

**REPUBLIC PARKING SYSTEM, INC.
AND AFFILIATES**

COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2010

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Report of Independent Certified Public Accountants

on the Financial Statements

NEAL, SCOUTEN & McCONNELL, P.C.
Certified Public Accountants

Republic Parking System, Inc.
Chattanooga, Tennessee

We have audited the accompanying combined balance sheets of Republic Parking System, Inc. and Affiliates as of December 31, 2010 and 2009, and the related combined statements of income, changes in owners' equity, and cash flows for the years then ended. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Republic Parking System, Inc. and Affiliates as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Neal, Scouten & McConnell, P.C.

Chattanooga, Tennessee
March 31, 2011

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REPUBLIC PARKING SYSTEM, INC. AND AFFILIATES
COMBINED BALANCE SHEETS
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash (Note 6)	\$ 12,424,751	\$ 11,967,040
Accounts receivable	6,691,053	6,958,305
Receivables from related parties (Note 3)	515,997	2,758,421
Prepaid expenses	815,663	725,376
	<hr/>	<hr/>
Total current assets	20,447,464	22,409,142
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT, at cost		
Leasehold improvements	6,290,937	6,097,882
Equipment	4,882,174	4,316,166
Automobiles and trucks	1,444,308	1,274,457
Furniture and fixtures	352,781	352,781
	<hr/>	<hr/>
	12,970,200	12,041,286
Less accumulated depreciation	(10,715,600)	(9,159,656)
	<hr/>	<hr/>
Property and equipment, net	2,254,600	2,881,630
	<hr/>	<hr/>
OTHER ASSETS		
Non-current receivables	396,059	358,868
Receivables from related parties (Note 3)	5,900,725	3,861,892
Deposits and other assets	541,604	193,004
	<hr/>	<hr/>
Total other assets	6,838,388	4,413,764
	<hr/>	<hr/>
	<u>\$ 29,540,452</u>	<u>\$ 29,704,536</u>

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The Notes to Combined Financial Statements are an integral part of these statements.

	<u>2010</u>	<u>2009</u>
LIABILITIES AND OWNERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 3,612,930	\$ 3,374,900
Payable to related party (Note 3)	-	100,014
Accrued expenses:		
Rent	4,094,058	3,372,663
Sales tax payable	872,505	886,900
Taxes and licenses	183,033	170,837
Salaries and wages	2,195,674	2,244,968
Insurance reserves	2,154,575	2,879,647
Other	2,408,083	2,850,407
Deposits and advances	1,839,693	2,035,535
	<u>17,360,551</u>	<u>17,915,871</u>
OWNERS' EQUITY	<u>12,179,901</u>	<u>11,788,665</u>
	<u>\$ 29,540,452</u>	<u>\$ 29,704,536</u>

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REPUBLIC PARKING SYSTEM, INC. AND AFFILIATES
COMBINED STATEMENTS OF INCOME
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
REVENUES		
Gross parking service revenues	\$ 309,047,844	\$ 313,066,255
Less landlord's share of parking service revenues from management accounts	244,587,140	252,561,720
Net parking service revenues	64,460,704	60,504,535
Management contract revenues	12,814,384	12,871,301
Interest income	308,928	218,653
Other	1,968,114	1,605,698
Net revenues	<u>79,552,130</u>	<u>75,200,187</u>
COSTS AND EXPENSES		
Lease expenses (Note 2)	45,890,923	41,986,080
Salaries and wages	17,386,830	16,832,297
Depreciation	1,678,689	1,875,796
Other operating expenses	7,144,168	6,462,145
General and administrative expenses	1,231,843	1,437,347
Total costs and expenses	<u>73,332,453</u>	<u>68,593,665</u>
NET INCOME	<u>\$ 6,219,677</u>	<u>\$ 6,606,522</u>

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The Notes to Combined Financial Statements are an integral part of these statements.

