

CENTRAL PARKING CORP

Form 10-Q

August 09, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarter ended June 30, 2006
Commission file number 001-13950
CENTRAL PARKING CORPORATION
(Exact Name of Registrant as Specified in Its Charter)**

Tennessee	62-1052916
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2401 21st Avenue South, Suite 200, Nashville, Tennessee	37212
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (615) 297-4255

Former name, address and fiscal year, if changed since last report: Not Applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

Class	Outstanding at August 7, 2006
Common Stock, \$0.01 par value	32,112,628

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Part 1. Financial Information

Item 1. Financial Statements

CENTRAL PARKING CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
UNAUDITED

Amounts in thousands, except share data

	June 30, 2006	September 30, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 28,622	\$ 26,055
Management accounts receivable, net of allowance for doubtful accounts of \$3,015 and \$7,091 at June 30, 2006 and September 30, 2005, respectively	49,823	51,931
Accounts receivable other, net of allowance for doubtful accounts of \$2,217 and \$2,685 at June 30, 2006 and September 30, 2005	16,262	15,537
Current portion of notes receivable (including amounts due from related parties of \$937 at June 30, 2006 and \$937 at September 30, 2005) and net of allowance for doubtful accounts of \$182 and \$493 at June 30, 2006 and September 30, 2005	4,806	5,818
Prepaid expenses	14,394	8,630
Assets held for sale	31,558	49,048
Available for sale securities	4,824	4,606
Refundable income taxes	4,931	
Deferred income taxes	23,256	19,949
Total current assets	178,476	181,574
Notes receivable, less current portion	10,365	10,480
Property, equipment, and leasehold improvements, net	309,066	327,391
Contracts and lease rights, net	73,966	80,064
Goodwill, net	232,443	232,443
Investment in and advances to partnerships and joint ventures	3,779	4,443
Other assets	28,833	31,419
Total assets	\$ 836,928	\$ 867,814
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	\$ 2,648	\$ 1,764
Trade accounts payable	90,924	83,604
Accrued expenses	50,990	52,809
Management accounts payable	26,810	25,532
Income taxes payable		12,389
Total current liabilities	171,372	176,098
Long-term debt and capital lease obligations, less current portion	128,627	98,212
Subordinated convertible debentures	78,085	78,085

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Deferred rent	20,834	22,113
Deferred income taxes	20,453	19,565
Other liabilities	20,087	21,152
Total liabilities	439,458	415,225
Minority interest	421	528
Shareholders' equity:		
Common stock, \$0.01 par value; 50,000,000 shares authorized, 32,100,503 and 36,680,694 shares issued and outstanding at June 30, 2006 and September 30, 2005, respectively	321	368
Additional paid-in capital	179,657	251,784
Accumulated other comprehensive income, net	3,199	3,432
Retained earnings	214,577	197,182
Other	(705)	(705)
Total shareholders' equity	397,049	452,061
Total liabilities and shareholders' equity	\$ 836,928	\$ 867,814

See accompanying notes to consolidated financial statements.

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CENTRAL PARKING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
UNAUDITED

Amounts in thousands, except per share data

	Three months ended June		Nine months ended June	
	30,		30,	
	2006	2005	2006	2005
Revenues:				
Parking	\$ 132,961	\$ 136,103	\$ 395,428	\$ 406,998
Management contracts	30,382	27,248	86,980	85,678
	163,343	163,351	482,408	492,676
Reimbursement of management contract expenses	117,419	113,759	344,550	330,885
Total revenues	280,762	277,110	826,958	823,561
Costs and expenses:				
Cost of parking	120,215	121,907	360,404	369,244
Cost of management contracts	12,546	14,254	36,554	44,683
General and administrative	18,837	21,572	60,848	61,829
	151,598	157,733	457,806	475,756
Reimbursed management contract expenses	117,419	113,759	344,550	330,885
Total costs and expenses	269,017	271,492	802,356	806,641
Property-related gains (losses), net	4,542	(1,149)	26,297	15,487
Operating earnings	16,287	4,469	50,899	32,407
Other income (expense):				
Interest income	417	1,177	1,004	3,359
Interest expense	(4,065)	(4,030)	(12,143)	(13,917)
(Loss) gain on derivative instruments	(249)	(773)	(349)	872
Equity in partnership and joint venture income (loss)	336	(21)	800	(371)
Earnings from continuing operations before minority interest and income taxes	12,726	822	40,211	22,350
Minority interest, net of tax	(251)	(470)	(802)	(1,189)
Earnings from continuing operations before income taxes	12,475	352	39,409	21,161
Income tax expense	(3,868)	(160)	(14,297)	(9,586)
Earnings from continuing operations	8,607	192	25,112	11,575

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Discontinued operations, net of tax	(9,711)	(5,528)	(6,276)	(6,490)
Net earnings (loss)	\$ (1,104)	\$ (5,336)	\$ 18,836	\$ 5,085
Basic earnings (loss) per share:				
Earnings from continuing operations	\$ 0.27	\$ 0.01	\$ 0.78	\$ 0.32
(Loss) from discontinued operations, net of tax	(0.30)	(0.15)	(0.19)	(0.18)
Net earnings (loss)	\$ (0.03)	\$ (0.15)	\$ 0.58	\$ 0.14
Diluted earnings (loss) per share:				
Earnings from continuing operations	\$ 0.27	\$ 0.01	\$ 0.77	\$ 0.32
(Loss) from discontinued operations, net of tax	(0.30)	(0.15)	(0.19)	(0.18)
Net earnings (loss)	\$ (0.03)	\$ (0.14)	\$ 0.58	\$ 0.14
Weighted average shares used for basic per share data	32,060	36,663	32,310	36,603
Effect of dilutive common stock options	252	220	211	139
Weighted average shares used for dilutive per share data	32,312	36,883	32,521	36,742

See accompanying notes to consolidated financial statements.

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CENTRAL PARKING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

Amounts in thousands

	Nine months ended June 30,	
	2006	2005 (Revised See Note 3)
Cash flows from operating activities:		
Net earnings	\$ 18,836	\$ 5,085
Loss from discontinued operations	6,276	6,490
Earnings from continuing operations	25,112	11,575
Adjustments to reconcile earnings from continuing operations to net cash (used) provided by operating activities:		
Depreciation and amortization	22,968	21,504
Equity in partnership and joint venture (earnings) losses	(800)	371
Distributions from partnerships and joint ventures	1,895	1,393
Property-related gains, net	(26,297)	(15,487)
Loss (gain) on derivative instruments	349	(872)
Stock-based compensation	337	
Tax benefit related to stock option exercises	(197)	
Deferred income tax benefit	(2,368)	(3,555)
Minority interest, net of tax	802	1,189
Changes in operating assets and liabilities:		
Management accounts receivable	2,718	(5,037)
Accounts receivable other	(596)	(110)
Prepaid expenses	(5,605)	87
Other assets	3,102	(4,852)
Trade accounts payable, accrued expenses and other liabilities	2,968	5,571
Management accounts payable	1,018	8,599
Deferred rent	(1,279)	(1,960)
Refundable income taxes	(4,929)	(5,971)
Income taxes payable	(12,323)	51
Net cash provided by operating activities continuing operations	6,875	12,496
Net cash used by operating activities discontinued operations	(14,393)	(5,096)
Net cash (used) provided by operating activities	(7,518)	7,400
Cash flows from investing activities:		
Proceeds from disposition of property and equipment	42,785	35,209
Purchases of property, equipment and leasehold improvements	(12,189)	(8,198)
Other investing activities	723	3,920
Net cash provided by investing activities continuing operations	31,319	30,931

