Mezz Series	PN Investors	3		\$2,060,326	10.50%	-
84 William MezzCo II LLC	MezzCo Equity - AKA	Korman	3		\$210,006	10.50%	-
84 William Street JV LLC	Member Loan	Prodigy	4		\$5,106,568	15% accrual	1/7/20
84 William Street JV LLC	Member Loan	Korman	4		\$567,396	15% accrual	
84 William Street JV LLC	JV Equity	Korman	5		\$3,882,500	-	-
84 William Street Realty Associates LLC	Manager Loan	Prodigy	-	1	\$302,727	8% accrual	Payable upon termination of the Fund Series
84 William Street Realty Associates LLC	Preferred Interest Equity	PN Investors	5	2	\$96,102,917		-
84 William Street Realty Associates LLC	Common Interest Equity	PSIM	6	3	\$7,500,000		-
<b>Total</b>					<b>\$223,950,100</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 (excluding any accrued interest)

## Capital Accounts

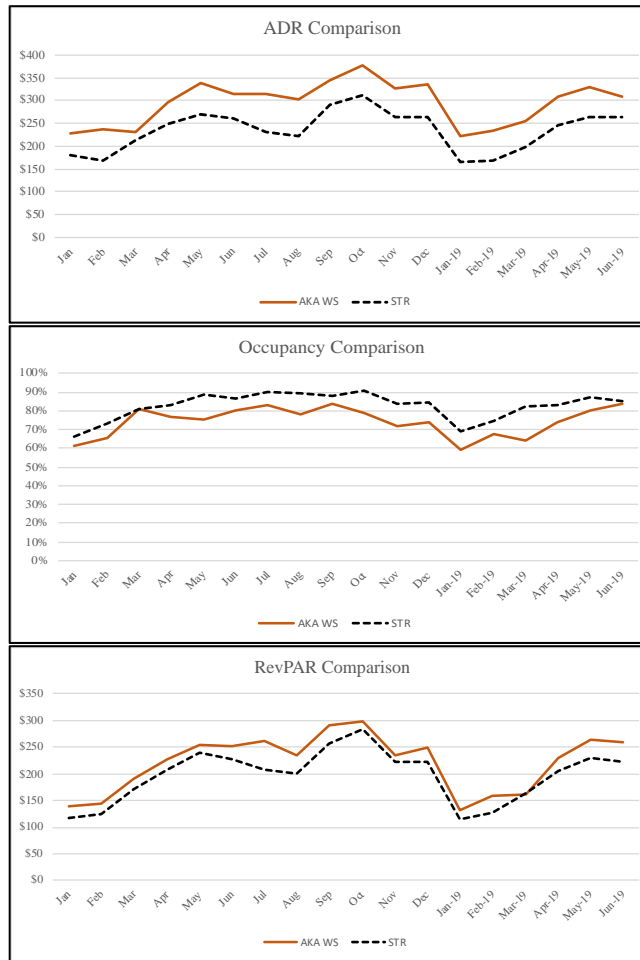
### Capital Balances as of June 30 2019

Account	Cash Balance
Cash at Property-Level	\$ 256,597
CIBC RE Tax Escrow Balance	98,713
CIBC Insurance Escrow Balance	31,820
CIBC Recurring Replacement Escrow Balance	87,726
CIBC Interest Reserve	621,111
CIBC NOI Shortfall Balance	993,915
<b>Total</b>	<b>\$ 2,089,883</b>

Note - All CIBC-capital accounts are controlled solely by the Senior Lender and the funds in those accounts are utilized for their intended purpose as outlined in the Loan Agreement. Since NOI has not been sufficient to cover debt service, debt payments are being sustained from interest reserves established during the \$6.4 million capital call in May/June 2019.

**Financial Performance: Relative to Local Competitive Hotel Set**

The following charts measure ADR, Occupancy and RevPAR performance for the Property against the local competitive hotel set, as determined by Smith Travel Research (“STR”), from January 2018 thru June 2019:



