

CHICAGO LOOP PARKING, LLC

Corporation Counsel
City of Chicago
6th Floor, City Hall
121 North LaSalle Street
Chicago, Illinois 60602
Attention: Finance and Economic Development Division

RECEIVED
JUN 24 2014
DEPARTMENT OF LAW

City of Chicago
Department of Finance
33 North LaSalle Street, 6th Floor
Chicago, Illinois 60602
Attention: Chief Financial Officer

June 20, 2014

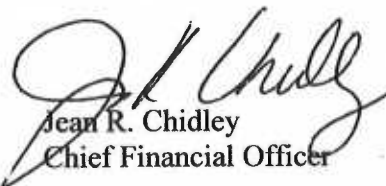
**RE: Concessionaire's Financial Reports due under the Chicago Downtown Public Parking System
Concession and Lease Agreement**

Ladies and Gentlemen:

Reference is made to the Chicago Downtown Public Parking System Concession and Lease Agreement dated November 3, 2006 (the *Concession Agreement*) between the City of Chicago (the *City*) and Chicago Loop Parking, LLC (*CLP*). Capitalized terms not otherwise defined herein have the meanings provided for in the Concession Agreement.

Reference is also made to Section 8.1(c) of the Concession Agreement pursuant to which the Concessionaire's audited financial reports shall be delivered to the City following the end of each Reporting Year. Enclosed herewith are CLP's audited balance sheet, statement of income, changes in equity and cash flows for the Reporting Year ended December 31, 2013, as well as for the one-month period ended January 31, 2014, along with the notes thereto and the report from CLP's independent certified public accountants (the *Financial Statements*).

Sincerely,


Jean R. Chidley
Chief Financial Officer

Chicago Loop Parking, LLC

(A Delaware Limited Liability Company)

Financial Statements as of January 31, 2014 (Termination Date) and December 31, 2013, and for the One-Month Period Ended January 31, 2014 (Termination Date), and the Year Ended December 31, 2013, and Independent Auditors' Report

CHICAGO LOOP PARKING, LLC
(A Delaware Limited Liability Company)

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INDEPENDENT AUDITORS' REPORT

To Chicago Loop Parking, LLC:

We were engaged to audit the accompanying financial statements of Chicago Loop Parking, LLC (a Delaware limited liability company) (the "Company"), which comprise the balance sheets as of January 31, 2014 (Termination Date) and December 31, 2013, and the related statements of discontinued operations, changes in members' equity (deficiency) and cash flows for the one-month period ended January 31, 2014 (Termination Date) and the year ended December 31, 2013, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audits in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

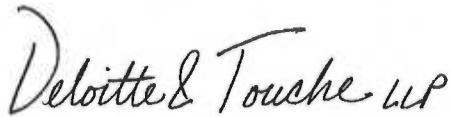
The Company's fixed assets related to the parking facilities are carried at \$373,270,386 and \$374,093,956 on the balance sheets as of January 31, 2014 (Termination Date) and December 31, 2013, respectively. The Company's intangible assets related to the parking facilities are carried at \$193,249,620 and \$193,424,903 on the balance sheets as of January 31, 2014 (Termination Date) and December 31, 2013, respectively. The Company did not determine the fair value of the parking facilities (including intangible assets) for purposes of assessing impairment under Accounting Standards Codification (ASC) 360 *Property, Plant, and Equipment*, and ASC 350 *Intangibles — Goodwill and Other*. In addition, the Company did not estimate the fair value of the interest rate swaps used to manage interest rate risk on the Company's variable-rate credit facility. As a result of these matters, we were unable to (1) determine whether any adjustments might have been found necessary relating to the Company's fixed assets, intangible assets, and interest rate swaps, and the elements making up the statements of discontinued operations, changes in members' equity (deficiency) and cash flows and (2) assess the impact on adoption of the recent accounting pronouncement regarding the disclosure of Level 3 fair value measurements.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Company assigned its interest in the C&L Agreement, along with all other collateral securing the Credit Facility to LMG2, LLC as the Lender's designee in lieu of foreclosure. LMG2, LLC also assumed the Company's obligations under the Credit Facility as well as other obligations of the Company. Our opinion is not modified with respect to this matter.

The image shows a handwritten signature in cursive script that reads "Deloitte & Touche LLP". The signature is written in black ink and is positioned above the date.