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Net cash provided by investing activities	discontinued operations	22,489	742
Net cash provided by investing activities		53,808	31,673
Cash flows from financing activities:			
Dividends paid		(1,441)	(1,651)
Net borrowings under revolving credit agreement		32,938	71,126
Proceeds from issuance of notes payable, net of issuance costs		539	9,728
Principal repayments on long-term debt and capital lease obligations		(3,350)	(120,195)
Payment to minority interest partners		(531)	(392)
Repurchase of common stock		(75,325)	
Tax benefit related to stock option exercises		197	
Proceeds from issuance of common stock and exercise of stock options		2,814	1,733
Net cash used by financing activities	continuing operations	(44,159)	(39,651)
Net cash used by financing activities	discontinued operations		
Net cash used by financing activities		(44,159)	(39,651)
Foreign currency translation		436	(258)
Net increase in cash and cash equivalents		2,567	(836)
Cash and cash equivalents at beginning of period		26,055	27,628
Cash and cash equivalents at end of period		\$ 28,622	\$ 26,792
Non-cash transactions:			
Unrealized gain on fair value of investment securities, net of tax		\$ 21	\$ 64
Cash payments for:			
Interest		\$ 8,632	\$ 13,291
Income taxes		\$ 37,503	\$ 13,417
See accompanying notes to consolidated financial statements.			

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CENTRAL PARKING CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED

(1) Basis of Presentation

The accompanying unaudited consolidated financial statements of Central Parking Corporation (Central Parking or the Company) have been prepared in accordance with U. S. generally accepted accounting principles and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U. S. generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited consolidated financial statements reflect all adjustments considered necessary for a fair presentation, consisting only of normal and recurring adjustments. All significant inter-company transactions have been eliminated in consolidation. Operating results for the three and nine months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2006. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended September 30, 2005 (included in the Company s Annual Report on Form 10-K). Certain prior period amounts have been reclassified to conform to the current period presentation.

(2) Stock Based Compensation

Prior to October 1, 2005, the Company applied the intrinsic-value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations including Financial Accounting Standards Board (FASB) Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation, an interpretation of APB Opinion No. 25*, to account for its fixed-plan stock options. Under this method, compensation expense was recorded for fixed-plan stock options only if the current market price of the underlying stock exceeded the exercise price on the date of grant. Statement of Financial Accounting Standards (SFAS) No. 123 *Accounting for Stock Based Compensation*, established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123 and SFAS No. 148 *Accounting for Stock-Based Compensation-Transition and Disclosure, and amendment of FASB Statement No. 123*, the Company had elected to continue to apply the intrinsic-value-based method of accounting described above, and had adopted only the disclosure requirements of these statements. The following table illustrates the effect on net earnings if the fair-value-based method had been applied to all outstanding and unvested awards for the third quarter ended June 30, 2005.

	Three Months ended June 30, 2005	Nine Months ended June 30, 2005
Net earnings (loss), as reported	\$ (5,336)	\$ 5,085
Add stock-based employee compensation expense included in reported net income, net of tax		
Deduct total stock-based employee compensation expense determined under fair-value-based method for all awards, net of tax	(976)	(2,939)
Pro forma net earnings (loss)	\$ (6,312)	\$ 2,146

Earnings (loss) per share:

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Basic-as reported	\$ (0.15)	\$	0.14
Basic-pro forma	\$ (0.17)	\$	0.06
Diluted-as reported	\$ (0.14)	\$	0.14
Diluted-pro forma	\$ (0.17)	\$	0.06

Stock-based employee compensation expense in the table above was calculated using the Black-Scholes option pricing model. The Company utilizes both the single option and multiple option valuation approaches. Allocation of compensation expense were made using historical option terms for option grants made to the Company's employees and historical Central Parking Corporation stock price volatility. The Company applies a 40% tax rate to arrive at the after tax deduction.

Effective October 1, 2005, the Company adopted the fair value recognition provisions of SFAS No.123R using the modified prospective method. Under this method, compensation costs in the periods are based on the estimated fair value of the respective options and the proportion vesting in the period. Stock-based employee

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compensation expense for the three and nine months ended June 30, 2006 was calculated using the Black-Scholes option-pricing model. The Company utilizes both the single option and multiple option valuation approaches. Allocation of compensation expense was made using historical option terms for option grants made to the Company's employees and historical Central Parking Corporation stock price volatility.

The estimated weighted average fair value of options granted during 2005 was \$5.85 using the Black-Scholes option pricing model with the following assumptions: weighted average dividend yield based on historic dividend rates at the date of the grant, weighted average volatility of 33% for fiscal year 2005, weighted average risk free interest based on the treasury bill rate of 10-year instruments at the date of grant (4.5%), and a weighted average expected term of 7.0 years for 2005.

There was one option grant during the nine months ended June 30, 2006 for 300,000 options. The estimated weighted average fair value of options granted during 2006 was \$4.35 using the Black-Scholes option pricing model with the following assumptions: weighted average dividend yield based on historic dividend rates at the date of the grant, weighted average volatility of 29% for fiscal year 2006, weighted average risk free interest based on the treasury bill rate of 10-year instruments at the date of grant (5.0%), and a weighted average expected term of 4.5 years for 2006.

The adoption of SFAS No.123(R) using the modified prospective method resulted in the Company recognizing \$128 thousand of stock based compensation expense in the quarter ended June 30, 2006 and \$337 thousand for the first nine months of fiscal 2006. As of June 30, 2006, there were approximately \$1.3 million of total unrecognized compensation expense related to unvested options granted under the option plans. The Company used a 7.5% forfeiture to arrive at this expense. This cost is expected to be fully recognized by the end of Fiscal Year 2010. During the first nine months ended June 30, 2006, the aggregate intrinsic value of options exercised under our stock plan was \$513,081 determined as of the date of option exercise.

Stock Plans

In August 1995, the Board of Directors and shareholders approved a stock plan for key personnel, which included a stock option plan and a restricted stock plan. Under the plans, incentive stock options, as well as nonqualified options and other stock-based awards, may be granted to officers, employees and directors. A total of 7,317,500 common shares had been reserved for issuance under these two plans combined. Options representing 3,701,145 shares are outstanding under the stock option plan at June 30, 2006. Under this plan, options generally vest over a one- to four-year period and generally expire ten years after the date of grant. This plan expired in August 2005 and no new shares will be granted under the plan.

In February 2006, shareholders approved a new 2006 plan and reserved 1,500,000 shares to be issued. The Company has issued 300,000 options under the new plan as of June 30, 2006. Options are expected to be granted with an exercise price equal to the fair market value at the date of grant, generally vest over a one- to four-year period and generally expire ten years after the date of grant, similar to the 1995 plans.

In August 1995, both the Board of Directors and shareholders approved a stock plan for directors. A total of 475,000 shares have been reserved for issuance under the plan. This plan expired in August 2005 and no new options will be granted under this plan. Options to purchase 86,500 shares are outstanding under this plan at June 30, 2006.

