



Millennium Parking Garages LLC

Financial Statements

As of December 31, 2016 and for the Period from
May 18, 2016 (Commencement of Operations)
through December 31, 2016

Millennium Parking Garages LLC

Financial Statements
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Operations) through December 31, 2016

Millennium Parking Garages LLC

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Independent Auditor's Report

Board of Directors
Millennium Parking Garages LLC
Chicago, Illinois

We have audited the accompanying financial statements of Millennium Parking Garages LLC (the "Company"), which comprise the balance sheet as of December 31, 2016, and the related statements of operations and member's equity, and cash flows as of December 31, 2016 and for the period from May 18, 2016 (Commencement of Operations) through December 31, 2016, 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 audit. We conducted our audit 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 Company'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 Company'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 Millennium Parking Garages LLC as of December 31, 2016 and the results of its operations and its cash flows for the period from May 18, 2016 (Commencement of Operations) through December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Chicago, Illinois
April 28, 2017

Financial Statements

Millennium Parking Garages LLC

Balance Sheet

<i>December 31,</i>	2016
Assets	
Current Assets	
Cash and cash equivalents	\$ 15,871,221
Accounts receivable	1,586,509
Prepaid expenses	260,748
Total Current Assets	17,718,478
Restricted Cash	10,844,294
Property and Equipment, net	240,107,682
Intangible Asset, net	126,116,269
Total Assets	\$ 394,786,723
Liabilities and Member's Deficit	
Current Liabilities	
Accounts payable and accrued expenses	\$ 1,890,537
Accrued interest payable	852,563
Accrued construction costs	375,000
Deferred revenue	394,407
Total Current Liabilities	3,512,507
Long-Term Debt, net of deferred loan costs	202,977,677
Total Liabilities	206,490,184
Member's Equity	188,296,539
Total Liabilities and Member's Equity	\$ 394,786,723

See accompanying notes to financial statements.

Millennium Parking Garages LLC
Statement of Operations and Member's Equity

<i>Period from May 18, 2016 (commencement of operations) through December 31,</i>	<i>2016</i>
Revenue	
Transient parking	\$ 15,974,175
Monthly parking	5,788,820
Other	1,179,147
Total revenue	22,942,142
Cost of Parking	
Parking taxes	4,981,931
Credit card fees	429,875
Total cost of parking	5,411,806
Gross profit	17,530,336
Operating Expenses	
Operations	3,060,572
Salaries and benefits	1,467,871
Management fees	613,694
General and administrative	1,120,534
Depreciation and amortization	4,729,453
Total operating expenses	10,992,124
Net operating income	6,538,212
Other Expense	
Interest expense	(7,124,704)
Loss on early termination of interest rate swaps	(15,937,600)
Transaction expenses	(11,179,369)
Total other expense	(34,241,673)
Net Loss	(27,703,461)
Member contribution	216,000,000
Member's Equity, May 18, 2016 (commencement of operations)	-
Member's Equity, December 31, 2016	\$ 188,296,539

See accompanying notes to financial statements.

Millennium Parking Garages LLC

Statement of Cash Flows

<i>Period from May 18, 2016 (commencement of operations) through December 31,</i>	<i>2016</i>
Cash Flows From Operating Activities	
Net loss	\$ (27,703,461)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization of long-lived assets	4,729,453
Amortization of deferred financing fees	3,549,607
Changes in operating assets and liabilities, net of acquisition:	
Accounts receivable	(1,463,412)
Prepaid expenses	(171,914)
Accounts payable and accrued expenses	321,538
Accrued interest payable	852,563
Deferred revenue	(45,983)
Net cash used in operating activities	(19,931,609)
Cash Flows From Investing Activities	
Acquisition of a business	(368,556,961)
Additions to property and equipment	(223,985)
Net cash used in investing activities	(368,780,946)
Cash Flows From Financing Activities	
Member contribution received	216,000,000
Proceeds from long-term debt	380,000,000
Repayment of long-term debt	(175,000,000)
Loan costs paid	(5,571,930)
Net cash provided by financing activities	415,428,070
Net Increase in Cash, Cash Equivalents, and Restricted Cash	26,715,515
Cash, Cash Equivalents, and Restricted Cash, beginning of period	-
Cash, Cash Equivalents, and Restricted Cash, end of period	\$ 26,715,515
Supplemental Disclosure of Cash Flow Information	
Cash paid for interest	\$ 2,374,751
Supplemental Disclosure of Non-cash Financing Activities	
Additions to property and equipment of \$729,419 are included in accounts payable and accrued expenses at December 31, 2016.	

See accompanying notes to financial statements.

