# LMG2, LLC

April 30, 2015

*VIA CERTIFIED MAIL*

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

City of Chicago
Department of Finance
121 N. LaSalle Street
7th Floor
Chicago, Illinois 60602
Attention: Chief Financial Officer

**Re: Chicago Downtown Public Parking System Concession and Lease Agreement dated as of November 3, 2006 (as amended, the "Concession Agreement") by and between The City of Chicago (the "City") and LMG2, LLC ("Concessionaire"), as assignee of Chicago Loop Parking LLC ("Original Concessionaire")**

Dear Sir or Madam:

Enclosed please find the audited Financial Statements for LMG2, LLC, as of December 31, 2014 and for the Period from February 1, 2014 (Commencement of Operations) through December 31, 2014.

Very truly yours,

Michael Nichols

Michael Nichols

cc: James McDonald (by email) (w/encl.)
Margaret M. Anderson (w/encl.)

# LMG2, LLC

## Financial Statements

As of December 31, 2014 and for the Period from February 1, 2014 (Commencement of Operations) through December 31, 2014

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

BDO

# LMG2, LLC

## Financial Statements

As of December 31, 2014 and for the
Period from February 1, 2014 (Commencement of Operations)
through December 31, 2014

# LMG2, LLC

## Contents

BDO

Tel: 312-856-9100
Fax: 312-856-1379
www.bdo.com

330 N. Wabash, Suite 3200
Chicago, IL 60611

# Independent Auditor's Report

Board of Directors
LMG2, LLC

We have audited the accompanying financial statements of LMG2, LLC (the "Company"), which comprise the balance sheet as of December 31, 2014, and the related statements of operations, members' deficit, and cash flows for the period from February 1, 2014 (commencement of operations) through December 31, 2014, 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 LMG2, LLC as of December 31, 2014, and the results of its operations and its cash flows for the period from February 1, 2014 (commencement of operations) through December 31, 2014, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Chicago, Illinois
April 29, 2015

# Financial Statements

# LMG2, LLC

## Balance Sheet

| *December 31,* | | 2014 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ | 369,290 |
| Restricted cash, current | | 3,424,340 |
| Litigation award receivable | | 61,779,297 |
| Accounts receivable | | 97,425 |
| Other | | 95,265 |
| **Total Current Assets** | | 65,765,617 |
| **Restricted Cash,** non-current | | 8,000,000 |
| **Property and Equipment,** net of accumulated depreciation and amortization of $5,546,122 | | 227,070,565 |
| **Intangible Asset,** net of accumulated amortization of $947,872 | | 93,988,573 |
| **Total Assets** | $ | 394,824,755 |
| **Liabilities and Members' Deficit** | | |
| **Current Liabilities** | | |
| Accrued construction costs | $ | 885,137 |
| Deferred revenue | | 446,020 |
| Other | | 1,337,601 |
| **Total Current Liabilities** | | 2,668,758 |
| **Long-Term Debt** | | 398,500,000 |
| **Total Liabilities** | | 401,168,758 |
| **Members' Deficit** | | (6,344,003) |
| **Total Liabilities and Members' Deficit** | $ | 394,824,755 |

*See accompanying notes to financial statements.*

# LMG2, LLC

## Statement of Operations

| *For the period from February 1, 2014 (commencement of operations) through December 31,* | | 2014 |
|---|---|---|
| **Revenue** | | |
| Transient parkers | $ | 20,976,867 |
| Monthly parking | | 7,483,806 |
| Other | | 1,216,726 |
| Total revenue | | 29,677,399 |
| **Cost of Parking** | | |
| Parking taxes | | 5,920,591 |
| Credit card fees | | 534,443 |
| Total cost of parking services | | 6,455,034 |
| Gross profit | | 23,222,365 |
| **Expenses** | | |
| Operating | | 3,945,680 |
| Salaries and benefits | | 1,938,727 |
| Management fees | | 945,982 |
| General and administrative | | 3,680,952 |
| Depreciation and amortization | | 6,493,994 |
| Total operating expenses | | 17,005,335 |
| Operating income | | 6,217,030 |
| **Other Income (Expense)** | | |
| Interest income | | 1,852,622 |
| Interest expense | | (9,597,291) |
| Change in fair value of long-term debt | | (4,817,364) |
| Total other expense | | (12,562,033) |
| **Net Loss** | $ | (6,345,003) |

*See accompanying notes to financial statements.*

# LMG2, LLC

## Statement of Members' Deficit

| | | |
|---|---|---|
| **Balance,** February 1, 2014 | $ | - |
| Contributions | | 1,000 |
| Net loss | | (6,345,003) |
| **Balance,** December 31, 2014 | **$** | **(6,344,003)** |

