

CHICAGO PARKING METERS, LLC

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

City of Chicago
Department of Finance
33 North LaSalle Street, 6th Floor
Chicago, Illinois 60602
Attention: Chief Financial Officer

May 2, 2011

RE: Financial Reports

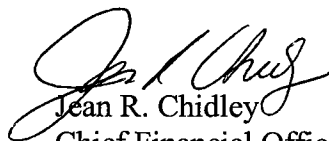
Ladies and Gentlemen:

Reference is made to the Chicago Metered Parking System Concession Agreement dated December 4, 2008 (as amended, the *Concession Agreement*) 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 sheets, statements of income, changes in equity and cash flows for the calendar year ended December 31, 2010, 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, 2010, all in accordance with generally accepted accounting principles in the United States consistently applied.

Sincerely,



Jean R. Chidley
Chief Financial Officer
Chicago Parking Meters, LLC

RECEIVED
2011 May -5 AM 11:28
BY _____

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

Financial Statements and Schedule

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

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

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Balance Sheets as of December 31, 2010 and 2009	2
Statements of Operations for the year ended December 31, 2010 and period from November 18, 2008 (inception) to December 31, 2009	3
Statements of Changes in Members' Equity for the year ended December 31, 2010 and period from November 18, 2008 (inception) to December 31, 2009	4
Statements of Cash Flows for the year ended December 31, 2010 and period from November 18, 2008 (inception) to December 31, 2009	5
Notes to Financial Statements	6
Schedule of Operating Income	15



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Directors
Chicago Parking Meters, LLC:

We have audited the accompanying balance sheets of Chicago Parking Meters, LLC (the Company) as of December 31, 2010 and 2009, and the related statements of operations, changes in members' equity, and cash flows for the year ended December 31, 2010 and period from November 18, 2008 (inception) to December 31, 2009. These financial statements are the responsibility of the Company's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the results of its operations and its cash flows for the year ended December 31, 2010 and period from November 18, 2008 (inception) to December 31, 2009, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the schedule of operating income is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

April 29, 2011

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

Balance Sheets

December 31, 2010 and 2009

Assets	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 3,803,875	13,917,429
Accounts receivable	2,102,942	533,290
Other current assets	787,838	63,188
Interest rate swaps	—	22,103,207
Total current assets	<u>6,694,655</u>	<u>36,617,114</u>
Fixed assets (net of accumulated depreciation of \$6,676,736 and \$5,537,910, respectively)	29,452,237	32,490,613
Intangible assets (net of accumulated amortization of \$28,656,379 and \$13,372,977, respectively)	1,117,598,807	1,132,882,209
Restricted cash	15,000,000	—
Deferred financing costs, net	10,436,238	—
Prepaid rent	4,327,053	2,394,006
Total assets	<u>\$ 1,183,508,990</u>	<u>1,204,383,942</u>
Liabilities and Members' Equity		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 1,748,478	1,216,875
Due to affiliate	420,735	1,320,202
Other current liabilities	542,496	79,549
Total current liabilities	<u>2,711,709</u>	<u>2,616,626</u>
Other liabilities:		
Long-term debt	<u>600,000,000</u>	<u>—</u>
Total other liabilities	<u>600,000,000</u>	<u>—</u>
Total liabilities	602,711,709	2,616,626
Members' equity	<u>580,797,281</u>	<u>1,201,767,316</u>
Total liabilities and members' equity	<u>\$ 1,183,508,990</u>	<u>1,204,383,942</u>

See accompanying notes to financial statements.

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

Statements of Operations

Year ended December 31, 2010 and
Period from November 18, 2008 (inception) to December 31, 2009