REPUBLIC PARKING SYSTEM, INC. AND AFFILIATES
COMBINED STATEMENTS OF CHANGES IN OWNERS' EQUITY
Years Ended December 31, 2010 and 2009

OWNERS' EQUITY, December 31, 2008	\$ 9,111,326
Net income	6,606,522
Distributions to owners	(3,929,183)
OWNERS' EQUITY, December 31, 2009	11,788,665
Net income	6,219,677
Distributions to owners	(5,828,441)
OWNERS' EQUITY, December 31, 2010	<u><u>\$ 12,179,901</u></u>

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The Notes to Combined Financial Statements are an integral part of these statements.

REPUBLIC PARKING SYSTEM, INC. AND AFFILIATES
COMBINED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 6,219,677	\$ 6,606,522
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,678,689	1,875,796
Changes in operating assets and liabilities:		
Receivables	230,061	917,577
Prepaid expenses and other assets	(438,887)	93,018
Current liabilities	(555,320)	(246,710)
	<u>7,134,220</u>	<u>9,246,203</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,051,659)	(576,721)
Net change in receivables from related parties	203,591	(1,689,711)
	<u>(848,068)</u>	<u>(2,266,432)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Distributions to owners	(5,828,441)	(3,929,183)
Net change in cash	457,711	3,050,588
Cash at beginning of year	11,967,040	8,916,452
Cash at end of year	<u><u>\$ 12,424,751</u></u>	<u><u>\$ 11,967,040</u></u>

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The Notes to Combined Financial Statements are an integral part of these statements.

REPUBLIC PARKING SYSTEM, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 1. Summary of Significant Accounting Policies

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Nature of operations:

The accompanying combined financial statements of Republic Parking System, Inc. and Affiliates (RPS or the Company) include accounts of certain S corporations and partnerships operating under the name Republic Parking System. These entities are included in the combined financial statements due to James C. Berry's majority ownership in each S corporation and partnership. The Company manages and operates company-owned and leased parking facilities and manages and operates parking facilities owned or leased by other parties (the Landlords). At December 31, 2010, the parking operations of RPS included 75 airport locations, 31 hospitals and medical centers, and 565 urban locations throughout the United States, employing approximately 2,500 people.

Basis of accounting:

The accompanying financial statements are presented on the accrual basis of accounting.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Company considers all highly-liquid debt instruments purchased with a maturity of 3 months or less to be cash equivalents.

Revenue recognition:

Parking service revenues include the parking revenues from leased and owned locations. Management contract revenues represent revenues (both fixed fees and additional payments based upon parking revenues) from facilities managed for other parties, and miscellaneous management fees for accounting, insurance, and other ancillary services such as transportation management services. Parking service and management contract revenues are recognized when earned.

Sale of contracts:

Many of the Company's contracts maintain an option allowing a sale of the contract. Typically, these options are exercised in markets that are deemed unprofitable or if contracts provide a landlord buy-back option of the Company's investments, assets, and future compensation.

Accounts receivable:

Accounts receivable consists primarily of amounts owed to the Company under terms of their management contracts. Such amounts include management fees earned but not received, reimbursements for operating expenses in excess of rents collected, and reimbursements for property improvements and equipment purchases. Reimbursements for

REPUBLIC PARKING SYSTEM, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010 and 2009

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Note 1. Summary of Significant Accounting Policies (continued)

Accounts receivable: (continued)

improvements and equipment are normally received ratably over the life of the lease. Therefore, a portion of these receivables is due after one year and is reported as non-current receivables in the accompanying combined balance sheets. Management believes all amounts recorded in receivables at December 31, 2010, are fully collectible.

Property and equipment:

Property and equipment are carried at cost. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives used in computing depreciation expense are as follows:

Leasehold improvements	Life of lease up to 15 years
Equipment	1-5 years
Automobiles and trucks	3-8 years
Furniture and fixtures	1-5 years

Expenditures for repairs and maintenance not considered to substantially lengthen the property lives are expensed as incurred.

The Company periodically evaluates the carrying value of long-lived assets to be held and used when events or changes in circumstances warrant such a review. The carrying value of long-lived assets is considered impaired when the projected undiscounted future cash flows of such assets are less than their carrying value. Management believes that no impairments exist as of December 31, 2010, and accordingly, no loss has been recognized.