Millennium Parking Garages LLC

Notes to Financial Statements

1. Description of Business

Millennium Parking Garages LLC (the "Company") is a Delaware Limited Liability Company that was formed on January 14, 2016 for the purpose of owning a concessionaire interest in, and operating, underground parking facilities which comprise the Chicago Downtown Parking System (the "System") in Chicago, Illinois. There was no activity in the Company prior to the transaction date.

On November 3, 2006, Chicago Loop Parking, LLC ("CLP") entered into a concession and lease agreement (the "C&L Agreement") pursuant to which it leased the System for a 99-year term from the City of Chicago. On January 31, 2014, LMG2, LLC was assigned CLP's assets, including the concessionaire interest in the System, and assumed certain of CLP's existing loan and other obligations through an Assignment in Lieu of Foreclosure Agreement (the "Assignment").

On January 24, 2016, the Company entered into an agreement with LMG2 to purchase substantially all of its assets, including its right, title and interest in the C & L Agreement for \$370,000,000, subject to certain adjustments, which purchase (the "Transaction") closed on May 18, 2016 (the "transaction date" or the "Commencement of Operations"). As a result of the Transaction, the Company has an exclusive right during the remainder of the 99-year lease term to use, possess, operate, manage, maintain, rehabilitate, and charge and collect parking fee revenues and other revenues in connection with using the assets of the System for parking garage purposes.

Except as provided in the Delaware Limited Liability Company Act and the Limited Liability Company Agreement, no member shall be personally liable for any debt, obligation or liability of the Company solely by reason of being a member of a limited liability company. The Company will continue in effect in perpetuity unless terminated earlier by the members in accordance with the Company's Limited Liability Agreement.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America. These financial statements present the activities and balances of the Company for the period from May 18, 2016 (Commencement of Operations) through December 31, 2016.

The Company has evaluated subsequent events through April 28, 2017, the date the financial statements were available to be issued.

Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Millennium Parking Garages LLC

Notes to Financial Statements

Revenue Recognition

Parking revenues from transient parking and monthly parking customers are recognized as the service is provided. To the extent that the Company has received cash from customers in advance of the applicable parking periods, the Company classifies such amounts as deferred revenue. Recoveries from customers for parking taxes are recognized as income in the same period as the related costs and approximated \$4,982,000 during the period ended December 31, 2016.

Other revenue includes rent under the long-term sublease obligation described in Note 7, as well as rent from valet services and other space rentals. Rent is recognized as revenue on a monthly basis based on the terms of the underlying contracts for those rentals that are not subject to a long-term sublease obligation to the Company. For rentals associated with the long-term sublease obligation, the Company recognizes monthly revenue, including minimum rent escalations, on a straight-line basis over the remaining term of the sublease agreement. Rent collected in excess of revenue recognized on a straight-line basis is recorded as deferred revenue.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and liquid investments with an initial maturity of three months or less when purchased. Throughout the year, the Company may maintain cash balances in excess of federally insured amounts on deposit with various financial institutions. The Company has never experienced any losses related to these balances.

The balance in the Company's unrestricted cash account was \$15,871,221 as of December 31, 2016. On February 22, 2017, \$13,000,000 was distributed to the Company's sole member.

Restricted Cash

Restricted cash represents amounts on deposit with a collateral agent for the benefit of the Note Purchasers as required by the Note Purchase Agreement described in Note 4. As of December 31, 2016, the Company maintained a restricted cash balance of \$4,038,450 for the payment of debt service and operating costs in accordance with the terms of the Note Purchase Agreement.

Additionally, under terms of the Note Purchase Agreement, cash generated from operations is required to be deposited into restricted cash accounts. These funds are held until the collateral agent approves their release for the payment of current operating expenses, interest due under the Agreement, or permissive transfers of excess cash flows into an unrestricted cash account. The total balance in the revenue restricted cash accounts was \$4,072,090 as of December 31, 2016. In addition, cash held in the Company's operating accounts is also subject to a lien in favor of the collateral agent. The total balance in this restricted cash account was \$2,733,754 as of December 31, 2016.

Accounts Receivable

Accounts receivable, consisting primarily of amounts due from certain corporate parking customers and mobile App providers, are reflected at their estimated collectible amounts. An allowance for doubtful accounts is maintained at a level management believes is sufficient to cover potential losses based on historical trends and known current factors impacting the Company's customers. At December 31, 2016, management concluded that no allowance for doubtful accounts was required.

Millennium Parking Garages LLC

Notes to Financial Statements

Property and Equipment, net

The initial acquisition of property and equipment was recorded at estimated fair value. Subsequent expenditures for significant betterments and improvements that extend the economic lives of the assets are capitalized at cost. Maintenance and repairs are charged to expense when incurred.

Depreciation and amortization is provided on a straight-line basis over the remaining term of the C&L Agreement for the ground lease, six to 40 years for parking structures and improvements, and five years for furniture, fixtures and equipment. Depreciation and amortization expense totaled \$3,845,721 during the period ended December 31, 2016.