A summary for the Company's stock option activity as of June 30, 2006, and changes during the first nine months of fiscal 2006 is presented in the following table:

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	Number	Weighted Average	Weighted Average Remaining Contractual	Aggregate Intrinsic Value
	of Shares	Exercise Price	Term	as of 6/30/06
Outstanding at September 30, 2005	4,153,206	\$ 17.98		
Granted		n/a		
Exercised	(40,675)	\$ 11.56		
Forfeited	(3,000)	\$ 12.73		
Expired	(36,926)	\$ 16.30		
Outstanding at December 31, 2005	4,072,605	\$ 18.06		
Granted		n/a		
Exercised	(124,919)	\$ 13.23		
Forfeited	(3,000)	\$ 12.73		
Expired	(22,500)	\$ 16.34		
Outstanding at March 31, 2006	3,922,186	\$ 18.22		
Granted	300,000	\$ 14.41		
Exercised	(15,250)	\$ 13.14		
Forfeited	(2,250)	\$ 12.73		
Expired	(417,041)	\$ 19.77		
Outstanding at June 30, 2006	3,787,645	\$ 17.78	5.83	\$4,190,468
Vested or expected to vest at June 30, 2006	3,722,603	\$ 17.84	0.20	\$4,063,688
Exercisable at June 30, 2006	3,239,895	\$ 18.47	5.62	\$2,904,576

The Company recognized compensation expense of \$336,677 during the nine months ended June 30, 2006, related to the options outstanding. The Company recognized an income tax benefit of \$197,000 during the nine months ended June 30, 2006 related to the exercise of non-qualified stock options.

Restricted Stock

As of September 30, 2005, the Restricted Stock Plan had issued 330,463 shares. Expense related to vesting of restricted stock is recognized by the Company over the vesting period of one year. Under the restricted stock plan, the Company granted 14,000 shares and 16,000 shares with weighted average fair values on grant date of \$14.08 per share and \$20.20 per share during fiscal year 2005 and 2004, respectively.

The Company measures compensation cost related to restricted shares using the quoted market price on the grant date. During the nine months of 2006, the Company recognized compensation expense of \$134,670 related to restricted shares and expects to recognize \$54,460 during the remainder of Fiscal Year 2006 and \$90,767 during Fiscal Year 2007.

A summary for the Company's restricted stock activity as of June 30, 2006, and changes during the first nine months of fiscal 2006 is presented in the following table:

Number **Weighted Average**

	of Shares	Grant Date Fair Value
Outstanding at September 30, 2005	28,660	\$ 16.76
Granted		n/a
Vested		n/a
Forfeited		n/a
Outstanding at December 31, 2005	28,660	\$ 16.76
Granted	14,000	\$ 15.56
Vested	(14,001)	\$ 17.24
Forfeited		n/a
Outstanding at March 31, 2006	28,659	\$ 15.94
Granted		n/a
Vested		n/a
Forfeited		n/a
Outstanding at June 30, 2006	28,659	\$ 15.94

(3) Cash Flow Statement Revisions

The Company has separately disclosed in the accompanying consolidated statements of cash flows the operating, investing and financing portions of the cash flows attributable to its discontinued operations, which prior periods

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were reported on a combined basis in a single amount. As a result, the 2005 consolidated cash flow statement has been labeled as revised.

The Company intends to revise the previously issued fiscal year consolidated statements of cash flows in the Annual Report on Form 10-K for the fiscal year ended September 30, 2006 in order for such annual periods to be presented consistently with the accompanying consolidated cash flow statements. The condensed consolidated cash flow statements for each of the years in the three-year period ended September 30, 2005 as revised to present cash flows related to discontinued operations through June 30, 2006 by operating, investing and financing activities are as follows:

	2005	2004	2003
Net cash provided by operating activities-continuing operations	\$ 16,527	\$ 35,567	\$ 19,018
Net cash (used) provided by operating activities-discontinued operations	(13,293)	6,072	1,495
Net cash provided by operating activities	3,234	41,639	20,513
Net cash provided (used) by investing activities-continuing operations	\$ 101,004	\$ 45,338	\$ (46,804)
Net cash provided by investing activities-discontinued operations	742	7,018	15,667
Net cash provided (used) by investing activities	101,746	52,356	(31,137)
Net cash (used) provided by financing activities-continuing operations	\$ (106,620)	\$ (97,663)	\$ 8,069
Net cash provided (used) by financing activities-discontinued operations			
Net cash (used) provided by financing activities	(106,620)	(97,663)	8,069
Foreign currency translation	\$ 67	\$ (276)	\$ 629
Cash and cash equivalents-beginning of the year	\$ 27,628	\$ 31,572	\$ 33,498
Cash and cash equivalents-end of the year	\$ 26,055	\$ 27,628	\$ 31,572

(4) Earnings Per Share

Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, or if restricted shares of common stock were to become fully vested.

The subordinated convertible debentures have not been included in the diluted earnings per share calculation since such securities are anti-dilutive. Such securities were convertible into 1,419,588 shares of common stock on both June 30, 2006 and 2005. For the nine months ended June 30, 2006 and June 30, 2005, options to purchase 2,435,376 and 2,578,669 shares, respectively are excluded from the calculation of diluted common shares since they are anti-dilutive.

(5) Assets Held For Sale, Property-Related Gains, Net and Discontinued Operations**(a) Assets Held For Sale**

In accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets are classified as held for sale are presented separately in the asset section of the balance sheet. Assets classified as held for sale are comprised almost exclusively of real property and are included in the Segment-Other in the identifiable asset segment table included in note 11.

(b) *Property-Related Gains (losses), Net*

The Company routinely disposes of or recognizes impairment related to owned properties, leasehold improvements, contract rights, lease rights and other long-term deferred expenses due to various factors, including economic considerations, unsolicited offers from third parties, loss of contracts and condemnation proceedings initiated by local government authorities. Leased and managed properties are also periodically evaluated and determinations may be made to sell or exit a lease obligation. A summary of property-related gains and losses for the three and nine months ended June 30, 2006 and June 30, 2005 is as follows (in thousands):

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	Three months ended		Nine months ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Net gains on sales of property	\$ 4,858	\$ 2,112	\$ 27,504	\$ 19,601
Impairment charges for property, equipment and leasehold improvements	1	(406)	(883)	(1,167)
Impairment charges for contract rights, lease rights and other intangible assets	(317)	(2,855)	(324)	(2,947)
Property-related gains (losses), net	\$ 4,542	\$ (1,149)	\$ 26,297	\$ 15,487

Net property-related gains for the three months ended June 30, 2006 of \$4.5 million was comprised of gains on sale of property of \$4.8 million (\$2.4 million from the sale of our equity-method investment in our Germany subsidiary, \$1.3 million in Knoxville, \$0.8 million in Baltimore, \$0.1 million in Chicago and \$0.2 million in miscellaneous property sales); partially offset by \$0.3 million of impairments of leasehold improvements, contract rights and other intangible assets primarily in Segment-Other. Net property-related gains for the nine months ended June 30, 2006 of \$26.3 million was comprised of gains on sale of property of \$27.5 million (\$12.0 million in Houston, \$6.0 million in Chicago, \$2.4 million from the sale of our equity-method investment in our Germany subsidiary, \$1.8 million in Atlanta, \$1.4 million in Denver, \$1.4 million in West Palm Beach, \$0.8 million in Baltimore, \$0.5 million in Dallas, \$0.3 million in Montreal and \$0.9 million in miscellaneous properties sales); partially offset by \$1.2 million of impairments of leasehold improvements, contract rights and other intangible assets primarily in Segment-Four and Segment-Other. In assessing impairment, management considered current operating results, the Company's recent forecast for the next fiscal year and required capital improvements, management determined that the projected cash flows for these locations would not be enough to recover the book value of the assets. The Company's property-related loss for the three months ended June 30, 2005 was \$1.1 million. The Company's property related gains for the nine months ended June 30, 2005 was \$15.5 million.