Insurance reserves:

Insurance reserves represent amounts that have been provided for estimated losses resulting from the uninsured portion of pending insurance claims, plus an estimate for incurred but not reported insurance claims.

The Company applies the provisions set forth by the Financial Accounting Standards Board for Accounting for Contingencies, in determining the timing and amount of expense recognition associated with claims and litigation related to risk where the Company has elected to be self insured. The expense recognition is based upon management's determination of an unfavorable outcome of a claim being deemed as probable and reasonably estimable, as defined by FASB *Accounting Standards Codification* 450, Contingencies (formerly Statement of Financial Accounting Standards No. 5). The determination requires the use of judgment in both the estimation of probability and

REPUBLIC PARKING SYSTEM, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010 and 2009

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Note 1. Summary of Significant Accounting Policies (continued)

Insurance reserves: (continued)

the amount to be recognized as an expense. Management utilizes historical experience with similar claims, input from legal counsel, and reports from its insurance administrator to determine the likelihood and extent of an unfavorable outcome in general litigation and estimated liabilities to be recorded on all claims. Events may indicate differences from these judgments and estimates and result in the recognition of additional expenses in the future.

Income taxes:

The Company has elected to be taxed under provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the owners are liable for individual federal income taxes on their respective individual income tax returns.

The Financial Accounting Standards Board (FASB) has issued Interpretation (FIN 48), "Accounting for Uncertainty in Income Taxes", which requires entities to disclose known or anticipated positions of income tax uncertainty. The Company is not aware of any material uncertain income tax positions as of March 2011, however, the tax years of 2007 forward could be subject to examination by the IRS or other applicable tax jurisdictions.

Advertising:

The Company expenses advertising costs as they are incurred.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Lease Obligations

Lease expense related to operating leases is recognized on a straight-line basis over the initial term of the related leases. Certain operating leases require the Company to pay additional rent if parking lot revenues exceed the guaranteed revenue minimums per the contract. The Company recognizes this additional rent expense when such specified amounts are attained.

REPUBLIC PARKING SYSTEM, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
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Note 2. Lease Obligations (continued)

The Company leases certain parking facilities under long-term, noncancelable operating lease agreements with the owners of the properties. Lease agreements provide for minimum payments, contingent payments based upon percentage of revenues or a combination of both. Additionally, certain locations require the Company to pay real estate taxes and other occupancy expenses. These leases expire at various dates through 2037 and certain leases provide for options to renew for subsequent lease periods.

Aggregate future minimum lease payment obligations under operating leases currently in effect, are as follows:

2011	\$ 5,089,271
2012	4,279,078
2013	3,355,660
2014	2,748,734
2015	2,226,128
Thereafter	9,329,408

Under the terms of certain of these lease agreements, the Company is required to have certain specified bonding. During 2010 and 2009, the Company incurred operating expenses related to these bonds of \$168,066 and \$202,734, respectively.

In connection with obtaining certain contracts to lease and manage parking facilities, the Company periodically agrees to make improvements to the properties during the contract period. As improvements are made, those amounts are included in leasehold improvements and amortized over the remaining lease term. As of December 31, 2010, the Company had approximately \$97,748 remaining to be spent under these various commitments.

Note 3. Related Party Transactions

The Company leases executive and administrative offices and storage space in a building which is owned by the Company's principal owner. The Company paid rent expense related to these leases of approximately \$378,770 and \$377,586 for 2010 and 2009, respectively. These leases expired in June 2010 and provide for options to renew for subsequent lease periods. As of December 31, 2010, these leases had not been renewed and are operating on a month-to-month basis.

The Company leases facilities owned by the Company's principal owner and manages and operates these facilities. Lease expense related to these facilities was \$582,760 and \$571,970 in 2010 and 2009, respectively, which resulted in net income (loss) of \$(170,011) and \$22,130 in 2010 and 2009, respectively. The Company also manages facilities that are

REPUBLIC PARKING SYSTEM, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010 and 2009

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Note 3. Related Party Transactions (continued)

owned and operated by the Company's principal owner. Management fees earned from these facilities were \$87,220 and \$79,082 in 2010 and 2009, respectively.

