Millennium Parking Garages LLC

Financial Statements
Years Ended December 31, 2022 and 2021

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Contents

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Independent Auditor's Report

The Board of Directors
Millennium Parking Garages LLC
Chicago, Illinois

Opinion

We have audited the financial statements of Millennium Parking Garages LLC (the Company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

BDO USA, LLP

April 25, 2023

Financial Statements

Millennium Parking Garages LLC

Balance Sheets

December 31,		2022		2021
Assets				
Current Assets				
Cash	$	**284,557**	$	1,380,349
Accounts receivable		**1,195,544**		1,141,068
Prepaid expenses		**279,637**		287,346
Total Current Assets		**1,759,738**		2,808,763
Restricted Cash		**7,823,858**		9,691,204
Property and Equipment, Net		**211,320,004**		217,567,387
Intangible Asset, Net		**117,606,753**		119,025,465
Total Assets	$	**338,510,353**	$	349,092,819
Liabilities and Members' Equity				
Current Liabilities				
Accounts payable and accrued expenses	$	**963,320**	$	1,289,999
Accrued construction costs		**375,000**		375,000
Accrued interest payable		**96,680**		-
Deferred revenue		**240,108**		330,779
Total Current Liabilities		**1,675,108**		1,995,778
Revolving Credit Borrowings		**4,850,000**		4,850,000
Long-Term Debt, net of deferred loan costs of $1,274,907 and $1,402,825 at December 31, 2022 and 2021, respectively		**203,725,093**		203,597,175
Total Liabilities		**210,250,201**		210,442,953
Members' Equity		**128,260,152**		138,649,866
Total Liabilities and Members' Equity	$	**338,510,353**	$	349,092,819

See accompanying notes to financial statements.

Millennium Parking Garages LLC

Statements of Operations and Members' Equity

Year ended December 31,	**2022**	2021
Revenue		
Transient parking	**$ 19,995,571**	$ 15,372,645
Monthly parking	**9,644,471**	5,785,768
Other	**970,391**	868,939
Total Revenue	**30,610,433**	22,027,352
Cost of Parking		
Parking taxes	**7,721,189**	5,544,752
Credit card fees	**602,336**	455,482
Total Cost of Parking	**8,323,525**	6,000,234
Gross Profit	**22,286,908**	16,027,118
Operating Expenses		
Operations	**5,763,465**	5,179,000
Salaries and benefits	**2,416,854**	2,143,898
Management fees	**506,375**	424,211
General and administrative	**1,602,093**	1,472,793
Depreciation and amortization	**8,898,993**	9,105,757
Total Operating Expenses	**19,187,780**	18,325,659
Net Operating Income (Loss)	**3,099,128**	(2,298,541)
Other Expense		
Interest expense	**8,488,842**	8,549,648
Net Loss	**(5,389,714)**	(10,848,189)
Members' Contributions	**-**	8,000,000
Members' Distributions	**(5,000,000)**	-
Members' Equity, beginning of year	**138,649,866**	141,498,055
Members' Equity, end of year	**$ 128,260,152**	$ 138,649,866

See accompanying notes to financial statements.

Millennium Parking Garages LLC

Statements of Cash Flows

Year ended December 31,	2022	2021
Cash Flows from Operating Activities		
Net loss	**$ (5,389,714)**	$ (10,848,189)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization of long-lived assets	**8,898,993**	9,105,757
Amortization of deferred financing fees	**127,918**	164,757
Changes in operating assets and liabilities:		-
Accounts receivable	**(54,476)**	(283,143)
Prepaid expenses	**7,709**	(126,871)
Accounts payable and accrued expenses	**(388,274)**	(677,315)
Accrued interest payable	**96,680**	-
Deferred revenue	**(90,671)**	81,557
Net Cash Provided by (Used in) Operating Activities	**3,208,166**	(2,583,447)
Cash Flows from Investing Activities		
Additions to property and equipment	**(1,171,304)**	(718,963)
Cash Flows from Financing Activities		
Members' contributions	**-**	8,000,000
Members' distributions	**(5,000,000)**	-
Net Cash (Used in) Provided by Financing Activities	**(5,000,000)**	8,000,000
Net (Decrease) Increase in Cash and Restricted Cash	**(2,963,138)**	4,697,590
Cash and Restricted Cash, beginning of year	**11,071,553**	6,373,963
Cash and Restricted Cash, end of year	**$ 8,108,415**	$ 11,071,553
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	**$ 8,264,244**	$ 8,384,891
Supplemental Disclosure of Non-Cash Financing Activities		
Additions to property and equipment included in accounts payable and accrued expenses	**$ 61,593**	$ 20,000
Reconciliation of Cash and Restricted Cash		
Cash	**$ 284,557**	$ 1,380,349
Restricted cash	**7,823,858**	9,691,204
Total Cash and Restricted Cash	**$ 8,108,415**	$ 11,071,553

See accompanying 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, as defined below.