Statement of Operations

AKA Wall Street	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Actuals + Forecast
	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	2019 Total
<b>ADR</b>	\$222	\$233	\$254	\$310	\$330	\$308	\$365	\$356	\$353	\$417	\$379	\$361	\$324
<b>Occupancy</b>	59%	68%	64%	74%	79%	84%	71%	71%	86%	74%	74%	78%	73%
<b>RevPAR</b>	\$131	\$158	\$162	\$229	\$261	\$258	\$259	\$253	\$304	\$310	\$278	\$282	\$241
<b>Revenues</b>													
Serviced Revenue	\$ 536,921	\$ 584,200	\$ 663,042	\$ 907,556	\$ 1,066,310	\$ 1,024,882	\$ 1,058,817	\$ 1,033,305	\$ 1,205,506	\$ 1,268,768	\$ 1,102,292	\$ 1,153,391	\$ 11,604,991
Less: Commissions/Referral Fees	28388	61722	31313	62369	80949	69253	80123	79893	96123	100933	79843	84583	855493
Bad Debt/Collections	0	-400	-1216	0	522	0	0	0	0	0	0	0	-1093
Credit Card Fees	31260	37016	24520	32029	35622	20284	30540	30450	36900	38810	30440	32320	380190
<b>Net Suite Revenue</b>	<b>\$ 477,273</b>	<b>\$ 485,862</b>	<b>\$ 608,426</b>	<b>\$ 813,159</b>	<b>\$ 949,217</b>	<b>\$ 935,344</b>	<b>\$ 948,154</b>	<b>\$ 922,962</b>	<b>\$ 1,072,483</b>	<b>\$ 1,129,024</b>	<b>\$ 992,009</b>	<b>\$ 1,036,487</b>	<b>\$ 10,370,401</b>
<b>Commercial &amp; Other Revenues</b>													
Commercial Rental Income	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 300,000
Other Income	7502	13243	7707	6999	13316	3763	12920	12890	15330	16050	12880	13590	136190
<b>Total Commercial &amp; Other Revenues</b>	<b>\$ 33,252</b>	<b>\$ 38,993</b>	<b>\$ 33,457</b>	<b>\$ 32,749</b>	<b>\$ 39,066</b>	<b>\$ 29,513</b>	<b>\$ 38,670</b>	<b>\$ 38,640</b>	<b>\$ 41,080</b>	<b>\$ 41,800</b>	<b>\$ 38,630</b>	<b>\$ 39,340</b>	<b>\$ 445,190</b>
<b>Total Revenues</b>	<b>\$ 510,525</b>	<b>\$ 524,855</b>	<b>\$ 641,883</b>	<b>\$ 845,908</b>	<b>\$ 988,283</b>	<b>\$ 964,857</b>	<b>\$ 986,824</b>	<b>\$ 961,602</b>	<b>\$ 1,113,563</b>	<b>\$ 1,170,824</b>	<b>\$ 1,030,639</b>	<b>\$ 1,075,827</b>	<b>\$ 10,815,591</b>
<b>Compensation</b>													
Management	\$ 28,006	\$ 28,079	\$ 28,601	\$ 28,471	\$ 28,482	\$ 28,870	\$ 28,829	\$ 28,829	\$ 28,829	\$ 28,829	\$ 28,829	\$ 28,829	\$ 343,483
Sales	22337	22156	20787	21980	20262	20055	22406	22406	22406	22406	22406	22406	262013
Maintenance	33261	28557	32096	30886	31622	31150	29247	28270	28637	28270	28637	28270	358901
Housekeeping	95690	83717	87387	92664	102322	82192	96098	91316	104592	108309	114732	115009	1174029
Guest Services	41945	38655	38785	40907	42703	41437	41281	40529	40529	40529	40529	40529	488357
Front Door	24301	20590	20847	22034	23881	21322	23330	22214	22660	22214	22660	22214	268268
Bonuses & Commissions	717	0	750	1473	425	3622	0	0	7714	0	0	7714	22415
Payroll Taxes	28746	24554	22738	18599	21565	17642	18619	18439	19569	19487	19493	20108	249559
