

## CHICAGO PARKING METERS LLC

Corporation Counsel  
City of Chicago  
121 North LaSalle Street, Room 600  
Chicago, Illinois 60602  
Attention: Finance and Economic Development Division  
*Via Certified Mail: 7020 1810 0000 1174 9829*

City of Chicago  
Department of Finance  
121 North LaSalle Street, Room 700  
Chicago, Illinois 60602  
Attention: Chief Financial Officer  
*Via Certified Mail: 7020 1810 0000 1174 9812*

April 29, 2024

### **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, between the City of Chicago (the *City*) and Chicago Parking Meters, LLC (*CPM*), as amended, and all defined terms therein.

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, 2023, 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, 2023, all in accordance with generally accepted accounting principles in the United States consistently applied.

Sincerely,



Jean Ratty Chidley  
Chief Financial Officer

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

Financial Statements

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

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

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report	1
Financial Statements:	
Balance Sheets as of December 31, 2023 and 2022	3
Statements of Comprehensive Income for the years ended December 31, 2023 and 2022	4
Statements of Changes in Members' Deficit for the years ended December 31, 2023 and 2022	5
Statements of Cash Flows for the years ended December 31, 2023 and 2022	6
Notes to Financial Statements	7



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

## Independent Auditors' Report

The Members  
Chicago Parking Meters, LLC:

### *Opinion*

We have audited the financial statements of Chicago Parking Meters, LLC (the Company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of comprehensive income, changes in members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and 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 fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*KPMG LLP*

Chicago, Illinois  
April 26, 2024

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

Balance Sheets

December 31, 2023 and 2022

<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current assets:		
Cash and cash equivalents	\$ 45,272,301	40,265,605
Accounts receivable	42,560	18,164
Other current assets	888,721	1,023,815
Total current assets	46,203,582	41,307,584
Fixed assets (net of accumulated depreciation of \$36,413,026 and \$30,984,531, respectively)	10,389,974	14,857,865
Right-of-use asset	356,082	778,704
Intangible asset (net of accumulated amortization of \$227,340,605 and \$212,057,203, respectively)	918,914,581	934,197,983
Total assets	\$ 975,864,219	991,142,136
<b>Liabilities and Members' Deficit</b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 4,358,575	2,487,981
Due to affiliate	805,469	784,659
Operating lease liability	356,082	422,622
Finance lease liability	74,019	67,324
Current portion of long-term debt	26,493,167	22,734,513
Other current liabilities	24,679,629	23,494,800
Total current liabilities	56,766,941	49,991,899
Operating lease liability	—	356,082
Finance lease liability	83,429	78,534
Long-term debt, net	1,081,236,513	1,106,784,256
Total liabilities	1,138,086,883	1,157,210,771
Members' deficit:		
Class A common units	(155,288,993)	(158,133,015)
Accumulated other comprehensive loss	(6,933,671)	(7,935,620)
Total members' deficit	(162,222,664)	(166,068,635)
Total liabilities and members' deficit	\$ 975,864,219	991,142,136

See accompanying notes to financial statements.

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

Statements of Comprehensive Income  
Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Income:		
Parking revenues	\$ 150,940,468	140,402,148
Total income	<u>150,940,468</u>	<u>140,402,148</u>
Cost of parking services:		
Credit card and other fees	8,102,415	7,702,590
Total cost of parking services	<u>8,102,415</u>	<u>7,702,590</u>
Gross profit	<u>142,838,053</u>	<u>132,699,558</u>
Expenses:		
Administrative management costs	5,236,861	4,850,456
General administrative costs	19,038,836	5,693,454
Operating expenses	11,541,758	10,912,856
Amortization of intangible asset	15,283,402	15,283,402
Depreciation	5,428,495	5,222,502
Management fees – affiliate	5,113,752	4,899,942
Total expenses	<u>61,643,104</u>	<u>46,862,612</u>
Net operating income	<u>81,194,949</u>	<u>85,836,946</u>
Other income (expense):		
Interest expense	(62,543,978)	(62,540,735)
Other income	1,293,051	224,017
Total other expense, net	<u>(61,250,927)</u>	<u>(62,316,718)</u>
Net income	19,944,022	23,520,228
Other comprehensive income:		
Amortization of cash flow hedges	1,001,949	1,001,949
Comprehensive income	<u>\$ 20,945,971</u>	<u>24,522,177</u>

See accompanying notes to financial statements.

