

**National Parking Association's 56<sup>th</sup> Annual Parking, Transportation  
and Services Convention and Exposition**

**Business Session:**

**State of the Parking Industry – Growth Outlook and Potential Problems  
Wednesday, October 24, 2007**

**Panelists:**

**Herbert W. Anderson Jr.**

*Vice Chairman and CEO, Impark*

**Emanuel Eads**

*President and CEO, Central Parking Corporation*

**Mark E. Muglich**

*Executive Vice President, Ampco System Parking*

**James A. Wilhelm**

*President and CEO, Standard Parking*

**Moderator:**

**Andrew C. Blair**

*President and CEO, Colonial Parking Inc., Washington, DC*

**Introduction by Herb Anderson:**

We are going to look at three influences in the parking industry: one, the U.S. economy, two, the commercial real estate industry; and three, the industry itself.

The first key driver is the economy, and certainly key events that have shaped the U.S. economy over the last few years are some of the ones that we have listed up here: September 11th, certainly, had a major impact on the economy; there was a downturn in the economy in general but particularly in New York. We saw leases in New York that were hurt. Airport parking facilities across North America, frankly, were hurt with air travel being down, and more of a focus on security in office buildings.

Katrina had a devastating impact on the Gulf Region, particularly my home town of New Orleans. However, we saw a real estate bubble that continued to increase, and the increased value of land fueled development and that, of course, impacted the parking supply of the downtown districts.

However, there are still very strong indicators of growth in the U.S. economy: the continued generation of new jobs, low unemployment, wages increase is typically moving ahead of inflation are all factors seeing growth in most CVDs across the U.S. We are seeing a tightening of space in the downtown markets, an increased number of workers and residents which is all good for the parking industry. The second quarter of 2007, we saw the 13th consecutive decline in office vacancy rates of 13 percent. In fact,

the quarter saw the highest net absorption rate since the fourth quarter of 2005. With the drop in vacancy, we saw significant increases of parking, excuse me, in office rents, and the rise of Class B space, in the rates in Class B space is significant because it demonstrates the trend penetrates well into the office space inventory.

In addition, office space under construction is also at a very healthy level. Although short of the peak in 2000 of nearly 125 million square feet, the second quarter figure of 77 million is very positive. Over the long term, this has an impact on the inventory of parking spaces as older garages and surface lots are replaced by new development. The combination of higher occupancy in buildings and the construction that has been fueled has created more demand for parking; and as a result, we have seen rates escalate. In the U.S., we have seen rates escalate of, monthly parking rates of four percent. It is interesting to note though by looking at Collier's report, the U.S. does not lead the rate increases from a global perspective. Certainly, we see New York leading the U.S. operations but cities such as London, Tokyo, Sydney and Hong Kong are leading the global perspective.

The second key driver is the commercial real estate industry, and this is the industry that we are most interdependent with, of course. The consolidation of ownership has had an impact on the parking industry. Consolidation such as Brookfield and Trizac and Crescent and Morgan Stanley are good examples of consolidation and the move, really, from property owner and manager to more of an asset manager philosophy. Clients are now focused on performance, financial performance, more than ever, and the revenues and how they contribute to the value of the building.

The recent changes in the commercial real estate industry have really generated a shift in the expectation of a parking operator. The focus on asset value has everyone looking to generate increases in net revenue for the portfolio, and there is also an increased expectation in reporting to these clients. The post-Enron requirements have created a new level of sophistication and accountability expected of the parking operator, and eco/green initiatives are everywhere, particularly with our key client groups, who are very conscious of the impact of commercial parking and commercial office buildings, and they are looking to stay ahead of legislation.

And, the third key driver is the parking industry itself which has seen, certainly, nontraditional investors in the parking industry of late: companies such as Colberg, Babcock and Brown, McCorey, all different than what we have seen in the past, so that has an impact on the parking industry in general. We have also seen municipalities looking to monetize their cash flow, such as Chicago and Harrisburg. As a result, companies are looking to invest more in technological changes to meet the expectations.

Most of our companies have seen an increase in our IT groups as a result, we see more customers paying by Web and by phone. The increased number of customers paying for parking in different ways has created a different opportunity for the parking industry. So, what's the outlook? I think most experts are saying that the recent sub-prime crisis will

not hurt the parking industry; we are continuing to see indicators as the commercial real estate sector creates more jobs, more demand for parking in the downtown markets.

A walk through the trade show shows the changing technology pressures on the industry and that creates more opportunity. I think the industry itself has to be more leading edge, and we'll continue to do that. Consolidation will increase both in the industry and in our clients, and we have to be aware of additional threats that are out there. Threats such as additional taxes, either through a congestion charge like you see in London, which is under consideration in New York, but also taxes in general. The eco/green initiatives are not going away. All industries including the parking industry will have to make a real effort towards change in that area. So with that, I hope we are able to stimulate some of our conversation today; and, with that, I'll turn it over to Andrew Blair, thank you very much.

**Andrew Blair:**

**Herb, thank you very much. I'm from Washington, but I'm not a talking head; my job over the next few minutes is to stimulate conversation around some of the topics that Herb just introduced. While I'm doing that, please be thinking of your own questions, because what we want to do after a little bit of rapport up here is to open it up to questions from the floor. Which, if I may turn to you first Jim, looking ahead at the next five years, what do you see as the big challenges and threats facing our industry?**

**Jim Wilhem:**

We got asked that question quite a bit by potential buyers as you can imagine; because as Herb indicated in his opening remarks, we do have non-traditional buyers looking at parking, so they don't know a lot about the industry or the challenges that we may face. But I think, if I would put them in a descending order: 9/11. As Herb indicated, if we had another 9/11, all bets are off. The price of oil - we see it approaching \$90 a barrel. We hear that it could go to \$100. Congestion pricing. Regressive tax on parking. Those are all things that could hurt the industry. And, PCI compliance issues on credit cards. Those are all things that will attack us in the future.

**Andrew Blair:**

**Herb, your company lived through Katrina. Do you believe the industry as a whole is any better situated to handle these challenges than it was five years ago?**

**Herb Anderson:**

Certainly, I think we are more aware of it and so we're thinking of things to, to counteract those issues. So plans have been in effect, things that we haven't thought about in past years. Making sure that we have evacuation plans; how to handle certain situations. So I think the answer's yes, we are more prepared today than we ever were. Are we prepared for something like we're seeing in California right now with the fires, and does that have an impact, if it were to go to a downtown situation; or a terrorist attack, as Bush said? Don't know if we're fully prepared for it, but certainly we're more prepared today than we've ever been.