Insurance Benefits	50984	47522	55835	50000	51730	60941	47037	46410	49068	50733	50760	51289	612307
Retirement Plan	2499	2458	2308	2626	2562	5092	2862	2851	3044	2851	2851	3044	35048
<b>Total Compensation</b>	<b>\$ 328,486</b>	<b>\$ 296,287</b>	<b>\$ 310,133</b>	<b>\$ 309,640</b>	<b>\$ 325,553</b>	<b>\$ 312,322</b>	<b>\$ 309,710</b>	<b>\$ 301,263</b>	<b>\$ 327,049</b>	<b>\$ 323,627</b>	<b>\$ 330,897</b>	<b>\$ 339,412</b>	<b>\$ 3,814,380</b>
<b>Maintenance</b>													
Materials & Supplies	\$ 3,635	\$ 2,834	\$ 769	\$ 1,722	\$ 397	\$ 1,900	\$ 1,800	\$ 1,800	\$ 1,800	\$ 1,800	\$ 1,800	\$ 1,800	\$ 22,057
Flowers/ Plants	514	514	514	841	287	792	514	514	514	514	1514	3764	10800
Painting & Supplies	734	904	0	1606	749	626	325	325	325	325	325	325	6569
Maintenance Uniforms	3	-725	1226	2209	2358	1447	300	300	300	2550	300	300	10568
<b>Total Maintenance</b>	<b>\$ 4,886</b>	<b>\$ 3,527</b>	<b>\$ 2,510</b>	<b>\$ 6,378</b>	<b>\$ 3,790</b>	<b>\$ 4,766</b>	<b>\$ 2,939</b>	<b>\$ 2,939</b>	<b>\$ 2,939</b>	<b>\$ 5,189</b>	<b>\$ 3,939</b>	<b>\$ 6,189</b>	<b>\$ 49,994</b>
<b>Outside Services</b>													
HVAC	\$ 890	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 748	\$ 748	\$ 748	\$ 748	\$ 748	\$ 748	\$ 5,380
Elevators	2889	2120	2120	3710	2809	2120	2620	3295	2620	2620	2620	2620	32163
Plumbing	1025	1025	1025	1025	1900	1025	1380	1380	1380	1380	1380	1380	15304
Electrical	0	0	0	0	0	0	100	100	100	100	100	100	600
Fire Safety	14322	10648	11636	10203	9985	11357	11036	12884	11621	11036	12884	11621	139236
Outside Cleaning	0	2001	0	1708	1708	5316	1000	1900	1000	0	1000	0	15633
IT Systems	150	1133	888	700	84	49	223	223	223	223	223	223	4344
Exterminating	999	500	500	500	500	500	663	663	663	663	663	663	7475
Exterior/Grounds	0	0	0	368	4001	368	0	0	200	200	525	0	5662
Other Outside Services	-852	1372	352	0	2173	377	675	675	675	675	675	675	7472
<b>Total Outside Services</b>	<b>\$ 19,424</b>	<b>\$ 18,798</b>	<b>\$ 16,521</b>	<b>\$ 18,214</b>	<b>\$ 23,159</b>	<b>\$ 21,113</b>	<b>\$ 18,446</b>	<b>\$ 21,869</b>	<b>\$ 19,231</b>	<b>\$ 17,646</b>	<b>\$ 20,819</b>	<b>\$ 18,031</b>	<b>\$ 233,270</b>
<b>Marketing</b>													
Advertising	\$ 30,024	\$ 29,534	\$ 31,454	\$ 42,700	\$ 43,035	\$ 38,633	\$ 29,159	\$ 30,765	\$ 42,843	\$ 30,700	\$ 30,700	\$ 27,729	\$ 407,275
Merchandising	680	1439	1154	1038	845	1222	341	341	341	341	341	341	8423
Signs and Banners	0	0	0	0	0	0	54	54	54	54	54	54	323
<b>Total Marketing</b>	<b>\$ 30,704</b>	<b>\$ 30,973</b>	<b>\$ 32,608</b>	<b>\$ 43,738</b>	<b>\$ 43,880</b>	<b>\$ 39,855</b>	<b>\$ 29,553</b>	<b>\$ 31,160</b>	<b>\$ 43,238</b>	<b>\$ 31,094</b>	<b>\$ 31,094</b>	<b>\$ 28,124</b>	<b>\$ 416,022</b>