**CHICAGO PARKING METERS, LLC**  
(A Delaware Limited Liability Company)  
Statements of Changes in Members' Deficit  
Years ended December 31, 2023 and 2022

	<b>Class A Common Units</b>						<b>Accumulated Other Comprehensive Loss</b>	<b>Total</b>
	<b>Deeside Investments, Inc.</b>	<b>MS Infrastructure Investors LP</b>	<b>North Haven Infrastructure Partners LP</b>	<b>North Haven Infrastructure Partners A Sub LP</b>	<b>MS CPM Holdco LLC</b>	<b>MS CPM Holdco II LLC</b>		
Members' deficit – January 1, 2022	\$ (74,754,157)	(1,018,173)	(17,829,483)	(59,378,547)	—	—	(8,937,569)	(161,917,929)
Distributions	(14,875,150)	(179,778)	(3,143,998)	(10,473,957)	—	—	—	(28,672,883)
Net income	12,303,975	146,194	2,555,549	8,514,510	—	—	—	23,520,228
Other comprehensive income	—	—	—	—	—	—	1,001,949	1,001,949
Members' deficit – December 31, 2022	<u>\$ (77,325,332)</u>	<u>(1,051,757)</u>	<u>(18,417,932)</u>	<u>(61,337,994)</u>	<u>—</u>	<u>—</u>	<u>(7,935,620)</u>	<u>(166,068,635)</u>
Members' deficit – January 1, 2023	\$ (77,325,332)	(1,051,757)	(18,417,932)	(61,337,994)	—	—	(7,935,620)	(166,068,635)
Distributions	(8,755,179)	(108,730)	(1,710,240)	(6,293,277)	(231,475)	(1,099)	—	(17,100,000)
Transfers of Class A common units	—	—	5,593,824	1,210,582	(6,771,896)	(32,510)	—	—
Net income	10,174,345	127,339	1,895,118	7,344,742	400,554	1,924	—	19,944,022
Other comprehensive income	—	—	—	—	—	—	1,001,949	1,001,949
Members' deficit – December 31, 2023	<u>\$ (75,906,166)</u>	<u>(1,033,148)</u>	<u>(12,639,230)</u>	<u>(59,075,947)</u>	<u>(6,602,817)</u>	<u>(31,685)</u>	<u>(6,933,671)</u>	<u>(162,222,664)</u>

See accompanying notes to financial statements.



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

Statements of Cash Flows

Years ended December 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Net income	\$ 19,944,022	23,520,228
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,428,495	5,222,502
Amortization of intangible asset	15,283,402	15,283,402
Amortization of deferred financing costs	945,424	941,937
Amortization of cash flow hedges	1,001,949	1,001,949
Changes in assets and liabilities:		
Accounts receivable	(24,396)	4,843,314
Other current assets	135,094	67,098
Right-of-use asset	422,622	(778,704)
Accounts payable	2,068,243	865,192
Due to affiliate	20,810	7,106
Operating lease liability	(422,622)	778,704
Other current liabilities	1,184,829	4,629,128
Net cash provided by operating activities	45,987,872	56,381,856
Cash flows from investing activities:		
Purchase of fixed assets	(1,146,663)	(1,484,148)
Cash used in investing activities	(1,146,663)	(1,484,148)
Cash flows from financing activities:		
Repayments of long-term debt	(22,734,513)	(20,323,392)
Distributions to members	(17,100,000)	(28,672,883)
Cash used in financing activities	(39,834,513)	(48,996,275)
Net cash increase for year	5,006,696	5,901,433
Cash and cash equivalents at beginning of year	40,265,605	34,364,172
Cash and cash equivalents at end of year	\$ 45,272,301	40,265,605
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 60,606,681	60,429,001
Noncash activity:		
Capital expenditures incurred but not yet paid	\$ 11,877	209,526

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2023 and 2022

**(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 class A common units members of the Company (Class A 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 Class A 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.

Effective June 13, 2023, each of North Haven Infrastructure Partners LP (NHIP) and North Haven Infrastructure Partners A Sub LP (NHIP A Sub) transferred a portion of its class A common units to affiliated entities MS CPM Holdco LLC (Holdco) and MS CPM Holdco II LLC (Holdco II). After this transfer, MSII holds 0.653%, NHIP holds 7.974%, NHIP A Sub holds 37.287%, Holdco holds 4.166%, Holdco II holds 0.020%, and Deeside holds 49.900% of the class A common units.