In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the results of operations (including the gain or loss on sale and any recognized asset impairment) of long-lived assets which qualify as a component of an entity that either have been disposed of or are classified as held for sale shall be reported in discontinued operations if (i) the operations and cash flows of the component have been, or will be, eliminated from operations of the Company as a result of the disposal transaction and (ii) the entity will not have any significant continuing involvement in the operations of the component after the disposal transaction. The net property-related gains noted above have been classified in continuing operations as the individual disposal transactions did not meet the SFAS No. 144 and EITF 03-13 criteria for classification as discontinued operations primarily due to the expected retention of certain cash flows from assets disposed. If management's assumptions regarding the timing and amount of such retained cash flows change in the future, the net property gain (loss) recognized in continuing operations, along with the results of operations related to such assets, may need to be reclassified to discontinued operations.

(c) Discontinued Operations

The Company has either disposed of, or designated as held-for-sale, certain locations which meet the aforementioned criteria for classification as discontinued operations. The components of discontinued operations reflected on the accompanying consolidated statements of income are as follows:

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	Three months ended June 30,		Nine months ended June 30,	
	2006	2005	2006	2005
Discontinued Operations:				
Total Revenues	\$ 15,418	\$ 11,592	\$ 36,133	\$ 50,597
Operating earnings (loss) before property-related gains (losses), net				
	1,259	(5,667)	1,773	(5,109)
Property-related gains (losses), net	(9,868)	(214)	(4,188)	(5,018)
Loss from discontinued operations, before taxes				
	(8,609)	(5,881)	(2,415)	(10,127)
Income tax benefit (expense)	(1,102)	353	(3,861)	3,637
Discontinued operations, net of tax				
	\$ (9,711)	\$ (5,528)	\$ (6,276)	\$ (6,490)

Included in operating earnings from discontinued operations for the first nine months of Fiscal 2006 is income of \$2.3 million from the settlement agreement with Rotala (see note 12). Net property-related gains (losses) related to discontinued operations for the three and nine months ended June 30, 2006, includes a charge of \$12.0 million related to the disposal of the United Kingdom transport division, which consists of \$9.9 million in contract and lease buyouts associated with buses, routes and the depot, and \$2.1 million for severance related costs. All obligations related to the charge were paid in the third quarter of Fiscal 2006, except for \$4.1 million relating to contract and lease buyouts which will be paid over the next four quarters. Also included in net property-related gains (losses) related to discontinued operations for the first nine months of 2006 are gains of \$8.0 million from the sale of properties which had been classified as Assets Held for Sale. The Company's 2005 statements of income and cash flows have been reclassified to reflect the operations and cash flows related to these discontinued operations.

(6) Intangible Assets

As of June 30, 2006, the Company had the following amortizable intangible assets (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Net
Contract and lease rights	\$ 129,201	\$ 55,235	\$ 73,966

Amortization expense related to the contract and lease rights was \$2.0 million for the three months ended June 30, 2006, and June 30, 2005 and \$6.0 million and \$5.6 million for the nine months ended June 30, 2006 and June 30, 2005, respectively.

(7) Long-Term Debt

The Company's credit facility (the Credit Facility) provides for an aggregate availability of up to \$300 million consisting of a \$225 million revolving loan, including a sub-limit of \$90 million for standby letters of credit, and a \$75 million term loan. The facility is secured by the stock of certain subsidiaries of the Company, certain real estate assets, and domestic personal property assets of the Company and certain subsidiaries.

The Credit Facility bears interest at LIBOR plus a tier-based margin dependent upon certain financial ratios. There are separate pricing tiers for the revolving loan and term loan. The weighted average margin as of June 30, 2006 was 200 basis points. The amount outstanding under the Company's Credit Facility was \$113.9 million consisting of a \$73.9 million term loan and a \$40.0 million revolving loan, with an overall weighted average interest rate of 5.9% as of June 30, 2006. The term loan is required to be repaid in quarterly payments of \$187,500 through March 2008 and quarterly payments of \$9.1 million from June 2008 through March 2010. The revolving loan is required to be repaid February 2008. The aggregate availability under the Credit Facility was \$132.9 million at June 30, 2006, which is net

of \$52.1 million of stand-by letters of credit. During the first quarter of 2006, the Company repurchased a total of 4,859,674 shares for \$75.3 million using the availability under the Credit Facility.

The Company completed an amendment to the Credit Facility as of March 31, 2006. The main purpose of the amendment was to modify the financial covenant target requirements. The modifications affected the leverage ratio, senior leverage ratio and fixed charge coverage ratio. The new leverage targets step down over the next several quarters and will remain at 3.50 for the leverage ratio and 2.50 for the senior leverage ratio until loan maturity.

The Credit Facility contains covenants including those that require the Company to maintain certain financial ratios, restrict further indebtedness and certain acquisition activity and limit the amount of dividends paid. The primary ratios are a leverage ratio, senior leverage ratio and a fixed charge coverage ratio. Quarterly compliance is calculated using a four quarter rolling methodology and is measured against specified targets. The Company was in compliance with the covenants at June 30, 2006.

(8) Derivative Financial Instruments

The Company periodically enters into various types of derivative instruments to manage fluctuations in cash flows resulting from interest rate risk. These instruments include interest rate swaps and caps. Under interest rate swaps, the Company receives variable interest rate payments and makes fixed interest rate payments, thereby creating fixed-rate debt. Purchased interest rate cap agreements also protect the Company from increases in interest rates that would result in increased cash interest payments made under its Credit Facility. Under interest rate cap agreements, the Company has the right to receive cash if interest rates increase above a specified level.

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At June 30, 2006, the Company had three derivative financial instruments including two interest rate swaps with a combined notional amount of \$87.5 million. These derivative financial instruments are reported at their fair values and are included as other assets on the consolidated balance sheets. The following table lists the fair value of the derivative financial instruments (amounts in thousands):

	June 30, 2006	September 30, 2005
Derivative instrument assets:		
Interest rate swaps	\$ 2,657	\$ 3,006

Because not all of the terms are consistent with those of the Credit Facility, the derivatives do not qualify as a cash flow hedge for accounting purposes. As such, any changes in the fair market value of these derivative instruments are included in the consolidated statement of operations.

The Company entered into an interest rate cap agreement on an underlying \$12.7 million loan in October 2005. This agreement limits the Company's exposure to the floating interest rate by paying the Company for interest paid in excess of 5.50%.

(9) Stock Repurchase

In August of 2005, the Company made an offer to its shareholders to purchase up to 4,400,000 shares of common stock at a price no greater than \$16.75 or lower than \$14.50 per share. The transaction was structured as a modified Dutch Auction tender offer.

The offer was amended to reduce the range from a price no higher than \$16.00 and no lower than \$14.00 per share. The transaction was concluded on October 14, 2005 at which time the Company accepted and purchased 4,400,000 shares at a price of \$15.50 per share. The Company exercised its right to purchase an additional 459,674 shares without extending or modifying the offer. The Company repurchased a total of 4,859,674 shares for \$75.3 million using the availability under the Credit Facility.

(10) Comprehensive Income

Comprehensive income (loss) for the three and nine months ended June 30, 2006 and 2005, was as follows (in thousands):

	Three months ended		Nine months ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Net earnings (loss)	\$ (1,104)	\$ (5,336)	\$ 18,836	\$ 5,085
Change in fair value of investment securities, net of tax	11	73	21	64
Foreign currency cumulative translation adjustment	885	(835)	(253)	2,272
Comprehensive income (loss)	\$ (208)	\$ (6,098)	\$ 18,604	\$ 7,421

(11) Business Segments

The Company is managed based on segments administered by senior vice presidents. These segments are generally organized geographically, with exceptions depending on the needs of specific regions. The following are summaries of revenues and operating earnings (loss) of each segment for the three and nine months ended June 30, 2006 and 2005, as well as identifiable assets for each segment as of June 30, 2006 and September 30, 2005. The segment information has been updated for 2006 and 2005 to incorporate changes in the Company's segment structure.