*See accompanying notes to financial statements.*

# LMG2, LLC

## Statement of Cash Flows

| *For the period from February 1, 2014 (commencement of operations) through December 31,* | | 2014 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Net loss | $ | (6,345,003) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | | 6,493,994 |
| Change in fair value of long-term debt | | 4,817,364 |
| Interest income added to litigation award receivable | | (1,847,579) |
| Interest expense added to long-term debt | | 3,551,766 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | | 43,457 |
| Other current assets | | 455,981 |
| Accrued construction costs | | (643,276) |
| Deferred revenue | | 68,862 |
| Other current liabilities | | (1,259,840) |
| Net cash provided by operating activities | | 5,335,726 |
| **Cash Flows From Investing Activities** | | |
| Cash assumed upon Assignment in Lieu of Foreclosure | | 15,258,793 |
| Change in restricted cash | | (8,624,340) |
| Additions to property and equipment | | (732,759) |
| Net cash provided by investing activities | | 5,901,694 |
| **Cash Flows From Financing Activities** | | |
| Principal payments of long-term debt | | (10,869,130) |
| Members' contributions | | 1,000 |
| Net cash used in financing activities | | (10,868,130) |
| **Net Increase in Cash and Cash Equivalents** | | 369,290 |
| **Cash and Cash Equivalents,** beginning of period | | - |
| **Cash and Cash Equivalents,** end of period | $ | 369,290 |
| **Supplemental Disclosure of Cash Flow Information** | | |
| Cash paid for interest | $ | 6,045,525 |

*See accompanying notes to financial statements.*

## 1. Organization

LMG2, LLC (the "Company") is a Delaware Limited Liability Company that was formed 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. Chicago Loop Parking, LLC (the "Predecessor") entered into a concession and lease agreement (the "C&L Agreement") on November 3, 2006 pursuant to which it leased the System for a 99-year term from the City of Chicago for $563 million. On January 31, 2014, the Company was assigned the assets of the Predecessor, including the concessionaire interest in the System, and assumed the existing loan and other obligations of the Predecessor through an Assignment in Lieu of Foreclosure Agreement (the "Assignment"). As a result of the Assignment, the Company has an exclusive right during the remainder of the 99-year 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 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 from February 1, 2014, the date of the commencement of operations following the Assignment, through December 31, 2014.

The Company has evaluated subsequent events through April 29, 2015, the date the financial statements were available to be issued.

### *Use of Estimates*

The preparation of the 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.

### *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 have 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.

### *Restricted Cash*

Restricted cash consists of amounts on deposit with a collateral agent for the lenders under the loan agreement described in Note 4. As of December 31, 2014, the Company maintained a reserve balance of $8,000,000 for the payment of debt service and operating costs in accordance with the loan agreement.

Additionally, cash flows from operations are deposited with the collateral agent. These funds are held in a reserve account until the collateral agent approves the release of funds for the payment of current operating expenses, interest due under the loan agreement, or mandatory principal pre-payments from excess cash flows, as defined in the loan agreement. The balance in this reserve account approximated $2,423,000 at December 31, 2014 and is included in current assets on the balance sheet. In January 2015, approximately $1,965,000 was transferred to the operating cash accounts.

Restricted cash on deposit for the payment of accrued construction costs was $1,001,000 at December 31, 2014 and is included in current assets on the balance sheet.

### *Accounts Receivable*

Accounts receivable consist of amounts due from parking customers and are carried 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, 2014, management concluded that no allowance for doubtful accounts was required.

### *Litigation Award Receivable*

The litigation award receivable represents the amount due to the Company from the City of Chicago (the "City") pursuant to the lawsuit discussed in Note 8. Based upon the facts and circumstances known at the time of the Assignment, the Company recorded a receivable of approximately $59,932,000 for the estimated amounts due with respect to this litigation in accordance with Accounting Standards Codification ("ASC") 805, *"Business Combinations."* Interest income on the unpaid award of approximately $1,848,000 has been added to the litigation award receivable for the period ended December 31, 2014.

### *Property and Equipment, net*

Property and equipment were recorded at fair value at the date of the Assignment. 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 concession agreement for the ground lease, 6 to 40 years for buildings and improvements, and 5 years for furniture, fixtures, and equipment. Depreciation and amortization expense for property and equipment was $5,546,122 for the period ended December 31, 2014.