**Andrew Blair:**

**Jim, in looking at the way you're making agreements, many cities, some very high profile operations and buildings for sure, are you anticipating these challenges in the kind of deals that you are making these days?**

**Jim Wilhem:**

I think so. We're looking at the technology change that's about to come about and has come about. I think the operators will be challenged over the next 10 years by several things: one, they'll be some sort of universal form of e-commerce payment and the glut of payment symptoms that are out there on the market today will go away and there'll be some clarity to that for us.

Secondly, the proliferation of Web-based and satellite-based data being enabled to the public for almost live information to our customers will change the way we need to take a look at how that's distributed. I think that if, for members of this association, if you are not prepared to take a sizeable core market share and be able to operate those facilities from hubbed plants utilizing that technology, and you're not able to set forth a platform for collecting that data and pushing it out much more cheaply than we can today, thereby preserving some segment of our margin, you run the risk of becoming irrelevant.

**Emanuel Eads:**

I mentioned the concept of a PCI compliance, and that's the time bomb that is sitting out there that most people in this room probably aren't even aware of and haven't given thought to. For those of you who are not aware about PCI compliance, if you take credit cards as a form of payment, you have a legal and a huge financial obligation to preserve the security of that data, and the credit card industry is making companies to become what is called PCI compliant, which means you have to go through a rigorous analysis audit to prove that you are absolutely securitizing that data from credit cards. If you don't, if you have that breach of security, if you lose that data, you become the next T.J. Maxx that gets spread all over CNN on the nightly news. I would ask you to raise your hands in this auditorium today to ask how many of you are even aware that you've got that legal and potentially huge financial obligation by taking credit cards as a form of payment.

And, there is only, and I don't mean to get on the equipment manufacturers, there are only a few equipment manufacturers that have become PCI compliant. There is only a couple of parking companies that are PCI compliant, meaning that they have passed the test to show that they are securing that credit card data. So you just think about that in your offices. People who are looking at that data, it's on a laptop, it's on a desktop, all it takes is one breach and the fines could be unbelievable. It could put some companies out of business literally.

**Andrew Blair:**

**What was the T.J. Maxx fine, \$300 million?**

**Emanuel Eads:**

It was.

**Jim Wilhem:**

Well it's a great point, and I can speak to it directly. Although we became PCI compliant and for the fact of legislation as well, we are engaged in a civil lawsuit at the present time and certainly, you know, can't go into details other than to share with you that the threat that Mr. Eads points out is very, very relevant. Being one of the larger targets in that genera, you know, we, I think, were the first of the parking operators to find themselves the victim of a predatory law firm who was looking to gain a civil law suit. So although, we have a defensible position, and we have over 2,000 locations. There was one location where instead of protecting eight or 12 credit card numbers, we were protecting 11. And through some finding, at that location, the civil lawsuit was engaged. Now, we think we will prevail, but we have already spent \$400,000 defending that position.

**Herb Anderson:**

And the risk, in addition to the fines and the lawsuits, ultimately you can lose the ability to take credit cards, which is a big part of our business today.

**Jim Wilhem:**

And the wild card in that is the date masking thing. You know, you have to mask the date. A lot of people have the mistaken believe that all they have to do is cover the credit card numbers, but you have to mask the date. There was a recent law suite in California that tried to be certified and involved Costco. It would have been hundreds of millions of dollars in fines based on the \$100 per transaction up to \$1,000; but a very wise circuit judge threw it out because he wanted them to prove the actual damages. Sure, the policy wasn't being adhered to but they could not prove the damages, so we had a wise judge that time, who knows what will happen next time.

**Andrew Blair:**

**Jim following up, we are seeing a connection between technology and an effect on our industry. You don't need to walk through many aisles of our trade show here to see the explosion of technology in our business. And what do you predict will be the effects of that on the industry and our businesses?**

**Jim Wilhem:**

I think that, as I alluded to before, we need to look at the next 10 years really as the time to adapt. Again, I think because peripheral devices have remained the same over the last five to 10. There has been significant advancement in chip and micro-processing speed and the cost of production, which has enabled those sorts of technologies to become achievable for us on a pro forma basis. But the basic blocking and tackling of the business because of the peripherals has remained the same. I think over the next 10 years, those peripherals are going to change rather significantly, that the development of accurate opti-data capture at ingress and egress, combined with being able to transmit generically developed software between those peripheral devices so that we can communicate with it, and in my mind, if it's proprietary, we don't want it.

If that sort of data communication is enabled for us to communicate with those peripherals, then all of those costs that we incur in the back office will need to go away because there will be some pressure on our margins. And again, which brought me to the conclusion that I was mentioning before, if we don't adapt and change in the middle somewhere, in terms of our ability to read that data and use it to a general ledger system or an accounts payable/accounts receivable area, again, I think, operators as we see ourselves today run the risk of becoming irrelevant.

**Andrew Blair:**

**You were going to talk about back-end in a minute, but on the front-end, one of our challenges is that we work for multiple clients who have different interests.**

**Jim Wilhem:**

Yeah.

**Andrew Blair:**

**Including different technology interests?**

**Jim Wilhem:**

Yeah.

**Andrew Blair:**

**Your company has a lot of management clients. How do you manage the evolution of technology at the location when you don't have a unified customer?**

**Jim Wilhem:**

Well, we try to identify the customer's needs up front. You know, what are they looking for? Are they a long-term holder, or are they a short-term flipper? And that will cause a change in the mission between long-term value creation and short-term value creation. So we've tried to adapt our product for both of those client types rather than be stubborn about it, it makes sense to do it. So we really offer two different products for the two different client bases. Where it is the client themselves or the hired expert that they bring or the consultant that they bring around, we try to adapt to the goals that they have. But if you look at the long-term production of a parking facility, our costs are 30 percent of the gross profit and the operators fees and allocations are between three and five percent. So those costs are negligible compared to what you put at risk at the top without a quality product, technology being one component of the product that you bring. So wider relationships with all of the vendors and the rooms and bringing the best prices per client

**Andrew Blair:**

**Reaction, Mark?**

**Mark Muglich:**

Well, I believe in technology, like everyone else in this room, they wouldn't be here if they weren't interested. It's the future of our industry. Five years ago, many parking operators were afraid of technology. They were afraid to take the person out of the booth.