June 19, 2014

CHICAGO LOOP PARKING, LLC
(A Delaware Limited Liability Company)

BALANCE SHEETS
AS OF JANUARY 31, 2014 (TERMINATION DATE) AND DECEMBER 31, 2013

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 14,481,448	\$ 14,935,712
Restricted cash	3,915,176	4,393,845
Accounts receivable	120,825	31,575
Other current assets	551,246	1,006,841
	<u>19,068,695</u>	<u>20,367,973</u>
Total current assets	19,068,695	20,367,973
FIXED ASSETS (Net of accumulated depreciation and amortization of \$51,227,099 and \$50,499,938, respectively)	373,270,386	374,093,956
INTANGIBLE AND OTHER ASSETS (Net of accumulated amortization of \$20,936,770 and \$20,494,951, respectively)	<u>193,259,914</u>	<u>193,701,733</u>
TOTAL	<u>\$ 585,598,995</u>	<u>\$ 588,163,662</u>
LIABILITIES AND MEMBERS' DEFICIENCY		
CURRENT LIABILITIES:		
Accounts payable	\$ 352,038	\$ 344,937
Accrued construction costs	1,528,413	1,969,576
Accrued interest payable	6,668,431	5,235,624
Credit facility	378,160,227	378,160,227
Interest rate swaps	231,985,343	231,985,343
Other current liabilities	1,767,431	2,797,016
	<u>620,461,883</u>	<u>620,492,723</u>
Total current liabilities	620,461,883	620,492,723
LONG-TERM LIABILITIES:	<u>2,167,252</u>	<u>2,208,312</u>
Total liabilities	622,629,135	622,701,035
MEMBERS' DEFICIENCY	<u>(37,030,140)</u>	<u>(34,537,373)</u>
TOTAL	<u>\$ 585,598,995</u>	<u>\$ 588,163,662</u>

See notes to financial statements.

CHICAGO LOOP PARKING, LLC
(A Delaware Limited Liability Company)

STATEMENTS OF DISCONTINUED OPERATIONS
FOR THE ONE-MONTH PERIOD ENDED JANUARY 31, 2014 (TERMINATION DATE)
AND THE YEAR ENDED DECEMBER 31, 2013

	2014	2013
INCOME:		
Transient parkers	\$ 1,241,239	\$ 22,195,323
Monthly parking	621,380	7,342,042
Subtenant revenue	147,551	1,851,031
Other	<u>1,075</u>	<u>22,240</u>
Total income	<u>2,011,245</u>	<u>31,410,636</u>
COST OF PARKING SERVICES:		
Parking tax	397,475	6,102,044
Credit card fees	<u>34,339</u>	<u>528,175</u>
Total cost of parking services	<u>431,814</u>	<u>6,630,219</u>
GROSS PROFIT	<u>1,579,431</u>	<u>24,780,417</u>
EXPENSES:		
Operating	435,094	4,527,487
Salaries and benefits	189,480	1,974,330
Management fees	55,278	969,469
General and administrative	791,127	5,662,792
Depreciation	727,161	8,599,795
Amortization	<u>175,431</u>	<u>2,105,549</u>
Total expenses	<u>2,373,571</u>	<u>23,839,422</u>
OPERATING (LOSS) INCOME	<u>(794,140)</u>	<u>940,995</u>
OTHER INCOME (EXPENSES):		
Dividend income	-	3
Interest income	568	3,945
Interest expense	(1,699,195)	(7,812,704)
Swap-related losses	<u>-</u>	<u>(123,311,506)</u>
Total other expenses	<u>(1,698,627)</u>	<u>(131,120,262)</u>
NET LOSS	<u>\$ (2,492,767)</u>	<u>\$ (130,179,267)</u>

See notes to financial statements.

CHICAGO LOOP PARKING, LLC
(A Delaware Limited Liability Company)

STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIENCY)
FOR THE ONE-MONTH PERIOD ENDED JANUARY 31, 2014 (TERMINATION DATE)
AND THE YEAR ENDED DECEMBER 31, 2013

	CMP A Holdings, LLC	CMP B Holdings, LLC	Total
MEMBERS' EQUITY — January 1, 2013	\$ 43,540,405	\$ 43,540,406	\$ 87,080,811
Contributions	4,280,541	4,280,542	8,561,083
Net loss	<u>(65,089,633)</u>	<u>(65,089,634)</u>	<u>(130,179,267)</u>
MEMBERS' DEFICIENCY — December 31, 2013	(17,268,687)	(17,268,686)	(34,537,373)
Net loss	<u>(1,246,383)</u>	<u>(1,246,384)</u>	<u>(2,492,767)</u>
MEMBERS' DEFICIENCY — January 31, 2014	<u>\$ (18,515,070)</u>	<u>\$ (18,515,070)</u>	<u>\$ (37,030,140)</u>

See notes to financial statements.