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	Three months ended		Nine months ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Revenues: ⁽¹⁾				
Segment One	\$ 15,716	\$ 16,453	\$ 46,980	\$ 49,774
Segment Two	24,550	25,166	73,392	74,453
Segment Three	28,344	26,898	80,278	79,836
Segment Four	60,413	62,095	177,954	181,452
Segment Five	18,098	19,159	52,827	56,852
Segment Six	4,541	4,828	13,844	14,428
Segment Seven	9,030	6,144	29,999	28,699
Other	2,651	2,608	7,134	7,182
Total revenues	\$ 163,343	\$ 163,351	\$ 482,408	\$ 492,676

(1) Revenues exclude reimbursement of management contract expenses. Such amounts were \$117.4 million and \$113.8 million for the three months ended June 30, 2006 and 2005, respectively, and \$344.6 million and \$330.9 million for the nine months ended June 30, 2006 and 2005, respectively.

	Three months ended		Nine months ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Operating earnings (loss):				
Segment One	\$ 1,468	\$ (555)	\$ 3,850	\$ 1,263
Segment Two	2,217	1,113	5,360	3,018
Segment Three	4,507	144	10,745	2,692
Segment Four	5,891	5,489	10,999	9,885
Segment Five	2,914	3,431	7,746	8,710
Segment Six	865	1,448	2,991	3,129
Segment Seven	1,814	(4,577)	(302)	(2,721)
Other (including net realized gain (loss) on the sale of real estate)	(3,389)	(2,024)	9,510	6,431
Total operating earnings	\$ 16,287	\$ 4,469	\$ 50,899	\$ 32,407

	June 30,	September
	2006	30, 2005
Identifiable assets:		
Segment One	\$ 18,030	\$ 18,666
Segment Two	44,633	45,626
Segment Three	17,083	16,366
Segment Four	310,389	312,329
Segment Five	27,883	29,961
Segment Six	14,016	11,457
Segment Seven	48,112	49,267
Other	356,782	384,142

Total assets	\$ 836,928	\$ 867,814
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Segment One encompasses the Midwestern region of the United States. It also includes Canada, excluding Vancouver. Segment Two encompasses the southeastern region of the United States to include Washington DC and Baltimore. It also includes Pennsylvania and Western New York.

Segment Three encompasses Nashville, TN, Memphis, TN, Nebraska, Colorado, Missouri, the western region of the United States and Vancouver, BC.

Segment Four encompasses the northeastern region of the United States to include New York City, New Jersey and Boston.

Segment Five encompasses Florida, Alabama, parts of Tennessee and the southeastern region of the United States to include the Gulf Coast region and Texas.

Segment Six encompasses the USA Parking acquisition.

Segment Seven encompasses Miami, FL, Europe, Puerto Rico, Central and South America.

Other encompasses the home office, eliminations, owned real estate and certain partnerships.

(12) Commitments and Contingencies

On December 23, 2005, the Company entered into a settlement agreement with Rotala PLC, the Flights Group companies, Stuart Lawrenson, Paul Churchman and Michael Tackley resolving the Company's claims arising from certain actions taken by former employees of the Company in the United Kingdom. The key terms of the settlement include: (1) The payment to the Company of the proceeds from the sale of 46,666,667 shares of Rotala stock, indirectly owned by Lawrenson, which were sold through a private placement with net proceeds of pound sterling (GBP)

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602,296 (USD \$1,073,741 based on January 26, 2006 exchange rate) was received by the Company on January 26, 2006; (2) Rotala issued promissory notes to the Company with a value of GBP 800,000 (USD \$1,374,738 based on December 31, 2005 exchange rate), payable in annual installments between December 31, 2006, and December 31, 2010; (3) in addition to amounts already received from Rotala for goods and services benefiting the Flights Group, Rotala agreed to pay an additional GBP 270,000 (USD \$472,377 based on April 5, 2006 exchange rate) to the Company upon completion of a previously announced fundraising which was completed and paid to the Company on April 5, 2006; (4) Rotala granted to the Company a warrant to purchase 15,000,000 ordinary shares of Rotala stock at an exercise price of 1.5 pence per share, exercisable for a five year period; (5) Stuart Lawrenson agreed to pay to the Company GBP 70,000 (USD \$120,290 based on December 31, 2005 exchange rate) in April 2006 and to pay an additional GBP 60,000 (USD \$103,105 based on December 31, 2005 exchange rate) within a year; and (6) Paul Churchman and Michael Tackley each agreed to pay GBP 10,000 (USD \$17,184 based on December 31, 2005 exchange rate) to the Company within ninety days. The Company received the payment of GBP 95,000 (USD \$166,276 based on April 6, 2006 exchange rate) from Lawrenson on April 6, 2006, and another payment of GBP 35,000 (USD \$65,204 based on May 9, 2006 exchange rate) on May 9, 2006 and the payments from Churchman and Tackley of GBP 20,053 (USD \$35,097 based on April 6, 2006 exchange rate) on April 6, 2006. Lawrenson, Churchman and Tackley have met all of their obligations under the settlement agreement and all claims relating to the settlement agreement have been released. Rotala and the Flight Group companies have met all of their obligations under the settlement agreement to date. The only remaining obligations of Rotala/Flight Group are the repayment of the promissory note of GBP 800,000 discussed above and acceptance of the Company's future exercise of the warrant described above.

In addition to the matter described above, the Company is subject to various legal proceedings and claims, which arise in the ordinary course of its business. In the opinion of management, the ultimate liability with respect to those proceedings and claims will not have a material adverse effect on the financial position, operations, or liquidity of the Company, but could have a material effect on the results of operations in a given quarter.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
Forward-Looking Statements May Prove Inaccurate

This report includes various forward-looking statements regarding the Company that are subject to risks and uncertainties, including, without limitation, the factors set forth below and in Item 1A Risk Factors and Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations section of the Company's annual report on Form 10-K for the year ended September 30, 2005. Forward-looking statements include, but are not limited to, discussions regarding the Company's operating strategy, growth strategy, acquisition strategy, cost savings initiatives, industry, economic conditions, financial condition, liquidity and capital resources, results of operations and impact of new accounting pronouncements. Such statements include, but are not limited to, statements preceded by, followed by or that otherwise include the words believes, expects, anticipates, intends, seeks, estimates, probable, objective, strategy, outlook, assumptions, guidance, forecasts, goal, intends, pursue, will likely result, or similar expressions. For those statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The following important factors, in addition to those discussed elsewhere in this document, and the Company's 10-K, could affect the future financial results of the Company and could cause actual results to differ materially from those expressed in forward-looking statements contained in news releases and other public statements by the Company:

- the Company's ability to achieve the goals described in this report and other reports filed with the Securities and Exchange Commission, including but not limited to, the Company's ability to:
 - increase cash flow by reducing operating costs, accounts receivable and indebtedness;
 - cover the fixed cost of its leased and owned facilities and maintain adequate liquidity through its cash resources and credit facility;

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integrate future acquisitions, in light of challenges in retaining key employees, synchronizing business processes and efficiently integrating facilities, marketing, and operations;

- comply with the terms of its credit facility or obtain waivers of noncompliance;
- reduce operating losses at unprofitable locations;
- form and maintain strategic relationships with certain large real estate owners and operators; and
- renew existing insurance coverage and obtain performance and surety bonds on favorable terms.