They were afraid that the owner would not need their services anymore. I agree that much of the technology in the future is going to go into the back room. If you look at the operating statements of the public companies that are still around, you see how much we're spending on G&A. That's not going to operating people in the field as much as it is going to people who are pushing paper in an office which isn't producing any revenue. So I think that there is just going to be a larger and larger focus on technology in the future.

**Andrew Blair:**

**Do you find that it's a difficult case to make for your owners to continuously invest in technology?**

**Emanuel Eads:**

No, in fact, we're finding that the owners are becoming much more sophisticated. You have institutional owners who are now going out and purchasing the type of properties that we look at -- the Class A office buildings, the retail centers and those type of areas. Those owners are sophisticated. They want cash control. They want to know that they have accurate reporting, timely reporting. In a lot of cases where we have what we call our national account groups, where we have multiple buildings and multiple cities for a single ownership group, they want reporting that can be immediately downloaded into their reporting system. And, as we see more and more of this type of ownership, if you don't get on the technology band wagon; and, excuse me but I've used this phrase and our own general manager meeting where we bring all our top hundred managers together, if all you're doing is putting a butt in a booth, you're out of there because anybody can do that. Anybody can hire someone at eight, nine, ten dollars an hour and put them in the booth, and we are already seeing in the Canadian operations where, I don't mean to offend the equipment people, but their really trying to eliminate the parking operator as a middleman. They are coming in and selling the concept that I can put equipment in, I can get you your revenue, I can report it directly to you, and you don't need an operator in the middle to handle anything for you. So, if we don't get in on that program and figure out how to be a solution provider, not a staffing agency. If you're a staffing agency, you're going to become obsolete very quickly. You have to become a solution provider, and that means you are going to have to adopt technology.

Those who have ever traveled to Europe or have worked in Europe, will see what we have to go to. You go to a garage in Europe with 600 spaces, it may have one attendant, and that attendant is not there to take cash, that attendant there is to monitor the equipment to make sure it is working. How many of you are operating a garage of 600, 700, 800 spaces with one attendant? We've got to get on that wagon. In fact, I made the comment, and I'm going to give up one of my strategic secrets here -- I told our people if we can't put technology on a location, it's not a location I want to be operating. I just don't want to do it. I don't want to operate a location on a go forward basis.

**Andrew Blair:**

**I know in our business, we're starting to anticipate that our managers are really going to be technologists more than parking people in the future. There are going to**

**need to run a network and need to trouble shoot a computer and be a software expert as much as a guy who parks like we all came from.**

**Herb Anderson:**

But just to touch back on what Jim was saying, where we are today versus where we are 10 years from now, having generic equipment so that we can't... You know, that's always been the Holy Grail in the parking industry, right? Being able to take that point-of-sale equipment and feed it right into our information and eliminate a lot of the cost. That's really where we need to go. Other industries have done that. It's really where we need to go as an industry.

**Andrew Blair:**

**You have this proliferation of technology that is certainly putting a lot of pressure on our businesses. You've got clients, you want real-time reporting. You've got customers, you want payment options from credit cards and debit cards too, you can now check into the airport with your cell phone. They are going to pay for parking with cell phones. All these things are wonderful in the front-end but require some sort of people on the back-end. In a real back-end infrastructure that's different than what we've had before. Tell us a little bit about how your company has reacted to that pressure, the client's willingness to pay for that back-end service, and how you think that will affect some of the smaller operators in our business.**

**Herb Anderson:**

Well first, I agree that it has become more sophisticated. There is no question that our business has become more sophisticated through the years; and, as we've all addressed, our clients are driving that. They're smarter, their more sophisticated, they know the parking industry. But also, the new ownerships that have come in to the parking industry over the last few years. There are also raising expectation levels. As we were just discussing earlier, they're looking to be, for us to be able to provide solutions to them from an ownership standpoint, from a reporting standpoint, the most efficient matter we can.

So what that means, our company for instance, has put quite a bit of money back into infrastructure, into our back office to create a shared service center so we can deliver the most efficient reporting types not only to our clients but certainly to our ownership group. And, I know that AMPCO has announced that their doing the same thing with shared service centers in Houston. I know Central and Standard are doing the same thing in the back office; so making those lines, not only from a parker's standpoint, but from a reporting standpoint, that the client has made, it is important that we're the most efficient, that we can do it as efficiently as possible, to provide that information, and that means various different ways to do that but certainly from a back-office infrastructure, it's where we are putting so much of our money these days.

**Andrew Blair:**

**Without giving your secret away, tell us a little bit more about shared service centers.**

**Herb Anderson:**

In our case, a shared service center is bringing the things that we can do better together. Rather than being decentralized across North America, bringing things like plant reporting, like AR, like AP; payroll, for instance, to bring it to one center and generate, doing it with more professional people and doing it more efficiently. For instance, monthly reporting, where you don't have to do it with, after you have a 100 people doing it across North America, if you bring it into one center, you may be able to do it with 75 people. So that's a big impact on the cost of being able to produce an invoice for your client so you can maintain a competitive advantage with your client and also drive the margins for your own company.

**Mark Muglich:**

There are also benefits in that process because we all get audited by lots of people, and when you have five different people doing five different processes, whether it be AP or payroll or AR, you'll get five different interpretations of what the policy is and how it should be checked. If you have it all in one place, you'll do a much better job of controlling your company.

**Andrew Blair:**

**A lot of what you're talking about this technology back-house work is really what we might expect a client to become involved with and the management company paying for. Are you seeing a willingness of the client to understand the changing nature of the services we're providing to be more technology driven and to some things that may have been traditionally been on site, are now in a back-office? Do you think the client world will change ...we'll adapt to that change?**

**Mark Muglich:**

Some, what we've seen is a transfer of that shift, via the menu that I was talking about earlier, of various client needs. Along Herb's statement, we've also centralized our processes and decentralized operations and, in our case, staff accounting, to put it closer to the client. We have seen, under the new emerging model, an unwillingness to pay for a person that might be sitting on site processing payroll or processing AR or processing the monthly system as the client's sophistication emerges. And for that trade-off though, we might add a unit charge for the processing per person, or a processing charge per AP check cut, to try and recover that cost, because it is very nice too that at the same time, clients are looking at more efficient methodologies of operation. What that means is cutting fees and allocations in some cases because it is the easy target, it's the low hanging fruit for the new generation of experts that are out there.