CHICAGO LOOP PARKING, LLC
(A Delaware Limited Liability Company)

STATEMENTS OF CASH FLOWS
FOR THE ONE-MONTH PERIOD ENDED JANUARY 31, 2014 (TERMINATION DATE)
AND THE YEAR ENDED DECEMBER 31, 2013

	2014	2013
OPERATING ACTIVITIES:		
Net loss	\$ (2,492,767)	\$ (130,179,267)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	727,161	8,599,795
Amortization of intangible and other assets	175,431	2,105,549
Amortization of deferred financing fees	266,388	2,577,080
Swap-related losses	-	123,311,506
Deferred rent	(42,420)	(522,243)
Changes in assets and liabilities:		
Accounts receivable	(89,250)	31,561
Other current assets	455,595	(143,508)
Accounts payable	7,101	(146,278)
Accrued interest payable	1,432,807	5,235,624
Other current liabilities	<u>(1,028,225)</u>	<u>109,314</u>
Net cash (used in) provided by operating activities	<u>(588,179)</u>	<u>10,979,133</u>
INVESTING ACTIVITIES:		
Restricted cash	478,669	(1,336,328)
Additions to fixed assets	<u>(344,754)</u>	<u>(7,226,455)</u>
Net cash provided by (used in) investing activities	<u>133,915</u>	<u>(8,562,783)</u>
FINANCING ACTIVITIES:		
Contributions	<u>-</u>	<u>8,561,083</u>
Cash provided by financing activities	<u>-</u>	<u>8,561,083</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(454,264)	10,977,433
CASH AND CASH EQUIVALENTS — Beginning of period	<u>14,935,712</u>	<u>3,958,279</u>
CASH AND CASH EQUIVALENTS — End of period	<u>\$ 14,481,448</u>	<u>\$ 14,935,712</u>
NONCASH INVESTING ACTIVITY — Capital expenditures incurred but not yet paid	<u>\$ 1,528,413</u>	<u>\$ 1,969,576</u>

See notes to financial statements.

CHICAGO LOOP PARKING, LLC

(A Delaware Limited Liability Company)

NOTES TO FINANCIAL STATEMENTS AS OF JANUARY 31, 2014 (TERMINATION DATE) AND DECEMBER 31, 2013, AND FOR THE ONE-MONTH PERIOD ENDED JANUARY 31, 2014 (TERMINATION DATE) AND THE YEAR ENDED DECEMBER 31, 2013

1. ORGANIZATION

Chicago Loop Parking, LLC (the “Company”) was formed on September 29, 2006, for the purpose of operating four underground parking facilities, which comprise the Chicago Downtown Parking System (the “System”) in Chicago, Illinois. On December 15, 2006, the Company 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 for a purchase price of \$563 million. The Company has an exclusive right and franchise for and during the 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.

The members of the Company are CMP A Holdings, LLC (“CMP A”) and CMP B Holdings, LLC (“CMP B”), both of which own a 50% member interest in the Company. CMP A and CMP B are owned by Morgan Stanley Infrastructure Partners LP, Morgan Stanley Infrastructure Partners A Sub LP, and Morgan Stanley Infrastructure Investors LP (collectively, the “MSIP Partnerships”). The general partner of the MSIP Partnerships is Morgan Stanley Infrastructure GP LP, an affiliate of Morgan Stanley & Co. Inc. (“Morgan Stanley”).

During 2013, the Company initiated the process to assign its interest in the C&L Agreement to LMG2, LLC, the Lender’s designee in lieu of foreclosure. On January 31, 2014, the Company assigned its interests in the C&L Agreement along with all other collateral securing the Credit Facility to LMG2, LLC. As a result of the assignment of interests, LMG2, LLC assumed the Company’s obligations under the Credit Facility as well as other obligations of the Company. Additionally, the Company and AMI mutually terminated AMI’s services contract on January 31, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, except that the Company (1) did not determine the fair value of the parking facilities for purposes of assessing impairment under Accounting Standards Codification (ASC) 360 *Property, Plant, and Equipment*, and ASC 350 *Intangibles — Goodwill and Other*, and (2) did not estimate the fair value of the interest rate swaps used to manage interest rate risk on the Company’s variable-rate credit facility. As a result, the Company’s financial statements do not reflect any adjustments that might have been determined. These financial statements represent the activities and balances through January 31, 2014, the period immediately prior to the Company’s assignment of interests to LMG2, LLC and the termination of AMI’s services contract (“Termination Date”).

