Corporation Counsel
City of Chicago
121 North LaSalle Street, Room 600
Chicago, Illinois 60602
Attention: Finance and Economic Development Division

City of Chicago
Department of Finance
121 North LaSalle Street, Room 700
Chicago, Illinois 60602
Attention: Chief Financial Officer

July 22, 2020

RE: Concessionaire's Financial Reports due under the Chicago Metered Parking System Concession Agreement

Ladies and Gentlemen:

Reference is made to the Amended and Restated Chicago Metered Parking System Concession Agreement dated June 5, 2013, as amended by the First Amendment to Amended and Restated Chicago Metered Parking System Concession Agreement, dated as of August 2, 2017, and the Second Amendment to Amended and Restated Chicago Metered Parking System Concession Agreement, dated as of March 1, 2019, (the ***Concession Agreement***), by and between the City of Chicago (the ***City***) and Chicago Parking Meters, LLC (***CPM***). 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 calendar year, along with a certification from the Concessionaire's chief financial officer. Enclosed herewith are CPM's audited balance sheet, statement of income, changes in equity and cash flows for the calendar year ended December 31, 2019, along with the notes thereto and the report from CPM's independent certified public accountants (the ***Financial Statements***).

I, in my capacity as Chief Financial Officer of CPM, certify that the enclosed Financial Statements fairly present the financial condition and the results of operations, changes in equity and cash flows of CPM as of and for the calendar year ending December 31, 2019, all in accordance with generally accepted accounting principles in the United States consistently applied.

Sincerely,

Jean R. Chidley

Jean Ratty Chidley
Chief Financial Officer

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

Financial Statements

December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

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

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KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

The Members
Chicago Parking Meters, LLC:

Report on the Financial Statements

We have audited the accompanying financial statements of Chicago Parking Meters, LLC, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of comprehensive income, 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 U.S. generally accepted accounting principles; 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 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicago Parking Meters, LLC as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Chicago, Illinois
April 29, 2020, except as to Note 2 and Note 10, which are as of May 29, 2020

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

Balance Sheets

December 31, 2019 and 2018

Assets		**2019**	**2018**
Current assets:			
Cash and cash equivalents	$	37,704,515	23,112,527
Accounts receivable		2,712,329	5,022,920
Other current assets		1,098,202	1,117,823
Total current assets		41,515,046	29,253,270
Fixed assets (net of accumulated depreciation of $13,261,448 and $48,323,302, respectively)		26,611,691	27,752,385
Intangible assets (net of accumulated amortization of $166,206,997 and $150,923,595, respectively)		980,048,189	995,331,591
Prepaid rent		—	352,008
Total assets	$	1,048,174,926	1,052,689,254
Liabilities and Members' (Deficit) Equity			
Liabilities:			
Current liabilities:			
Accounts payable	$	1,580,581	5,812,118
Accrued interest payable		—	71,901
Due to affiliate		335,911	404,839
Capital lease obligation		121,750	98,856
Current portion of long-term debt		14,697,046	—
Other current liabilities		15,269,775	13,214,676
Total current liabilities		32,005,063	19,602,390
Other liabilities:			
Capital lease obligation		194,689	213,477
Long-term debt, net		1,165,378,154	819,629,145
Total other liabilities		1,165,572,843	819,842,622
Total liabilities		1,197,577,906	839,445,012
Members' (deficit) equity		(149,402,980)	213,244,242
Total liabilities and members' (deficit) equity	$	1,048,174,926	1,052,689,254

See accompanying notes to financial statements.