	2010	2009
Income:		
Parking meter revenues	\$ 72,782,361	46,203,939
Total income	72,782,361	46,203,939
Cost of goods sold:		
Credit card fees	3,675,676	1,861,809
Parking tax	281,067	84,327
Total cost of goods sold	3,956,743	1,946,136
Gross profit	68,825,618	44,257,803
Expenses:		
Administrative management costs	3,442,513	7,360,069
General administrative costs	3,423,300	3,558,570
Operating expenses	9,223,194	6,297,887
Amortization of intangible assets	15,283,402	13,372,977
Depreciation	5,113,248	5,537,910
Start-up expenses	—	3,209,467
Management fees – affiliate	1,850,590	578,551
Total expenses	38,336,247	39,915,431
Other:		
Gain on sale of fixed assets	2,150	175,479
Casualty loss	(108,952)	—
Total other	(106,802)	175,479
Net operating income	30,382,569	4,517,851
Other income (loss):		
Interest expense	(4,816,479)	—
Gain (loss) on interest rate swaps	(64,852,421)	22,103,207
Other income	92,713	29,071
Total other income (loss)	(69,576,187)	22,132,278
Net income (loss)	\$ (39,193,618)	26,650,129

See accompanying notes to financial statements.

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

Statements of Changes in Members' Equity

Year ended December 31, 2010 and
Period from November 18, 2008 (inception) to December 31, 2009

	<u>Deeside Investments Inc.</u>	<u>MS Infrastructure Investors LP</u>	<u>MS Infrastructure Partners LP</u>	<u>MS Infrastructure Partners A Sub LP</u>	<u>Total</u>
Members' equity – November 18, 2008	\$ —	—	—	—	—
Contributions	596,449,520	7,763,892	135,719,489	452,184,286	1,192,117,187
Distributions	(8,483,000)	(111,010)	(1,940,550)	(6,465,440)	(17,000,000)
Net income	<u>13,298,414</u>	<u>174,026</u>	<u>3,042,112</u>	<u>10,135,577</u>	<u>26,650,129</u>
Members' equity – December 31, 2009	601,264,934	7,826,908	136,821,051	455,854,423	1,201,767,316
Distributions	(290,306,431)	(3,799,001)	(66,409,778)	(221,261,207)	(581,776,417)
Net loss	<u>(19,557,615)</u>	<u>(255,934)</u>	<u>(4,473,952)</u>	<u>(14,906,117)</u>	<u>(39,193,618)</u>
Members' equity – December 31, 2010	\$ <u><u>291,400,888</u></u>	<u><u>3,771,973</u></u>	<u><u>65,937,321</u></u>	<u><u>219,687,099</u></u>	<u><u>580,797,281</u></u>

See accompanying notes to financial statements.

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

Statements of Cash Flows

Year ended December 31, 2010 and
Period from November 18, 2008 (inception) to December 31, 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net income (loss)	\$ (39,193,618)	26,650,129
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	5,113,248	5,537,910
Amortization of intangible assets	15,283,402	13,372,977
Amortization of deferred financing costs	150,829	—
Loss (gain) on interest rate swaps	64,852,421	(22,103,207)
Casualty loss	108,952	—
Gain on sale of fixed assets	(2,150)	(175,479)
Changes in assets and liabilities:		
Accounts receivable	(1,569,652)	(533,290)
Prepaid rent	(1,933,047)	(2,394,006)
Other current assets	(724,650)	(63,188)
Due to affiliate	(899,467)	1,320,202
Accounts payable	531,603	1,216,875
Other current liabilities	462,947	79,549
Net cash provided by operating activities	<u>42,180,818</u>	<u>22,908,472</u>
Cash flows from investing activities:		
Purchase of fixed assets	(2,183,824)	(38,028,523)
Proceeds from sale of fixed assets	2,150	175,479
Acquired intangible assets	—	(1,146,255,186)
Restricted cash deposits	(15,000,000)	—
Net cash used in investing activities	<u>(17,181,674)</u>	<u>(1,184,108,230)</u>
Cash flows from financing activities:		
Long-term debt proceeds	600,000,000	—
Payment for settlement of swaps	(42,749,214)	—
Payment of debt issuance costs	(10,587,067)	—
Contributions from members	—	1,192,117,187
Distributions to members	(581,776,417)	(17,000,000)
Net cash provided by (used in) financing activities	<u>(35,112,698)</u>	<u>1,175,117,187</u>
Net cash increase (decrease) for period	(10,113,554)	13,917,429
Cash and cash equivalents at beginning of period	13,917,429	—
Cash and cash equivalents at end of period	<u>\$ 3,803,875</u>	<u>13,917,429</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 4,665,650	—

