AmFin Financial Corporation and Subsidiaries

Consolidated Financial Statements
September 30, 2022

Cohen & Co

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AMFIN FINANCIAL CORPORATION AND SUBSIDIARIES

SEPTEMBER 30, 2022

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Cohen & Co

Independent Accountants' Review Report

Board of Directors
AmFin Financial Corporation and Subsidiaries

We have reviewed the accompanying consolidated financial statements of AmFin Financial Corporation and Subsidiaries, which comprise the consolidated balance sheet as of September 30, 2022, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in the accompanying consolidating balance sheet and consolidating statement of operations is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic consolidated financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Cohen & Company Ltd.

Cleveland, Ohio
January 30, 2023

Consolidated Balance Sheet
September 30, 2022

Assets		
Cash and Cash Equivalents		
Cash in financial institutions	$	**147,375**
Money market investments		**1,508,899**
U.S. Treasury bills		**40,222,738**
Total Cash and Cash Equivalents		**41,879,012**
Investments		
Investment held to maturity - net of valuation allowance of $1,471,960		**150**
Partnerships - net of valuation allowance of $1,618,500		**3,839,671**
Total Investments		**3,839,821**
Other Assets		
Prepaid expenses		**18,750**
Deferred tax asset - net		**127,170,900**
Valuation allowance for deferred tax asset		**(127,170,900)**
Total Other Assets		**18,750**
Total Assets	**$**	**45,737,583**
Liabilities & Shareholders' Equity		
Liabilities		
Accrued expenses and other liabilities	$	**72,614**
Total Liabilities		**72,614**
Shareholders' Equity		
Common stock, no par value - shares authorized 207,500; issued 207,245 shares; outstanding 161,421 shares		**1,036,225**
Retained earnings		**124,906,954**
Treasury stock, at cost - 45,824 shares		**(80,278,210)**
Total Shareholders' Equity		**45,664,969**
Total Liabilities and Shareholders' Equity	**$**	**45,737,583**

See Independent Accountants' Review Report and notes to the consolidated financial statements.

Consolidated Statement of Operations
Year Ended September 30, 2022

Equity in Earnings of Partnerships		
Equity in earnings of partnerships before provision for valuation allowance	$	**432,474**
Provision for valuation allowance		**(427,600)**
Total Equity in Earnings of Partnerships		**4,874**
Interest and Dividend Income		**252,999**
Realized Gain on Investment Securities		**229,197**
Operating Income		**487,070**
Operating Expenses		
Professional fees		**663,318**
Insurance expense		**150,000**
Other expenses		**13,359**
Total Operating Expenses		**826,677**
Net Loss	$	**(339,607)**

See Independent Accountants' Review Report and notes to the consolidated financial statements.

Consolidated Statement of Shareholders' Equity
Year ended September 30, 2022

	Number of Shares Outstanding		Common Stock		Retained Earnings		Treasury Stock		Total Shareholders' Equity
Balance, September 30, 2021	161,421	$	1,036,225	$	125,246,561	$	(80,278,210)	$	46,004,576
Net Loss	-		-		(339,607)		-		(339,607)
Balance, September 30, 2022	**161,421**	**$**	**1,036,225**	**$**	**124,906,954**	**$**	**(80,278,210)**	**$**	**45,664,969**

See Independent Accountants' Review Report and notes to the consolidated financial statements.

Consolidated Statement of Cash Flows
Year ended September 30, 2022

Cash Flows From Operating Activities		
Net loss	$	(339,607)
Adjustments to reconcile net income to net cash for operating activities:		
Provision for valuation allowance		427,600
Realized gain on investment securities		(229,197)
Equity in earnings of partnerships		(493,752)
Changes in operating assets and liabilities:		
Decrease in accrued expenses and other liabilities		36,524
Net Cash Used In Operating Activities		(598,432)
Cash Flows Provided From Investing Activities		
Return of investment from partnerships		319,455
Sale of investment securities		840,697
Net Cash Provided From Operating Activities		1,160,152
Net Increase In Cash and Cash Equivalents		561,720
Cash and Cash Equivalents, beginning of year		41,317,292
Cash and Cash Equivalents, end of year	$	41,879,012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

AmFin Financial Corporation (AmFin or the Company), formerly AmTrust Financial Corporation (AmTrust), was organized under the laws of the State of Ohio in 1977 and operated as the holding company of a consolidated group engaged in various financial services and the parent of AmTrust Bank and its subsidiaries.

