CITY OF MIDWEST SPECIAL URBAN RENEWAL AUTHORITY AGENDA

City Hall - Midwest City Council Chambers, 100 N. Midwest Boulevard

May 19, 2021 – 8:15 AM

Presiding members: Chairman Dave Herbert

Russell Smith	Jack Fry	Economic Development,
Sherry Beaird	Eddie Reed	Director Robert Coleman
City Manager Tim Lyon	City Attorney Don Maisch	

A. CALL TO ORDER.

B. CONSENT AGENDA. These items are placed on the Consent Agenda so the Council, by unanimous consent, can approve routine agenda items by one motion. If any item proposed does not meet with the approval of all Council, or members of the audience wish to discuss an item, it will be removed and heard in a regular order.

1. Discussion and consideration of approving the minutes of the Special January 28, 2021 meeting.

2. Discussion and consideration of accepting the management representation letter to Grant Thornton LLP, and accepting the draft of the final report associated Combined Financial Statements of Sooner Town Center IV for calendar years ending December 31, 2019 and December 31, 2020.

C. ADJOURNMENT.

To make a special assistance request, call 739-1213 or email bbundy@midwestcityok.org no less than 24 hours prior to the start of a meeting. If special assistance is needed during a meeting, call 739-1388.

Notice of this special Midwest City Urban Renewal Authority meeting was filed with the City Clerk of Midwest City more than 48 hours prior to the meeting and copies of the agenda for this special meeting were posted at City Hall and on the City's website, accessible to the public for at least 24 hours in advance of the meeting.

MINUTES OF THE SPECIAL
MIDWEST CITY URBAN RENEWAL AUTHORITY MEETING

January 28, 2021 – 8:15 AM

This special meeting of the Midwest City Urban Renewal Authority was held in the City Council Chambers, City Hall, City of Midwest City, County of Oklahoma, State of Oklahoma. Chairman Russell Smith called the meeting to order at 8:15 AM with the following Trustees present: Chairman Russell Smith, Vice-Chairman Dave Herbert, Secretary/Treasurer Sherry Beaird, Trustee Jack Fry; Director of Operations Ryan Rushing and Economic Development Director Robert Coleman. Absent: Commissioner Eddie Reed.

DISCUSSION ITEMS.

1. **Discussion and consideration of approving the minutes from the July 23, 2020 special meeting, as submitted.**

   No edits were requested and Vice-Chairman Herbert motioned to approve the minutes of the July 23, 2020 special meeting as submitted and Fry seconded. The item was approved 4 – 0.

2. **Discussion and consideration of 1) approving and entering into an engagement letter and approving the scope of audit services with Grant Thrornton LLP in amounts not to exceed $16,800, plus 7% administrative charge of $1,176 to perform GAAP audits of Sooner Town Center IV, LLC for the calendar year ending December 31, 2020; and 2) authorizing the city manager and/or finance director to act on behalf of the City during the audits to provide information, oversee the audit process and make determinations as required.**

   Coleman briefly explained the purpose of the audit. Vice-Chairman Herbert motioned to approve the item, which was seconded by Secretary/Treasurer Beaird. The item was approved 4 – 0.

ADJOURNMENT.

There being no further business, Chairman Smith adjourned the meeting at 8:17 AM.

____
RUSSELL SMITH, Chairman

ATTEST:

____
DAVE HERBERT, Secretary

City Manager
100 N. Midwest Boulevard
Midwest City, OK 73110
office 405.739.1204

MEMORANDUM

TO: Urban Renewal Authority Board Members

FROM: Tim Lyon, General Manager/Administrator

DATE: May 19, 2021

SUBJECT: Discussion and consideration of accepting the management representation letter to Grant Thornton LLP, and accepting the draft of the final report associated Combined Financial Statements of Sooner Town Center IV for calendar years ending December 31, 2019 and December 31, 2020.

Attached for your review and approval are the management representation letters and financial statements for the entity leasing property associated with STC IV for calendar years 2019, 2020.

Staff recommends approval.

Tim Lyon
General Manager/Administrator

Attachments

(Entity letterhead)

Month XX, 2021

Grant Thornton LLP
201 S. College St., Suite 2500
Charlotte, NC 28244

Dear Sir or Madam:

We are providing this letter in connection with your audits of the financial statements of Sooner Town Center lV, LLC (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019 and the related statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements. We understand that your audits were made for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and whether the supplementary information is fairly presented, in all material respects, in relation to the financial statements as a whole.

