

IGY-AYH St. Thomas Holdings, LLC

(A Limited Liability Company)

Financial Statements

*for the years ended December 31, 2015 and 2014*

(With Independent Auditor's Report Thereon)

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## Independent Auditor's Report

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### The Members

IGY-AYH St. Thomas Holdings, LLC  
(A Limited Liability Company):

We have audited the accompanying financial statements of IGY-AYH St. Thomas Holdings, LLC (the "Company"), which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, changes in members' equity, and cash flows for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IGY-AYH St. Thomas Holdings, LLC as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Scott and Company LLC*

Greenville, South Carolina

March 23, 2016

IGY-AYH St. Thomas Holdings, LLC  
(A Limited Liability Company)  
Balance Sheets  
as of December 31,

	2015	2014
<b>Assets</b>		
Current assets:		
Restricted cash	\$ 2,664,705	\$ 1,856,705
Accounts receivable, net of allowance of \$73,378 and \$84,482 in 2015 and 2014, respectively	189,713	216,059
Inventories	47,162	82,679
Prepaid expenses and other current assets	254,142	257,469
Total current assets	3,155,722	2,412,912
Land	1,847,000	1,847,000
Property and equipment, net	14,307,838	14,977,203
Deferred financing costs, net	53,209	85,153
Deferred rent receivables, net of commissions	243,755	89,986
Intangible assets, net	253,699	357,802
Total assets	\$ 19,861,223	\$ 19,770,056
<b>Liabilities and Members' Equity</b>		
Current liabilities:		
Accounts payable	\$ 41,655	\$ 91,133
Accrued expenses	200,587	201,910
Customer deposits	332,597	277,410
Deferred revenue	14,577	3,299
Due to Parent	92,233	82,816
Current maturities of note payable	405,000	373,500
Total current liabilities	1,086,649	1,030,068
Note payable, less current maturities	12,508,200	12,913,200
Asset retirement obligation	624,217	594,492
Total liabilities	14,219,066	14,537,760
Members' equity	5,642,157	5,232,296
Total liabilities and members' equity	\$ 19,861,223	\$ 19,770,056

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

IGY-AYH St. Thomas Holdings, LLC  
(A Limited Liability Company)  
Statements of Operations  
for the years ended December 31,

	2015	2014
<b>Revenues:</b>		
Marina facilities	\$ 4,025,997	\$ 4,825,916
Upland facilities	2,392,469	2,784,901
Total revenues	6,418,466	7,610,817
<b>Costs and expenses:</b>		
Personnel	1,139,792	1,069,840
Fuel	1,138,295	1,938,634
Depreciation and amortization	979,664	959,742
Utilities	779,910	1,230,878
Management fee	320,924	410,051
Insurance	320,383	327,649
Gross receipt and property taxes	260,942	174,533
Rent	150,750	159,123
Credit card commissions	129,556	141,985
Professional fees	125,746	179,619
Repairs and maintenance	103,725	101,145
Advertising and marketing	45,170	50,979
Supplies	44,138	52,236
Bad debt (recoveries) expense	(8,356)	70,982
Other	167,969	41,354
Total costs and expenses	5,698,608	6,908,750
Operating income	719,858	702,067
<b>Other expenses (income):</b>		
Interest expense	286,401	352,386
Amortization of deferred financing costs	31,944	31,944
Interest income	(8,348)	(35,368)
Net income	\$ 409,861	\$ 353,105

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

IGY-AYH St. Thomas Holdings, LLC  
(A Limited Liability Company)  
Statements of Changes in Members' Equity

Balance at December 31, 2013	\$ 4,879,191
Net income	353,105
Balance at December 31, 2014	<u>5,232,296</u>
Net income	409,861
Balance at December 31, 2015	<u>\$ 5,642,157</u>

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

IGY-AYH St. Thomas Holdings, LLC  
(A Limited Liability Company)  
Statements of Cash Flows  
for the years ended December 31,