As of December 31, 2016, property and equipment consisted of the following:

Ground lease	\$ 60,000,000
Parking structures and improvements	178,953,403
Furniture, fixtures and equipment	5,000,000
	243,953,403
Accumulated depreciation	(3,845,721)
Property and equipment, net	\$ 240,107,682

Intangible Asset

The interest in the C&L Agreement acquired on May 18, 2016 was recorded at its estimated fair value of \$127,000,000 and is being amortized on a straight-line basis over the remaining term of the C&L Agreement. Amortization expense for the period ended December 31, 2016 totaled \$883,732. Annual amortization of the C&L Agreement intangible will be approximately \$1,419,000 over the remaining 89-year term of the C&L Agreement.

Long-Lived Assets

The Company evaluates its property and equipment and intangible asset for impairment whenever events or changes in circumstances indicate that the carrying values of such assets may not be recoverable. The assets are considered impaired when the associated estimated future undiscounted operating cash flows are less than the carrying value of such assets. To the extent impairment has occurred, the excess of the carrying value of the asset over its estimated fair value will be charged to operations. As of December 31, 2016, management of the Company does not believe that the carrying amounts of its long-lived assets have been impaired.

Deferred Loan Costs

Costs incurred in obtaining the Company's long-term debt are recorded as a reduction of long-term debt and amortized over the initial term of the related loan. The amortization of loan costs is included in interest expense and approximated \$3,550,000 for the period ended December 31, 2016, which includes approximately \$3,537,000 of deferred loan costs that were written off in conjunction with the debt refinancing described in Note 4. Deferred loan costs, net of accumulated amortization of \$13,149, totaled \$2,022,323 at December 31, 2016.

Millennium Parking Garages LLC

Notes to Financial Statements

Advertising Costs

Advertising costs are charged to operations when incurred and approximated \$93,200 for the period ended December 31, 2016.

Income Taxes

No liability or provision has been made for federal or state income taxes in the financial statements as the liability for such taxes, if any, is that of the ultimate owners of the Company.

Recent Accounting Pronouncements

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-18, "Restricted Cash." ASU 2016-08 updates Topic 230 to require that restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period cash amounts shown on the statement of cash flows. Consequently, transfers between cash and restricted cash will not be presented as a separate line item in the operating, investing, or financing sections of the cash flow statement. The amendments are effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company adopted this standard in 2016.

3. Acquisition of the Business

On May 18, 2016, the Company acquired certain assets and liabilities of LMG2, LLC in a transaction accounted for as a business combination. The fair value of the assets acquired and liabilities assumed at the transaction date are as follows:

Ground lease	\$ 60,000,000
Buildings	178,000,000
Furniture & fixtures	5,000,000
Intangible asset	127,000,000
Net working capital	(1,443,039)
<hr/>	
Total	\$ 368,556,961

The Company used a capital contribution of \$216,000,000 and debt of \$175,000,000 to help fund the Transaction and provide additional working capital.

The Company incurred \$11,179,369 of acquisition costs, which are included in other expenses in the statement of operations and member's equity.

4. Loan Agreement and Note Purchase Agreement

On May 18, 2016, the Company entered into a Loan Agreement with National Australia Bank Limited as administrative agent, certain lenders (as defined), and certain hedging banks (as defined), pursuant to which the Company borrowed \$175,000,000 to fund a portion of the cost of the Transaction. The Loan Agreement interest rates were based on LIBOR plus 2.00% and required quarterly payments of interest.

Millennium Parking Garages LLC

Notes to Financial Statements

On November 22, 2016, the Company entered into a Note Purchase Agreement with certain Note Purchasers, pursuant to which the Note Purchasers extended debt to the Company of \$205,000,000, which was used, among other things, to retire all amounts owed under the Loan Agreement.

Under the Note Purchase Agreement, the Company issued \$73,000,000 of Senior Secured Notes, Series A, due on November 22, 2028; \$45,000,000 of Senior Secured Notes, Series B, due on November 22, 2032; \$45,000,000 of Senior Secured Notes, Series C, due on November 22, 2036; and \$42,000,000 of Senior Secured Notes, Series D, due on November 22, 2046. The Senior Secured Notes are due upon maturity but can be prepaid, subject to certain terms and conditions, as defined in the Note Purchase Agreement.

The Series A Notes bear interest at a fixed rate of 3.57% per annum; the Series B Notes bear interest at a fixed rate of 3.84% per annum; the Series C Notes bear interest at a fixed rate of 4.08% per annum; and the Series D Notes bear interest at a fixed rate of 4.54% per annum. Interest is payable quarterly on the Notes commencing on March 31, 2017. The Company recorded approximately \$853,000 of interest payable on the Notes as of December 31, 2016.