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- successful implementation of the Company's strategic plan;
- interest rate fluctuations;
- the loss, or renewal on less favorable terms, of existing management contracts and leases and the failure to add new locations on favorable terms;
- the timing of property-related gains and losses;
- pre-opening, start-up and break-in costs of parking facilities;
- player strikes or other events affecting major league sports;
- changes in economic and business conditions at the local, regional, national or international levels;
- changes in patterns of air travel or automobile usage, including but not limited to effects of weather on travel and transportation patterns;
- the impact of litigation and claims;
- higher premium and claims costs relating to medical, liability, worker's compensation and other insurance programs;
- compliance with, or changes in, local, state, national and international laws and regulations, including, without limitation, local regulations, restrictions and taxation on real property, parking and automobile usage, security measures, environmental, anti-trust and consumer protection laws;
- changes in current parking rates and pricing of services to clients;
- extraordinary events affecting parking facilities that the Company manages, including labor strikes, emergency safety measures, military or terrorist attacks and natural disasters;
- the loss of key employees; and
- the other factors discussed under Item 1A "Risk Factors" and in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2005.

Overview

The Company is a leading provider of parking and related services. Central Parking operates parking facilities in 36 states, the District of Columbia, Canada, Puerto Rico, Chile, Colombia, Peru, the United Kingdom, the Republic of Ireland, Spain, Poland, Greece, Italy and Switzerland. The Company also provides ancillary products and services, including parking consulting, shuttle, valet, on-street and parking meter enforcement, and billing and collection services. As of June 30, 2006, Central Parking operated 1,617 parking facilities through management contracts, leased 1,331 parking facilities, and owned 152 parking facilities, either independently or in joint ventures with third parties.

Central Parking operates parking facilities under three general types of arrangements: management contracts, leases and fee ownership. Parking revenues consist of revenues from leased and owned facilities. Cost of parking relates to both leased and owned facilities and includes rent, payroll and related benefits, depreciation (if applicable), maintenance, insurance, and general operating expenses. Management contract revenues consist of management fees (both fixed and performance based) and fees for ancillary services such as insurance, accounting, equipment leasing, and consulting. The cost of management contracts includes insurance premiums, claims and other direct overhead.

The Company believes that most commercial real estate developers and property owners view services such as parking as potential profit centers rather than cost centers. Many of these parties outsource parking operations to parking management companies in an effort to maximize profits or leverage the original rental value to a third-party lender. Parking management companies can increase profits by using managerial skills and experience, operating systems, and operating controls unique to the parking industry.

The Company's strategy is to increase the number of profitable parking facilities it operates by focusing its marketing efforts on adding facilities at the local level and targeting real estate managers and developers with a national presence.

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The Company continues to view privatization of certain governmental operations and facilities as an opportunity for the parking industry. For example, privatization of on-street parking fee collection and enforcement in the United Kingdom has provided significant opportunities for private parking companies. In the United States, several cities have awarded on-street parking fee collection and enforcement and parking meter service contracts to for-profit parking companies such as Central Parking.

Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. Accounting estimates are an integral part of the preparation of the financial statements and the financial reporting process and are based upon current judgments. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that 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 reported period. Certain accounting estimates are particularly sensitive because of their complexity and the possibility that future events affecting them may differ materially from the Company's current judgments and estimates.

This listing of critical accounting policies is not intended to be a comprehensive list of all of the Company's accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. generally accepted accounting principles, with no need for management's judgment regarding accounting policy. The Company believes that of its significant accounting policies, as discussed in Note 1 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended September 30, 2005, the following involve a higher degree of judgment and complexity:

Impairment of Long-Lived Assets and Goodwill

As of June 30, 2006, the Company's long-lived assets were comprised primarily of \$309.1 million of property, equipment and leasehold improvements, \$74.0 million of contract and lease rights, \$232.4 million of goodwill and \$10.4 million of deferred expenses. In accounting for the Company's long-lived assets, other than goodwill and intangible assets with indefinite useful lives, the Company applies the provisions of Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The Company accounts for goodwill and intangible assets with indefinite useful lives under the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*.

The determination and measurement of an impairment loss under these accounting standards require the continuous use of significant judgment and estimates. The determination of fair value of these assets includes cash flow projections that assume certain future revenue and cost levels, assumed discount rates based upon current market conditions and other valuation factors, all of which involve the use of significant judgment and estimation. The Company recorded impairment loss of approximately \$0.5 million (\$0.3 million in continuing operations and \$0.2 million in discontinued operations) during the three months ended June 30, 2006 as a result of underperforming locations, upon termination or disposal and premature closures and a loss of approximately \$1.5 million (\$1.2 million in continuing operations and \$0.3 million in discontinued operations) during the nine months ended June 30, 2006 as a result of underperforming locations, upon termination or disposal and premature closures. Future events may indicate differences from management's judgments and estimates, which could, in turn, result in additional impairment charges in the future. Future events that may result in increased impairment charges include increases in interest rates, which would impact discount rates, unfavorable economic conditions or other factors, which could decrease revenues and profitability of existing locations, and changes in the cost structure of existing facilities.

Contract and Lease Rights

As of June 30, 2006, the Company had \$74.0 million of contract and lease rights. The Company capitalizes payments made to third parties, which provide the Company the right to manage or lease facilities. Lease rights and management contract rights, which are purchased individually, are amortized on a straight-line basis over the terms of the related agreements, which range from 5 to 30 years. Management contract rights acquired through acquisition of an entity are amortized as a group over the estimated term of the contracts, including anticipated renewals and terminations based on the Company's historical experience (typically 15 years). If the actual renewal rate of contracts

within an acquired group is less than initially estimated, accelerated amortization or impairment may be necessary.

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As of June 30, 2006, the Company had \$71.3 million of gross trade receivables, including management accounts receivable and accounts receivable other. Additionally, the Company had a recorded allowance for doubtful accounts of \$5.2 million. The Company reports management accounts receivable, net of an allowance for doubtful accounts, to represent its estimate of the amount that ultimately will be realized in cash. The Company reviews the adequacy of its allowance for doubtful accounts on an ongoing basis, using historical collection trends, analyses of receivable portfolios by region and by source, aging of receivables, as well as review of specific accounts, and makes adjustments in the allowance as necessary. Changes in economic conditions, especially in the Northeast United States, could have an impact on the collection of existing receivable balances or future allowance considerations.

Insurance

The Company purchases comprehensive liability insurance covering certain claims that occur at parking facilities it owns, leases or manages. The primary amount of such coverage is \$1 million per occurrence and \$2 million in the aggregate per facility. In addition, the Company purchases umbrella/excess liability coverage. The Company's various liability insurance policies have deductibles of up to \$350,000 that must be met before the insurance companies are required to reimburse the Company for costs incurred relating to covered claims. In addition, the Company's worker's compensation program has a deductible of \$250,000. The Company also provides health insurance for many of its employees and purchases a stop-loss policy with a deductible of \$150,000 per claim. As a result, the Company is, in effect, self-insured for all claims up to the deductible levels. This determination requires the use of judgment in both the estimation of probability and the amount to be recognized as an expense. Management utilizes historical experience with similar claims along with input from legal counsel in determining the likelihood and extent of an unfavorable outcome for certain general litigation. Future events may indicate differences from these judgments and estimates and result in increased expense recognition in the future.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company has certain net operating loss carry forwards which expire between 2006 and 2018. The valuation allowance provides for net operating loss carry forwards for which recoverability is deemed to be uncertain. The carrying value of the Company's deferred tax assets assumes that the Company will be able to generate sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions. If these estimates and related assumptions change in the future, the Company will be required to adjust its deferred tax valuation allowances.