	2015	2014
Cash flows from operating activities:		
Net income	\$ 409,861	\$ 353,105
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	979,664	959,742
Amortization of deferred financing costs	31,944	31,944
Accretion of asset retirement obligation	29,725	28,309
Decrease in provision for doubtful accounts	(11,104)	(135,110)
Changes in operating assets and liabilities:		
Accounts receivable	37,450	168,821
Prepaid expenses and other current assets	3,327	6,943
Inventories	35,517	6,629
Deferred rent receivables, net of commissions	(153,769)	(52,058)
Accounts payable	(49,478)	803
Accrued expenses	(1,323)	6,082
Customer deposits	55,187	(108,100)
Deferred revenue	11,278	3,299
Due to Parent	9,417	40,717
Net cash provided by operating activities	1,387,696	1,311,126
Cash flows used in investing activities:		
Purchases of property and equipment	(206,196)	(346,421)
Net cash used in investing activities	(206,196)	(346,421)
Cash flows used in financing activities:		
Principal payments on note payable	(373,500)	(346,200)
Net cash used in financing activities	(373,500)	(346,200)
Net increase in restricted cash	808,000	618,505
Restricted cash at beginning of year	1,856,705	1,238,200
Restricted cash at end of year	\$ 2,664,705	\$ 1,856,705
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 286,401	\$ 353,311

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

IGY-AYH St. Thomas Holdings, LLC  
Notes to Financial Statements

**Note 1. Summary of Significant Accounting Policies**

**Description of Business and Organization** - IGY-AYH St. Thomas Holdings, LLC ("AYH" or the "Company") was formed as an indirect wholly owned subsidiary of Island Global Yachting Ltd. ("IGY" or the "Parent") on December 5, 2006. The Company had no activities until its January 18, 2007 acquisition of American Yacht Harbor. The Company is primarily engaged in the business of owning and operating a marina and commercial retail facility located in St. Thomas, United States Virgin Islands ("USVI"). It is comprised of a 109-slip marina and seven buildings with 47,344 square feet of rentable retail space. AYH is managed by IGY. The marina is located on 3.2 acres of submerged land leased from the St. Thomas Department of Planning and Natural Resources ("DPNR"). The retail complex is located on 2.12 acres of adjacent waterfront land.

On May 29, 2007, a 50% passive member interest in the Company was sold to an outside investor. The Company is controlled by the Parent and the members' liability is limited to their respective capital investments in the Company.

**Restricted Cash** - At various times throughout the year, the Company maintains cash balances in excess of federally insured limits. The Company's management believes it mitigates custodial risk by banking with major financial institutions. As of December 31, 2015 and 2014, \$2,664,705 and \$1,856,705, respectively, of the Company's cash is restricted under the terms of its loan agreement (See Note 5). These cash balances are restricted from withdrawal by the lender and serve as collateral for the outstanding loan but are released to the Company daily for use in operations provided that no event of default exists under the loan agreement.

**Accounts Receivable** - Accounts receivable are recorded at the invoiced amount and interest can be charged on some past due balances in accordance with local statutes and contractual arrangements with customers. Amounts collected on accounts receivable are included in net cash flows from operating activities in the statements of cash flows. The allowance for doubtful accounts is management's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on specific account analysis. Past-due balances over 90 days and over specified amounts are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers. As of December 31, 2015 and 2014, substantially all of the Company's accounts receivable serves as collateral for the loan outstanding.

**Inventories** - Inventories, which consist primarily of fuel, are stated at the lower of cost or market. Cost is determined using the first-in, first-out ("FIFO") method for all inventories.

**Prepaid Expenses and Other Current Assets** - Prepaid expenses and other current assets consist primarily of prepaid insurance and security deposits.

**Land** - The Company owns 2.12 acres of waterfront land in St. Thomas, USVI, which it carries at cost and leases 3.2 acres of submerged land from the DPNR.