**PRODIGY NETWORK**

AKA Wall Street	Actual Jan 2019	Actual Feb 2019	Actual Mar 2019	Actual Apr 2019	Actual May 2019	Actual Jun 2019	Forecast Jul 2019	Forecast Aug 2019	Forecast Sep 2019	Forecast Oct 2019	Forecast Nov 2019	Forecast Dec 2019	Actuals + Forecast 2019 Total
<b>Suites</b>													
Towels & Linens	\$ 1,783	\$ -	\$ -	\$ -	\$ -	\$ 658	\$ 1,820	\$ 1,820	\$ 2,140	\$ 1,910	\$ 1,830	\$ 2,000	\$ 13,961
Duvets & Bedding	449	0	0	178	0	0	440	440	510	450	440	470	3376
Bath Products	2928	1136	2474	1836	-222	6041	2660	2660	3120	2780	2660	2920	30993
Move-in Kits	0	0	255	0	23	483	180	180	210	190	180	200	1900
Suite Decor	1718	1289	1615	2171	2160	1531	1660	1660	1740	1680	1660	1700	20585
Rental Furniture	686	0	-175	201	-100	0	80	80	90	80	80	90	1112
In-Room Amenities/ VIP	2627	1431	3543	1131	3713	4827	2530	2530	2980	2650	2530	2790	33283
Telephones	269	0	0	0	0	188	0	0	0	0	0	0	457
Uniforms	5	0	657	-260	426	285	230	230	270	240	230	250	2562
Kitchen Supplies	3225	1507	873	2096	843	5620	2850	2850	3360	2990	2850	3150	32214
Cleaning Supplies	1817	1284	1055	2317	1605	3228	1610	1610	1890	1680	1610	1780	21485
Dry Cleaning	16822	13481	19121	17586	13757	15168	16320	16320	19190	17110	16360	17960	199195
<b>Total Suites</b>	<b>\$ 32,329</b>	<b>\$ 20,129</b>	<b>\$ 29,418</b>	<b>\$ 27,256</b>	<b>\$ 22,204</b>	<b>\$ 38,028</b>	<b>\$ 30,380</b>	<b>\$ 30,380</b>	<b>\$ 35,500</b>	<b>\$ 31,760</b>	<b>\$ 30,430</b>	<b>\$ 33,310</b>	<b>\$ 361,124</b>
<b>General &amp; Administrative</b>													
Equipment Rental	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 601
Audit & Accounting Fees	1250	1250	1250	1250	1250	6416	1250	1250	1250	1250	1250	1250	20166
Tax Fees	1282	1282	1282	1365	1289	1314	1030	1030	1030	1030	1030	1030	13994
Legal Fees	2660	15	28	3014	1254	3954	1000	1000	1000	1000	1000	1000	16924
Professional Services	2569	3630	1487	997	2121	3009	2102	1352	1352	1352	1352	1352	22674
Payroll Services	108	1205	2993	1382	1276	1372	1500	1500	1500	1500	1500	1500	17336
Business Meals & Entertainment	323	1741	-61	620	243	1324	2040	2040	2040	2040	2040	2040	16431
IT Costs	6228	6657	6950	7873	8691	7655	4734	5259	4734	4734	4734	4734	72982
Travel & Parking	1244	727	892	821	1114	861	1500	1500	1500	1500	1500	1500	14658
Office Supplies	2383	584	1027	1581	812	818	1506	1507	1508	1509	1510	1511	16256
Postage	433	389	290	395	123	499	380	380	380	380	380	380	4408
Association Dues & Subscriptions	2615	7341	4081	4673	5156	8637	4208	4318	4208	4208	4642	4208	58297
Bank Fees	618	1015	0	294	977	679	750	750	750	750	750	750	8083
<b>Total General &amp; Administrative</b>	<b>\$ 21,763</b>	<b>\$ 25,886</b>	<b>\$ 20,269</b>	<b>\$ 24,314</b>	<b>\$ 24,356</b>	<b>\$ 36,587</b>	<b>\$ 22,050</b>	<b>\$ 21,936</b>	<b>\$ 21,302</b>	<b>\$ 21,303</b>	<b>\$ 21,738</b>	<b>\$ 21,305</b>	<b>\$ 282,809</b>
<b>Amenity</b>													
Breakfast and Coffee	\$ 2,389	\$ 2,493	\$ 3,436	\$ 2,187	\$ 2,658	\$ 1,554	\$ 2,470	\$ 2,470	\$ 2,910	\$ 2,590	\$ 2,470	\$ 2,730	\$ 30,356
Manager's Receptions	1801	671	734	183	162	67	280	280	280	280	280	280	9307
Other Amenities	821	507	794	706	889	663	843	920	853	843	920	843	9602
<b>Total Amenity</b>	<b>\$ 5,011</b>	<b>\$ 3,670</b>	<b>\$ 4,964</b>	<b>\$ 3,075</b>	<b>\$ 3,708</b>	<b>\$ 2,284</b>	<b>\$ 3,593</b>	<b>\$ 3,670</b>	<b>\$ 4,043</b>	<b>\$ 3,713</b>	<b>\$ 3,670</b>	<b>\$ 7,863</b>	<b>\$ 49,265</b>
<b>Utilities</b>													
Electric	\$ 14,741	\$ 17,254	\$ 18,456	\$ 15,094	\$ 11,015	\$ 19,931	\$ 18,261	\$ 18,823	\$ 15,540	\$ 12,901	\$ 12,741	\$ 12,343	\$ 187,100
Gas/Oil/Steam	6820	6751	3028	2334	1752	2257	1373	1827	2100	2450	2695	5224	38611
Water & Sewer	2869	2044	1707	1646	1701	2337	3965	3863	4111	4066	3791	3944	36044
Cable Television	7112	7112	7467	7467	7467	7467	7170	7170	7170	7170	7170	7170	87112