For us to be able to adapt and try to preserve some semblance of the margins that we enjoyed while we're making the capital improvements to enhance communication becomes the difficult challenge. So we've tried to develop a menu that will appeal across the board depending on the client needs, and maybe a per unit charge to replace that person who might have sat in the garage processing payroll in the past, we found it to be

successful. It certainly reduces the overall cost of the client but at the same time reduces our own GNA.

**Andrew Blair:**

**Mark, all around the real estate industry, the word is green; whether it's Leeds certified buildings. A lot of our owners are responding not only to an environmental movement but to really a financial movement, because you're seeing great financial benefits out of these green programs. How do you see that affecting our business in the next few years and what's the responsibility of the head of a company or a leader of a company with respect to the environment and green?**

**Mark Muglich:**

Well, I'd like to say that I was on the cutting edge of green, but when my first client called me and asked me to come and talk about our green initiative, I assumed he was talking about collecting more money. There are a number of ways for us to assist our clients and manage our business in an effort to preserve the environment, which is all very important. Many of us have children and grandchildren that we want to leave a world that they can live in to. Many of our decisions are impacted by our concern for the condition of our air and water.

Some of the actions that Ampco has taken are the management of HOV and trip reduction programs for our own properties and for our clients. Some of our facilities have special parking rates that offer very low rates for people who are in high-occupancy vehicles. The special registration requirements though, and the enforcement of those programs, often fall to the parking operator, and it is very challenging to make sure that, if somebody registers two people to come to work in a car, that there are actually two people coming to work in the car, and sometimes you're getting the ability to pay for this HOV program from the federal government or state government. If you don't keep those regulations in place, you can lose that opportunity.

We have gone so far as to assist the client in selling bus passes to their employees because they wanted them to stop driving and start taking the bus. That was kind of a bitter pill to swallow but it all worked out. In one, what we thought was kind of a political move, but it was also a good move, we have an operation in Michigan, where we have a number of vehicles on the street that do evening patrol for on-street parking offences. In our last go around, we purchased hybrid cars instead of using a traditional vehicle. Now, they're more expensive, in the traditional sense, it's hard for the average American to buy a hybrid car and save enough money in fuel to pay the cost difference of that vehicle. We think it just might work for us, but it was also a very well placed political move. The city fathers loved it. It was in the newspaper. It has been a very good benefit to our company. Again, we're helping the environment.

We often provide preferred parking spaces for vehicles using alternative fuels and outlets for electric vehicle charging. Now, that's a pretty small number of parking spaces these days, and with any luck, it will grow over time. We think that it will, but we have to do our part to encourage this. Another initiative that we worked on is shared parking. This

was brought to our attention by a community development corporation in Cleveland. It was a very interesting spot, and it was not really controlled parking, but on one side of the street, you had a number of businesses with available extra parking from their business. Maybe it was a furniture store and another building, and they only needed four of their 20 spaces, but the people across the street had no parking. So we worked out a program which we managed where parking spaces could be bought from people with excess parking spaces. It's like getting the benefit of a mixed-use development without having to go out and build.

Part of green is building less parking spaces and getting the maximum value out of those spaces. Some of the things that we're seeing in the facilities also include bicycle storage. Minneapolis, believe it or not, with the weather they have, is a huge bicycle riding city; and so we provided bicycle storage in many, many of the facilities that we run. Shuttle operations are an area where there is a great deal of opportunity to help the environment. If you use a CNG or LNG or, or ultra-low sulfur diesel, those things can not only provide benefit to the environment, but they can provide benefits to you. They are tax advantages available, if you employ this, and we have started using it in some places in our service vehicle as opposed to just shuttles.

Lighting is one of the best places to help the environment. We all know that there are still garages out there that have 30-year-old florescent fixtures that are inefficient and wasteful and hard to dispose of. I read an article recently, and it was very interesting that low- and high-pressure sodium bulbs are not very green because even though they don't burn much fuel, they have to be replaced frequently. So people are moving to high density discharge metal halide which is a little better, and the newest thing on the market is LED fixtures, which is being tested in some facilities. They sip fuel compared to everything else, but we really don't know how they are going to work, and those programs are also available with tax deductions.

The Leeds and Green program is a very interesting program. There are literally hundreds of ways that you're not thinking about in your parking facility to keep the environment cleaner. I'll just mention that one of them is a collection of water when you pressure wash your garage, most sewers that are connected to garages are not sanitary sewers, there just storm sewers, and that is going right into your lakes and your streams and it is a mess. So there is an awful lot of work to do, but there is an awful lot that we can do as parking operators.

**Andrew Blair:**

**Well, I heard you rode your bike out from Cleveland to get here.**

**Mark Muglich:**

Not quite, but I did ride my bike to a Browns game one time which got a lot of laughs when I pulled into the parking lot.

**Andrew Blair:**

**Changing gears a little bit. We have seen here recently but over the last little while, some new capital source is coming into our industry. Obviously Colbert Investment made an investment in your company, took it private. Babcock and Brown and Impark. We see GE, we see McC Corey. A lot of interesting and varied capital sources, new capital sources coming into the market. Why are they attracted to our industry? What are they seeing?**

**Emanuel Eads:**

Well, it's three simple words: earnings, cash, growth. These are smart business people. There are literally billions and billions of dollars still out there trying to find a home. These investment funds have more cash than they really can place at this point of time, but they all look for one thing: their looking for earnings that they can predict and that they grow; and more than anything, they're looking for cash. At the end of the day, it's the old word, cash is king, and literally the companies that are sitting up here or represented by us sitting up here generate millions of dollars every year in free cash flow, and that's what these investment fruits are looking for.