**Property and Equipment** - Property and equipment are stated at cost. Depreciation on property and equipment is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the Company's assets are as follows:

IGY-AYH St. Thomas Holdings, LLC  
Notes to Financial Statements

**Note 1. Summary of Significant Accounting Policies (continued)**

**Property and Equipment (continued) –**

Buildings	40 years
Marina building and structure	20 years
Equipment	3-7 years
Vehicles	5 years
Furniture and fixtures	5-10 years

**Deferred Financing Costs** - Costs incurred to obtain financing are being amortized using the straight-line method, which approximates the effective-interest method, over the term of the related debt. Deferred financing costs at December 31, 2015 and 2014 of \$53,209 and \$85,153 are net of accumulated amortization of \$262,754 and \$230,810, respectively.

**Intangible Assets** - In accordance with the provisions of ASC subtopic 350-30, *General Intangibles Other Than Goodwill*, intangible assets determined to have a definite life are amortized using the straight-line method over the useful life. Costs incurred to renew or extend intangible assets are capitalized and amortized over the extended useful life.

**Impairment of Long-Lived Assets** - In accordance with ASC topic 360, *Property, Plant and Equipment*, long-lived assets, such as land, property and equipment, and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. For the years ended December 31, 2015 and 2014, the Company determined that it did not have an impairment loss relating to its land, property and equipment, or intangible assets.

**Deferred Revenue** - The Company receives payment in advance of performing the services related to renting boat slips and dockage space. These amounts are shown on the balance sheets as deferred revenue and are recognized as revenue when the Company performs the services.

**Customer Deposits** - The Company receives deposits from its retail tenants in accordance with the lease agreements. It also receives deposits from customers for slip rentals. These deposits are accounted for as customer deposits in the balance sheet. Revenues related to these deposits are recognized when earned.

**Income Taxes** - The Company is not subject to U.S. federal and state income taxes as the tax effects of the Company's activities are reported directly by the members on their respective income tax returns. The Company is required to pay USVI withholding taxes on behalf of all non-USVI members. Management of the Company has decided that Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") topic 740, *Income Taxes*, which relates to uncertain tax positions, does not have a material effect on the financial statements.

IGY-AYH St. Thomas Holdings, LLC  
Notes to Financial Statements

**Note 1. Summary of Significant Accounting Policies (continued)**

**Revenue Recognition** - Revenues are recognized primarily at the time services are performed or products are sold and consist of amounts earned from marina and upland operations. Revenues from leases are recognized over the term of the lease. The Company recognizes minimum rental starting when possession is taken. When a lease contains a predetermined fixed escalation of the minimum rental, the Company recognizes the related rental income on a straight-line basis and records the difference between the recognized rent income and the amount billed and collectable under the lease as straight-line rent receivable. Any lease commission payable, as discussed in Note 2, related to these leases is recognized on a straight-line basis as a reduction of revenue. These amounts are classified as deferred rent receivable, net of commissions on the balance sheet. The Company is also required to pay a gross receipts tax on certain revenue producing activities. These taxes are presented in costs and expenses on the Statements of Operations while revenues are presented at a gross amount not reduced by these taxes.

**Advertising and Marketing Costs** - Advertising and marketing costs are expensed as incurred. Advertising and marketing costs amounted to \$45,170 and \$50,979 for the years ended December 31, 2015 and 2014, respectively.

**Major Maintenance Activities** - The Company incurs maintenance costs on all its major property and equipment. Repair and maintenance costs are expensed as incurred.

**Commitments and Contingencies** - Liabilities for loss contingencies, including environmental remediation costs not within the scope of ASC topic 410, "Asset Retirement and Environmental Obligations", arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

**Use of Estimates** - The preparation of financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the allowance for doubtful accounts and the useful lives of land, property and equipment, intangible assets, and the liability for asset retirement obligation. Actual results could differ from those estimates.

**Fair Value Measurements** - ASC subtopic 820-10, "Fair Value Measurement", defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Company applies the provisions of ASC subtopic 820-10 to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Company currently has no assets or liabilities carried at fair value in the financial statements.