Telephone	2301	2402	2502	2749	2378	2340	2543	2543	2543	2543	2543	2543	29927
Trash Removal	1685	534	2023	2085	1772	1711	1750	1750	1750	1750	1750	1750	20311
Internet	2835	2832	2862	3376	2800	1099	2837	2838	2839	2840	2841	2842	32841
<b>Total Utilities</b>	<b>\$ 38,363</b>	<b>\$ 38,928</b>	<b>\$ 38,045</b>	<b>\$ 34,752</b>	<b>\$ 28,886</b>	<b>\$ 37,142</b>	<b>\$ 37,899</b>	<b>\$ 38,814</b>	<b>\$ 36,053</b>	<b>\$ 33,719</b>	<b>\$ 33,531</b>	<b>\$ 35,816</b>	<b>\$ 431,947</b>
<b>Total Variable Expenses</b>	<b>\$ 480,965</b>	<b>\$ 438,199</b>	<b>\$ 454,467</b>	<b>\$ 467,367</b>	<b>\$ 475,537</b>	<b>\$ 492,097</b>	<b>\$ 454,571</b>	<b>\$ 452,032</b>	<b>\$ 489,355</b>	<b>\$ 468,052</b>	<b>\$ 476,119</b>	<b>\$ 490,051</b>	<b>\$ 5,638,811</b>
<b>Gross Operating Profit</b>	<b>\$ 4,560</b>	<b>\$ 56,656</b>	<b>\$ 157,417</b>	<b>\$ 348,541</b>	<b>\$ 482,746</b>	<b>\$ 442,761</b>	<b>\$ 502,253</b>	<b>\$ 479,570</b>	<b>\$ 594,207</b>	<b>\$ 672,772</b>	<b>\$ 524,520</b>	<b>\$ 555,777</b>	<b>\$ 5,146,779</b>
<b>Fixed Expenses</b>													
Real Estate Taxes	\$ 134,139	\$ 134,139	\$ 134,139	\$ 134,139	\$ 134,139	\$ 134,139	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 804,835
Insurance	13112	13112	12078	12078	12078	7610	7610	7610	7990	7990	7990	7990	121335
Worker's Compensation	8548	8548	8548	8548	8548	8548	8548	8548	8548	8548	8548	8548	102576
Business Taxes	0	149	195	1684	184	184	0	0	0	0	0	0	2395
Management Fees	34232	37351	41271	55599	67846	63264	65849	64317	74795	78634	68455	71564	723178
<b>Total Fixed Expenses</b>	<b>\$ 190,031</b>	<b>\$ 193,299</b>	<b>\$ 196,231</b>	<b>\$ 212,048</b>	<b>\$ 222,795</b>	<b>\$ 218,213</b>	<b>\$ 82,007</b>	<b>\$ 80,474</b>	<b>\$ 90,953</b>	<b>\$ 95,172</b>	<b>\$ 84,993</b>	<b>\$ 88,102</b>	<b>\$ 1,754,318</b>
<b>Total Operating Expenses</b>	<b>\$ 670,996</b>	<b>\$ 631,498</b>	<b>\$ 650,698</b>	<b>\$ 679,414</b>	<b>\$ 698,332</b>	<b>\$ 710,310</b>	<b>\$ 536,578</b>	<b>\$ 532,506</b>	<b>\$ 580,308</b>	<b>\$ 563,224</b>	<b>\$ 561,112</b>	<b>\$ 578,152</b>	<b>\$ 7,393,130</b>
<b>Total Net Operating Income</b>	<b>\$ (160,471)</b>	<b>\$ (106,643)</b>	<b>\$ (8,814)</b>	<b>\$ 166,493</b>	<b>\$ 289,951</b>	<b>\$ 254,548</b>	<b>\$ 450,246</b>	<b>\$ 429,096</b>	<b>\$ 533,255</b>	<b>\$ 607,600</b>	<b>\$ 469,527</b>	<b>\$ 497,675</b>	<b>\$ 3,422,461</b>
<b>Total Senior Debt</b>	<b>\$ 400,767</b>	<b>\$ 346,500</b>	<b>\$ 366,667</b>	<b>\$ 378,889</b>	<b>\$ 378,889</b>	<b>\$ 346,625</b>	<b>\$ 385,000</b>	<b>\$ 338,333</b>	<b>\$ 350,000</b>	<b>\$ 373,333</b>	<b>\$ 338,333</b>	<b>\$ 361,667</b>	<b>\$ 4,351,781</b>
<b>Total Operating Results</b>	<b>\$ (561,239)</b>	<b>\$ (453,143)</b>	<b>\$ (375,481)</b>	<b>\$ (200,173)</b>	<b>\$ (88,938)</b>	<b>\$ (91,077)</b>	<b>\$ 65,246</b>	<b>\$ 90,762</b>	<b>\$ 183,255</b>	<b>\$ 234,267</b>	<b>\$ 131,194</b>	<b>\$ 136,008</b>	<b>\$ (929,320)</b>
<b>Total Partnerships Expense</b>	\$ -	\$ 2,649	\$ 1,788	\$ 1,560	\$ 4,788	\$ 15,873	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,657
<b>Total Mezzanine Debt</b>	<b>\$ 201,556</b>	<b>\$ 201,556</b>	<b>\$ 182,389</b>	<b>\$ 201,556</b>	<b>\$ 195,167</b>	<b>\$ 458,899</b>	<b>\$ 282,728</b>	<b>\$ 248,882</b>	<b>\$ 257,343</b>	<b>\$ 274,266</b>	<b>\$ 248,882</b>	<b>\$ 265,805</b>	<b>\$ 3,019,027</b>
<b>Total Capital Expenditures</b>	<b>\$ 2,303</b>	<b>\$ 153</b>	<b>\$ (6,898)</b>	<b>\$ 3,635</b>	<b>\$ 109</b>	<b>\$ 8,219</b>	<b>\$ 3,167</b>	<b>\$ 3,167</b>	<b>\$ 3,167</b>	<b>\$ 3,167</b>	<b>\$ 3,167</b>	<b>\$ 3,167</b>	<b>\$ 26,522</b>
<b>Net Results</b>	<b>\$ (765,098)</b>	<b>\$ (657,501)</b>	<b>\$ (552,760)</b>	<b>\$ (406,924)</b>	<b>\$ (289,001)</b>	<b>\$ (574,068)</b>	<b>\$ (220,648)</b>	<b>\$ (161,286)</b>	<b>\$ (77,255)</b>	<b>\$ (43,166)</b>	<b>\$ (120,855)</b>	<b>\$ (132,963)</b>	<b>\$ (4,001,525)</b>