As of December 31, 2014, property and equipment consisted of the following:

| | 2014 |
|---|---|
| Ground lease | $ 48,000,000 |
| Buildings and improvements | 183,671,105 |
| Furniture, fixtures, and equipment | 945,582 |
| | 232,616,687 |
| Accumulated depreciation | (5,546,122) |
| Property and equipment, net | $ 227,070,565 |

***Intangible Asset***

The interest in the C&L Agreement assigned on January 31, 2014 was recorded at fair value 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, 2014 was $947,872. Annual amortization of the C&L Agreement intangible will be approximately $1,035,000 over the remaining 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 values of such assets. To the extent an 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, 2014, management of the Company does not believe that the carrying amounts of its long-lived assets have been impaired.

***Advertising Costs***

Advertising costs are charged to operations when incurred and approximated $105,000 for the period ended December 31, 2014.

***Fair Value of Financial Instruments***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There is a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 Inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly such as interest rates, foreign exchange rates, and yield curves, that are observable at commonly quoted intervals.

Level 3 Inputs are unobservable inputs for the asset or liability which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The Company has elected the fair value option for its long-term debt obligations and has reflected the long-term debt at its estimated fair value on the balance sheet. As of December 31, 2014, the estimated fair value of the Company's long-term debt was $398,500,000 using Level 3 inputs. The change in fair value of the long-term debt was approximately $4,817,000 for the period ended December 31, 2014, which is reflected as an expense in the statement of operations.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair values due to the short-term nature of these financial instruments.

### *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 during the year 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 period the related costs, which approximated $5,921,000 during the period ended December 31, 2014, are incurred.

### *Other Revenue*

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 long-term sublease obligations to the Company. For rentals associated with long-term sublease obligations to the Company, the Company recognizes monthly revenue, including minimum rent escalations, on a straight-line basis over the remaining months of the sublease agreements. Rent collected in excess of revenue recognized on a straight-line basis is recorded as deferred revenue.

### *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 members rather than the Company.

### *Limited Liability Agreement*

Profits and losses from operations and distribution of net cash flows, as defined, are allocated to the members in accordance with the Limited Liability Agreement. The allocation provisions in the Limited Liability Agreement may differ from the ownership interest held by each member.

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.

### *Recent Accounting Developments*

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 *"Revenue from Contracts with Customers (Topic 606),"* which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This standard will supersede most current revenue recognition guidance. Under the new standard, entities are required to identify the contract with a customer, identify the separate performance obligations in the contract, determine the transaction price, allocate the transaction price to the separate performance obligations in the contract and recognize the appropriate amount of revenue when (or as) the entity satisfies each performance obligation. The standard is effective for non-publicly traded entities for fiscal years beginning on or after December 15, 2017, and is therefore effective for the Company beginning on January 1, 2018. Entities have the option of using either retrospective transition or a modified approach in applying the new standard. The Company is currently evaluating the approach it will use to apply the new standard and the impact that the adoption of the new standard will have on the Company's financial statements.

In August 2014, the FASB issued ASU 2014-15, *"Presentation of Financial Statements - Going Concern (Subtopic 205-40); Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern."* This update defines when and how companies are required to disclose going concern uncertainties, which must be evaluated each annual period. ASU 2014-15 requires management to determine whether substantial doubt exists regarding the entity's going concern presumption. This update is effective for the annual period ending after December 15, 2016. Early adoption is permitted. The Company does not expect this standard to have an impact on the financial statements.

*(the remainder of this page intentionally left blank)*

## 3. Assignment in Lieu of Foreclosure

On January 31, 2014, the Company was assigned the assets and assumed the liabilities of the Predecessor. The estimated fair value of the assets assigned and liabilities assumed on the date of the Assignment were as follows:

| | Amount |
|---|---|
| Ground lease | $ 48,000,000 |
| Buildings and improvements | 183,000,000 |
| Furniture, fixtures, and equipment | 884,000 |
| Cash and cash equivalents | 15,259,000 |
| Restricted cash | 2,800,000 |
| C&L Agreement | 94,936,000 |
| Litigation award receivable | 59,932,000 |
| Other assets | 692,000 |
| Long-term debt | (401,000,000) |
| Other liabilities | (4,503,000) |
| Net equity | $ - |

## 4. Loan Agreement

On January 31, 2014, the Company assumed the outstanding loan agreement of the Predecessor, which was amended in conjunction with the Assignment (as amended, the "Loan Agreement"). Members of the Company participate in the Loan Agreement, which consists of three tranches. Total principal amounts outstanding under the Loan Agreement at the date of the Assignment were as follows: Tranche A1 - $200,000,000, Tranche A2 - $30,000,000, and Tranche B - $381,480,759. The estimated fair value of the outstanding debt for all tranches was $401,000,000 on the date of Assignment.