AmFin Real Estate Investments, Inc. (AREII), a wholly owned subsidiary of AmFin, presently derives its revenue from limited partnership investments accounted for under the equity method, interest on a money market account, and records the results of operations of its three smaller subsidiaries on the equity method.

AmFin Investments, Inc. (AII), AmFin Management, Inc. (AMI), and AmFin Properties, Inc. (API), wholly owned subsidiaries of AREII, derive their revenue from partnership investments.

COVID-19 Impact

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Company and its financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which it operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Principles of Consolidation and Variable Interest Entities

The accompanying consolidated financial statements include the accounts of AmFin and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Variable Interest Entities (VIEs) are legal entities that meet certain criteria primarily related to their design and ability to finance their own operations. A VIE is an entity in which either (a) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (b) the voting rights of the equity investors are not proportional to their obligations to absorb the expected losses of the entity or their rights to receive the expected residual returns of the entity. An entity would be required to consolidate a VIE if the company had a controlling financial interest in the VIE. Such an interest would make the entity the primary beneficiary of the VIE.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Consolidation and Variable Interest Entities (continued)

In October 2018, the Financial Accounting Standards Board (FASB) amended Accounting Standards Codification (ASC) 810, *Consolidations*. Under the amended guidance, a non-public entity has the option to exempt itself from applying the VIE consolidation model to qualifying common control arrangements. The Company has adopted the accounting alternative offered to non-public entities for common control arrangements. In accordance with this alternative, the Company has not evaluated qualifying entities under the guidance in the VIE subsections of ASC 810.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Certain judgments and estimates are considered in determining the value of investments in limited partnerships, including current economic indicators, changes in demand for residential properties, as well as the timing of expected sales of units. Actual results may differ from these judgments and estimates and could have a material adverse effect on the Company's financial condition or operating results.

Cash and Cash Equivalents

All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents and are carried at cost, plus accrued interest, which approximates fair value.

Cash and cash equivalents are deposited with financial institutions that the Company believes are creditworthy and while balances, at times, may exceed federally insured limits, the Company has never experienced any losses related to these balances.

Marketable Securities

Marketable securities are carried at fair value, with changes in fair value reported in net income. In December 2021, the Company sold all of its marketable securities and recognized $229,197 of realized gain on investment securities which is included on the accompanying consolidated statement of operations.

Investment Securities

Investment securities held to maturity are those that the Company has the ability and intent to hold until maturity and are reported at amortized cost less any valuation allowance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Method Investments

The Company invests in limited partnerships which are accounted for under the equity method. Under this method, the investment is initially recorded at cost and is subsequently adjusted for contributions, distributions and the Company's share of the profit or loss of the partnership.

The Company's share of the profit or loss of the partnership is shown in the consolidated statement of operations.

At each reporting date, the Company determines whether its partnership investment is impaired. If there is evidence, based on estimated discounted future cash flow calculations, that the recoverable amount from the investment is less than its carrying value, the partnership is considered impaired and the consolidated statement of operations is charged to establish a valuation allowance to reduce the carrying value of the investment to the expected recoverable amount. If, after a prior recognized impairment, the expected recoverable amount is greater than the carrying value of the partnership, the valuation allowance is reversed.

The Company recorded a provision for a valuation allowance of $427,600 for the year ended September 30, 2022.

Revenue and Expense Recognition

Revenues consist principally of the Company's share of the annual profits and losses from partnership investments and to a lesser extent, from interest and dividends earned from U.S. Treasury securities, money market funds, and other marketable securities.

Income Taxes

The Company is subject to the income tax laws of the U.S., its states and municipalities. These tax laws are complex and subject to different interpretations by the taxpayer and the relevant governmental taxing authorities.