Use of Estimates — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions 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. Significant estimates and assumptions include the initial purchase price allocation, useful lives of assets, and fair values of financial instruments, including credit valuation adjustments. Actual results could differ from those estimates.

Cash and Cash Equivalents — Cash and cash equivalents include all cash and liquid investments with an initial maturity of three months or less. Throughout the year, the Company may have cash balances in excess of federally insured amounts on deposit with various financial institutions.

Restricted Cash — Restricted cash includes amounts on deposit with a third-party lender under the credit facility (the “Credit Facility”) (see Note 3) for the payment of future construction costs and debt service.

Fixed Assets — Fixed assets are recorded at cost less accumulated depreciation.

Depreciation is provided on a straight-line basis over 99 years for the ground lease, 40 years for buildings and improvements, and up to five years for furniture, fixtures, and equipment. Maintenance and repairs are charged to expense when incurred. Expenditures for significant betterments and improvements that extend the economic lives of the fixed assets are capitalized.

As of January 31, 2014 (Termination Date) and December 31, 2013, fixed-asset balances consist of the following:

	2014	2013
Ground lease	\$ 159,800,492	\$ 159,800,492
Buildings and improvements	261,499,455	261,595,864
Furniture, fixtures, and equipment	<u>3,197,538</u>	<u>3,197,538</u>
	424,497,485	424,593,894
Accumulated depreciation	<u>(51,227,099)</u>	<u>(50,499,938)</u>
Total fixed assets — net	<u>\$ 373,270,386</u>	<u>\$ 374,093,956</u>

The System’s fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values of such assets may not be recoverable. The System’s fixed assets are considered impaired when their estimated future undiscounted operating cash flows are less than the carrying values of such assets. To the extent impairment has occurred, the excess of carrying values of the System’s fixed assets over their estimated fair values will be charged to operations.

Since 2012, the Company determined that an indicator of impairment existed pursuant to ASC 360, however, the Company did not estimate the fair value of the parking facilities (including intangible assets) for purposes of assessing and recording an impairment charge, if any, during the periods presented.

Under the terms of the C&L Agreement, the Company is required to rehabilitate the East Monroe Street Garage (the “Required Capital Improvements”). On April 4, 2011, as a condition precedent to begin drawing on Tranche B (see Note 3), the Company submitted a draft construction contract for the Required Capital Improvements to the Lender for review and approval. The draft construction contract was approved by the Lender on April 29, 2011. The contractor was given a notice to proceed with the Required Capital Improvements on May 3, 2011. On July 30, 2012, with the issuance of a temporary

certificate of occupancy by the City, the first phase of the Required Capital Improvements was substantially completed. On December 27, 2013, the second phase of the Required Capital Improvements was substantially completed. Approximately \$0.7 million of additional costs are estimated to complete the final phase of the Required Capital Improvements.

Intangible and Other Assets — Intangible and other assets are stated at cost less accumulated amortization and consist of the C&L Agreement, which is amortized on a straight-line basis over 99 years, and deferred financing fees, which are amortized on a straight-line basis over 10 years, the life of the Credit Facility included in current liabilities on the balance sheets (see Note 3). The Company estimates the annual amortization of the C&L Agreement for the next five years would be \$2,103,397. As discussed above, the Company assigned its interest in the C&L Agreement to LMG2, LLC on January 31, 2014. The straight-line amortization of deferred financing fees is recorded as a component of interest expense and approximates the effective interest method.

As of January 31, 2014 (Termination Date) and December 31, 2013, intangible and other assets balances consist of the following:

	2014	2013
C&L Agreement	\$ 208,236,325	\$ 208,236,325
Deferred financing fees	5,920,085	5,920,085
Other	<u>40,274</u>	<u>40,274</u>
	214,196,684	214,196,684
Accumulated amortization	<u>(20,936,770)</u>	<u>(20,494,951)</u>
Total intangible and other assets — net	<u>\$ 193,259,914</u>	<u>\$ 193,701,733</u>

Derivatives — The Company holds derivative contracts for the benefit of the Company to minimize the effect of fluctuations in interest rates. By entering into these transactions, the Company intends to economically hedge a significant portion of the Company's exposure to adverse movements in interest rates.