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

Statements of Comprehensive (Loss) Income

Years ended December 31, 2019 and 2018

		2019	2018
Income:			
Parking revenues	$	138,071,753	132,784,765
Total income		138,071,753	132,784,765
Cost of parking services:			
Credit card and other fees		7,331,709	6,497,310
Total cost of parking services		7,331,709	6,497,310
Gross profit		130,740,044	126,287,455
Expenses:			
Administrative management costs		4,179,260	3,795,065
General administrative costs		2,964,851	3,061,871
Operating expenses		8,470,487	9,122,679
Amortization of intangible assets		15,283,402	15,283,402
Depreciation		5,967,712	1,751,778
Management fees – affiliate		3,981,571	3,910,364
Total expenses		40,847,283	36,925,159
Net operating income		89,892,761	89,362,296
Other income (expense):			
Interest expense		(56,205,449)	(44,451,195)
Loss on debt extinguishment		(44,552,644)	—
Other income		466,313	261,125
Total other expense, net		(100,291,780)	(44,190,070)
Net (loss) income		(10,399,019)	45,172,226
Other comprehensive income (loss):			
Amortization of cash flow hedges		922,343	—
Loss on cash flow hedges		—	(11,866,556)
Comprehensive (loss) income	$	(9,476,676)	33,305,670

See accompanying notes to financial statements.

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

Statements of Changes in Members' (Deficit) Equity

Years ended December 31, 2019 and 2018

		Deeside Investments Inc.	MS Infrastructure Investors LP	North Haven Infrastructure Partners LP	North Haven Infrastructure Partners A Sub LP	Accumulated Other Comprehensive Loss	Total
Members' equity – January 1, 2018	$	116,072,889	1,478,098	25,827,600	86,059,985	—	229,438,572
Distributions		(24,855,589)	(321,104)	(5,615,557)	(18,707,750)	—	(49,500,000)
Net income		22,696,030	292,954	5,121,070	17,062,172	—	45,172,226
Other comprehensive loss		—	—	—	—	(11,866,556)	(11,866,556)
Members' equity – December 31, 2018		113,913,330	1,449,948	25,333,113	84,414,407	(11,866,556)	213,244,242
Distributions		(176,409,491)	(2,303,107)	(40,277,364)	(134,180,584)	—	(353,170,546)
Net loss		(5,011,721)	(70,217)	(1,227,468)	(4,089,613)	—	(10,399,019)
Other comprehensive income		—	—	—	—	922,343	922,343
Members' deficit – December 31, 2019	$	(67,507,882)	(923,376)	(16,171,719)	(53,855,790)	(10,944,213)	(149,402,980)

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended December 31, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Net (loss) income	$	(10,399,019)	45,172,226
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation		5,967,712	1,751,778
Amortization of intangible assets		15,283,402	15,283,402
Amortization of deferred financing costs		978,544	1,320,233
Amortization of interest rate derivatives		922,343	383,444
Loss on debt extinguishment		44,552,644	—
Changes in assets and liabilities:			
Accounts receivable		2,310,591	1,138,954
Prepaid rent		352,008	437,715
Other current assets		19,621	264,059
Due to affiliate		(68,928)	66,019
Accounts payable		172,676	102,557
Accrued interest payable		(71,901)	71,901
Other current liabilities		2,055,099	(179,707)
Net cash provided by operating activities		62,074,792	65,812,581
Cash flows from investing activities:			
Purchase of fixed assets		(9,227,125)	(21,309,180)
Cash used in investing activities		(9,227,125)	(21,309,180)
Cash flows from financing activities:			
Long-term debt proceeds		1,200,000,000	23,000,000
Repayments of long-term debt		(830,298,482)	—
Payment of long-term debt make-whole premium		(41,379,016)	—
Payment for settlement of interest rate derivatives		—	(12,250,000)
Payment of debt issuance costs		(13,407,635)	(110,478)
Distributions to members		(353,170,546)	(49,500,000)
Net cash used in financing activities		(38,255,679)	(38,860,478)
Net cash increase for year		14,591,988	5,642,923
Cash and cash equivalents at beginning of year		23,112,527	17,469,604
Cash and cash equivalents at end of year	$	37,704,515	23,112,527
Supplemental disclosure of cash flow information:			
Cash paid for interest	$	54,280,985	42,789,256
Noncash activity:			
Capital expenditures incurred but not yet paid	$	240,180	4,644,393

See accompanying notes to financial statements.