\*Total Gross Operating Profit does not include accrued commercial rental income. It only measures the profit margin between direct hotel revenues and operating expenses.

\*\*The large increase in mezzanine debt in June 2019 is an accounting adjustment by AKA and does not accurately reflect cashflow and balances. This is the result of expensing 2 months of interest (May interest which was cash paid in June, and the accrual for the June interest that will be paid in July). The additional \$50k accrued in June (~\$250k to be paid in July vs ~\$200k historically) is due to the recent upsizing of the mezzanine debt as part of the AKA WS recap as communicated in the previous communication.

**Sources & Uses**

<b>84 William Street Fund</b>		
<b>Sources and Uses</b>		
<b>Inception through 6/30/2019</b>		
	<i>Balance</i>	<i>% of Capital</i>
<u>Sources</u>		
Preferred Equity - Offshore	\$ 88,763,669	
Preferred Equity - Domestic	7,339,249	
Common Equity - PSIM Notional	7,429,853	
<b>Total Sources</b>	<b>\$ 103,532,771</b>	
<u>Uses</u>		
Preferred Return Distributions	8,603,504	
Syndication:		
Placement Fees	4,521,248	4.37%
*Marketing & Sales Overhead (Allocated)	3,323,917	3.21%
**Sales Compensation Overhead (Allocated)	1,914,045	1.85%
*General & Admin Overhead (Allocated)	552,999	0.53%
<b>Total Syndication</b>	<b>10,312,209</b>	<b>9.96%</b>
Operations:		
***Management Fees (PSIM)	2,304,692	2.23%
****Acquisition Fee (PSIM)	1,850,000	1.79%
Professional Fees	1,716,704	1.66%
Fund Administration	415,314	0.40%
Interest Expense	10,473	0.01%
General Administration	124,524	0.12%
	<b>6,421,707</b>	<b>6.20%</b>
Investments:		
Equity Invested in 84 William Street JV LLC (includes premium paid to purchase investment)	80,148,796	77.41%
<b>Total Uses</b>	<b>\$ 105,486,216</b>	<b>101.89%</b>
Net Working Capital on Hand:		
Cash	13,589	
Payables	(1,967,034)	
	<b>\$ (1,953,445)</b>	<b>-1.89%</b>
	<b>-</b>	<b>100.00%</b>

\*Pursuant to the Offering Memorandum Supplement, the Fund shall bear all costs and expenses in connection with the issuance of interests, ongoing management activities and marketing and selling expenses associated with the capital raising effort. Such costs are born via reimbursement to the Investment Manager, who generally incurs these costs initially. Costs incurred related to marketing and selling of equity

interests aren't expected to exceed 5% of capital contributions. Costs incurred related to general and administrative overhead aren't expected to exceed 1% of capital contributions

\*\*Pursuant to the Offering Memorandum Supplement, salaries and bonuses due to employees of the Investment Manager (or its affiliate) whom provide services related to raising capital for the Series, may be reimbursed by the Series to the Investment Manager. Such salaries and bonuses will not exceed 2% of the capital contributions to the Series.