The counterparties to these contracts are major financial institutions. The exposure to each counterparty is reported as either an asset or liability on the balance sheet. At January 31, 2014 (Termination Date) and December 31, 2013, the Company's exposure was a liability to three major financial institutions. Derivative transactions give rise to varying degrees of market and credit risk dependent upon the counterparties used, strategies employed and fluctuations in the underlying market conditions. The credit risk associated with derivative instruments arises from possible counterparty nonperformance and is limited to the aggregate unrealized loss of instruments in an unrealized loss position. The Company seeks to mitigate these risks by executing these transactions with major financial institutions.

An interest rate swap involves an agreement to pay the counterparty to the agreement a fixed or floating interest rate on a predetermined notional amount and to receive a fixed or floating interest rate on the same notional amount. Net cash payments are made at certain agreed-upon points during the life of the swap agreement and at termination, with the difference between the two interest calculations being paid by one party to the other on each payment date. Unrealized gains or losses on the swap contract are calculated as the difference between the present value of the future cash flows to be received and to be paid pursuant to the agreement. Such unrealized gains and losses are reported as an asset or liability on the balance sheets. As cash is received and paid under the swap, the net differential in cash flows is recognized over the life of the agreement as a gain or loss on derivative instruments.

The interest rate swaps do not qualify as cash flow hedges for accounting purposes, however, the Company did not enter into these derivative instruments for any purpose other than cash flow hedging purposes. During 2013, as a result of the event of default related to the Company's Credit Facility, the Company's swap counterparties demanded payment of the interest rate swap in the amount of \$231,985,343. As a result of this demand, the Company reversed the previously recorded credit valuation adjustments (recorded in prior years), which are included in swap-related losses in the statement of discontinued operations for the year ended December 31, 2013. At January 31, 2014 (Termination Date) and December 31, 2013, the Company did not estimate or record the fair value of the interest rate swaps and, therefore, no unrealized gain or loss was recorded for the one-month period ended January 31, 2014 (Termination Date) or the year ended December 31, 2013.

Fair Value of Financial Instruments — The carrying values of cash and cash equivalents, accounts receivable, accounts payable, and the Company's Credit Facility approximate their fair values due to the short-term nature of these financial instruments.

Other Long-Term Liabilities — Rent collected from subtenants in excess of subtenant revenue recognized is recorded as deferred rent; the portion of deferred rent that will not be recognized in subtenant revenue in the next 12 months is recorded within other long-term liabilities. The long-term portion of deferred rent recorded as long-term liabilities was \$2,167,252 and \$2,208,312 at January 31, 2014 (Termination Date) and December 31, 2013, respectively (see Note 5). As a result of the assignment of interest in the C&L Agreement, the sublease was also assigned to LMG2, LLC on January 31, 2014.

Revenue Recognition — Parking revenues from transient parking are recognized as cash is received. Parking revenues from monthly parking customers are recognized on a monthly basis, based on the terms of the underlying contracts. To the extent that the Company has received cash from customers during the year for parking periods in subsequent fiscal periods, the Company classifies such receipts as deferred revenues. Recoveries from customers for parking taxes are recognized as income in the periods the related costs are incurred and aggregated \$397,475 and \$6,102,044 during the one-month period ended January 31, 2014 (Termination Date) and the year ended December 31, 2013, respectively.

Subtenant Revenue — Rent from subtenants is recognized as subtenant revenue on a monthly basis based on the terms of the underlying contracts for those subtenants that do not have long-term sublease obligations to the Company. For subtenants with long-term sublease obligations to the Company, the Company recognizes as monthly subtenant revenue the total amount of rent due under the sublease agreement, including minimum rent escalation, divided by the number of months of the sublease agreement.

Income Taxes — No provision has been made for federal or state income taxes, as the liability for such taxes, if any, is that of the members rather than the Company. Open tax years under the applicable statutory limitations for federal and all state jurisdictions include tax years for 2009 through 2014.

Recent Pronouncement — In June 2013, the Financial Accounting Standards Board ("FASB") issued new guidance, Accounting Standards Update ("ASU") 2013-08, *Financial Services — Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements*. ASU 2013-08 amends the criteria under which an entity qualifies as an investment company in accordance with ASC 946. The new guidance is effective for interim and annual reporting periods beginning after December 15, 2013. The Company did not complete its evaluation of this guidance and the impact, if any, it would have on the Company's financial statements.