(1) Organization

Chicago Parking Meters, LLC (the Company) was formed on November 18, 2008, for the purpose of owning the concession right for the Chicago Metered Parking System (the System) in Chicago, Illinois. On December 4, 2008 and February 3, 2009, the Company entered into a concession agreement (as amended and restated on June 5, 2013) and a side letter (collectively, the Agreements), respectively, pursuant to which, effective February 13, 2009 (the Concession Start Date), it leased the System for a 75-year term from the City of Chicago (the City) for a purchase price of $1,151,355,186. The Company has an exclusive right and franchise during the lease term to operate and collect revenues from the System (Rights).

The members of the Company (Members) are Morgan Stanley Infrastructure Investors LP (MSII), North Haven Infrastructure Partners LP (NHIP) (formerly known as Morgan Stanley Infrastructure Partners LP), North Haven Infrastructure Partners A Sub LP (formerly known as Morgan Stanley Infrastructure Partners A Sub LP), (collectively with MSII and NHIP, the MSIP Partnerships), and Deeside Investments, Inc. (Deeside); the Members own 0.653%, 11.415%, 38.032%, and 49.900%, respectively, of the Company. The General Partner of the MSIP Partnerships (which own 50.100% of the Company in total) is Morgan Stanley Infrastructure GP LP, an affiliate of Morgan Stanley & Co Inc. (Morgan Stanley). Deeside is owned by two infrastructure investors who are not related to the MSIP Partnerships.

The Company's net income or net loss and each item of income, gain, loss, deduction, or expense included in the determination of such net income or net loss shall generally be allocated among the Members in proportion to each Member's percentage interest. The Company does not have a defined dissolution date.

(2) Going Concern

In December 2019, a novel strain of coronavirus (COVID-19) surfaced, and it was declared as a global pandemic in the first quarter of 2020. The Company has experienced a significant reduction in revenues and related cash flows beginning in March 2020 due to the COVID-19 pandemic, revenues have not recovered to normal levels as of the date of financial statement issuance, and the timing and extent of the recovery of revenues is uncertain. Given the reduction in revenue, the Company projects that it is probable that it will be unable to service its debt and comply with its debt covenants under the terms of the current loan agreements within one year after the date that the financial statements are issued.

In addition, the Company's loan agreements stipulate that the financial statements should be issued without a going concern or similar qualification or explanatory note on which such report is based. Upon issuance of the financial statements with such a qualification or explanatory note, the Company may be in breach of the loan agreements as described in Note 7. A breach of the loan agreements, if not cured or waived within 30 days, will result in an Event of Default which will render the Company's outstanding debt immediately due and payable.

On May 26, 2020, the Company and its Members executed a subscription agreement which commits the investors to provide up to $100 million to the Company for general liquidity needs. The subscription agreement allows the Company to draw upon the agreement at its discretion and as needed. The commitment period of the subscription agreement is 18 months from the date of the agreement or the date on which the commitment amounts are fully funded, whichever comes first. The additional liquidity provided by the subscription agreement is sufficient to meet the Company's obligations within one year after the financial statements are issued.

In addition, the Company has approached its lenders regarding a waiver to increase the number of equity injections during a consecutive four-quarter period that can cure a default of the debt service coverage ratio covenant from two to three. The Company's projections do not indicate that the number of equity cures required will exceed what is currently allowable under the loan agreements.

Based on the events described above, the substantial doubt as to whether the Company will be able to continue as a going concern has been alleviated as a result of consideration of management's plans. The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

(3) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP).

(a) Use of Estimates

The preparation of the financial statements in conformity with GAAP 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 have been made with respect to the initial purchase price allocation and useful lives of assets. Actual results could differ from those estimates.

(b) Acquisition of Parking Meters

The fair values of the assets acquired pursuant to the Agreements were recorded as follows:

Equipment	$ 5,100,000
Intangible assets	1,146,255,186
Purchase price	$ 1,151,355,186

The Company used an income method, specifically the excess earnings method, to value the Agreements, which are recorded as intangible assets. Under the excess earnings method, the Company examined the expected economic returns contributed by the System's fixed assets and the Rights obtained under the Agreements, and then isolated the excess return, which were attributable to the Rights. The cost approach was used in the valuation of the equipment.