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 Class A Members in proportion to each Class A Member's percentage interest. The Company does not have a defined dissolution date.

**(2) 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.

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

Notes to Financial Statements

December 31, 2023 and 2022

**(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 asset	<u>1,146,255,186</u>
Purchase price	<u>\$ 1,151,355,186</u>

The Company used an income method, specifically the excess earnings method, to value the Agreements, which are recorded as an intangible asset. 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, 2023 and 2022.

**(d) Cost of Parking Services**

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

**(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, 2023 and 2022.

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.

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

Notes to Financial Statements

December 31, 2023 and 2022

**(f) Intangible Asset**

The intangible asset is stated at cost and consists 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 asset is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of such asset may not be recoverable. The Company's intangible asset is considered impaired when its estimated future undiscounted operating cash flows are less than the carrying value of such asset. To the extent impairment has occurred, the excess of carrying value of the Company's intangible asset over its estimated fair value will be charged to operations. No intangible asset impairment losses were recognized for the years ended December 31, 2023 and 2022.

**(g) Leases**

The Company is a lessee in (1) a noncancelable operating lease for a warehouse and related office space and (2) finance leases for vehicles.

The Company accounts for leases in accordance with Topic 842, Leases (see Notes 2(k) and 7). The Company determines if an arrangement is or contains a lease at contract inception. The Company recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date.

For operating and finance leases, the lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. The lease liability is subsequently measured at amortized cost using the effective-interest method.

To calculate the operating lease ROU asset and lease liability, the Company has elected an accounting policy to use a risk-free rate when an implicit rate for the lease is not readily determinable.

Key estimates and judgments include how the Company determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term, and (3) lease payments.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For finance leases, the ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to the Company or the Company is reasonably certain to exercise an option to purchase the underlying asset. Amortization of the ROU asset is recognized and presented separately from interest expense on the lease liability.

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

Notes to Financial Statements

December 31, 2023 and 2022

The Company's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants.

**(h) Revenue Recognition**

The Company accounts for revenue in accordance with Topic 606, Revenue from Contracts with Customers. 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 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 its 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 \$22,703,757 and \$20,514,818 are included in cash and cash equivalents and other current liabilities as of December 31, 2023 and 2022, 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, 2023 and 2022 did not include any True-up Revenue due from the City. Unapplied settlement credits of \$141,549 and \$1,843,656 were outstanding as of December 31, 2023 and 2022, respectively.

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

Notes to Financial Statements

December 31, 2023 and 2022

For the years ended December 31, 2023 and 2022, the Company recognized True-up Revenue of \$1,702,107 and \$(1,026,713), 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.

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, 2020 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, 2023 (2020-2023). There are no uncertain tax positions which require recognition in accordance with the provisions of Topic 740, Income Taxes, as of December 31, 2023 and 2022.

**(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 Adopted 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. The Company adopted Topic 842 effective January 1, 2022 under the modified retrospective approach and elected to adopt the package of transition practical expedients, which permit the Company to not reassess: (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for any expired or existing leases and (3) any initial direct costs for any existing leases as of the effective date. The most significant impact of the adoption of this ASU was an increase to the balance sheet to reflect operating lease right-of-use assets and lease liabilities. The Company's accounting for finance leases remains substantially

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

Notes to Financial Statements

December 31, 2023 and 2022

unchanged. Adoption did not have a material effect on the Company's financial statements (see Note 7).

In December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848, which extends the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the optional expedients in Topic 848. The adoption of ASU 2022-06, which was effective upon issuance, did not have a material effect on the Company's financial statements.

On January 1, 2023, the Company adopted ASU 2016-13, Financial Instruments - Credit Losses (Topic 326). Topic 326 introduces a forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables. Based on the nature and amount of receivables recorded by the Company, adoption of Topic 326 did not have a material impact on the Company's financial statements.

**(3) 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 6). 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 6) 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 while the remaining \$383,444 was recorded in interest expense that same year. 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 loss into interest expense as future interest payments occur. Amortization of the interest rate derivatives for the years ended December 31, 2023 and 2022 of \$1,001,949 and \$1,001,949, respectively, is included in interest expense on the accompanying statements of comprehensive income. There were no new derivatives entered into or in place during 2023 or 2022.