In May 2011, the FASB issued guidance which expanded the qualitative and quantitative fair value disclosure requirements for Level 3 fair value measurements. This guidance was effective for the Company beginning with the year ended December 31, 2012. However, the Company did not estimate the fair value of its derivatives or parking facilities (including intangible assets), which are generally Level 3 instruments. Therefore, the Company was not able to implement this guidance in the financial statements.

3. CREDIT FACILITY AND DERIVATIVE INSTRUMENT

Credit Facility — On December 15, 2006, as amended, the Company entered into a 10-year term loan agreement with a third-party lender (the “Lender”) consisting of Tranche A and Tranche B. The total principal amounts available for borrowing under Tranche A and Tranche B are \$350 million and \$53,119,263, respectively. On December 15, 2006, the Company borrowed the entire Tranche A principal amount.

Under the terms of the C&L Agreement, the Company is required to make the Required Capital Improvements. The Tranche B portion of the Credit Facility was available to fund the Required Capital Improvements through February 29, 2012, the end of the Tranche B commitment period. As of the end of the Tranche B commitment period, the Lender had funded total loan advance requests under Tranche B in the amount of \$41,759,074.

The Credit Facility interest rate is based on a British Bankers Association London InterBank Offered Rate (LIBOR) plus an applicable margin of 1.05% through December 14, 2011, and an applicable margin of 1.15% from December 15, 2011, to maturity on December 15, 2016. With the funding of each loan advance, the Company has the option of choosing an interest payment due date of one, two, three, or six months. The interest payment period chosen determines the LIBOR rate on which the interest rate is based. If no interest payment period is chosen, the Credit Facility interest rate is based on the Prime Rate. The Tranche A and Tranche B interest rate in effect was approximately 4.40% and 1.314% at January 31, 2014 (Termination Date) and December 31, 2013, respectively.

On June 25, 2009, the Credit Facility was amended so that, effective July 1, 2009, 90% of applicable cash flow, as defined, would be used to pay down principal. However, during the one-month period ended January 31, 2014 (Termination Date), and the year ended December 31, 2013, no Tranche A principal or Tranche B principal was paid by the Company.

The remaining balance of unpaid Tranche A principal as of January 31, 2014 (Termination Date) and December 31, 2013, was \$336,590,358. As of January 31, 2014 (Termination Date) and December 31, 2013, the outstanding Tranche B principal balance was \$41,569,869. The balance of the Credit Facility was scheduled to mature on December 15, 2016.

There are restrictive covenants on the Credit Facility requiring certain financial ratios to be maintained by the Company. As of January 31, 2014 (Termination Date) and December 31, 2013, the Company was not in compliance with the interest coverage ratio and the failure to make the required principal and interest payments. The Credit Facility has been classified within current liabilities on the balance sheets as a result of such noncompliance, which is an event of default.

The Credit Facility is secured by the Company’s (i) rights, title, and interests in, to, and under the C&L Agreement; (ii) CMP A’s and CMP B’s interests in the Company; and (iii) the leasehold interests in the System and the improvements thereto.

Derivative Financial Instruments — As required by the Credit Facility, on December 15, 2006, the Company entered into a 20-year interest rate swap with the Lender to manage fluctuations in cash flows resulting from interest rate risk related to the Credit Facility. Interest rate swaps involve an agreement to exchange periodic interest payment streams calculated on predetermined notional principal amounts. Under these interest rate swaps, the Company will receive or make quarterly payments under the swaps in order to convert its Credit Facility variable interest payments to a fixed-rate payment schedule. On June 30, 2009, the Company restructured the fixed-rate payment schedule of the interest rate swap. The swap matures on December 15, 2026, but effective June 30, 2009, the quarterly scheduled notional amounts and agreed-upon interest rates were changed over the remaining term of the swap. Notional amounts on the swap range from \$79,323,012 to \$199,365,032 and agreed-upon fixed leg interest rates range from 1.11% to 12.99% over the remainder of the interest rate swap.

During March 2013, the Company failed to make a required interest rate swap payment, and as a result of this event of default, the swap counterparties demanded payment in the amount of \$231,985,343. As such, the interest rate swap has been classified within current liabilities on the balance sheets as of January 31, 2014 (Termination Date) and December 31, 2013, respectively.