\*\*\*Pursuant to the Offering Memorandum, the Investment Manager (or an affiliate thereof) will receive a management fee (the "Management Fee") semi-annually, in advance of each Semiannual Distribution Date, in an amount equal to 0.25% (i.e., an aggregate of one-half percent (0.5%) per annum) of the Property Value.

\*\*\*\*As outlined in the Offering Memorandum, the Acquisition fee was paid as 1% of the Property value as of the recapitalization date.

**CONSOLIDATED FINANCIAL STATEMENTS**

**84 WILLIAM STREET**

**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 84 William fund are presented at fair market value based on the most recent appraisal of the underlying property. The Funds' 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 Funds' unaudited financial statements are being presented on a consolidated basis for 84 William Street Realty Associates LLC, 84 William Street NewCo Inc., and Prodigy Shorewood New York Rep Co., collectively referred to as the Fund.

### Description of Funds' Assets

The Fund has invested in 84 William Street JV LLC, the joint venture. The joint venture is a partnership with KCI William LLC, which is an affiliate of the hotel operator of the property, Korman Communities. The Fund owns a 90% ownership interest in the joint venture, which itself wholly owns the property at 84 William Street, New York, NY through one or more controlled entities.

The property was appraised by a third party appraisal firm on December 19, 2018. The appraiser used the Income Capitalization Approach, which considered the forecasted operating results of the stabilized property, actual operating results to date, market conditions, hotel and extended stay industry comparables, etc. in order to model the future cash flows of the property. After applying market discount and cap rates to the forecasted future cash flows, the appraisal report concluded the As Is Value of the property on December 31, 2018 was \$153,000,000. The Investment Manager has determined this appraised value to be an appropriate valuation of the property for purposes of June 30, 2019 unaudited financial statements.

The Investment Manager then values the Funds' ownership interest in the property by determining the amount which would be distributed to the Fund, by the joint venture, in the event of a hypothetical liquidation of the ownership interest in the property.

At December 31, 2018 the Investment Manager has valued the Funds' ownership interest as follows:

Fair Value of Property	\$153,000,000 (sales price)
Less: Senior Debt Payoff	(\$84,000,000)
Less: Mezzanine Debt Payoff	(\$24,217,660)
Add: Net Assets of Property	\$3,274,360
Less: MezzCoII Capital and Return	(\$2,270,332)
Less: Net Liabilities of JV	(\$5,673,962)
Less: Proceeds Distributable to KCI William LLC (10%)	<u>(\$4,011,241)</u>
Proceeds Distributable to the Fund	\$36,101,165
Less: Net Liabilities of Fund	<u>(\$1,953,445)</u>
Total Net Asset Value of Fund	<u>\$34,147,720</u>
Preferred Distributions Paid to Date	<u>\$8,603,504</u>
Net Asset Value and Preferred Distributions Paid to Date	\$42,751,224
Contributions to the Fund (Preferred Interests)	\$96,102,917
Net Asset Value and Preferred Distributions Paid to Date / Contributions	0.44x

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

The uses of proceeds are presented above in order of seniority.

The Senior and Mezzanine Debt Payoff represents the total amount of the debt outstanding at June 30, 2019.

The Net Assets of Property represent lender escrows and other cash on hand in excess of unpaid operating expenses and other liabilities of the property.

The MezzCoII capital and return represents capital contributions by the members of 84 William MezzCoII LLC, which are structurally senior to the Funds' interest in the property.

The Proceeds distributable to KCI William LLC represent the fair value of that 10% ownership interest in the joint venture.

The ending proceeds distributable to the Fund, of \$36,101,165, represents the fair value of the Fund's investment in the joint venture as of June 30, 2019. This value is presented on the Fund's balance sheet, which follows, as the total of the Investment, cost basis and Investment, unrealized loss based on fair market value.

The value of the investment combined with other net assets or liabilities of the Fund on June 30, 2019, per the balance sheet which follows, total the Net Asset Value of the Fund. The distribution waterfall as defined in the Offering Memorandum is applied to this Net Asset Value in order to determine the amount distributable to each preferred and common member of the Fund. Such value then presents the fair value of the subscription made by each member.