National Australia Bank Limited acts as collateral agent for the Note Purchasers pursuant to the terms of the Note Purchase Agreement and related documents. The obligations of the Company under the Note Purchase Agreement are secured by the Company's rights, title, and interests in, to, and under the C&L Agreement, the leasehold interests in the System and the improvements thereto.

There are restrictive covenants associated with the Note Purchase Agreement that require an interest coverage ratio and other covenants be maintained by the Company. As of December 31, 2016, the Company was in compliance with all covenants in the Note Purchase Agreement.

5. Interest Rate Swaps

On May 18, 2016, in conjunction with the debt described in Note 4, the Company entered into interest rate swaps with high credit quality counterparties in an aggregate notional amount of \$174,900,000, which swaps had rates ranging from 1.8590% to 2.1775%, and maturity dates of June 30, 2026 or June 30, 2036. On November 22, 2016, as a result of the refinancing described in Note 4, the Company terminated these interest rate swaps and recorded a charge of \$15,937,600, which is included in loss on early termination of interest rate swaps on the statement of operations and member's equity.

6. Operations and Maintenance Agreement

Prior to September 15, 2016, the parking facilities were managed by LAZ Parking Chicago, LLC ("LAZ"), pursuant to the terms of an operations and maintenance agreement (the "LAZ O&M Agreement") which was assigned to the Company by LMG2 on May 18, 2016 in connection with the Transaction. Under the LAZ O&M Agreement, LAZ was paid a base fee equal to 2.5% of net operating income, as defined. The base fee paid by the Company to LAZ in 2016 approximated \$189,000.

On August 31, 2016, the Company entered into an operation and maintenance agreement with SP Plus Corporation ("SP+") (the "SP+ O&M Agreement"). On September 15, 2016, SP+ commenced managing the parking facilities for the Company. Under the SP+ O&M Agreement, SP+ is paid a fee of \$17,000 per month plus an incentive fee based on certain metrics. SP+ also acted as a consultant to the Company prior to assuming operational responsibility for the parking facilities. The Company

Millennium Parking Garages LLC

Notes to Financial Statements

paid SP+ approximately \$67,000 in consulting fees and \$60,000 in management fees during the period ended December 31, 2016.

7. Asset Management Agreement

On May 18, 2016, the Company entered into a services agreement with NEXT Parking, LLC ("NEXT") for the provision of executive and facilities management services through May 31, 2021. The asset management agreement may be extended beyond, or terminated earlier, than May 31, 2021 by either party. NEXT receives a base management fee equal to \$40,000 per month and an incentive management fee equal to 8% of the amount by which net operating income ("NOI"), as defined, exceeds the NOI provided in the annual operating budget, subject to reduction for certain defined qualitative measures. The incentive fee may not exceed \$75,000 in a single operating year. Asset management fees, including the incentive fee, approximated \$298,000 in 2016.

8. Sublease Agreement

CLP entered into a sublease agreement (the "Sublease") with Chicago Parking Meters, LLC ("Meters"), under which Meters rents a warehouse and related office space on the System's property for a ten-year period ending on November 1, 2019. The Sublease provides for two extension options of five years each. As a result of the assignment of interest in the C&L Agreement, as described in Note 1, the Sublease was also assigned to LMG2 on January 31, 2014. The Company acquired the Sublease in connection with the Transaction. Annual base rent payable under the Sublease is \$481,000, which is payable in monthly installments. The annual base rent (including base rent during the extension periods if the options are exercised) increases in accordance with the United States Consumer Price Index, but in no event by less than 3%. Rental income from Meters is included in other revenue on the statement of operations and members' equity and approximated \$580,000 during the period ended December 31, 2016.

9. Contingencies

The Company may be subject to litigation in the normal course of business. Management uses guidance from legal counsel relating to the potential outcome of any litigation when determining the need to record liabilities for potential losses and disclose pending legal claims. In management's opinion the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material effect on the Company's financial position, results of operations, or liquidity.

In February 2013, a complaint was filed against CLP and the City of Chicago in the Circuit Court of Cook County, Illinois, by the Independent Voters of Illinois - Independent Precinct Organization and Aviva Patt (an individual) ("Plaintiffs"). (LMG2 and the Company were later added as additional party defendants in that action.) The complaint alleged that the C&L Agreement unconstitutionally restricts the City's legislative and police powers and requires the illegal expenditure of public funds. Plaintiffs also alleged that the C&L Agreement is anti-competitive. The City of Chicago and CLP filed a motion to dismiss the complaint. On February 11, 2014, the Circuit Court of Cook County granted the motion, dismissed the complaint with prejudice, and granted judgment in favor of CLP and the City. On March 18, 2016, the Illinois Appellate Court affirmed that order of dismissal. The plaintiffs filed a petition for leave to appeal with the Illinois Supreme Court, which petition was denied on September 28, 2016.