We have fulfilled our responsibility, as set out in the terms of the Engagement Letter, for the preparation and fair presentation of the financial statements in accordance with US GAAP. We acknowledge our responsibility 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 error or fraud, including programs and controls to prevent and detect fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of the surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of Month XX, 2021, the following representations made to you during your audits.

1. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have no knowledge of fraud or suspected fraud affecting the Company involving:
   a. Management
   b. Employees who have significant roles in internal control, or
   c. Others where the fraud could have a material effect on the financial statements.

2. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.

3. There are no known violations or possible violations of, or no known instances of noncompliance or suspected noncompliance with, laws and regulations whose effects should be considered by management when preparing the financial statements, as a basis for recording a loss contingency or for disclosure.

4. The Company has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of a noncompliance.

5. The Company has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

6. We have disclosed to you the identity of all the Company's related parties and all related party relationships and transactions of which we are aware. Related party relationships and transactions and related amounts receivable from or payable to related parties (including sales, purchases, loans, transfers, leasing arrangements, and guarantees) have been properly accounted for and disclosed in the financial statements in accordance with US GAAP.

We understand that “related parties” include (1) affiliates of the Company; (2) entities for which investments in their equity securities would be required to be accounted for by the equity method by the investing entity; (3) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; (4) principal owners of the Company and members of their immediate families; and (5) management of the Company and members of their immediate families.

Related parties also include (1) other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and (2) other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

7. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments whose effects should be considered by management when preparing the financial statements and that should be accounted for and disclosed in accordance with US GAAP (ASC 450, *Contingencies*), and we have not consulted legal counsel concerning such litigation, claims, or assessments.

8. The calculation of participation rent for year ended December 31, 2020 as determined in the supplementary schedules of net operating income, debt service, net cash flow, and subtenant rents are prepared in accordance with the terms as defined in the Outparcel 10 General Ground Lease (the Agreement). We have read the supplementary schedules and believe the information presented is consistent with and accurately reflects the provisions contained in the Agreement.

9. The information included in the Leases footnote to the financial statements, which describes the participation rent calculation, is consistent with our understanding of the agreement.

10. The rent expense for participation rent is $56,250 for the year ended December 31, 2020.

11. Based on the Promissory Note Agreement with the City, the Company is able to factor in a cash reserve to the Net Operating Income section of the Participation Rent Expense calculation. Per the agreement, both parties must agree to any cash reserve amounts. The Company reserved cash decreases of $0 and $17,750 in 2020 and 2019, respectively.

12. All events subsequent to the date of the financial statements through the date of this letter and for which US GAAP requires recognition or disclosure have been recognized or disclosed.

Very truly yours,

SOONER TOWN CENTER IV, LLC

____

Robert C. Collett, Managing Member

____

John Cheek, Consultant to Collett as an agent for Sooner Town Center IV, LLC

____

Katherine Fox, Chief Financial Officer of Collett as an agent for Sooner Town Center IV, LLC

MIDWEST CITY URBAN RENEWAL AUTHORITY

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Russell Smith, Chairman

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Financial Statements and Report of Independent Certified Public Accountants

Sooner Town Center IV, LLC

December 31, 2020 and 2019

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Grant Thornton

GRANT THORNTON LLP
201 S. College Street, Suite 2500
Charlotte, NC 28244

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Members of
Sooner Town Center IV, LLC

We have audited the accompanying financial statements of Sooner Town Center IV, LLC (an Oklahoma limited liability company), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in members' equity, and cash flows for the years then ended, 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 audits. We conducted our audits 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 entity'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 entity'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.

Grant Thornton

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sooner Town Center IV, LLC as of December 31, 2020 and 2019, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedules I through IV is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

GRANT THORNTON LLP

Charlotte, North Carolina
Month DD, 2021

Sooner Town Center IV, LLC

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BALANCE SHEETS

December 31,

	2020	2019
ASSETS		
Real property, at cost:		
Signage	$ 18,527	$ 18,527
	18,527	18,527
Less - Accumulated depreciation	(6,981)	(5,697)
Real property, net	11,546	12,830
Other assets:		
Cash and cash equivalents	54,892	43,393
Accounts receivable	200	200
Deferred charges, net	119,657	130,101
Deferred rents receivable	63,093	45,844
Total assets	$ 249,388	$ 232,368
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 21,860	$ 16,110
Total liabilities	21,860	16,110
Members' equity	227,528	216,258
Total liabilities and members' equity	$ 249,388	$ 232,368

The accompanying notes are an integral part of these financial statements.