(c) 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 period, the Company may have cash balances in excess of federally insured amounts on deposit with various financial institutions.

Amounts received by parking meters but not yet deposited into the bank account are treated as cash (deposits in transit) and are included in the cash and cash equivalents balance as of December 31, 2019 and 2018.

(d) Cost of Parking Services

Cost of parking services consists of interchange, assessment, and processing fees for credit card sales and transaction fees paid to the Company's mobile payment provider.

(e) Fixed Assets

Fixed assets are stated at cost and primarily consist of parking meters. The Company'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 Company'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 Company's fixed assets over their estimated fair values will be charged to operations. No fixed assets impairment losses were recognized for the years ended December 31, 2019 and 2018.

Depreciation is provided on a straight-line basis over two years for computer software, three years for computer equipment, five years for land improvements, and seven years for equipment including parking meters. 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. Fully depreciated fixed assets of $41,029,566 were retired in 2019.

(f) Intangible Assets

Intangible assets are stated at cost and consist of the Rights ($1,146,255,186), which are amortized on a straight-line basis over 75 years, resulting in annual amortization of $15,283,402 each year. The Company's definite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values of such assets may not be recoverable. The Company's intangible 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 Company's intangible assets over their estimated fair values will be charged to operations. No intangible asset impairment losses were recognized for the years ended December 31, 2019 and 2018.

(g) Leases

Base rent associated with operating leases is recorded monthly on a straight line basis over the term of the respective lease. Leased property and equipment meeting capital lease criteria are capitalized at the lower of the present value of the related lease payments or the fair value of the leased asset at the inception of the lease and are recorded as a component of fixed assets on the accompanying balance sheets. Depreciation is calculated on the straight-line method based on the shorter of the estimated economic useful life of the assets or lease term.

(h) Revenue Recognition

The Company accounts for revenue in accordance with Topic 606. Topic 606 requires entities to recognize revenue when control of promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Company adopted Topic 606 effective as of January 1, 2019. There was no impact to retained earnings as a result of adoption of the new standard. The Company has two main revenue streams: (1) revenue received from customers for on-street parking, whether paid at a parking pay station or using the mobile phone parking application, and (2) revenue received from the City in accordance with the Agreements for changes to the parking system that reduce the revenue value generation capacity of the parking system (True-up Revenue). The Company elected the portfolio approach practical expedient to evaluate revenues received from customers for on-street parking.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in Topic 606. All of the revenue received from customers for on-street parking is considered a single performance obligation. True-up Revenue is earned over time as the Company satisfies it obligations to reduce its revenue-generating capacity and to make the parking system available for other uses and purposes as directed by the City.

Revenues from transient parking in the Company's parking meters are recognized at points in time as parking services are provided. This generally corresponds to when cash is received, or credit card transactions are authorized. In May 2014, the Company implemented a mobile phone parking application that allows customers to prepay for parking services. Revenues from customers using the mobile application are recognized as transactions are authorized using customers' prepaid balances. Customers' prepaid balances of $14,454,139 and $12,099,874 are included in cash and cash equivalents and other current liabilities as of December 31, 2019 and 2018, respectively.

The Company is entitled to compensation from the City in accordance with the Agreements in the event that the City implements changes to the System, which reduces the Company's revenues. In addition, if the City implements certain changes to the System in accordance with the Agreements that result in an increase to the Company's revenue, the City has a right to a settlement credit, which results in a reduction of the Company's revenue. A settlement credit amount can only be used by the City as an offset against future True-up Revenue owed by the City to the Company, unless the Agreements are terminated prior to February 29, 2084. True-up Revenue, including adjustments for settlement credits, is calculated and recognized over time as the Company adjusts its revenue generating capacity as directed by the City. Amounts earned are generally received within 90 days of each quarterly settlement date defined in the Agreements (May 31, August 31, November 30, and February 28). True-up Revenue amounts due from the City are recorded in accounts receivable on the accompanying balance sheets. Settlement credit amounts the City has not utilized to offset future True-up Revenue are recorded as other current liabilities on the accompanying balance sheets. Accounts receivable as of December 31, 2019 and 2018 includes $2,706,482 and $4,925,024, respectively, of True-up

Revenue due from the City. No unapplied settlement credits were outstanding as of December 31, 2019 and 2018.