**Note 1. Summary of Significant Accounting Policies (continued)**

**Recently Issued Accounting Standards** – In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, “Leases (Topic 842),” which is required to be implemented for fiscal periods beginning after December 15, 2019. The provisions of the ASU seek to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. ASU 2016-02 requires that a lessee will be required to recognize assets and liabilities for all leases with lease terms of more than 12 months. Additionally, the ASU will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases, including qualitative and quantitative requirements. Lessor accounting will remain largely unchanged except for changes to align lessor accounting with ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)” discussed below. The Company is currently evaluating the effect of this ASU on its financial statements.

As part of its simplification initiative, in April 2015, the FASB issued ASU 2015-03, “Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs”. The ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU will become effective for the Company for fiscal years beginning after December 15, 2015 and it does not expect a material impact on its financial statements when this ASU is implemented.

In August 2014, the FASB ASU 2014-15, “Disclosures of Uncertainties about an Entity’s Ability to Continue as a Going Concern,” which is effective for nonpublic companies for fiscal periods beginning after December 15, 2016. This ASU will require management to assess an organization’s ability to continue as a going concern by incorporating and expanding upon certain principles that currently exist in United States auditing standards. This ASU defines substantial doubt to continue as a going concern and sets forth principles for considering the effect of management’s plans, mandates certain disclosures, and requires an assessment period of a year after the date the financial statements are issued or are available to be issued. The Company does not anticipate a material impact on its financial statements when this ASU is implemented.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” which can be implemented by nonpublic companies for fiscal periods beginning after December 15, 2016 at the earliest and for fiscal periods beginning after December 15, 2018 at the latest. The provisions of the ASU aim to remove inconsistencies and weaknesses in revenue requirements and improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. This ASU will supersede the existing Topic 605, Revenue Recognition. The Company does not anticipate a material impact on its financial statements when this ASU is implemented.

IGY-AYH St. Thomas Holdings, LLC  
Notes to Financial Statements

**Note 2. Related-Party Transactions**

The following is a summary of related party transactions for the years ended December 31, 2015 and 2014:

	2015	2014
Included in revenues:		
Marina facilities revenue earned from passive member	\$ 115,153	\$ 152,820
Upland facilities revenue earned from passive member	133,379	139,451
Included in costs and expenses:		
Management fees incurred to IGY	320,924	410,051

The Company earns marina revenue from six slips leased by a passive member and its affiliates on an annual basis at a 10% discount and fuel sales to the passive member and its affiliates at a 20% discount. The Company also leases two office spaces totaling approximately 3,200 square feet to the passive member.

Management fees incurred to IGY were 5% of revenues for the year ended December 31, 2015. During the year ended December 31, 2014, management fees were renegotiated and reduced. Management fees incurred to IGY were 7.5% of revenues for the period January 1, 2014 through February 28, 2014 and were 5% of revenues for the period March 1, 2014 through December 31, 2015. The initial term of the management agreement ends on December 31, 2016 and is renewable for two five year terms.

Due to Parent, payable on a monthly basis, of \$92,233 and \$82,816 at December 31, 2015 and 2014, respectively, includes accrued management fees of \$25,410 and \$52,233 at December 31, 2015 and 2014. Included in accounts receivable are \$4,232 and \$6,716 due from the passive member as of December 31, 2015 and 2014, respectively.

The Company also pays lease commissions to IGY for new leases or extensions of existing leases. These commissions paid represent 5% of the expected total rent revenue under the lease term. The Company paid approximately \$145,000 and \$74,000 during the years ended December 31, 2015 and 2014 for these commissions. Approximately \$59,000 and \$21,500 was included in Due to Parent as of December 31, 2015 and 2014, respectively for these commissions. These fees are amortized over the term of each lease as a reduction of rental revenue.