The issue has been that though there have not been that many public held parking companies, so it's not a very visible industry, so until very recently, people really didn't understand how to value the companies. They didn't really understand and have transparency into the finance of the companies. But with Central being a public company and Standard being public and at different times, Impark, there was a lot more visibility to the parking industry, and then they saw the tremendous amount of free cash flow that's being generated. They look at companies and see good management and good growth. You saw in the slide that Herb went through; we're in a good economy right now. We've seen declining occupancy rates in buildings. We're seeing employment growth going up. We have good year-over-year same store sales growth, and that's all music to the ears of financial investors. That's exactly what they want to see when they invest in a company, and that's why you are seeing those sources come in to play because they need to find a home for this money to invest in, and they look for companies that they feel are going to be on a high growth mode over a period of time because, very candidly, they need double digit returns on that money. People who are investing in these funds are not looking for six, seven, eight percent on their money. They are looking for 22, 23, 25 percent return, and that's why we have now come to the forefront, we being the companies that have been taken private, because they feel they will get those returns over the time that they've invested in those companies based upon the track record and the cash that can be generated.

**Andrew Blair:**

**Some people call this money "hot money." Is it? What do you think the quality of the due diligence by these capital sources is in the industry and in our businesses? Do they really understand the nature of what we do?**

**Emanuel Eads:**

Yeah. The due diligence can be excruciating. These are smart, smart financial people. They don't invest in anything to lose money. They are putting money in. They have the

brightest minds. They do this for a living. These are not dumb people, and they are not going to make dumb investments, and they do a tremendous amount of due diligence.

I can just relate, a lot of people heard that Central was looking at options back in November of last year. We actually had been in the process of putting what we call the book together and working with our financial advisor, Blackstone, for about six months before we ever went public with the fact that we were in that process; and then, we went through a very laborious process of what's called management presentations. All these buyers get books that, I mean, they know more about your company at the time they're getting ready to invest that you probably knew at the time you started putting the information together.

And then, post signing of the deal, there is even more due diligence because many of you have probably seen Footlocker and Genesco. There are some issues now with trying to get out of the deal because there is what's called a "MAC out." If they can find what's called a "Material Adverse Condition," then the buyer can actually rescind the offer. It's pretty difficult to do, but during the period from the signing to the closing, I can tell you, my entire staff for three months was involved in nothing but responding to due diligence questions and having people on-site looking at our information. I'm sure the same was for anybody else involved.

**Mark Muglich:**

In addition, don't you think they've put us in a different target group. A lot of these are infrastructure groups that are looking at toll roads, highways, bridges, that sort of thing. Now they have classified parking as part of that infrastructure opportunity so now that's opened the door for a lot of those types of companies that wouldn't have normally looked at a parking company.

**Emanuel Eads:**

No, they're looking for long term cash flow. They look for a stream of cash flow, and that's how the businesses are being evaluated. Herb, what you're saying is exactly the case. The reason McCCorey and others are buying these; I call it 'buying' them because effectively if you do a 99-year lease, you've bought it. But the reason you're seeing them buy the toll roads is because that is a cash flow stream that they can project over that ninety-nine year lease. And I know there is some McCCorey representatives here, but they have a tremendous amount of funds coming in from pension programs in Australia that they've got to place that money, and their looking for a little bit of a different type of return, they have a little lower threshold because they are looking for a long-term return from the infrastructure like the Chicago garages that were recently sold with the skyway, toll road, the Indiana toll road.

With parking companies, it's no secret. The horizon is a lot shorter for them to get the return on their investment. They're not in it for 15 years by any means, so there is a shorter time horizon.

**Mark Muglich:**

I agree with the front-end of that entirely. The people that...through the process of going public...and it was a little more torturing because rather than having diligence with a kind of a finite group, you're diligent.

**Jim Wilhem:**

Twenty-five-year-olds have a dexterity talent that when they're questioning you about a business that you know about, they are able to move this pen between their fingers and they thoroughly understand the financial aspect. And they can look over your business over the last 10 years and try to generate a fairly accurate picture of what's going to happen over the next 10 years based on financial models that exist. They're very, very bright.

**Emanuel Eads:**

They have financial modeling capabilities that, I can assure you, nobody in this room can even start to understand and they can, as Jim said, they can dissect the business and tell you things about your business that you never knew about or never thought about with these very, very sophisticated financial models.

**Jim Wilhem:**

But they can do that from a financial aspect, and they're very, very smart, base crumpling, able to crunch numbers and ask some questions about trends. I think the exposure that they have sometimes, and I hate to sound like the old man who's been around the business for a long time, but I am one of them. With all of the changes in technology that we have just talked about, the changes in the clients that we've talked about, the ability to put people on the ground in core markets and understand pricing structure, and being able to understand the greening issues, and to be able to look forward in terms of the changes in our industry. We have been a very capital...at least in the service side of the business; we haven't required a lot of capital for investment, which makes these returns different.

But if you look at the changes that the five of us have talked about this morning, in terms of capital investment into changing processes and systems, the game is going to change somewhat. So, I think what I'm saying why that 25-year-old with the pen in his fingers can do a very good job of modeling return on cash and free cash flow. I think that there is still a requirement for a basic understanding of parking cars every day.

**Emanuel Eads:**

You're right Jim, and that's why I said they also buy the management team. They only look at companies that they feel that the management team that is in place can actually get them to the level that they want to go to over what ever time horizon that that investment is going to be in place. We all know, we saw back in the, well again, our age, Jim, we saw back in the '80's a lot of people doing a lot of modeling on investment in office buildings that made absolutely no sense economically but they modeled the heck out of it and what happened? We had one of the largest down-turns in the office development industry that we've ever seen I the real estate market, and it's all because a lot of things were done on a computer. At the end of the day, you've got to have real, live

people who really understand the business, know how to move the business forward, know the clients, know the dynamics, that don't ever show up on a model.

So, again, the really sophisticated buyers understand this and they make sure they are aligned with management team and that...and, again, you can just look at the companies represented again here. Herb and his team have gone through some private equity situations, but they wanted the team in place. They kept our team in place. They are not looking to go in and take all the people out because then all they have is the pen twirlers to run it, and they don't know how to run it.

**Jim Wilhem:**

I just site the example of the asset sales because we were obviously, Chicago's our home, and we were close to the sale of those garages in Chicago, and you kind of align around potential buyers and give guidance, and we had those garages for many, many years and felt we understood their value. Yet, when the successful bidder was announced, the sale price for those garages was in excess of \$400 million to the winner. I think what was interesting is the second bid. There were no bids higher than \$300 million after that. I think there's a statement in there about value and value understanding that gets lost in that work.

