TC

Tom

Re: Gondolier Properties

To: Carla Kuzynowski

September 19, 2024 at 11:08 AM

Carla,

I have determined that the 2023 financials forwarded by our accountants are incorrect and substantially discount our theatre profits. The accountants reflected the 7% fee payable to our theater operator as our profits and characterized our profits (which have been running at 14% of gross theater revenues) as expenses of GPLLC. The accountants are correcting this and I should have the corrected version later today.

What concerns me is that we have been aware, as has First Horizon, that we weren't in compliance with the DSCR for at least four years prior to 2023 because of the bankruptcy of Frank Theatres in 2019 and the advent of COVID in 2020. But First Horizon agreed in 2019 to finance our renovation of the movie theater. The theatre is now making record profits and I am confident we will be in compliance with the DSCR in 2024. It is also possible that we were in compliance in 2023 when the theater profits/expenses are accurately reflected in our financial statements.

I am very concerned that First Horizon appears unwilling to provide the consent to the sale of the undeveloped outparcel unless we agree to dedicate the proceeds of the sale to paying down the loan. The problem is that we have a swap with FH's affiliate that is paying us approximately $250,000 a year, and when we discussed earlier this year partially prepaying our mortgage loan. our FH swap counterparty insisted incorrectly that any prepayment of the loan would terminate the swap.

Is compliance with the DSCR a condition of FH's approval of the sale of the outparcel? I need to know this as soon as possible. Again, it was NOT a condition to FH refinancing our loan in 2020 for over $7 million.

I require immediate assurance that the outparcel sale will be approved, that Gondolier will not be required to pay down the loan with the proceeds, and that our swap agreement will remain in place.

As for the rent roll, it is current and accurate. Can you identify a specific concern regarding the rent roll?