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123R, *Share-Based Payment*. SFAS No. 123R requires the company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. SFAS 123R was effective for the Company beginning October 1, 2005. See footnote (2) for additional information.

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143* (FIN No. 47). FIN No. 47 clarifies that the term, conditional asset retirement obligation as used in SFAS No. 143, *Accounting for Asset Retirement Obligations*, refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional upon a future event that may or may not be within the control of the entity. Even though uncertainty about the timing and/or method of settlement exists and may be conditional upon a future event, the obligation to perform the asset retirement activity is unconditional. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred generally upon acquisition, construction, or development or through the normal operation of the asset. SFAS No. 143 acknowledges that in some cases,

sufficient information may not be available to reasonably estimate the fair value of an asset retirement obligation. FIN No. 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN No. 47 is effective no later than the end of fiscal years ending after December 15, 2005, and early adoption of FIN No. 47 is encouraged. The Company has not determined the impact, if any, that the adoption of this pronouncement will have to its consolidated financial statements.

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In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN No. 48). FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This Interpretation is effective for fiscal years beginning after December 15, 2006. The Company has not determined the impact, if any, that the adoption of this pronouncement will have to its consolidated financial statements.

In June 2005, the EITF reached consensus in EITF 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*, to provide guidance on how general partners in a limited partnership should determine whether they control a limited partnership and therefore should consolidate it. The EITF agreed that the presumption of general partner control would be overcome only when the limited partners have either of two types of rights. The first type, referred to as kick-out rights, is the right to dissolve or liquidate the partnership or otherwise remove the general partner without cause. The second type, referred to as participating rights, is the right to effectively participate in significant decisions made in the ordinary course of the partnership's business. The kick-out rights and the participating rights must be substantive in order to overcome the presumption of general partner control. The consensus is effective for general partners of all new limited partnerships formed and for existing limited partnerships for which the partnership agreements are modified subsequent to the date of FASB ratification (June 29, 2005). For existing limited partnerships that have not been modified, the guidance in EITF 04-5 is effective no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005. The Company has not determined the impact, if any, that the adoption of this pronouncement will have to its consolidated financial statements with respect to existing limited partnerships that have not been modified.

In June 2005, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 05-06, *Determining the Amortization Period for Leasehold Improvements Purchased after Lease Inception or Acquired in a Business Combination* (EITF 05-06). EITF 05-06 concludes that the amortization period for leasehold improvements acquired in a business combination and leasehold improvements that are in service significantly after and not contemplated at the beginning of the lease term should be amortized over the shorter of the useful life of the assets or a term that includes required lease periods and renewals that are deemed to be reasonably assured at the date of inception. The consensus was effective for periods beginning after June 29, 2005. The adoption of this pronouncement did not have a material impact on the Company's consolidated financial statements.

In June 2006, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 06-03, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)* (EITF 06-03). EITF 06-03 concludes that (a) the scope of this Issue includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and (b) that the presentation of taxes within the scope on either a gross or a net basis is an accounting policy decision that should be disclosed under Opinion 22. Furthermore, for taxes reported on a gross basis, a company should disclose the amounts of those taxes in interim and annual financial statements for each period for which an income statement is presented. The consensus is effective, through retrospective application, for periods beginning after December 15, 2006. The Company has not determined the impact, if any, that the adoption of this pronouncement will have to its consolidated financial statements.

Results of Operations*Three Months Ended June 30, 2006 Compared to Three Months Ended June 30, 2005*

Parking revenues for the third quarter of fiscal year 2006 decreased to \$133.0 million from \$136.1 million for the third quarter of fiscal year 2005, a decrease of \$3.1 million, or 2.3%. The decrease of \$3.1 million is due to a decrease of \$10.0 million due to closed locations and a decrease of \$5.5 million related to contracts converted from leased to management deals; partially offset by an increase of \$6.0 million in new locations and an increase of same store sales of \$6.4 million.

Management contract revenues for the third quarter of fiscal 2006 increased to \$30.4 million from \$27.2 million for the third quarter of fiscal year 2005, an increase of \$3.1 million or 11.5%. The increase was primarily due to an

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increase in management locations.

Cost of parking for the third quarter of fiscal 2006 decreased to \$120.2 million from \$121.9 million for the third quarter of fiscal 2005, a decrease of \$1.7 million or 1.4%. The decrease was due primarily to a reduction in the number of operating locations, including elimination of several unprofitable locations, and was composed of a \$0.5 million decline in snow removal and \$0.8 million in repairs and maintenance and other expenses, \$0.2 million decline in payroll expense and \$0.2 million decline in utilities. Rent expense as a percentage of parking revenues increased to 52.3% during the quarter ended June 30, 2006, from 51.4% in the quarter ended June 30, 2005. Payroll and benefit expenses as a percent of parking revenues were 18.9% of parking revenues for the third quarter of fiscal 2006 as compared to 18.5% in the comparable prior year period. Cost of parking as a percentage of parking revenues increased to 90.4% for the third quarter of fiscal 2006 compared to 89.6% for the third quarter of fiscal 2005.

Cost of management contracts for the third quarter of fiscal 2006 decreased to \$12.5 million from \$14.3 million in the comparable period in 2005, a decrease of \$1.7 million or 12.0%. The decrease was primarily caused by a decrease of \$1.2 million in bad debt expense, \$0.2 million in group insurance claims, \$0.4 million in other insurance related costs; offset by \$0.1 million increase in other expenses. Cost of management contracts as a percentage of management contract revenue decreased to 41.3% for the third fiscal quarter of 2006 from 52.3% for the same period in 2005.

General and administrative expenses decreased to \$18.8 million for the third quarter of fiscal 2006 from \$21.6 million for the third quarter of fiscal 2005, a decrease of \$2.7 million or 12.7%. This decrease is due to a decrease of \$2.0 million in professional fees and \$1.6 million in other expenses; partially offset by a \$0.9 million increase in payroll expenses. General and administrative expenses as a percentage of total revenues (excluding reimbursement of management contract expenses) decreased to 11.5% for the third quarter of fiscal 2006 from 13.2% for the third quarter of fiscal 2005.

Net property-related gains for the three months ended June 30, 2006 were \$4.5 million, which was comprised of gains on sale of property of \$4.8 million (\$2.4 million from the sale of our equity method investment in our Germany subsidiary, \$1.3 million in Knoxville, \$0.8 million in Baltimore, \$0.1 million in Chicago and \$0.2 million in miscellaneous property sales); partially offset by \$0.3 million of impairments of leasehold improvements, contract rights and other intangible assets. Based on current operating results, the Company's recent forecast for the next fiscal year and required capital improvements, management determined that the projected cash flows for these locations would not be enough to recover the book value of the assets. The Company's property-related loss for the three months ended June 30, 2005 was \$1.1 million.

Interest expense increased to \$4.1 million for the third quarter of fiscal 2006 compared to \$4.0 million for third quarter of fiscal 2005, an increase of \$0.1 million or 0.1%. The increase was primarily attributed to an increase in the weighted average interest rate on debt outstanding under the Credit Facility.

The weighted average balance outstanding for the Company's debt obligations and subordinated convertible debentures was \$217.6 million during the quarter ended June 30, 2006, at a weighted average interest rate of 6.4% compared to a weighted average balance outstanding of \$252.4 million at a weighted average rate of 6.2% during the quarter ended June 30, 2005. Amortization of deferred finance costs was included in the calculation of the weighted average interest rate.