The Loan Agreement interest rates are based on the British Bankers Association London InterBank Offered Rate ("LIBOR") plus an applicable margin of 2.50% and 4.00% for Tranche A1 and Tranche A2, respectively, through their maturity on January 31, 2020. Tranche B bears interest at 1.00% per annum through maturity on January 31, 2021. The Tranche A1, Tranche A2 and Tranche B interest rates in effect at December 31, 2014 were approximately 2.73%, 4.23%, and 1.00%, respectively.

The Loan Agreement requires quarterly payments of interest only for Tranche A1 and Tranche A2. Tranche B interest of approximately $3,552,000 was added to the outstanding principal balance during the period ended December 31, 2014. Additionally, the Loan Agreement requires mandatory principal pre-payments from excess cash flows, as defined. Between February 1, 2014 and December 31, 2014, the Company made mandatory Tranche A1 principal prepayments totaling $10,869,130.

The remaining balance of unpaid Tranche A1 and Tranche A2 principal as of December 31, 2014 was $189,130,870 and $30,000,000, respectively. As of December 31, 2014, the outstanding Tranche B principal balance was approximately $385,033,000. The Company elected the fair value option with respect to the Loan Agreement and recorded the long-term debt at its estimated fair value of $398,500,000 as of December 31, 2014.

There are restrictive covenants associated with the Loan Agreement that require an interest coverage ratio and other covenants be maintained by the Company. As of December 31, 2014, the Company was in compliance with all loan covenants.

The Loan Agreement is secured by the Company's rights, title, and interests in, to, and under the C&L Agreement and the leasehold interests in the System and the improvements thereto.

## 5. Operations and Maintenance Agreement

The parking facilities are managed by LAZ Parking Chicago, LLC ("LAZ") pursuant to the terms of an operations and maintenance agreement ("O&M Agreement") which was assigned to the Company on January 31, 2014. LAZ is paid a base fee equal to 2.5% of net operating income, as defined in the O&M Agreement. The base fee for the period ended December 31, 2014 approximated $407,000.

## 6. Asset Management Agreement

The Predecessor previously entered into a services agreement with AMI Group, LLC (f/k/a Chicago Parking Service, LLC ("AMI")) for the provision of management personnel and related services. The Company and AMI mutually terminated AMI's services contract on January 31, 2014.

On January 31, 2014, the Company entered into a services agreement with NEXT Parking, LLC ("NEXT") for the provision of executive and facilities management services through January 31, 2016. The asset management agreement shall be automatically extended for successive periods of one year and may be terminated earlier by either party. NEXT receives a base management fee equal to $45,000 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 $150,000 in a single operating year. Asset management fees, including the incentive fee of $50,000, approximated $545,000 for the period ended December 31, 2014.

## 7. Sublease Agreement

The Predecessor entered into a sublease agreement (the "Sublease") with Chicago Parking Meters, LLC ("Meters"), under which Meters rents a warehouse with related office space on the System's property for a 10-year period ending on November 1, 2019, subject to two extension options of five years each. As a result of assignment of interest in the C&L Agreement as discussed in Note 1, the Sublease was also assigned to LMG2, LLC on January 31, 2014. Annual base rent payable under the Sublease is $481,390 and 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 included in other revenue on the statement of operations for the period ended December 31, 2014 approximated $455,000.

## 8. 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 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 May 2009, the City granted a public garage license to the garage in the Aqua building ("Aqua"), a commercial and residential building located within one-half mile of the System. 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. 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." The City sought to have the Circuit Court vacate or modify the Arbitration Award to provide the Company with past damages only. 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 First District Appellate Court.

As a result of the assignment of interests in the C&L Agreement as previously discussed in Note 1, the Company was substituted for the Predecessor pursuant to a court order entered April 1, 2014. On November 26, 2014, the Illinois First District Appellate Court issued an opinion affirming the decision of the Circuit Court. The decision of the Illinois First District Appellate Court is now final. In April 2015, the Company received approximately $62,404,000 from the City for payment of the award.

In February 2013, a complaint was filed against the Predecessor 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) ("Plaintiffs"). 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 Predecessor 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 the Predecessor and the City. Plaintiffs have filed a notice of appeal and the appeal is 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 Predecessor. The Plaintiffs objected to the motion and the appellate court denied the motion, and instead, added the Company 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 such outstanding or potential liability against the Company as of December 31, 2014.

### *Construction Commitments*

The Company has contracts with various parties for construction services related to certain required capital improvements under the C&L Agreement. At December 31, 2014, the Company has approximately $885,000 in future commitments related to these contracts.