For the years ended December 31, 2019 and 2018, the Company recognized True-up Revenue of $11,037,684 and $17,371,527, respectively. These amounts are included in parking revenues on the accompanying statements of comprehensive income.

(i) Income Taxes

The Company is organized as a Limited Liability Company, treated as a disregarded entity for U.S. income tax purposes, and has no federal or state tax liability. 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.

New tax legislation, commonly referred to as the Tax Cuts and Jobs Act (the Act), was enacted on December 22, 2017. The Act, generally effective for taxable years beginning after December 31, 2017, makes significant changes to the U.S. federal income tax rules impacting businesses and their owners. While the Act is a complex revision to the U.S. federal income tax laws requiring subsequent rulemaking in a number of areas and in the interim may lead to some uncertainty, the Act will not impact the pass-through classification of the Company.

The Company's income tax returns are subject to examination by taxing authorities. Generally, the Company is subject to audit under the statute of limitations by taxing authorities for the year ended December 31, 2016 and subsequent years. As the application of tax laws and regulations related to many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the taxing authorities. The Company has assessed its tax position for all open tax years as of December 31, 2019 (2016-2019). There are no uncertain tax positions which require recognition in accordance with the provisions of FASB Accounting Standards Codification (ASC) 740, *Income Taxes*, as of December 31, 2019 and 2018.

(j) Derivative Instruments

The Company accounts for derivatives in accordance with applicable accounting literature, which requires that all derivatives be recognized as either an asset or liability in the balance sheets and be measured at fair value. The accounting for changes in the fair value of derivative instruments is dependent upon whether the applicable instrument has been formally designated as a hedging instrument. Derivative instruments that are designated and qualify as hedging instruments must be designated, based upon the exposure being hedged, as a fair value or a cash flow hedge. The Company has designated its derivatives as cash flow hedging instruments. When an effective hedge is terminated and the forecasted/hedged transactions remain probable of occurring, the amounts the Company previously recorded to other comprehensive income/loss in members' equity will be reclassified into income as the forecasted transactions occur. Subsequent changes in the fair value of the derivative will be recorded into income.

(k) Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which makes certain changes to the existing leasing standard including changes to (1) require lessees to recognize lease assets and lease liabilities, including operating leases, on the balance sheet, and (2) increase disclosure requirements for key information about lease transactions. ASU 2016-02 is effective for the Company beginning January 1, 2021, with early adoption permitted, and mandates a modified retrospective transition method for all entities. The Company is continuing to evaluate this guidance and its impact on the financial statements.

(4) Interest Rate Derivatives

On June 20, 2018, the Company entered into (1) a 10 year interest rate swaption collar with a third party for a notional amount of $300,000,000 and (2) a 15 year interest rate swaption collar with the same third party for a notional amount of $300,000,000, each with an effective date of December 31, 2020.

The Company's risk management objective and strategy with respect to these interest rate swaption collars is to protect the Company against adverse fluctuations in interest rates by reducing its exposure to variability in cash flows relating to forecasted future interest payments on the issuance of long-term debt (see Note 7). The Company is meeting its objective by entering into swaption collars to hedge the risk of changes in its cash flows (interest payments) attributable to changes in the 3 month USD-LIBOR swap rate, the designated benchmark interest rate being hedged, above the purchased swaption fixed rate of 3.54% and below the sold receiver swaption fixed rate of 2.75%.