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2010 and 2009

(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 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 for and 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), Morgan Stanley Infrastructure Partners LP (MSIP), Morgan Stanley Infrastructure Partners A Sub LP (MS A Sub), (collectively with MSII and MSIP, 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 be allocated among the Members in proportion to each Member's percentage interests. The Company does not have a defined dissolution date.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). In June 2009, the Financial Accounting Standards Board (FASB) issued new accounting guidance, which recodified accounting guidance within the hierarchy of GAAP (the Codification). The Codification has become the exclusive source of authoritative GAAP for nongovernmental entities. All content in the Codification will carry the same level of authority, essentially modifying the GAAP hierarchy to include only two levels of GAAP: authoritative and nonauthoritative.

For the period from November 18, 2008 until February 13, 2009, the Company was primarily in the development stage of completing the acquisition of our Rights under the Agreements. Because the Company commenced operation of the System on February 13, 2009, comparisons of the results for the period ended December 31, 2009 are not comparable to the results for the year ended December 31, 2010.

(b) 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.

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

Notes to Financial Statements

December 31, 2010 and 2009

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.

(c) Acquisition of Parking Meters

The fair values of the assets acquired in 2009 pursuant to the Agreements were recorded as follows:

	<u>2009</u>
Equipment	\$ 5,100,000
Intangible assets	<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 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 was attributable to the Rights. The cost approach was used in the valuation of the equipment.

(d) 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 year, 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, 2010 and 2009.

Cash and cash equivalents also includes credit card sales transactions that are settled early in the following period.

(e) Cost of Goods Sold

Cost of goods sold consists primarily of costs associated with credit card interchange, and assessment fees and parking taxes.

(f) 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. In October 2009, the Company sold parking meters for reuse for \$150,000 and sold other meters for scrap for \$25,479 in

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

Notes to Financial Statements

December 31, 2010 and 2009

2009 and sold coin canisters for \$2,150 in 2010. The Company recognized a casualty loss of \$108,952 in 2010 resulting from theft of parking meters.

Depreciation of parking meters is provided on a straight-line basis over seven years. 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.

(g) 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. The Company expects the annual amortization of the Rights for the next 5 years to be \$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 year ended December 31, 2010 and period from November 18, 2008 (inception) to December 31, 2009.

(h) 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 lives of the assets or lease term.

(i) Revenue Recognition

Parking revenues from transient parking at the Company's parking meters are recognized as cash is received. Parking revenues from monthly parking permit sales are recognized as cash is received. Parking revenues from credit card transactions are recognized as the transaction is authorized. Any amounts related to credit card transactions that have occurred during the current period, but settled early in the following period, are included in cash and cash equivalents and not in accounts receivable.

The Company has an agreement with the City, whereby, the Company receives 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 (True-up Revenue). In addition, if the Company or 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 is estimated each period and recognized

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

Notes to Financial Statements

December 31, 2010 and 2009

when earned. True-up Revenue amounts due from the City are recorded in accounts receivable in the accompanying balance sheets. Settlement credit amounts the City has not utilized to offset future True-up Revenue are recorded as other current liabilities in the accompanying balance sheets. Accounts receivable as of December 31, 2010 and 2009 include \$2,062,992 and \$533,290, respectively, for True-up Revenue due from the City. No unapplied settlement credits were outstanding as of December 31, 2010 and 2009.

The True-up Revenue is recognized when earned. For the year ended December 31, 2010 and period from November 18, 2008 (inception) to December 31, 2009, the Company recognized \$1,658,036 and \$533,290, respectively, of True-up Revenue and these amounts are included in parking meter revenues on the accompanying statements of operations.

Based on the Agreements, the Company is entitled to receive exempt parkers annual loss revenue (EPAL), equal to the loss of revenue to the Company due to exempt parkers utilizing the System free of charge that exceeds 106% of the Company's annual parking meter revenue (determined as of February 28 each year). The Company is required to perform surveys to determine the usage of the System by exempt parkers. The Company did not perform the required surveys in 2009, foregoing an EPAL assessment for 2009, but did perform them in 2010. Since the amount of the EPAL revenue is dependent on the annual parking meter revenue for the year ended February 28, the revenue is contingent until such time that the revenue for the associated year is known. As a result, the Company has not recognized any revenue for the year ended December 31, 2010 associated with this provision.