# PRODIGY NETWORK

## STATEMENTS OF ASSETS AND LIABILITIES

### 84 WILLIAM STREET (CONSOLIDATED)

JUNE 30, 2019 AND DECEMBER 31, 2018

	<u>June 30, 2019</u> (unaudited)	<u>December 31, 2018</u> (audited)
<b>Assets:</b>		
Cash	\$ 13,589	\$ 81,274
Investment, cost basis	80,148,796	80,148,796
Investment, unrealized (loss) based on fair market value	(44,047,631)	(41,843,553)
<b>Total Assets</b>	<u>\$ 36,114,754</u>	<u>\$ 38,386,517</u>
 <b>Liabilities:</b>		
Due to Manager	\$ 930,494	\$ 564,457
Accounts payable and accrued expenses	408,532	263,390
Note payable to Manager	302,727	-
Preferred return distributions payable	309,030	32,753
Accrued interest	10,473	-
Subscriptions received in advance	5,778	5,778
<b>Total Liabilities</b>	<u>1,967,034</u>	<u>866,378</u>
<b>Total Members' Equity</b>	<u>34,147,720</u>	<u>37,520,139</u>
<b>Total Liabilities and Members' Equity</b>	<u>\$ 36,114,754</u>	<u>\$ 38,386,517</u>

**PRODIGY NETWORK**  
**STATEMENT OF OPERATIONS**  
**84 WILLIAM STREET (CONSOLIDATED)**

**PERIOD ENDED JUNE 30, 2019**

**(Unaudited)**

**Investment Income:**

Change in unrealized loss on investment	\$ (2,204,078)
<b>Total Investment Income</b>	<u>(2,204,078)</u>

**Expenses:**

Asset management fees	382,500
Professional fees	156,809
Fund admin fees	142,650
General and administrative overhead	85,037
General administration	27,128
Interest expense	10,473
<b>Total Expenses</b>	<u>804,597</u>

<b>Net Decrease in Members' Equity from Operations</b>	<u><u>\$ (3,008,675)</u></u>
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**PRODIGY NETWORK**  
**STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**84 WILLIAM STREET (CONSOLIDATED)**  
**PERIOD ENDED JUNE 30, 2019**

	<u>Preferred Interests</u>	<u>Common Interests</u>	<u>84 William Consolidated</u>
<b>Balance, January 1, 2019 (audited)</b>	\$ 37,520,139	\$ -	\$ 37,520,139
Capital contributions	-	-	-
Preferred return distributions	(277,006)	-	(277,006)
Syndication costs	(86,738)	-	(86,738)
Net Decrease in Members' Equity from Operations	(3,008,675)	-	(3,008,675)
<b>Balance, June 30, 2019 (unaudited)</b>	<u>\$ 34,147,720</u>	<u>\$ -</u>	<u>\$ 34,147,720</u>

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

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

#### **Cash**

The balance of cash on hand at June 30, 2019 has decreased since December 31, 2018 due to the payment of fund operating expenses and syndication costs.

#### **Investment, at cost and Investment, unrealized loss based on fair market value**

The investment, at cost balance represents the cost basis of the Funds' ownership of the interest in the joint venture as of June 30, 2019. The investment, unrealized loss balance represents the depreciation of this investment based on the fair value of the property at June 30, 2019. Such fair value has been determined by the aforementioned independent appraisal report, which concluded the property value of \$153,000,000 as-is. The total of the investment cost and unrealized loss (\$36,101,165) represents the proceeds the Fund would receive from the joint venture in the event of a liquidation of the investment.

#### **Due to Manager**

This balance represents accrued and unpaid asset management fees due to the Investment Manager.

#### **Accounts payable and accrued expenses**

This balance represents ongoing fund costs which have been incurred but not yet paid at June 30, 2019. The balance is primarily due to third party vendors who provide professional services to the Fund.

#### **Note payable to Manager and Accrued interest**

These balances represents the principal and accrued interest on a promissory note payable to the Investment Manager. The principal of this note results from working capital advances the Investment Manager has made to the Fund, substantially so the Fund could pay its service providers.

#### **Preferred return distributions payable**

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

#### **Subscriptions received in advance**

This liability represents cash received by the Fund from new investors, which has been received in advance of the approval of that investor's subscription. Once approved, this liability is relieved and the cash received is considered a capital contribution.

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

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

The Fund has incurred an unrealized loss on its investment in the joint venture over the period ended June 30, 2019.

The Fund has also incurred ongoing operating expenses, including asset management fees due to the Investment Manager in the amount of 0.5% per year on the greater of the appraised value of the property or cost basis in the property. Further operating expenses relate primarily to fees due to the fund administrator, NES Financial, and other organizations which provide professional and legal services to the Fund.

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

Total Members' Equity of the Fund has decreased from December 31, 2018, due primarily to the unrealized loss on the investment and fund operating costs.

The net decrease in members' equity from operations has been re-allocated, between Preferred Interests and Common Interests, based on applying the distribution waterfall as defined in the Offering Memorandum to the Net Asset Value of the Fund. Should the Fund distribute all net assets on June 30, 2019, the ending equity balance on that date is the amount which would be distributed to Preferred and Common interest holders, respectively.