**Andrew Blair:**

**I think that one of the most interesting things of our business -- you look at this panel; we were talking about it before we came on. At one point or another, we all parked cars. And maybe the president of the National Widget Association stands up and says, I started making widgets, but I really think it is a unique feature of our industry, looking at the audience as well, that so many of us came out of the business. And I can put a stack or a form in front of me, but at some point, you have to turn it over and say is it going to work. That's probably the difference between \$400 million and \$300 million, is it really going to work? We ask our managers to make those decisions all the time, Jim, when one phone rings and it's a client who says, more money, more money, more money and then another phone rings and says, more service, more service, more service, it's the balance that we have been working with for years. Do you see that balance changing? And, if it is, how are you reacting to it?**

**Jim Wilhem:**

I've seen a change in cycles. Over almost 25 years now, we've gone through cycles of those property managers or asset managers who have, are totally bottom line focused for a short period of time, versus those who look towards long-term value creation, and I spoke a little bit about that earlier in terms of the percentage really of garage expenses and operator fees compared to putting at risk gross revenues and those who were willing to risk putting 15 to 20 percent of the gross of a garage at risk over a \$4,000 difference in management fee or cost in allocation.

We have tried to price our product to be sensitized to both markets. I think other than the comments that I made earlier, one thing that we have seen emerging though, as real estate

has flipped, and I don't think the cycle has stopped, I think that it's almost stopped its current cycle, and the cost of capital will stop it for some period of time, and I hate to be the one sitting in that last musical chair with that asset now that they can't flip based on what they paid for it. But what we have seen emerging, and I think is a threat to us, is a request or demand almost that the contract that we are being asked to look at contains a sole negligence clauses or relates to insurance and liability exposures where the operator is responsible for everything that occurs in that physical plant other than caused by the sole, absolute sole negligence of a third party, and it has emerged with the template of the new buyer or new rep, or the new owner rep and that is seriously dangerous to us.

We gave up a couple of properties that we just wouldn't sign the clause for, and I asked the operator who took it how they could take on that exposure, and they said, I didn't know it was in there, and they really didn't understand what that sort of very subtle language in a contract means.

And as you get more sophisticated clients on the other side who are trying to insert that language, and we on the operating side aren't aware of it, it opens up to just an expanse of an exposure on the service side of the business.

**Herb Anderson:**

It's a risk versus reward issue. It's hard to take that type of risk that they're asking us on the profits that we're taking off one parking garage. Most people, if you are making a rational decision, you're not going to make that risk analysis.

**Jim Wilhem:**

Try to buy insurance for it.

**Emanuel Eads:**

The other thing that you have out there, and I'm sure I'll alienate a few more people before I'm done talking today, but we have a lot of ex-parking people out there who now are consultants and their sole role is to convince clients, well, we can get you this service at a much less price. We can effectively work down the management fee. We can work down the ancillary fees, and we're going to get you the best price. And the problem is that you sort of get what you pay for at the end of the day, and that's what I think Herb and Jim have both been talking about.

EOP was a perfect example. I think everybody on this stage has worked with EOP, and EOP's goal and their thought process was that they were going to squeeze the parking operator on every single expense, on every single item to the point that they thought it was going to maximize the value of that asset, and exactly the opposite happened. Because if you squeeze the fee so low, if you squeeze everything down, there is a point where you just say, 'You know what, it's not worth it.' Spending a lot of time and effort trying to maximize this asset when the owner's not willing to share some of that upside with me and allow me to participate in really adding millions of dollars of value to that asset; because if you think about it, if you had \$100,000 of additional NOI from that

facility, depending on what cycle we're in, that \$100,000 could be worth a million. It could be worth a million and a half dollars of additional revenue in asset value.

What you have seen now is that after Blackstone and all the others have purchased a lot of the EOP assets, you're seeing many of those EOP garages generating literally millions of dollars of more revenue because the new owners are saying - we'll share with you. We are not going to squeeze you down to the last nickel. I don't want you to make \$200 a month in fee. I want you to make \$2,000 in fee because if you're making \$2,000, I'm adding tremendous value to my asset; and when I hopefully flip it, you've added something to it.

I'm sure I'm alienating those of you that are in that consulting role, but I think their needs to be a balance is what I'm really saying. Don't try to force the operator down to the last penny. Allow the operator to share in the upside of that product and that location. If they're increasing the value, they should get part of that increase in value, and I think the more sophisticated owners are seeing this.

I can tell you Callahan Capital Partners bought five buildings in Denver, and the principals of Callahan Capital were former Trizac, which we did all their properties. They closed on Thursday afternoon, and I got the call Thursday night to come and look at those properties because they understood that there was a tremendous value in those buildings in the parking, and they understood that we could get it for them if they would allow us to share in it. You need to think a little bit more in a larger sense than just trying to squeeze it down to the last nickel. I mean I've heard you say, and I've heard you say, there's properties we just don't even mess with anymore. If someone comes in and says give me low fee, I say go call somebody else. I'm not in the low fee business. I'm in it to create value, and I want to share in that value.

**Andrew Blair:**

**I think that's the key words - creativity. We are a fairly creative bunch, and if you let us concentrate on the top line, we'll create far more value than we will by squeezing out every single nickel out of the expenses. And I think that the people who are good at that business you described are the ones who realize that. I actually hope our industry can play a role in calling out the best in that industry by some sort of a set of standards, because I think when you list threats, it's clearly one that is a threat for us.**

**Herb, you've operated on both sides of the ocean. Clearly, Europe is way ahead of us technology-wise, parking technology-wise. Do you see the gap closing? Is there a point at which our business either with respect to technology or more broadly business concepts globalizes?**

**Herb Anderson:**

Well, certainly the gap is closing. I would not say the gap has closed. The European operations in particular are still far more automated. The challenge we still have in North America is making sure that automation doesn't mean less customer service, because

people won't put up with less customer service, but it goes back to the example of the airline industry. When people first saw those kiosks, they were offended by it, they didn't want to use it. Now frequent fliers go the kiosk more. If there are a number of kiosks there, then that means higher customer service.