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 (LMG2) 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 (Transaction Date), 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 closing 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 (U.S. GAAP). These financial statements present the activities and balances of the Company for the years ended December 31, 2022 and 2021.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Cash

Cash is maintained at large financial institutions and at times may exceed federally insured limits. As of December 31, 2022 and 2021, the uninsured balances were $0 and $770,900, respectively. The Company has never experienced any losses related to these balances.

The balance in the Company's unrestricted cash account was $284,557 and $1,380,349 as of December 31, 2022 and 2021, respectively.

Restricted Cash

Restricted cash represents amounts on deposit in accounts subject to a lien of a collateral agent for the benefit of the Note Purchasers as required by the Note Purchase Agreement described in Note 5. As of December 31, 2022 and 2021, the Company maintained a restricted cash balance of $150,000 each year for the payment of debt service and operating costs in accordance with the terms of the Note Purchase Agreement.

Additionally, under the 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, maintenance expenses, interest due under the Agreement, fees and interest due to CIBC Bank USA, or permissive transfers of excess cash flows into an unrestricted cash account. The total balance in the revenue restricted cash accounts was $6,961,512 and $9,235,163 as of December 31, 2022 and 2021, respectively. During 2022 and 2021, $5,000,000 and $0 of excess cash was distributed to the members, respectively. 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 $712,346 and $306,041 as of December 31, 2022 and 2021, respectively. Ownership made equity contributions of $0 and $8,000,000 during the years ended December 31, 2022 and 2021, respectively, which were deposited into the restricted cash account.

Accounts Receivable

Accounts receivable, consisting primarily of amounts due from certain corporate parking customers and online parking 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, 2022 and 2021, management concluded that no allowance for doubtful accounts was required.

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 was approximately $7,480,300 and $7,687,000 during the years ended December 31, 2022 and 2021, respectively.

Property and equipment consist of the following:

December 31,	2022	2021
Construction in process	**$ 2,472,675**	$ 2,077,488
Ground lease	**60,000,000**	60,000,000
Parking structures and improvements	**192,140,227**	191,302,517
Furniture, fixtures, and equipment	**5,000,000**	5,000,000
Accumulated depreciation	**(48,292,898)**	(40,812,618)
Property and Equipment, Net	**$ 211,320,004**	$ 217,567,387

The estimated cost to complete construction in process is approximately $1,590,000 for projects that are expected to be completed from 2023 to 2024.

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 99-year term of the C&L Agreement. Amortization expense was $1,418,712 for each of the years ended December 31, 2022 and 2021.

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, 2022 and 2021, 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, which is included in interest expense on the statements of operations and members' equity, was $127,918 and $164,757 for each of the years ended December 31, 2022 and 2021, respectively.

Deferred loan costs, net of accumulated amortization of $884,476 and $756,558, totaled $1,274,907 and $1,402,825 at December 31, 2022 and 2021, respectively.

Advertising Costs

Advertising costs are charged to operations when incurred and approximated $497,000 and $375,200 for the years ended December 31, 2022 and 2021, respectively, and are included in general and administrative expenses in the statements of operations and members' equity.

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.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases;* in July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842: Leases*, and ASU 2018-11, *Leases – Targeted Improvements;* and in December 2018, the FASB issued ASU 2018-20, *Narrow-Scope Improvements for Lessors*. This group of ASUs is collectively referred to as Topic 842 and was adopted by the Company effective January 1, 2022. Topic 842 superseded the existing standards for lease accounting (Topic 840, *Leases)*.

The accounting by a lessor under Topic 842 is largely unchanged from that of Topic 840. Under Topic 842, lessors will continue to account for leases as a sales-type, direct financing, or operating leases. A lease will be treated as a sale if it is considered to transfer control of the underlying asset to the lessee. A lease will be classified as direct-financing if risks and rewards are conveyed without the transfer of control. Otherwise, the lease is treated as an operating lease. Topic 842 requires accounting for a transaction as a financing lease in a sale leaseback in certain circumstances, including when the seller-lessee is provided an option to purchase the property from the landlord at the tenant's option.

The Company elected certain practical expedients provided by Topic 842, including, as lessor, the practical expedient not to separate certain non-lease components, such as common area maintenance, from the lease component if (i) the timing and pattern of transfer are the same for the non-lease component and associated lease component, and (ii) the lease component would be classified as an operating lease if accounted for separately. With this election, the Company combined lessee reimbursements with rental revenues on its statements of operations and members' equity.

3. Revenue Recognition

The Company recognizes revenue in accordance with FASB Topic 606, *Revenue from Contracts with Customers* (Topic 606). Revenue primarily consists of transient and monthly revenue, and revenue from leased spaces in the garage system. These services each represent individual performance obligations and, in exchange for these services, the Company receives fixed amounts based on published rates or negotiated contracts.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer or client and is the unit of account in Topic 606. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when or as the performance obligation is satisfied. All of the Company's contracts have a single performance obligation that is not separately identifiable from other promises in the contract and, therefore, not distinct, comprising the promise to provide a bundle of monthly performance obligations or services for transient or monthly parkers. The contract price is generally deemed to be the transaction price.