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Sooner Town Center IV, LLC

STATEMENTS OF OPERATIONS

For the years ended December 31,

		2020		2019
Rental revenues	$	158,849	$	158,902
Operating expenses:				
Rent expense		56,250		37,481
Selling, general and administrative expense		29,101		28,427
Depreciation and amortization		11,728		11,805
Total operating expenses		97,079		77,713
Interest expense		-		1,121
Net income	$	61,770	$	80,068

The accompanying notes are an integral part of these financial statements.

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Sooner Town Center IV, LLC

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended December 31,

Members' equity, December 31, 2018	$	161,190
Net income		80,068
Distributions		(25,000)
Members' equity, December 31, 2019		216,258
Net income		61,770
Distributions		(50,500)
Members' equity, December 31, 2020	$	227,528

The accompanying notes are an integral part of these financial statements.

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Sooner Town Center IV, LLC

STATEMENTS OF CASH FLOWS

For years ended December 31,

	2020	2019
Cash flows from operating activities:		
Net income	$ 61,770	$ 80,068
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,284	1,427
Amortization	10,444	10,378
Changes in operating assets and liabilities:		
Accounts receivable	-	1,613
Deferred rents receivable	(17,249)	(17,249)
Accounts payable and accrued expenses	5,750	(3,269)
Net cash provided by operating activities	61,999	72,968
Cash flow s from financing activities:		
Repayment on notes payable	-	(37,328)
Distributions	(50,500)	(25,000)
Net cash used in financing activities	(50,500)	(62,328)
Net increase in cash and cash equivalents	11,499	10,640
Cash and cash equivalents, beginning of year	43,393	32,753
Cash and cash equivalents, end of year	$ 54,892	$ 43,393
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ -	$ 1,121

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Sooner Town Center IV, LLC (an Oklahoma limited liability company) (the Company) was organized in February 2015 for the purpose of leasing land to commercial tenants in Oklahoma. The Company operates a retail center (the Project) located in Midwest City, Oklahoma. The Project is defined by a Ground Lease Agreement between Midwest City Urban Renewal Authority, an affiliate of Midwest City, Oklahoma (collectively, the City) and the Company. The City is considered to be a related party for financial reporting purposes. The Company is responsible for leasing and management of the Project. Income and loss will be allocated to members in accordance with the operating agreement.

Cash and Cash Equivalents

The Company classifies highly liquid investments with original maturity dates of three months or less as cash equivalents.

Concentration of Credit Risk

The Company's operating property is located in Midwest City, Oklahoma. The Company's ability to generate future revenues is dependent upon the economic conditions within this area.

As of December 31, 2020 and 2019, the Company had two tenants. Each tenant comprised more than 10% of total base rental revenue for the years ended December 31, 2020 and 2019. No tenants comprised more than 10% of accounts receivable as of December 31, 2020 and 2019.

The Company maintains its cash in a commercial bank. Regularly during the year, the Company maintained cash and cash equivalents in accounts in excess of the amount insured by the Federal Deposit Insurance Corporation. The Company's management regularly monitors the financial stability of these financial institutions.

Revenue Recognition

Rental revenue is generally recognized based on the terms of leases entered into with tenants. Rental revenue from leases with scheduled rent increases, abatements or other incentives is recognized on a straight-line basis over the noncancelable term of the respective leases. If it becomes probable that a tenant will fail to perform according to the terms of the lease, a loss equal to the deferred rents receivable unlikely to be received from that tenant would be charged to operations.

Rental revenue recognized on a straight-line basis over rents due amounted to $17,249 for the years ended December 31, 2020 and 2019.

The Project has two executed ground leases with tenants who own their restaurant buildings on the land, completed in 2015 and 2018. At December 31, 2020, these two tenants occupying the spaces were operating noncancelable ground leases providing for future minimum rents of $2,099,750 with the latest expiration date of December 20, 2038.