The Company's principal owner controls Sixth Street Limited Partnership, a partnership that owns certain parking facilities managed by the Company. Outstanding advances to this partnership were \$2,400,000 and \$2,665,000 as of December 31, 2010 and 2009, respectively.

The principal owner of the Company has a 99 percent interest in RPS International, LLC, a partnership involved in managing parking facilities in certain foreign countries and on street parking. Outstanding advances to this partnership were \$2,868,474 and \$2,707,307 as of December 31, 2010 and 2009, respectively. The financial position and results of operations of RPS International, LLC, have been excluded from the accompanying combined financial statements.

The principal owner of the Company has a 100 percent interest in Jim Berry Company, LLC. Outstanding advances to this partnership were \$228,248 at December 31, 2010.

As of December 31, 2010, the Company had outstanding advances to two shareholders in the amount of \$920,000. As of December 31, 2009, the Company had outstanding advances to three shareholders in the amount of \$998,006.

The principal owner of the Company has a 100 percent interest in Republic Properties, LLC. Outstanding advances to this partnership were \$250,000 at December 31, 2009.

The related party advances are due upon demand. Amounts have been classified in the accompanying financial statements based on management's estimate of expected collection.

At December 31, 2009, the Company had a payable to a shareholder in the amount of \$100,014.

Note 4. Employee Benefit Plan

The Company maintains a 401(k) plan (the Plan) covering substantially all employees meeting minimum age and service requirements. The Plan allows for participants to contribute a portion of their compensation subject to certain limitations. The Company may also match qualified participant contributions, as defined by the Plan. There were no contributions made by the Company to the Plan during 2010 or 2009.

REPUBLIC PARKING SYSTEM, INC. AND AFFILIATES
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Note 5. Risk Management

The Company utilizes a combination of indemnity and self-insurance coverages, up to certain maximum losses for liability and workers' compensation claims. These policies have a deductible of up to \$250,000 per occurrence for all general liability and worker's compensation claims. These deductibles must be met before insurance companies are required to reimburse the Company for costs related to covered claims. The Company also provides health insurance for many of its employees and purchases a stop-loss policy with a deductible of \$75,000 per claim. As a result, the Company is, in effect, self-insured for all claims up to deductible levels. Management believes insurance coverage and insurance reserves are reasonable and adequate for estimated losses incurred as of December 31, 2010. The accompanying combined balance sheets reflect estimated losses resulting from the uninsured portion of pending insurance claims plus an estimate for incurred and not reported claims for liability, workers' compensation, and health insurance.

The Company utilizes a third-party administrator to review and process claims and payments. At December 31, 2010, the Company maintains two letters of credit totaling \$4,071,500 for the benefit of its third party administrator as security for future payment of such claims. As of December 31, 2010, no amount has been drawn on the letters of credit.

Note 6. Concentration of Credit Risk

The Company maintains cash accounts at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The bank accounts, at times, may exceed federally insured limits. The Company has not experienced any losses on such accounts.

Note 7. Commitments and Contingencies

The Company periodically is subject to claims and lawsuits that arise in the ordinary course of business.

The Company settled various legal matters arising in the ordinary course of business. During 2010 and 2009, the Company paid approximately \$69,000 and \$65,000, respectively, to resolve these type matters. At December 31, 2010, the Company has accrued approximately \$500,000 to provide for settlement of legal matters.

REPUBLIC PARKING SYSTEM, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 7. Commitments and Contingencies (continued)

Other claims, suits, and complaints arise in the ordinary course of the Company's business. The outcome of such litigation cannot be predicted, but, in the opinion of management, based in part upon the opinion of counsel, all such pending matters are without merit or are of such a kind or involve such amounts as would not have a material adverse effect on the combined statements of income or financial position of the Company if unfavorably settled.

Note 8. Evaluation of Subsequent Events

The Company has evaluated subsequent events through March 31, 2011, the date which the financial statements were available to be issued.

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