The Company has designated the derivatives as cash flow hedges of interest rate risk. On December 24, 2018, the Company settled the derivatives for $12,250,000. Because the tenor of the debt issuance that the derivatives were meant to hedge (see Note 7) did not match the derivatives, only $11,866,556 of the related loss on cash flow hedges was recorded in accumulated other comprehensive loss in members' equity in 2018. The remaining $383,444 was recorded in interest expense on the accompanying statement of comprehensive income in 2018. Since the Company settled the derivatives, it discontinued the application of hedge accounting prospectively from December 24, 2018. However, as the forecasted future interest payments are still reasonably possible of occurring, the Company amortizes the amount originally recorded in accumulated other comprehensive income into interest expense as future interest payments occur. Amortization of the interest rate derivatives of $922,343 is included in interest expense on the accompanying statement of comprehensive loss in 2019. There were no new derivatives entered into or in place during 2019.

(5) Operating Agreement

The System is managed by LAZ Parking Chicago, LLC (LAZ) pursuant to the terms of a management agreement. Effective March 1, 2016, management fees paid to LAZ under the agreement are $350,000 annually, increasing at a rate of 1% each year. In addition, in the Company's sole and absolute discretion, LAZ can earn an annual incentive management fee of up to $100,000. The management fees incurred for the years ended December 31, 2019 and 2018 were $460,010 and $456,446, respectively, and are recorded in administrative management costs on the accompanying statements of comprehensive income.

(6) Transactions with Related Parties

The Company is managed by AMI Group, LLC, f/k/a Chicago Parking Services, LLC (AMI), an entity which is also owned by the MSIP Partnerships. AMI charges the Company for the costs of its services plus a fee equal to 10% of such costs. The Company incurred costs and fees totaling $3,981,571 and $3,910,364 during the years ended December 31, 2019 and 2018, respectively, and owed AMI $335,911 and $404,839 at December 31, 2019 and 2018, respectively. This amount is included as due to affiliate on the accompanying balance sheets.

(7) Long-Term Debt

On November 9, 2010, the Company issued $600,000,000 of debt through a Senior Secured Notes (the 2020 Notes) offering. The 2020 Notes bear interest at 5.489%, and require payments of interest semiannually on June 30 and December 30, commencing on December 30, 2010. The 2020 Notes mature on December 30, 2020. As part of the refinancing discussed below, the 2020 Notes were redeemed in full on January 30, 2019. The redemption price was $629,402,617 in total which included $600,000,000 in principal, $2,744,500 in accrued interest and $26,658,117 in make-whole premium due as a result of retiring the 2020 Notes prior to their maturity date. The make-whole premium is included in loss on debt extinguishment on the accompanying statement of comprehensive loss in 2019.

On July 17, 2014, the Company issued $200,000,000 of debt through a Senior Secured Notes (the 2024 Notes) offering. The 2024 Notes bear interest at 4.52%, and require payments of interest semiannually on June 30 and December 30, commencing on December 30, 2014. The 2024 Notes mature on July 15, 2024. An affiliate of one of the Deeside investors purchased $65,000,000 of the 2024 Notes. As part of the refinancing discussed below, the 2024 Notes were redeemed in full on January 30, 2019. The redemption price was $214,924,232 in total which included $200,000,000 in principal, $753,333 in accrued interest and $14,170,899 in make-whole premium due as a result of retiring the 2024 Notes prior to their maturity date. The make-whole premium is included in loss on debt extinguishment on the accompanying statement of comprehensive loss in 2019.

On September 17, 2018, the Company entered into an unsecured credit agreement with Bank of America, N.A., (the Credit Facility) whereby the Company can borrow up to $23,000,000 with a maximum of five draws no later than January 17, 2019. As of December 31, 2018, the Company had borrowed $23,000,000 under the Credit Facility which bears interest at 1-month LIBOR plus 2.75%. Interest is payable monthly with equal monthly principal payments due beginning on January 31, 2019 and on the last day of each month thereafter with the final principal payment due on the maturity date of March 17, 2020. As part of the refinancing discussed below, the Credit Facility was terminated on January 30, 2019. The payoff amount was $23,000,000 in principal and $93,549 in accrued interest.