Payment is due in full at the time the services are rendered for transient parkers. The time between completion of the performance obligation and collection of cash is typically not more than 30-60 days. In certain contractual arrangements, such as monthly parker contracts, cash is collected in advance of the Company commencing its performance obligations under the contractual arrangement.

Parking revenues from transient parking and monthly parking customers are recognized as the service is provided. A contract for transient parking is the ticket issued upon entry to the garage, while a contract for monthly parking is the executed contract that the customer and the garage agree to prior to the following month's services to be 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 were $7,721,189 and $5,544,800 during the years ended December 31, 2022 and 2021, respectively.

Other revenue includes rent under the long-term sublease agreement described in Note 8, as well as other space leases and parking fees paid by valet services. 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. Rental revenue is outside of the scope of Topic 606 and is instead accounted for under lease accounting guidance.

4. CIBC Loan Agreement

On February 20, 2018, the Company entered into an agreement with CIBC Bank USA (CIBC) for a revolving credit facility and a letter of credit facility (used solely to support the Debt Service Reserve required under the Note Purchase Agreement) with an original maturity date of February 2022, which was subsequently amended to mature in February 2024.

The maximum borrowings under the revolving credit facility are $4,850,000. The revolving loans are charged at either the Prime rate less a 1.00% margin, or one-month SOFR plus a 2.12% margin, at the Company's discretion. A non-use fee is charged at 0.25%.

The outstanding loan balance as of both December 31, 2022 and 2021 was $4,850,000. Interest expense was $189,352 and $110,819 for the years ended December 31, 2022 and 2021, respectively.

The CIBC Loan Agreement has certain financial covenants that the Company must comply with. During 2021, the Company entered a waiver related to these financial covenants through March 2022. At December 31, 2022, the Company was in compliance with all related financial covenants.

The maximum amount of letters of credit that can be issued under the letter of credit facility per this agreement is $4,150,000. The Company was charged a fee for each issued letter of credit at 2.25%.

As both December 31, 2022 and 2021, CIBC has issued $4,150,000 in letters of credit on behalf of the Company. Letter of credit fees incurred were approximately $94,700 in both 2022 and 2021, which are included in interest expense in the statements of operations and members' equity.

5. Note Purchase Agreement

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.

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. Interest expense was $8,076,900 and $8,179,400 for the years ended December 31, 2022 and 2021, respectively.

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 a minimum debt service coverage ratio for the trailing 12 months, which is based on Net Cash Flows (defined as the sum of project revenues deposited into the revenue account, less the sum of operating expenses and major maintenance expenditures paid) divided by required debt service. In March 2021, the current noteholders under the Note Purchase Agreement provided waivers for compliance with these financial covenants through March 31, 2022. At December 31, 2022, the Company was in compliance with all related financial covenants.

6. Operations and Maintenance Agreement

The parking facilities are managed by SP Plus Corporation (SP+) under the terms of an operation and maintenance agreement (the SP+ O&M Agreement). Under the SP+ O&M Agreement, SP+ is paid a fee of $17,000 per month plus an incentive fee based on certain metrics. The Company paid SP+ approximately $279,000 and $204,000 in management fees during each of the years ended December 31, 2022 and 2021, respectively. A $75,000 incentive fee was approved and paid in 2022.

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, with an original expiration date of May 31, 2021. Under the terms of this agreement, NEXT received $17,000 per month, which increased by 3% each year.

On May 31, 2021, the Company entered into an amended and restated services agreement with NEXT for the provision of executive and facilities management services through May 31, 2024. Under the amended agreement, NEXT receives a base management fee equal to $18,576 per month. The base management fee shall be increased by 3% over the base management fee payable during the immediately preceding operating year. In May 2022, the base management fee increased 3% to $19,134. NEXT receives reimbursement for the costs relating to the employment of an on-site manager, facilities manager, and Marketing and Chief Strategy & Innovation Officer. Asset management fees were $227,375 and $220,200 in 2022 and 2021, respectively.

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. As a result of the assignment of interest in the C&L Agreement, as described in Note 1, the Sublease was also assigned to the Company at the closing transaction date. The Sublease was for a ten-year period ending November 1, 2019 and provided for two extension options of five years each, the first of which was exercised during 2019 and extended the agreement to October 31, 2024. During the first term of the Sublease, annual base rent payable was $481,000, which is payable in monthly installments. When the first extension option was exercised in November 2019, the annual base rent under the Sublease was reduced to $400,000, 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 statements of operations and members' equity and were $416,854 and $408,680 during the years ended December 31, 2022 and 2021, respectively.

9. Commitments and 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.

10. Subsequent Events

The Company has evaluated subsequent events through April 25, 2023, the date the financial statements were approved for issuance by the Company. Based on the evaluation performed, there were no material subsequent events that required recognition or additional disclosure in these financial statements.