So there's still that transition that needs to take place for us to move forward, but really, what's driving it more are the things that we've all been talking about -- the pressure on delivering the margins. Being able to have higher margins in a facility, automation enables us to do that. It's certainly higher margins, it's better controls, it's all the reasons that we know that automation is so important to us. And ultimately as we go back, just going back to your response on EOPs of the world and what they were doing; certainly, I think we all believe that automation will give us higher line growth, also though the cost element, the pressure on the cost element, is never going to go away. Going to these types of shared service environments, making the most efficient matter we can for a back-office standpoint, I think plays right into driving up our margins and value for our clients.

**Jim Wilhelm:**

I wouldn't give the Europeans as much credit for being ahead of us. I think what occurred was, because we're reactionary like any other business becomes reactionary to a point, is that it all began really with the banking industry and to find the customer who was willing to conduct an electronic transaction with currency; and the banking industry was far, far ahead in Europe of the American banking industry comfortable with conducting a transaction at, in essence, a robot.

While then the follow-on applications in the areas you cited, Herb, in parking, certainly for us and in the airline industries, followed on the consumer's ability to want to conduct a transaction like that. I remember in 1990, we were at the Newark Airport, and we put in pay stations there, and we hired models to attract people to come and use them and offered them a premium to use those machines at the time, and nobody would go near them. Fortunately for us, I think the banking industry in the United States did a great job of doing our homework, or at least making the move to attract the consumer to that piece of machinery that would conduct a transaction, and then we reacted seeing that the consumer was ready for that sort of transaction, and then we just bought the same sort of equipment that the Europeans followed on with.

**Andrew Blair:**

**I want to be careful of our team and make sure we have a lot of reaction time, but I want to just toss one out. Start with you Mark, but I think this is one for everybody. We've seen some shifts in ownership. We've had Central Parking and Impark move from public ownership to private ownership. Standard is a public company. Your company is a part of a large public company. Help the audience understand what it means to be a public company -- what pressures that puts on you, how that might change the way you do business and also how it affects your relationship with your client who may or may not be a public company itself.**

**Mark Muglich:**

Certainly being a public company is a double-edged sword, and I think we are going to have a lot of interesting dialogue about this. We are part of a large publicly traded company, and we believe that a lot of our customers who are like companies, they may be publicly traded, they may not, but large companies tend to feel more comfortable with large companies. We are held to a very high standard called Sarbanes-Oxley, which many of you are probably unfortunately familiar with, but it drives us to watch ourselves at a very, very detailed level, but in strong auditing procedures down to a very small level, and forces us to have separation of duties. Separation of duties is really, really good business, but you can overdo it, and you have to be careful that you don't do that. In a public company, your separation of duties have to go down to a very low level, and it is a lot of extra work, but we think that the customers recognize the fact that we have this level of responsibility and that helps us be highly recognized in their mind.

The transparency of situations is another double-edged sword. When you go and you do a big bid, it is really easy for us to go to our public documents, and say, here you are, this is our litigation, and the customer can look at that and know that there is not anything out there that is putting our company in jeopardy or jeopardizing our ability to do this work. Sometimes, that's not so transparent in a non-public company or a smaller company, so we think that that's a benefit. We also think that our ability to attract good quality people is enhanced by being a public company. They can see it and go on the internet. They can see who we are. They can look at our balance sheet. They can look at our financial condition. They can tell whether or not we've been making money. And one of the other benefits is that we can give them equity, in a small way, but it still gives them an opportunity to build equity through ownership, and that helps us attract quality people in my opinion.

One other thing that is interesting is that we are measured, and sometimes punished, quarterly. While the measurement part, I think helps us keep our eye on the ball. We know that those monthly reports are going out, and we can't fall down on the job, so we are pushing our work harder and harder and harder. We've all seen the experience where somebody goes in and they have missed our quarterly number by two cents and Wall Street beats the crap out of them. Well, that's the unfortunate side of it, but that work helps you, I think, be more focused on growth and running your business properly.

The availability of capital funds we think is going to become more and more critical in the industry as people shift the responsibility for that to the operators. We've all seen the bids come out where somebody wants you to spend a million and a half dollars or \$2 million on parking equipment or \$20 million on shuttle buses. That, I think, is going to be easier to manage as a public company.

One of the down sides is, it is hard to make sacrifices for future development. It's really hard sometimes to pull \$3 million out of your budget over the course of a few years to pay for the shared services center. So you have to make that plan and develop the strategy and sometimes save money somewhere else so that you have the money to grow for the future. A private company may be able to just tighten their belt and take the bullet for a year or two and reap the benefits later. That's a very big challenge.

All in all, I do think working for a public company is beneficial to us. It helps us get large clients and our local representation tends to help us keep the small ones. I am sure there is going to be a lot of other comment on this.

**Andrew Blair:**

**Let's say on the public side for a second, Jim.**

**Jim Wilhelm:**

I don't have too much to add to what Mark said. I think he hit on most of the key points. Certainly our ability to finance and our ability to leverage is enhanced by a capital structure in that area. I think that coming from a business of 40 locations in Chicago with 200 employees when it was me and Myron and Steve Warshauer, our skills have had to change in being a public company. I liked parking cars, and I'm not wild about sitting with investment bankers or those pen twirlers all day, or the quarterly show on the earnings per share. I think that that is the downside of being public, but the public has an expectation that we need to deliver to the shareholder.

The reporting wasn't so difficult for us to make the transition to Sarbanes-Oxley. I think that we've recognized for a long time, at least in our business since 1929, that we're in the business of handling other people's money, so our controls were fairly transparent to begin with. Then when EPCOA bought us, bonds were used to do that, and we had to file as if we were a public company anyway. So the jump from EPCOA-Standard to Standard Parking as a public company wasn't as severe as it might have been in going to the public market.

**Andrew Blair:**

**Do you think the analysts really understand what your business is?**

**Jim Wilhelm:**

I know they didn't at the beginning. It was very hard to go out and try to place value on a company that is 87 percent management contracts.

**Emanuel Eads:**

I tell you today, they don't.

**Jim Wilhelm:**

Right.

**Emanuel Eads:**

There is a tremendous lack of understanding of the industry, lack of understanding of the dynamics. I relate back to the calls when I had to make the quarterly earnings calls, and we had publicly stated, I had stated back in August of 2005, part of our strategic plan was going to be to eliminate marginal locations and unprofitable locations and focus on a smaller number of locations but highly profitable locations.