The Company entered into a Note Purchase Agreement (the NPA) on January 30, 2019, to refinance the 2020 Notes, the 2024 Notes and the Credit Facility; the total debt issuance was $900,000,000, consisting of three series as detailed below. The Company issued $353,000,000 of Senior Secured Notes (the 2025 Notes) under the NPA. The 2025 Notes bear interest at 4.93%, and require payments of interest quarterly on March 30, June 30, September 30 and December 30, commencing on March 30, 2019. The 2025 Notes mature on December 30, 2025. The Company issued $389,000,000 of Senior Secured Notes (the 2033 Notes) under the NPA. The 2033 Notes bear interest at 5.07%, and require payments of interest quarterly on March 30, June 30, September 30 and December 30, commencing on March 30, 2019. The 2033 notes begin amortizing on March 30, 2019 and mature on December 30, 2033. The Company issued $158,000,000 of Senior Secured Notes (the 2038 Notes) under the NPA. The 2038 Notes bear interest at 5.42%, and require payments of interest quarterly on March 30, June 30, September 30 and December 30, commencing on March 30, 2019. The 2033 Notes begin amortizing on December 30, 2033 and mature on December 30, 2038.

The Company entered into a Note Purchase Agreement (the June 2019 NPA) on June 30, 2019; the total debt issuance was $270,000,000, consisting of two series as detailed below. The Company issued $30,000,000 of Senior Secured Notes (the 2041 Notes) under the June 2019 NPA. The 2041 notes were issued under a deferred purchase agreement on July 11, 2019. The 2041 Notes bear interest at 4.98% and require payments of interest and principal quarterly on March 30, June 30, September 30 and December 30, commencing on September 30, 2019. The 2041 Notes mature on June 30, 2041. The Company issued $240,000,000 of Senior Secured Notes (the 2049 Notes) under the June 2019 NPA. The 2049 Notes bear interest at 5.70% and require payments of interest and principal quarterly on March 30, June 30, September 30 and December 30, commencing on September 30, 2019. The 2049 notes mature on June 30, 2049.

On June 28, 2019, the Company entered into a 25-year credit agreement with a third-party lender (the Credit Agreement). The total principal amount available for borrowing under the Credit Agreement is $30,000,000. On June 28, 2019, the Company borrowed the entire principal amount at an interest rate of LIBOR plus an applicable margin of 2.20%. The Credit Agreement requires payments of interest and principal quarterly on March 30, June 30, September 30 and December 30, commencing on September 30, 2019. The interest rate in effect for the interest payment due on December 30, 2019 was 4.30438%. The Credit Agreement matures on June 30, 2044.

An affiliate of one of the Deeside investors purchased $23,000,000 of the 2025 Notes and $50,000,000 of the 2033 Notes. As of the date of this report, the Company is in compliance with all covenants under the NPA, the June 2019 NPA and the Credit Agreement.

Pursuant to the terms of the NPA, the Company is required to maintain a debt service reserve equal to the amount of principal and interest due and payable in the next six months, either in a deposit account or letter of credit. As of the date of this report, the Company has obtained a $30,600,000 letter of credit to satisfy this requirement. There have been no drawdowns on the $30,600,000 letter of credit.

Pursuant to the terms of the June 2019 NPA, the Company is required to maintain a debt service reserve equal to the amount of principal and interest due and payable in the next six months, either in a deposit account or letter of credit. As of the date of this report, the Company has obtained an $8,000,000 letter of credit and has $315,841 in a deposit account to satisfy this requirement. There have been no drawdowns on the $8,000,000 letter of credit.

Pursuant to the terms of the Credit Agreement, the Company is required to maintain a debt service reserve equal to the amount of principal and interest due and payable in the next six months, either in a deposit account or letter of credit. As of the date of this report, the Company has obtained a $750,000 letter of credit to satisfy this requirement. There have been no drawdowns on the $750,000 letter of credit.

The 2025 Notes, 2033 Notes, 2038 Notes, 2041 Notes, 2049 Notes and the Credit Agreement are secured by a first priority lien on substantially all of the Company’s tangible and intangible assets, including, without limitation, those assets related to the operation, maintenance, and rehabilitation of the System, the Company's interests in the Agreements, and a lien on substantially all of the Company's accounts, including the debt service reserve account. In addition, the 2025 Notes, 2033 Notes, 2038 Notes, 2041 Notes, 2049 Notes and the Credit Agreement are secured by a first priority security interest in all the limited liability company interests.