(j) *Income Taxes*

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. No uncertain tax positions were identified as of December 31, 2010 and 2009.

(k) *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 not designated any of its derivatives as hedging instruments.

(l) *Start-Up Expenses*

Start-up expenses consist primarily of legal costs and due diligence costs associated with executing the Agreements. Start-up expenses are expensed as incurred.

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

Notes to Financial Statements

December 31, 2010 and 2009

(m) Fair Value of Financial Instruments

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

The Company estimates fair value based on the discounting of future cash flows using current market information. The carrying amount of the Company's long-term debt approximates its fair value at December 31, 2010 given the proximity of the issuance of the debt to year-end.

(n) Risks and Uncertainties

The economy in the City, as in most other domestic and foreign economies, has experienced significant challenges through 2009, and these conditions have continued through 2010. Such conditions could have a negative impact on the Company's parking customers, and as a result, the Company may experience declines in revenues and cash flows from operations if economic conditions do not improve.

(o) Deferred Financing Costs

Deferred financing costs associated with obtaining debt (note 6) have been capitalized and are amortized over the term of the debt as a component of interest expense.

(p) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year classifications.

(3) Fair Value of Derivative Instruments

In some instances, certain of the Company's assets and liabilities are required to be measured or disclosed at fair value according to a fair value hierarchy pursuant to relevant accounting literature. This hierarchy ranks the quality and reliability of the inputs used to determine fair values, which are then classified and disclosed in one of three categories. The three levels of the fair value hierarchy are:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – quoted prices in active markets for similar assets or liabilities; quoted prices in markets that are not active; and model-derived valuations whose inputs are observable; and

Level 3 – model-derived valuations with unobservable inputs that are supported by little or no market activity.

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their classifications within the fair value hierarchy levels.

The following is a description of the valuation techniques used for assets and liabilities measured at fair value:

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

Notes to Financial Statements

December 31, 2010 and 2009

In October 2009, the Company entered into a 20-year interest rate swap with five third-party counterparties. The total notional amount of the swaps was \$400,000,000, and the effective date of the swaps was October 2011. On November 9, 2010, the interest rate swaps were settled for a total payment of \$42,749,214 to the five third-party counterparties. As a result, the Company realized a loss on interest rate swaps of \$64,852,421 for the year ended December 31, 2010. The loss on interest rate swaps is included in other income in the statements of operations.

At December 31, 2009, the Company's interest rate swaps were valued using Level 2 inputs incorporating assumptions regarding the appropriate credit rating for the Company and the swaps' counterparties and the interest rate spread to be applied to the discount factors associated with the credit ratings calculated. These discount factors were then applied to published interest rate tables that management deemed most appropriate to the terms of the swaps.

The following fair value hierarchy table presents information about the Company's interest rate swaps measured at fair value on a recurring basis as of December 31, 2009:

	2009			
	Fair value measurements at reporting date using			
Balance as of December 31, 2009	Quoted prices in active markets for identical assets (Level 1)	Significant other observable assets (Level 2)	Significant unobservable assets (Level 3)	
Description:				
Interest rate swaps	\$ 22,103,207	—	22,103,207	—

Derivative transactions give rise to varying degrees of market and credit risk dependent upon the counterparties used, strategies employed, and fluctuations in the underlying market conditions. The credit risk associated with derivative instruments arises from possible counterparty nonperformance and is limited to the aggregate unrealized loss of instruments in an unrealized loss position. The Company seeks to mitigate these risks by executing these transactions with major financial institutions.

The interest rate swaps do not qualify as cash flow hedges for accounting purposes. However, the Company did not enter into these derivative instruments for any purpose other than cash flow hedging purposes. The gain/(loss) on interest rate swaps is included in other income/(expense) in the statements of operations.