Deferred income taxes are determined using the balance sheet method. Deferred taxes are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates that will apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (continued)

The Company regularly reviews the carrying amount of its deferred tax assets to determine if the establishment of a valuation allowance is necessary. If based on the available evidence, it is more likely than not that all or a portion of the Company's deferred tax assets will not be realized in future periods, a deferred tax valuation allowance is established. Consideration is given to various positive and negative factors that could affect the realization of the deferred tax assets. In evaluating this available evidence, management considers, among other things, historical financial performance, expectation of future earnings, length of statutory carryforward periods, experience with operating tax loss and tax credit carryforwards which may expire unused, tax planning strategies and timing of reversals of temporary differences. The Company's evaluation is based on current tax laws as well as management's expectations of future performance.

The Company initially recognizes tax positions in the consolidated financial statements when it is more likely than not that the position will be sustained upon examination by the tax authorities. Such tax positions are initially and subsequently measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and all relevant facts. In establishing a provision for income tax expense, the Company makes judgments and interpretations about the application of these inherently complex tax laws within the framework of existing GAAP. The Company recognizes interest and penalties related to uncertain tax positions as a component of provision for income taxes. As of and during the year ended September 30, 2022, the Company did not have a liability for unrecognized tax positions.

Recent Accounting Policies

In June 2016, the FASB issued Accounting Standards Update 2016-13, *Measurement of Credit Losses on Financial Instruments* (Topic 326), which requires measurement and recognition of expected credit losses for financial assets. The update impacts financial assets that are not accounted for at fair value through net income. This update is effective for the Company's annual reporting period effective October 1, 2023. The Company is currently evaluating the potential impact of the guidance on its consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. INVESTMENT SECURITIES

Investment securities consist of 2,000 preferred shares of ALESCO Preferred Funding III, Ltd., the issuer of certain fixed and floating rate notes secured by a portfolio of collateral debt securities. The collateral debt securities, designed to provide the source of repayment for the notes, consist of capital securities, subordinated notes and preferred securities issued by holding companies of banks, thrifts, their trust subsidiaries or other depository institutions. Proceeds from the collateral debt securities cannot be distributed to the holders of the preferred shares until all of the notes have been paid in full and costs and expenses satisfied. Any remaining collateral securing the notes will be liquidated in April 2034, at which time any final proceeds will be available for distributions to the holders of the preferred shares. The Company has provided a valuation allowance to reduce the carrying value of the investment due to impairment of the collateral debt securities.

4. PARTNERSHIP INVESTMENTS

The Company held investments in the following limited partnerships totaling $5,458,171 at September 30, 2022. The majority of the partnerships are involved in investing in residential real estate activities and maintain their books on a calendar year basis. Accordingly, the equity in earnings of the limited partnerships recorded by the Company is for the partnership year ended December 31, 2021. This is consistent with FASB ASC 323, *Investments – Equity Method and Joint Ventures*, as the Company has consistently reported a year lag as a result of the December 31, 2021 financial statements being the most recent available financial statements provided by the investees to the Company.

The Company evaluates its partnership investments for impairment at each reporting date. At September 30, 2022, a valuation allowance for investments considered to be impaired is shown below.

Partnership Name	% Interest	Cumulative Capital Contributions	Cumulative Capital Distributions	Investment Balance	Valuation Allowance	Investment Balance - Net
Boynton 441 Development LP	49.2	$ 67,596,672	$ 87,024,271	$ 1,478,894	$ (464,000)	$ 1,014,894
Hyder Development LP	49.2	45,066,293	72,330,430	1,201,632	(571,000)	630,632
Canyon Commercial LP	23.9	6,746,785	6,057,427	2,139,906	-	2,139,906
Lexin AmFin Real Estate Partners, LP	19.5	7,910,000	2,321,199	527,490	(493,000)	34,490
Other	Various	5,738,124	8,936,867	110,249	(90,500)	19,749
		$133,057,874	$176,670,194	$ 5,458,171	$ (1,618,500)	$ 3,839,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. PARTNERSHIP INVESTMENTS (Continued)

The combined summarized statement of operations and statement of net assets information for equity method investments at year ended December 31, 2021, are as follows:

Combined Statement of Operations	$ 695,723
Combined Statement of Net Assets	
Total cash	$ 2,718,730
Total other assets	115,831
Total other investments	11,549,372
Total combined assets	$ 14,383,933
Total liabilities	26,300
Partners' capital accounts	$ 14,383,933

5. RELATED PARTY TRANSACTIONS

Management services were provided to the Company by Midwest Management Services, LLC (Midwest). One of the Company's directors is the son-in-law of a managing member of Midwest and another director is the son of another managing member.