4. OPERATING AGREEMENT

The parking facilities are managed by LAZ Parking Chicago, LLC (LAZ) pursuant to the terms of a management agreement. LAZ is paid a base management fee equal to 2.5% of net operating income, as defined in the operations and maintenance agreement between LAZ and the Company, and is reduced by \$7,708 each month beginning in April 2012. The base management fee for the one-month period ended January 31, 2014 (Termination Date) and the year ended December 31, 2013, was \$9,957 and \$307,968, respectively. As a result of the assignment of interest in the C&L Agreement as discussed in Note 1, the management agreement with LAZ was also reassigned to LMG2, LLC on January 31, 2014.

5. TRANSACTIONS WITH RELATED PARTIES

Effective June 1, 2009, the Company entered into a services agreement with AMI Group, LLC (f/k/a Chicago Parking Services, LLC (AMI)), an entity which is also owned by the MSIP Partnerships, for the provision of management personnel and related services. AMI charges the Company for the costs of its services plus a fee equal to 10% of such costs. The costs and fees during the one-month period ended January 31, 2014 (Termination Date), and the year ended December 31, 2013, were \$45,321 and \$661,501, respectively. At January 31, 2014 (Termination Date) and December 31, 2013, the Company owed AMI \$90,898 and \$45,577, respectively. These balances are included as components of other current liabilities on the balance sheets.

On July 17, 2009, the Company entered into a sublease (the “Sublease”) with Chicago Parking Meters, LLC (“Meters”), a company which is 50.1% owned by the MSIP Partnerships, in which Meters rents a warehouse with related office space on 17,417 square feet (unaudited) of the System’s property (the “Rental Space”) for a 10-year period beginning with Meters’ initial occupancy of the Rental Space (the “Commencement Date”). The construction of the Rental Space was paid by the Company; the total cost of construction of the Rental Space was \$1,422,528; the construction cost was recorded as buildings and improvements, a component of fixed assets, on the balance sheets and is depreciated over 40 years. The Sublease is for a 10-year term subject to two extension options of five years each. Rent is payable as follows: i) \$2.5 million in additional Sublease rent is payable by Meters upon execution of the Sublease; ii) \$481,390 of annual basic rent is payable by Meters in monthly installments starting on the Commencement Date; iii) \$2.5 million of additional Sublease rent is payable by Meters upon the first anniversary of the Commencement Date; and iv) starting upon the first anniversary of the Commencement Date, the annual basic rent (including basic rent during the extended lease term, if the

options are exercised) increases in accordance with the United States Consumer Price Index, but in no event by less than 3%. On November 1, 2009, the Company notified Meters that the Rental Space was available for Meters' use, thereby establishing the Commencement Date as of November 1, 2009. Rental income from Meters, reported as subtenant revenue, for the one-month period ended January 31, 2014 (Termination Date) and December 31, 2013, was \$87,746 and \$1,052,954, respectively. Rent received from Meters and deferred until February 2014 through January 2015 is \$504,962 and included as a component of other current liabilities on the balance sheet as of January 31, 2014 (Termination Date). Rent received from Meters and deferred for future years past January 2015 is \$2,167,252 and included as a component of long-term liabilities on the balance sheets.

As of January 31, 2014 (Termination Date), the deferred rent to be recognized by the Company in the future on a straight-line basis is as follows:

2014	\$ 463,902
2015	489,923
2016	473,032
2017	455,634
2018	437,715
Thereafter	<u>352,008</u>
Total	<u>\$2,672,214</u>

Certain bank and professional fees in the amount of \$245,178 were previously paid by MSIP Partnerships on the Company's behalf. These amounts were previously accrued for by the Company. During 2013, as a result of the planned assignment of interests to LMG2, LLC in 2014, MSIP Partnerships waived such liability as it would not be assumed by LMG2, LLC. Accordingly, the Company reversed the liability associated with these fees during the year ended December 31, 2013.

6. COMMITMENTS AND CONTINGENCIES

Litigation — 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 the disclosure of 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 May 2009, the City of Chicago (the "City") granted a public garage license to the garage in the Aqua building, a commercial and residential building located within one-half mile of the System ("Aqua"). On August 20, 2009, the Company provided a notice and claim to the City of a competing parking action pursuant to the C&L Agreement with respect to the City's grant of the public license to Aqua and the operation of Aqua. In February 2010, the City notified the Company that it had revoked Aqua's public garage license and replaced it with an accessory garage license; however, Aqua continued to operate as a public garage despite the revocation of its public garage license. On March 15, 2010, the Company provided notice to the City formally declaring a dispute with respect to Aqua and commencing the dispute resolution procedures under the C&L Agreement. The dispute remained unresolved subsequent to the informal dispute resolution measures under the C&L Agreement. On April 28, 2010, the Company provided notice to the City that it would proceed with nonbinding mediation, as provided in the C&L Agreement. Following such nonbinding mediation on September 28, 2010, the dispute remained unresolved. On March 1, 2011, the Company submitted the Aqua dispute for binding arbitration and provided notice to the City. The arbitration hearing and closing arguments took place in October 2012 and November 2012, respectively.