Future minimum rents receivable under noncancelable ground leases for all known tenants at December 31, 2020 is as follows. The leases have renewal options, which are not included below.

	Amount
2021	$ 149,000
2022	149,000
2023	149,000
2024	154,000
2025	154,000
Thereafter	1,344,750
	$ 2,099,750

Accounts receivable are reported at their estimated net realizable value. When necessary, the Company provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Past due status is based on the contractual terms of the receivables. Accounts receivable are written off based on individual credit evaluation and specific circumstances of the customer. Management has concluded that all of the Company's accounts receivable amounts will be realizable and, accordingly, has not recorded an allowance for doubtful accounts at December 31, 2020 or 2019.

Real Property

Signage is depreciated using an accelerated method of depreciation over the useful life of the assets, usually 15 years.

Depreciation on real property charged to operations was $1,284 and $1,427 for the years ended December 31, 2020 and 2019, respectively.

Repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized.

The Company reviews the real property for impairment whenever events or changes in circumstances indicate that the carrying amount of the real property may not be recoverable. Recoverability of the real property is measured by a comparison of the carrying amount of the real property to undiscounted future net cash flows expected to be generated by the real property. If the real property is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the real property exceeds its fair value. No impairment was recorded during the years ended December 31, 2020 and 2019.

Deferred Charges, net

Deferred charges consist of lease commissions and lease costs and are stated at cost net of accumulated amortization. At December 31, 2020 and 2019, total deferred charges capitalized were $166,693 with accumulated amortization of $47,036 and $36,592, respectively. The lease commissions and lease costs are amortized on the straight-line method over the term of the respective lease. Lease commission and lease costs amortization expense of $10,444 and $10,378 is included in depreciation and amortization in the accompanying statements of operations for the years ended December 31, 2020 and 2019, respectively.

Income Taxes

The Company is a limited liability company treated as a partnership for federal and state income tax purposes. As a result, the Company's results of operations are included in the income tax returns of its individual members. Accordingly, no provision for federal or state income taxes has been recorded in the accompanying financial statements. The Company files income tax returns in the U.S. federal jurisdiction and in the Oklahoma state jurisdiction. The Company is no longer subject to examination by taxing authorities for years before 2018 and it is not aware of any audits by any taxing authority.

The Company follows applicable authoritative guidance on accounting for uncertainty in income taxes which, among other things, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure. The Company has no uncertain tax positions.

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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.

Other Risks

Since early March 2020, efforts to slow the spread of the Covid-19 virus have had a significant impact on the U.S. economy. The Company continues to follow the policies described in Note 1, including those related to impairments of real estate assets and allowance for doubtful accounts. Impacts of the pandemic on the Company's financial results have been reflected in the accompanying balance sheets and statements of operations. Continuing impacts of Covid-19 on the overall economy and the Company itself are highly uncertain and cannot be predicted. These impacts will continue to be evaluated and may result in recording impairments and allowance for doubtful accounts in future periods.

NOTE 2 - NOTES PAYABLE

The Company entered into a note payable agreement with First National Bank for borrowings in the maximum principal amount of $200,000 on July 2, 2015. Total amounts drawn on this loan as of December 31, 2020 and 2019 were $0. Certain members of the Company guaranteed this note. The interest rate on this note is 6%. The entire unpaid balance of principal and accrued unpaid interest owed on the note were originally due and payable on July 2, 2017. However, subsequent amendments between the Company and First National Bank modified the original maturity until July 2, 2019. The note payable was paid off in full on June 26, 2019.

Interest incurred related to the above note totaled $0 and $1,121 for the years ended December 31, 2020 and 2019, respectively.

NOTE 3 - LEASES

The Company has a ground lease with the City, an affiliated entity, which provides for participation rent equivalent to 50% of net operating income in excess of debt service, measured on a cumulative basis. The lease commenced on June 2, 2015 and expires on October 31, 2062. In addition to participation rent, starting one year after the commencement date, annual rent is $1. Participation rent is due and payable only to the extent that cumulative net cash flows are positive. Participation rent expense was $56,250 and $37,481 for the years ended December 31, 2020 and 2019, respectively. Participation rent, net operating income, and debt service are defined terms in the lease with the City.