Financing costs associated with obtaining debt have been capitalized and are amortized over the term of the debt as a component of interest expense. Debt issuance costs of $12,626,318 and $3,370,855 at December 31, 2019 and 2018, respectively, are recorded as a direct deduction from the carrying amount of the Company's debt balance within the accompanying balance sheets and are reflected net of accumulated amortization of $781,317 and $9,727,140, respectively. Amortization expense related to debt issuance costs and included in interest expense within the accompanying statements of comprehensive income was $978,544 and $1,320,233 for the years ended December 31, 2019 and 2018, respectively. Amortization expense related to debt issuance costs of $3,173,628 is included in loss on debt extinguishment on the accompanying statement of comprehensive loss in 2019.

Minimum principal payments due under long-term debt as of December 31, 2019 are as follows:

2020	$	14,697,046
2021		18,401,448
2022		20,323,392
2023		22,734,513
2024		26,493,167
Thereafter		1,090,051,952
		1,192,701,518
Less: current portion		(14,697,046)
Less: deferred financing costs		(12,626,318)
Total long-term debt, net	$	1,165,378,154

(8) Leases

On July 17, 2009, the Company entered into a sublease (the Sublease) with Chicago Loop Parking, LLC (Loop), a company wholly owned by the MSIP Partnerships, in which the Company rents a warehouse with related office space on 17,417 square feet of the Loop's property (the Rental Space) for a ten-year period beginning with the Company's initial occupancy of the Rental Space on November 1, 2009 (the Commencement Date). The construction of the Rental Space was paid by Loop. Effective January 31, 2014, Loop assigned its interest in the Sublease to a third party. Rent payments for the initial ten-year period were as follows: (i) $2,500,000 in sublease rent was paid by the Company upon execution of the Sublease, (ii) $481,390 of annual base rent was payable by the Company in monthly installments starting on the Commencement Date, (iii) $2,500,000 of additional sublease rent was paid by the Company on the first anniversary of the Commencement Date, and (iv) starting on the first anniversary of the Commencement Date, the annual base rent increased in accordance with the U.S. Consumer Price Index, but not less than 3%. In 2019, the Sublease was amended which extended the lease term for a five-year period ending on

October 31, 2024 subject to an additional extension option of five years. Rent payments for the extended period are as follows: (i) $400,000 of annual base rent is payable by the Company in monthly installments starting on November 1, 2019, and (ii) the annual base rent increases by 2% on January 1 of each calendar year.

Rent expense for the years ended December 31, 2019 and 2018 was $944,128 and $1,052,954, respectively, and is recorded in general administrative costs on the accompanying statements of comprehensive income. Rent paid by the Company and deferred until future periods of $352,008 is included as prepaid rent on the accompanying balance sheet as of December 31, 2018.

Minimum future rental payments under the noncancelable operating lease as of December 31, 2019 are as follows:

2020	$	400,000
2021		408,000
2022		416,160
2023		424,483
2024		360,811
	$	2,009,454

In 2016 and 2019, the Company entered into vehicle lease agreements with Enterprise FM Trust with lease terms of 60 months. These lease agreements are accounted for as capital leases in the financial statements. Property under capital leases are included in fixed assets as follows:

		December 31, 2019	December 31, 2018
Asset class:			
Vehicles	$	659,422	546,536
Less: accumulated amortization		(337,329)	(218,614)
Total	$	322,093	327,922

Future rental payments under the capital leases as of December 31, 2019 are as follows:

2020	$	143,738
2021		137,024
2022		31,511
2023		31,511
2024		17,820
	$	361,604

(9) 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 materially adverse effect on the Company's financial position, results of operations, or liquidity.

(10) Subsequent Events

The Company has evaluated events subsequent to December 31, 2019 through May 29, 2020, the date of the financial statement issuance.