(4) Operating Agreement

The System is managed by LAZ Parking Chicago, LLC (LAZ) pursuant to the terms of a management agreement. LAZ is paid a management fee equal to 0.5% of net operating income over the entire term of the management agreement, as defined in the Operations and Maintenance Agreement between LAZ and the Company (the LAZ Agreement). The management fees charged by LAZ during the year ended

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

Notes to Financial Statements

December 31, 2010 and 2009

December 31, 2010 and the period from November 18, 2008 (inception) to December 31, 2009 were \$286,714 and \$312,902, respectively, and are recorded in administrative management costs on the accompanying statements of operations.

(5) Transactions with Related Parties

The Company is managed by Chicago Parking Services, LLC (Services), an entity, which is also owned by the MSIP Partnerships. Services 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 \$1,850,590 and \$578,551 during the year ended December 31, 2010 and period ended December 31, 2009, and owes Services \$405,432 and \$115,689 at December 31, 2010 and 2009, respectively. This amount is included as due to affiliate on the accompanying balance sheets.

At December 31, 2010 and 2009, the Company owes Morgan Stanley \$15,303 and \$1,204,513 for costs it paid on behalf of the Company as of December 31, 2010 and 2009, respectively. This amount is included as due to affiliate on the accompanying balance sheets.

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 (the Commencement Date). The construction of the Rental Space was paid by the lessor, Loop. The Sublease is for a ten-year term subject to two extension options of five years each. Rent is payable as follows: i) \$2,500,000 in sublease rent is payable by the Company upon execution of the Sublease, ii) \$481,390 of annual base rent is payable by the Company in monthly installments starting on the Commencement Date, iii) \$2,500,000 of additional sublease rent is payable by the Company upon the first anniversary of the Commencement Date, and iv) starting upon the first anniversary of the Commencement Date, the annual base rent (including base rent during the extended lease term, if the options are exercised) will increase in accordance with the U.S. Consumer Price Index, but in no event by less than 3%.

On November 1, 2009, the Company was notified by Loop that the Rental Space was available for the Company's use thereby establishing the Commencement Date as of November 1, 2009. As a result, the Company records in its financial statements, beginning November 1, 2009, annual rent expense of approximately \$1,050,000 from the Sublease before consideration of any increases in the Consumer Price Index in excess of 3%. Rent expense for the year ended December 31, 2010 and period from November 18, 2008 (inception) to December 31, 2009 was \$1,050,750 and \$175,125, respectively. Rent paid by the Company and deferred until future periods is \$4,327,053 and \$2,394,006 as of December 31, 2010 and 2009, respectively, and included as prepaid rent on the accompanying balance sheets.

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

Notes to Financial Statements

December 31, 2010 and 2009

Minimum future rentals under noncancelable operating leases as of December 31, 2010 are as follows:

2011	\$	498,311
2012		513,260
2013		528,658
2014		544,518
2015		560,853
Thereafter		<u>2,308,968</u>
	\$	<u><u>4,954,568</u></u>

(6) Long-Term Debt

On November 9, 2010, the Company issued \$600,000,000 of debt through Senior Secured Notes (the Notes) offering. The Notes bear interest at 5.489%, and require payments of interest only payable semiannually on June 30 and December 30, commencing on December 30, 2010. The Notes mature on December 30, 2020. The initial purchasers of the Notes include Morgan Stanley & Company, Incorporated, a related party to certain members. As of the date of this report, the Company is in compliance with all covenants under this offering.

The Notes 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 liquidity reserve account. In addition, the Notes will be secured by a first priority security interest in all of our limited liability company interests.

The Company is required to establish and maintain a \$15,000,000 liquidity reserve account associated with the debt offering, which has been reported as restricted cash within noncurrent assets.

(7) Leases

The Company entered into a vehicle lease agreement with Enterprise Fleet Management on August 27, 2009 with a lease term of 60 months. At the expiration of the lease term, the Company shall receive title to the applicable vehicles. This lease agreement is accounted for as a capital lease in the financial statements. Property under capital leases are included in fixed assets as follows:

	<u>2010</u>	<u>2009</u>
Asset class:		
Vehicles	\$ 750,786	750,786
Less accumulated amortization	<u>(168,927)</u>	<u>(18,770)</u>
Total	<u><u>\$ 581,859</u></u>	<u><u>732,016</u></u>

The Company paid for the full cost of the lease upfront at the execution date.