Within one or two questions, on every earnings call, someone would say, "Well you have less locations that you had the last quarter." "Yes, but are you looking at our profit? Are you looking at what we're generating? Our profits are going up." "Yes, but you have less locations." "I know, did you listen to the strategy that we laid out in 2005? We said we were going to get rid of some locations because we were going to focus on more profitable locations."

I can tell you, I had to live as a public CEO for two years; and, as Jim said, 50 percent of your time is dealt with nothing that has to do with parking. You're dealing with investment people, you are dealing with analysts, and you're dealing with a lot of stuff that in my mind doesn't really add a lot of value to the business itself. And because there is only a few companies that they can look at, they don't know how to judge what the parking industry is. They want to put us in with hotels, and they want to put us in with airlines, and then they want to put us in with some other service organization.

There is very few people, maybe William Blair is probably one of the most educated of the analysts that followed the parking business, but they are one of the few that really, I think, understand the business -- in fact, I think, one of their reps is going to be talking today -- but one of the few that really understand the parking business. I can tell you living quarter to quarter is no fun at all because you do make decisions based upon how you are going to put your capital to work, how you are going to look at your business on a much more short-term basis. I'm a good marketer, I can argue either side of the equation; you tell me which side you want to be on.

**Herb Anderson:**

And you have.

**Emanuel Eads:**

And I have.

**Andrew Blair:**

**Both!**

**Emanuel Eads:**

But I can tell you that, you just look at what Central has done after going private that I could have never done as quickly in a public environment. We decided to exit a market because that was part of our strategic plan. We went private on May 22. Within 90 days, we executed a major transaction of selling our European operations. We had planned to do that for over three years, but I tell you, if I had done that under the public eye, our stock would have fell off the face of the earth, absolutely would have...because they don't understand the business and they don't understand the dynamics, so when you're private, you have a lot more flexibility to do things quickly that will have a major impact to the profitability of the company.

I'm spending more time now back in the parking business than I probably spent in two and a half years, and actually working in the parking business and adding value to the

company versus meeting with shareholders and worrying about what is the stock price going to be next quarter.

**Andrew Blair:**

**Herb, just briefly...What's the end game of the private guys, though? What's next?**

**Herb Anderson:**

Well, certainly these, the private guys who have invested in the company, in companies; as Butch said, they're not looking for a 15-year play, they're looking for a shorter term play. Now, the advantage of certainly having these guys involved; in our case, having Babcock and Brown with Gates, has given us the deep pockets certainly of Babcock and Brown but also the management expertise of a Gates in that they know the parking industry, so that's been a real advantage from our perspective. It certainly frees our time up so we aren't dealing with the kind of questions that you might normally deal with because they understand our business. Certainly that's an issue. Now, as I said, they're looking at a shorter term -- would it be five years, would it be less? Certainly, there is always the possibility of taking companies public. In this market today, it is probably not as likely, but down the road, possibly.

**Andrew Blair:**

**I've got to be mindful of our panel's time. A couple guys have to jump on some planes; but a couple questions from the audience?**

**Question:**

**Why isn't the presence of a parking attendant something that helps security? I think of cases where the parking attendant needed his whole car to take his Christmas presents home because he did so much service for the customers. Don't you use that argument to keep an attendant?**

**Andrew Blair:**

**Mark, why don't you take a shot at that?**

**Mark Muglich:**

Well, somebody mentioned earlier, just because you have automation, it doesn't mean you remove customer service. One of the things that our clients sometimes don't understand when we put in automation and we say, "Okay, we've eliminated three cashiers, why am I not saving that much money?" It's because you turned that person into a customer service attendant, and that service is actually...and security provided, is generally much better than a cashier in a parking garage. A cashier in a parking garage is nailed to the booth. They can't leave. If something is happening up on level 5, they're not doing anybody any good from a security perspective. They're much better off being free to move around the facility.

**Question:**

**Regarding PCI and the credit card liability. What's been your success in transferring some of that liability to some of your vendors, whether they be the equipment manufacturers or some other providers they have?**

**Andrew Blair:**

**Jim?**

**Jim Wilhelm:**

Through the process in 2006, we were heavily dependent upon the providers that we had to work with us to become compliant. And as I said, of the 2000 locations we have, they were but for one exception or two exceptions, fully compliant by Dec. 31, and that was done as part of a partnership. The vendor was a unique vendor to the one location where we've had an issue, and we would expect that that vendor will step up to the plate ultimately with us in terms of any exposed liability. But I can't sit here and complain at all about the relationship that we had with three or four vendors that worked with us to get compliant.

**Emanuel Eads:**

Most of the major vendors are becoming compliant because they have the same legal liability and financial liability as we do. It doesn't matter where you are in the food chain, if you touch that credit card data, then you've become part of the chain. We touch it because that data comes in.

First the, actually, the equipment touches it, the credit card reader, so the equipment manufacturer is now in the process. Then we take that data and handle it through the billing and all that. The equipment manufacturer by and large has finally understood they do have a liability and they need to become compliant as well, and they have done a great job in doing that, by and large, there is still a lot of them out there that need to work on it.

The problem we have, as you know, you can't just say, "Well, I've got X piece of equipment in." Because, what version is it? Is it 3.1, 3.6, 3.8 or 5.0, and each one has to be certified individually. Just because the XYZ Company says "We are certified." What piece of your equipment and what version has been certified?

Again, I cannot stress enough that it's a time bomb out there for every one of you if you take credit card data, then you're on the hook; and the fines, as we have heard, can be enormous. The ruin of your reputation could be unbelievable if that happens. I mean, I don't want Central Parking's name all over CNN saying, "Well, they've just gave up 200,000 IDs." Credit card IDs have been compromised now because we failed to have the PCI compliance. It's a huge, huge issue for every, everybody sitting in this room. I just can't stress that enough.

**Andrew Blair:**

**Well, Herb, Butch, Jim, Mark, thank you all very much for your time and candor. I think we have broken down a few of those walls that sometimes exist between operators. We had a really frank discussion about the things that are on our mind,**

**and I appreciate that immensely. To our audience, thank you very much and have a great day.**