**Note 3. Intangible Assets**

The following table presents certain information regarding the Company's intangible assets as of December 31:

	2015		
Amortization period	Gross carrying amount	Accumulated amortization	Net balance
<b>Amortizable intangible assets:</b>			
<b>Business permit costs</b>	<b>10 years</b>	\$ 20,390	\$ 8,672
<b>Favorable fuel contract</b>	<b>11.3 years</b>	<b>1,156,000</b>	<b>914,019</b>
<b>Total</b>		<b>\$ 1,176,390</b>	<b>\$ 922,691</b>
		<b>\$ 1,176,390</b>	<b>\$ 253,699</b>

IGY-AYH St. Thomas Holdings, LLC  
Notes to Financial Statements

**Note 3. Intangible Assets (continued)**

	2014			
	Amortization period	Gross carrying amount	Accumulated amortization	Net balance
Amortizable intangible assets:				
Business permit costs	10 years	\$ 20,390	\$ 6,599	\$ 13,791
Favorable fuel contract	11.3 years	1,156,000	811,989	344,011
<b>Total</b>		<b>\$ 1,176,390</b>	<b>\$ 818,588</b>	<b>\$ 357,802</b>

Amortization expense related to intangible assets was \$104,103 for both years ended December 31, 2015 and 2014. The estimated amortization expense for the next five years is approximately \$104,000 per year for two years and \$40,000 in the third year, and \$2,000 in the fourth and fifth years. Business permits will need to be renewed in approximately six years.

**Note 4. Property and Equipment**

Property and equipment consisted of the following at December 31:

	2015	2014
Buildings	<b>\$ 18,135,811</b>	\$ 18,014,440
Marina structure and equipment	<b>4,201,154</b>	4,188,522
Other equipment	<b>419,655</b>	375,305
Construction in progress	<b>27,843</b>	—
Total property and equipment	<b>22,784,463</b>	22,578,267
Accumulated depreciation	<b>(8,476,625)</b>	(7,601,064)
Property and equipment, net	<b>\$ 14,307,838</b>	\$ 14,977,203

Depreciation expense related to property and equipment was \$875,561 and \$855,639 for the years ended December 31, 2015 and 2014, respectively.

The Company leases commercial real estate to third parties, except as described in Note 2, which is included in buildings in the schedule above, that had a gross book value of \$12,868,991 for both years ended December 31, 2015 and December 31, 2014, respectively, and accumulated depreciation of \$4,436,003 and \$3,986,614 at December 31, 2015 and 2014, respectively (see Note 6).

**Note 5. Note Payable**

The Company obtained a \$15,300,000 loan facility from a bank on August 23, 2007. Interest accrues at LIBOR plus 2.00% to LIBOR plus 2.75% based on the debt service coverage ratio of the Company. Principal and interest are due monthly and the loan matures on September 1, 2017. At December 31, 2015 and 2014, the principal amount outstanding under the loan was \$12,913,200 and \$13,286,700, respectively. The interest rate in effect at December 31, 2015 was 2.24% (calculated based on a blended LIBOR rate of 0.24% plus 2.00%). The interest rate in effect at December 31, 2014 was 2.58% (calculated based on a blended LIBOR rate of 0.23% plus 2.35%).

IGY-AYH St. Thomas Holdings, LLC  
Notes to Financial Statements

**Note 5. Note Payable (continued)**

The loan is collateralized by the real property and improvements thereon, the Company's rights under its retail leases, certain cash accounts, and accounts receivable of the Company. As part of a security agreement with the bank, the bank has required that certain cash accounts of the Company be pledged to the bank. This amount is shown as restricted cash on the balance sheets in the amount of \$2,664,705 and \$1,856,705 at December 31, 2015 and 2014, respectively. The terms of the loan contain certain financial covenants, negative covenants, and other terms and conditions customarily found in loan agreements of this type, principally the Company must not incur additional indebtedness unless permitted in the loan agreement. The Company has materially complied with the financial and negative covenants and terms and conditions.

Future payments of the balance outstanding on December 31, 2015 are due as follows:

Year ending December 31,:

2016	\$ 405,000
2017	12,508,200
Total	<u>\$ 12,913,200</u>

**Note 6. Lease Agreements**

*Coastal Zone Management ("CZM") Permits* - The Company is party to two CZM permits with the DPNR. These permits provide the Company the use of submerged land and upland at the marina site. The permits were negotiated with a fee of \$100,000 per year and a term of 20 years. The permits expire in 2032. The Company has the option to renew the permits within 90 days before the permits expire with the renewal terms subject to negotiation. Annual fees incurred under the permits during 2015 and 2014 totaled \$100,000 for both years.