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

Notes to Financial Statements

December 31, 2010 and 2009

(8) Commitments and Contingencies

(a) *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.

(b) *Insurance Reserves*

The Company purchases property insurance for damage to its meters and for claims that may occur at the meters facility the Company operates. The Company's property insurance policies have deductibles that must be met before the insurance companies are required to reimburse the Company for costs incurred relating to covered claims. All liability insurance is purchased by LAZ.

The Company estimates the timing and amount of expense recognition associated with any claims that may be filed against the Company. The expense recognition is based upon the Company's determination of an unfavorable outcome of a claim being deemed probable and capable of being reasonably estimated. This determination requires the use of judgment in both the estimation of probability and the amount to be recognized as an expense. The Company utilizes regular input from third-party insurance advisors in determining the required level of insurance reserves, if any. Management is not aware of any outstanding or potential liability against the Company as of December 31, 2010 and 2009.

(9) Subsequent Events

The Company has evaluated events subsequent to year-end through April 29, 2011, the date of the financial statement issuance, for disclosure. The Company does not have any events that require a subsequent event disclosure.

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

Schedule of Operating Income

Year ended December 31, 2010 and
Period from November 18, 2008 (inception) to December 31, 2009

	<u>2010</u>	<u>2009</u>
Income:		
Parking meter revenues	\$ 72,782,361	46,203,939
Total income	<u>72,782,361</u>	<u>46,203,939</u>
Cost of goods sold:		
Credit card fees	3,675,676	1,861,809
Parking tax	<u>281,067</u>	<u>84,327</u>
Total cost of goods sold	<u>3,956,743</u>	<u>1,946,136</u>
Gross profit	<u>68,825,618</u>	<u>44,257,803</u>
Expenses:		
Administrative management costs:		
Subcontractor payroll costs	2,535,465	2,134,505
Management fee	286,714	312,902
Payroll processing fees	41,510	43,321
Supplemental staffing	489,692	4,807,183
Worker's compensation insurance	<u>89,132</u>	<u>62,158</u>
Total administrative management costs	<u>3,442,513</u>	<u>7,360,069</u>
General administrative costs:		
Bank service charges	29,253	5,853
Computer expense	—	628
Donations	51,000	8,524
Dues and subscriptions	(360)	—
Insurance	84,787	—
Miscellaneous	583	—
Office expense	(9,249)	12,213
Office supplies	49,143	102,045
Professional fees	2,022,173	2,645,816
Property insurance	82,186	99,039
Rent	1,055,524	270,762
Travel and entertainment	<u>58,260</u>	<u>413,690</u>
Total general administrative costs	<u>3,423,300</u>	<u>3,558,570</u>
Operating expenses:		
Advertising and marketing	146,211	257,448
Armored car services	213,207	337,175
Call center operations	362,170	—
Closures	273,454	—
Coin counting	41,151	—
Enforcement	957,701	730,473
General liability insurance	583,030	406,514
Licenses	151,685	31,345
Meter maintenance	1,166,595	676,934
Operating supplies	—	3,562
Pay station solutions	3,351,071	1,789,067
Penalties and fees	56,832	—
Repair and maintenance	494,945	514,507
Sanitation	336,097	186,800
Signage	70,870	75,864
Snow removal	217,786	67,420
Telephone and communication	220,989	118,969
Tickets	—	48,292
Uniforms	52,858	151,554

Schedule

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

Schedule of Operating Income

Year ended December 31, 2010 and
Period from November 18, 2008 (inception) to December 31, 2009

	<u>2010</u>	<u>2009</u>
Utilities	\$ 51,238	30,062
Vehicle expense	475,304	871,901
Total operating expenses	9,223,194	6,297,887
Amortization of intangible assets	15,283,402	13,372,977
Depreciation	5,113,248	5,537,910
Start-up expenses	—	3,209,467
Management fees – affiliate	1,850,590	578,551
Total expenses	38,336,247	39,915,431
Other:		
Gain on sale of fixed assets	2,150	175,479
Casualty loss	(108,952)	—
Total other	(106,802)	175,479
Net operating income	\$ <u>30,382,569</u>	<u>4,517,851</u>

See accompanying independent auditors' report.