Midwest was paid $5,000 per month for management services and an additional fee for stock transfer services, for a total of $60,000 for the year ended September 30, 2022. Management services fees are included in professional fees on the Company's consolidated statement of operations.

6. INCOME TAXES

The total income tax provision differs from expected amounts computed by applying the applicable statutory federal income tax rate to income before federal income taxes due to the increase in valuation allowance associated with the Company's net operating loss carryforwards offset by partnership permanent differences:

	Amount	Percent of Pretax Income
Federal income tax at statutory rates	$ (71,317)	(21.00%)
Increase in deferred tax valuation allowance	71,300	21.00%
Partnership permanent differences	17	0%
Actual tax benefit	$ -	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INCOME TAXES (Continued)

The net tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	2022
Deferred tax assets:	
Basis difference on equity investment	$ 595,524
Basis differences on partnership investments	274,256
Net operating loss carryforward	125,609,767
Capital loss carryforward	333,853
Tax credit carryforwards	361,443
Prepaid Expenses	(43)
Total gross deferred tax assets	127,174,800
Less valuation allowance	(127,170,900)
Deferred tax assets net of valuation allowance	3,900
Deferred tax liabilities:	
Other	(3,900)
Deferred tax liabilities	(3,900)
Net deferred tax asset	$ -

A valuation allowance is established to reduce the deferred tax asset if it is more likely than not that the related tax benefit will not be realized. As of September 30, 2022, the Company had no remaining tax carryback ability and management determined that it was more likely than not that the majority of net deferred tax assets would not be realized due to uncertainties surrounding the timing and amounts of future taxable income.

At September 30, 2022, the Company has federal net operating loss carryforwards of $598,141,746 in the United States that can be utilized against future taxable income. Substantially all of the net operating loss carryforwards will expire in various years through 2036, with the exception of $731,391 that may be carried forward indefinitely. In addition, the Company has capital loss carryforwards of $1,589,778 that will expire in various years through 2025.

The Company files a consolidated federal income tax return. Pursuant to a tax sharing agreement with its subsidiaries, each member's federal income tax liability is computed on a separate return basis determined by applying 21% to taxable income. The Company pays federal income taxes on behalf of the group, as required, and settles the tax obligation on a current basis in accordance with the tax sharing agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. CONTINGENCIES

In the course of normal operations, the Company is subject to various claims and assessments, including those related to the various taxing authorities, and is involved in various litigation that management intends to defend vigorously. At this time, management is unaware of any material claims and/or assessments and believes the ultimate resolution of any unasserted claims and/or assessments will not have a material adverse impact on the Company's business or financial position.

8. SUBSEQUENT EVENT

In November 2022, the Company contributed $14,000,000 of a $36,000,000 commitment to Estero Palm Development, LLC (Estero), an Ohio limited liability company. The purpose of Estero is to acquire and own partnership interests in two real estate development ventures in the state of Florida. This investment will be recorded under the equity method and included in partnerships on the consolidated balance sheet.

Management has evaluated subsequent events through January 30, 2023, the date the consolidated financial statements were available to be issued.