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

Notes to Financial Statements

December 31, 2023 and 2022

**(4) Operating Agreement**

The System is managed by LAZ Parking Chicago, LLC (LAZ) pursuant to the terms of a management agreement. The management fees incurred for the years ended December 31, 2023 and 2022 were \$474,628 and \$470,919, respectively, and are recorded in administrative management costs on the accompanying statements of comprehensive income.

**(5) 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 \$5,113,752 and \$4,899,942 during the years ended December 31, 2023 and 2022, respectively, and owed AMI \$805,469 and \$784,659 at December 31, 2023 and 2022, respectively. This amount is included as due to affiliate on the accompanying balance sheets.

**(6) Long-Term Debt**

The Company entered into a Note Purchase Agreement (the NPA) on January 30, 2019, to refinance previously issued debt; 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 a margin of 2.20% through June 30, 2023, and at an interest rate of SOFR plus an adjustment of 0.26161% plus a margin of 2.20%, thereafter. The Credit Agreement requires payments of interest and principal



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

Notes to Financial Statements

December 31, 2023 and 2022

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, 2023 was 7.85273%. 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 \$34,050,000 letter of credit to satisfy this requirement. There have been no drawdowns on the \$34,050,000 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 \$8,500,000 letter of credit to satisfy this requirement. There have been no drawdowns on the \$8,500,000 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 \$1,000,000 letter of credit to satisfy this requirement and has \$244,711 in a deposit account to satisfy this requirement. There have been no drawdowns on the \$1,000,000 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 \$8,815,439 and \$9,760,863 at December 31, 2023 and 2022, 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 \$4,592,196 and \$3,646,772, respectively. Amortization expense related to debt issuance costs and included in interest expense within the accompanying statements of comprehensive income was \$945,424 and \$941,937 for the years ended December 31, 2023 and 2022, respectively.

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

Notes to Financial Statements

December 31, 2023 and 2022

Minimum principal payments due under long-term debt as of December 31, 2023 are as follows:

2024	\$	26,493,167
2025		381,675,345
2026		23,664,283
2027		27,656,078
2028		32,342,384
Thereafter		<u>624,713,862</u>
		1,116,545,119
Less: current portion		(26,493,167)
Less: deferred financing costs		<u>(8,815,439)</u>
Total long-term debt, net	\$	<u><u>1,081,236,513</u></u>

**(7) 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. Effective January 31, 2014, Loop assigned its interest in the Sublease to a third party. 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, 2023 and 2022 was \$424,483 and \$416,160, respectively, and is recorded in general administrative costs on the accompanying statements of comprehensive income.

Minimum future rental payments under the noncancelable operating lease as of December 31, 2023 are as follows:

2024	\$	360,811
Less: imputed interest		<u>(4,729)</u>
	\$	<u><u>356,082</u></u>

The Company is using the risk-free rate in the determination of lease liabilities for the remaining lease obligation. The risk-free rate is defined as the daily treasury par yield curve rates, as of the date of adoption of Topic 842 (January 1, 2022). Accordingly, the LT Composite US Treasury Rate of 0.96% was used as the discount rate to calculate the discounted present value of required lease payments as of the date of adoption.

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

Notes to Financial Statements

December 31, 2023 and 2022

The Company has entered into vehicle lease agreements with Enterprise FM Trust with lease terms of 60 months. These lease agreements are accounted for as finance leases in the financial statements. Property under finance leases are included in fixed assets as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Asset class:		
Vehicles	\$ 972,396	879,743
Less: accumulated amortization	(807,594)	(732,693)
Total	\$ 164,802	147,050

Future rental payments under the finance leases as of December 31, 2023 are as follows:

2024	\$ 85,344
2025	39,691
2026	24,342
2027	22,142
2028	10,423
	\$ 181,942

**(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 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.

**(9) Subsequent Events**

The Company has evaluated events subsequent to December 31, 2023 through April 26, 2024, the date of the financial statement issuance.

In April 2024, the Company received a favorable arbitration ruling on certain claims raised against a third party. To date, the Company has been awarded \$2,000,000 associated with one claim, but the final award amount has yet to be determined. At this time, the Company is unable to estimate the range of amounts that may be awarded to the Company and as such, no gain contingency has been recorded for this matter.