NOTE 4 - RELATED-PARTY TRANSACTIONS AND BALANCES

John S. Cheek, Inc. (Cheek), an affiliated entity, provides tax and accounting services to the Company. The Company paid $3,900 and $3,800 in fees to Cheek for the years ended December 31, 2020 and 2019, respectively.

Collett & Associates, LLC (Collett), an affiliated entity, provides leasing, development and brokerage services to the Company. Collett receives a monthly fee of 4% of gross monthly collections or a minimum of $500 per month for providing property management services. Such fees totaled $6,031 and $6,000 for the years ended December 31, 2020 and 2019, respectively. The Company paid $1,089 and $1,151 for various expense reimbursements to Collett, which are recorded as general and administrative expenses, for the years ended December 31, 2020 and 2019.

NOTE 5 - SUBSEQUENT EVENTS

The Company has analyzed its operations subsequent to December 31, 2020 through ______, 2021, the date the financial statements were available to be issued.

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SUPPLEMENTARY INFORMATION

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Sooner Town Center IV, LLC

SCHEDULE I - NET OPERATING INCOME

For the year ended December 31, 2020

Rental revenues per audited financial statements	$ 158,849
Adjustments to cash basis:	
Deferred rents receivable	(17,249)
Gross operating revenue (cash basis)	141,600
Allowable expenses	
Total operating expenses	97,079
Adjustments for noncash expenses:	
Depreciation and amortization	(11,728)
Other adjustments:	
Participation rent, accrued or paid	(56,250)
Allowable expenses, net	29,101
Net operating income per Ground Lease Agreement (1)	$ 112,499

(1) The Ground Lease Agreement between the City and the Company defines Net Operating Income per the Redevelopment Agreement as the difference between Gross Operating Revenue and the actual Operating Expenses for the same period. The agreement specifically defines Gross Operating Revenue as all revenues derived from the project, determined in accordance with GAAP, computed on a cash basis, exclusive of subtenant security deposits and other refundable deposits and exclusive of proceeds derived from a sale, condemnation, financing, insurance settlement or other transaction that is capital in nature. Further, Operating Expenses are defined as those costs determined in accordance with GAAP, including all necessary and reasonable expenditures of any kind made with respect to the operations of the project typical of a Class A shopping center, without limitation, ad valorem taxes, insurance premiums, R&M expenses, management fees, leasing and advertising expenses, professional fees, wages and utility costs. Non-cash expenditures such as depreciation and amortization shall not be included in the computation of Operating Expenses. Operating Expenses shall include all project development costs incurred by the Company, that are not financed, in further developing and leasing available space within the Project including, without limitation, tenant upfitting costs, market rate brokerage commissions, tenant improvement allowances, building improvements and legal fees.

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Sooner Town Center IV, LLC

SCHEDULE II - DEBT SERVICE

For the year ended December 31, 2020

Debt service:		
Payments on notes payable	$	-
Interest expense per audited financial statements		-
Total Debt Service (2)	$	-

(2) The Ground Lease Agreement defines Debt Service as the net principal paydown on all loans and accrued interest on all loans and all costs associated with obtaining the loans on the Project or any portion thereof for which a certificate of completion has been issued that are not and have not previously been accrued or paid as Operating Expenses.

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Sooner Town Center IV, LLC

SCHEDULE III - NET CASH FLOW

For the year ended December 31, 2020

Net operating income per Ground Lease Agreement	$ 112,499
Less - debt service	-
Net cash flow	112,499
Cash reserve	-
Net cash flow, after cash reserve	112,499
Cumulative net cash flow, beginning of year	-
Cumulative net cash flow, end of year	112,499
Participation rent factor	50%
Participation Rent (minimum of $0) (3)	$ 56,250

(3) For purposes of determining Participation Rent, the Ground Lease Agreement defines Net Cash Flow as Net Operating Income less Debt Service. Participation Rent shall be an amount equal to fifty percent (50%) of Net Cash Flow remaining after any additional cash reserve.

Sooner Town Center IV, LLC

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SCHEDULE IV - SUBTENANT RENTS

For the year ended December 31, 2020

Tenants rents	$ 141,600
Gross operating revenue (cash basis) (4)	$ 141,600

(4) Refer to page 14 for the calculation of Gross operating revenue (subtenant rents) which is computed on the cash basis.