On January 14, 2013, the arbitrators issued their ruling and awarded the Company \$50.1 million in damages and an additional \$7.1 million in pre-judgment interest (collectively, the "Arbitration Award"). On February 25, 2013, the arbitrators issued a Clarification of Award, correcting certain clerical and computational errors. On May 23, 2013, the City filed in the Circuit Court of Cook County, Illinois, a "Verified Petition to Enter Judgment on Arbitration Award, to Stay the Judgment, and to Modify the Judgment." According to the Petition, the City has an agreement to pay the owner of the Aqua, Magellan Development Group, between \$23 million and \$28.5 million in exchange for Magellan Development Group agreeing to stop taking public parking at the Aqua. The City sought to have the Circuit Court vacate or modify the Arbitration Award to provide the Company with past damages only, which the City believes to be approximately \$4 million. On June 21, 2013, the Company filed a motion to dismiss the Petition and concurrently filed a motion to confirm the Arbitration Award. On August 27, 2013, the Circuit Court entered an order granting the Company's motion to confirm the Arbitration Award and entered judgment on the confirmed Arbitration Award. On September 13, 2013, the Circuit Court entered an order granting the Company's motion to dismiss the City's Petition and denying the City's request for post-judgment relief.

The City appealed the orders of the Circuit Court to the Illinois Appellate Court, and the appeal is scheduled to be briefed in the first half of 2014. As a result of the assignment of interests in the C&L Agreement as previously discussed in Note 1, the Company was substituted out pursuant to a court order entered April 1, 2014, and is no longer a party to this case, and LMG2, LLC was substituted in as respondent-appellee. This judgment has not been reflected in the financial statements for the year ended December 31, 2013, or the one-month period ended January 31, 2014.

On February 13, 2013, a complaint was filed against the Company and the City in the Circuit Court of Cook County, Illinois, by the Independent Voters of Illinois – Independent Precinct Organization and Aviva Patt (an individual). The complaint alleges that the C&L Agreement unconstitutionally restricts the City's legislative and police powers and requires the illegal expenditure of public funds. Plaintiffs also allege that the C&L Agreement is anti-competitive.

The Company filed a motion to dismiss the complaint. On February 11, 2014, the Circuit Court of Cook County granted the Company's motion, dismissed the complaint with prejudice, and granted judgment in favor of the Company and the City. Plaintiffs have filed a notice of appeal with the appeal still pending. As a result of the assignment of interests in the C&L Agreement, a motion was filed to substitute LMG2, LLC for the Company. The Plaintiffs objected to the motion and the appellate court denied the motion, and instead, added LMG2, LLC to the case.

Insurance Reserves — The Company purchases property insurance for claims that may occur at the garages the Company operates. The Company's property insurance policy has deductibles that must be met before the insurance companies are required to reimburse the Company for costs incurred relating to covered claims. As a result, the Company is, in effect, self-insured for all claims up to the deductible levels.

The Company estimates the timing and amount of expense recognition associated with any claims that may be filed against the Company. The expense recognition is based upon the Company's determination of an unfavorable outcome of a claim being deemed as probable and capable of being reasonably estimated. This determination requires the use of judgment in both the estimation of probability and the amount to be recognized as an expense. The Company utilizes regular input from third-party insurance advisors in determining the required level of insurance reserves, if any. Management is not aware of any outstanding or potential liability against the Company as of January 31, 2014 (Termination Date) and December 31, 2013.

Construction Commitments — The Company has contracts with various parties for construction services related to the Required Capital Improvements. At January 31, 2014 (Termination Date), the Company has approximately \$0.7 million in future commitments related to these contracts. The Company incurred certain costs during the construction of the Required Capital Improvements on behalf of the Chicago Park District. In addition, the Chicago Park District incurred certain costs during the construction of the Required Capital Improvements that the Company agreed to share. The Chicago Park District has verbally agreed to pay this amount to the Company. The net amount due to the Company from the Chicago Park District as of January 31, 2014 and December 31, 2013 is \$133,948.

7. SUBSEQUENT EVENTS

The Company evaluated activity through June 19, 2014, the date the financial statements were available to be issued.

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