Consolidating Balance Sheet
September 30, 2022

	AmFin Financial Corporation	AmFin Real Estate Investments, Inc.	AmFin Investments, Inc.	AmFin Properties, Inc.	AmFin Management, Inc.	Eliminations	Consolidated
Cash and Cash Equivalents							
Cash in financial institutions	$ 6,038	$ 100	$ 6,436	$ 134,673	$ 128	$ -	$ 147,375
Money market Investments	1,481,684	27,215	-	-	-	-	1,508,899
U.S. Treasury bills	40,222,738	-	-	-	-	-	40,222,738
Total Cash and Cash Equivalents	41,710,460	27,315	6,436	134,673	128	-	41,879,012
Investments							
Held to maturity - net of valuation allowance of $1,471,960	-	150	-	-	-	-	150
Partnerships - net of valuation allowance of $1,618,500	-	3,806,878	(1,697)	34,490	-	-	3,839,671
Investment in and advances to consolidated subsidiaries	4,008,373	2,694,040	3,692	87,069	31	(6,793,205)	-
Total Investments	4,008,373	6,501,068	1,995	121,559	31	(6,793,205)	3,839,821
Other Assets							
Prepaid expenses	18,750	-	-	-	-	-	18,750
Deferred tax asset - net	117,975,400	8,957,300	8,600	227,900	1,700	-	127,170,900
Valuation allowance for deferred tax asset	(117,975,400)	(8,957,300)	(8,600)	(227,900)	(1,700)	-	(127,170,900)
Total Other Assets	18,750	-	-	-	-	-	18,750
Total Assets	$ 45,737,583	$ 6,528,383	$ 8,431	$ 256,232	$ 159	$ (6,793,205)	$ 45,737,583
Liabilities & Shareholders' Equity							
Liabilities							
Accrued expenses and other liabilities	$ 72,614	$ -	$ -	$ -	$ -	$ -	$ 72,614
Total Liabilities	72,614	$ -	-	-	-	-	72,614
Shareholders' Equity							
Common stock, no par value - shares authorized 207,500; issued 207,245 shares; outstanding 161,421 shares	1,036,225	500	100	100	100	(800)	1,036,225
Paid-in capital	-	-	196,509	5,200,722	-	(5,397,231)	-
Retained earnings	124,906,954	6,527,883	(188,178)	(4,944,590)	59	(1,395,174)	124,906,954
Treasury stock, at cost - 45,824 shares	(80,278,210)	-	-	-	-	-	(80,278,210)
Total Shareholders' Equity	45,664,969	6,528,383	8,431	256,232	159	(6,793,205)	45,664,969
Total Liabilities and Shareholders' Equity	$ 45,737,583	$ 6,528,383	$ 8,431	$ 256,232	$ 159	$ (6,793,205)	$ 45,737,583

See Independent Accountants' Review Report and notes to the consolidated financial statements.

Consolidating Statement of Operations
Year Ended September 30, 2022

	AmFin Financial Corporation	AmFin Real Estate Investments, Inc.	AmFin Investments, Inc.	AmFin Properties, Inc.	AmFin Management, Inc.	Eliminations	Consolidated
Equity in Earnings of Subsidiaries and Partnerships							
Equity in earnings of subsidiaries and partnerships before provision for valuation allowance	$ (18,146)	$ 449,986	$ 220	$ 6,147	$ -	$ (5,733)	$ 432,474
Provision for valuation allowance	-	(444,900)	-	17,300	-	-	(427,600)
Total Equity in Earnings of Subsidiaries and Partnerships	(18,146)	5,086	220	23,447	-	(5,733)	4,874
Interest and Dividend Income	252,480	519	-	-	-	-	252,999
Gain on Investment Securities	229,197	-	-	-	-	-	229,197
Operating Income	463,531	5,605	220	23,447	-	(5,733)	487,070
Operating Expenses							
Professional fees	663,318	-	-	-	-	-	663,318
Insurance expense	150,000	-	-	-	-	-	150,000
Other expenses	13,349	-	-	-	10	-	13,359
Total Operating Expenses	826,667	-	-	-	10	-	826,677
Net Income (Loss) Before Income Taxes	(363,136)	5,605	220	23,447	(10)	(5,733)	(339,607)
Income Tax (Benefit) Expense	(23,529)	23,751	(111)	(111)	-	-	-
Net Income (Loss)	$ (339,607)	$ (18,146)	$ 331	$ 23,558	$ (10)	$ (5,733)	$ (339,607)

See Independent Accountants' Review Report and notes to the consolidated financial statements.