*Marina Management and Marketing Agreement* - The Company is party to a Marina Management and Marketing Agreement ("Agreement") with St. Thomas Sport Fishing Center, Inc., which owns a leasehold interest in and is the holder of a CZM permit for submerged lands and a marina dock comprised of 19 slips located seaward of the Company. The Agreement allows the Company to manage and market the submerged lands and dock for a period of 5 years. Non-cancelable payments under the Agreement are \$60,000 per year. The Agreement expires in 2020 and will automatically renew for two additional 5 year terms, absent any uncured material default by the Company. Amounts paid under the Agreement are classified as rent expense in the Statement of Operations.

*Retail Leases* - The Company leases its upland building spaces to retail operations under operating leases. The leases have remaining terms of up to 5 years and contain standard renewal options. Base rentals are subject to escalation based upon scheduled rent increases within individual leases. The Company recognized revenue related to these leases of approximately \$1,283,204 and \$1,376,926 for the years ended December 31, 2015 and 2014, respectively.

IGY-AYH St. Thomas Holdings, LLC  
Notes to Financial Statements

**Note 6. Lease Agreements (continued)**

A schedule of approximate minimum future base rentals to be received under noncancelable operating leases as of December 31, 2015 is as follows:

Year ending December 31,:	
2016	\$ 1,274,283
2017	998,464
2018	819,537
2019	641,611
2020	119,694
Total	\$ 3,853,589

The upland facilities revenues include charges to the tenants in addition to base lease payments under the lease agreements, such as utilities and common area charges. These additional charges account for the significant difference between lease related revenue and the amounts reported on the income statements.

**Note 7. Asset Retirement Obligation**

The CZM permits that provide the Company use of the submerged land and upland at the marina site require that, upon expiration, the permitted area be restored to its original condition. Upon acquisition of the assets of American Yacht Harbor in 2007, the Company recorded an obligation and corresponding asset of \$402,376, in accordance with the provisions of ASC topic 410, "Asset Retirement and Environmental Obligations", for its obligation under these permits.

The obligation will increase with annual accretion expense and, ultimately, the obligation will reach approximately \$3.4 million in 2050. The following schedule summarizes the Company's asset retirement obligation activity for the years ended December 31,

	2015	2014
Balance at beginning of year	\$ 594,492	\$ 566,183
Accretion expense	29,725	28,309
Balance at end of year	\$ 624,217	\$ 594,492

**Note 8. Commitments**

*Retirement Plan* - The Company sponsors a Simple IRA Plan ("SEP") on behalf of substantially all of its employees as required by the Economic Development Benefits package it was granted by the Economic Development Commission of the USVI. Employees are eligible for the program after one year of service. The Company contributes 3% of employees' gross wages into individual employee accounts and all amounts are immediately vested. Employees are not allowed to contribute to the SEP. The related expense for the years ended December 31, 2015 and 2014 was \$14,803 and \$22,082, respectively.

IGY-AYH St. Thomas Holdings, LLC  
Notes to Financial Statements

**Note 8. Commitments (continued)**

*Fuel Purchase Contract* - The Company is party to a fuel purchase agreement under which it has committed to buy its gasoline and diesel fuel from one vendor at a fixed differential above a common index. The Company is required to purchase a minimum of 65,000 gallons per month of diesel and gasoline combined. There is no limit to the quantity the Company can purchase. The agreement expires May 31, 2018 and the Company can renew for an additional three years, although either party can terminate any time after 2014. During 2015 and 2014, the Company purchased \$1,102,778 and \$1,930,851, respectively, of fuel under the agreement.

**Note 9. Subsequent Events**

The Company has evaluated all events subsequent to the balance sheet date of December 31, 2015, through the date these financial statements are available to be issued, March 23, 2016. Management has determined that there are no subsequent events that require disclosure.