The Company recorded income tax expense on earnings from continuing operations of \$3.9 million for the third quarter of fiscal 2006 as compared to \$0.2 million for the third quarter of fiscal 2005, a change of \$3.7 million. The effective tax rate on earnings from continuing operations before income taxes for the third quarter of fiscal 2006 was 31.0% compared to 45.5% for the third quarter of fiscal 2005. The lower effective tax rate in fiscal 2006 is due primarily to a decrease in 2006 of valuation allowances related to certain state tax loss carryforwards and the establishment of valuation allowances in fiscal 2005 related to certain foreign losses.

For the three months ended June 30, 2006, the Company had either disposed of or designated as held-for-sale or disposal certain locations, resulting in a loss from discontinued operations of \$9.7 million, net of tax. The loss was primarily related to the disposal of the United Kingdom transportation division. The Company's prior period results were reclassified to reflect those locations classified as discontinued operations through September 30, 2006.

Nine Months Ended June 30, 2006 Compared to Nine Months Ended June 30, 2005

Parking revenues for the first nine months of fiscal year 2006 decreased to \$395.4 million from \$407.0 million for the first nine months of fiscal year 2005, a decrease of \$11.6 million, or 2.8%. The decrease of \$11.6 million is due to a

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decrease of \$30.7 million due to closed locations and a decrease of \$11.9 million related to contracts converted from leased to management deals; partially offset by an increase of \$14.0 million in new locations and an increase of same store sales of \$17.0 million.

Management contract revenues for the first nine months of fiscal 2006 increased to \$87.0 million from \$85.7 million for the first nine months of fiscal year 2005, an increase of \$1.3 million or 1.5%. The increase was primarily due to higher management fees.

Cost of parking for the first nine months of fiscal 2006 decreased to \$360.4 million from \$369.2 million for the first nine months of fiscal 2005, a decrease of \$8.8 million or 2.4%. The decrease was due primarily to a reduction in the number of operating locations, including elimination of several unprofitable locations, and was composed of a \$6.4 million decline in rent expense, a \$1.8 million decline in repairs and maintenance, \$1.3 million decline in snow removal, \$0.6 million decline in property taxes; offset by a \$0.6 million increase in supplies and \$0.7 million increase in other expenses. Rent expense as a percentage of parking revenues decreased to 51.6% during the nine months ended June 30, 2006, from 51.7% for the nine months ended June 30, 2005. Payroll and benefit expenses as a percent of parking revenues were 18.9% of parking revenues for the nine months ended of fiscal 2006 as compared to 18.4% in the comparable prior year period. Cost of parking as a percentage of parking revenues increased to 91.1% for the first nine months of fiscal 2006 from 90.1% for the first nine months of fiscal 2005.

Cost of management contracts for the first nine months of fiscal 2006 decreased to \$36.6 million from \$44.7 million in the comparable period in 2005, a decrease of \$8.1 million or 18.2%. The decrease was primarily caused by a decrease of \$2.7 million in group insurance claims expense, a decrease of \$3.3 million in other insurance related costs and a decrease of \$2.0 million in bad debt expense and a decrease of \$0.1 in other expenses. Cost of management contracts as a percentage of management contract revenue decreased to 42.0% for the first nine months of fiscal 2006 from 52.2% for the same period in 2005.

General and administrative expenses decreased to \$60.8 million for the first nine months of fiscal 2006 from \$61.8 million for the first nine months of fiscal 2005, a decrease of \$1.0 million or 1.6%. This decrease is due to a decrease of \$1.6 million in payroll related expenses and a decrease of \$2.7 million in other expenses; offset by an increase of \$1.9 million in professional expenses related to the United Kingdom investigation and an increase of \$1.4 million in supplies. General and administrative expenses as a percentage of total revenues (excluding reimbursement of management contract expenses) increased to 12.6% for the first nine months of fiscal 2006 compared to 12.5% for the first nine months of fiscal 2005.

Net property-related gains for the nine months ended June 30, 2006 were \$26.3 million, which was comprised of gains on sale of property of \$27.5 million (\$12.0 million in Houston, \$6.0 million in Chicago, \$2.4 million, from the sale of our equity-method investment in our Germany subsidiary, \$1.8 million in Atlanta, \$1.4 million in Denver, \$1.4 million in West Palm Beach, \$0.8 million in Baltimore, \$0.5 million in Dallas, \$0.3 million in Montreal and \$0.9 million in miscellaneous properties sales); partially offset by \$1.2 million of impairments of leasehold improvements, contract rights and other intangible assets. Based on current operating results, the Company's recent forecast for the next fiscal year and required capital improvements, management determined that the projected cash flows for these locations would not be enough to recover the book value of the assets. The Company's property-related gains for the nine months ended June 30, 2005 was \$15.5 million.

Interest expense decreased to \$12.1 million for the first nine months of fiscal 2006 from \$13.9 million for the first nine months of fiscal 2005, a decrease of \$1.8 million or 12.8%. The decrease was primarily attributed to a decrease in the weighted average debt outstanding under the Credit Facility.

The weighted average balance outstanding for the Company's debt obligations and subordinated convertible debentures was \$228.5 million during the nine months ended June 30, 2006, at a weighted average interest rate of 6.3% compared to a weighted average balance outstanding of \$279.1 million at a weighted average rate of 6.2% during the nine months ended June 30, 2005. Amortization of deferred finance costs was included in the calculation of the weighted average interest rate.

The Company recorded income tax expense on earnings from continuing operations of \$14.3 million for the first nine months of fiscal 2006 as compared to income tax expense of \$9.6 million for the first nine months of fiscal 2005, a change of \$4.7 million. The effective tax rate on earnings from continuing operations before income taxes for the

first nine months of fiscal 2006 was 36.3% compared to 45.3% for the first nine months of fiscal 2005. The lower effective tax rate in fiscal 2006 is due primarily to a decrease in 2006 of valuation allowances related to certain state

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tax loss carryforwards and the establishment of valuation allowances in fiscal 2005 related to certain foreign losses.

For the nine months ended June 30, 2006, the Company had either disposed of or designated as held-for-sale or disposal certain locations, resulting in a loss from discontinued operations of \$6.3 million, net of tax. The loss was primarily related to the United Kingdom transportation division. The Company's prior period results were reclassified to reflect those locations classified as discontinued operations through June 30, 2006.

Liquidity and Capital Resources

Net cash used by operating activities for the nine months ended June 30, 2006 was \$7.5 million compared to \$7.4 million provided for the nine months ended June 30, 2005. The change was primarily due to an increase in operating assets and a reduction in income taxes payable.

Net cash provided by investing activities was \$53.8 million for the nine months ended June 30, 2006 compared to \$31.7 million of net cash provided in investing activities for the nine months ended June 30, 2005. This change was primarily due to an increase in proceeds from dispositions of property and equipment. The proceeds for the six months ended June 30, 2006, related primarily to property sales in Houston, Chicago, Atlanta, Denver, West Palm Beach and the sale of Company's partnership in Germany.

Net cash used by financing activities was \$44.2 million for the nine months ended June 30, 2006 compared to \$39.7 million net cash used for the nine months ended June 30, 2005.

The Company's credit facility (the Credit Facility) provides for an aggregate availability of up to \$300 million consisting of a \$225 million revolving loan, including a sub-limit of \$90 million for standby letters of credit, and a \$75 million term loan. The facility is secured by the stock of certain subsidiaries of the Company, certain real estate assets, and domestic personal property assets of the Company and certain subsidiaries.

The Credit Facility bears interest at LIBOR plus a tier-based margin dependent upon certain financial ratios. There are separate pricing tiers for the revolving loan and term loan. The weighted average margin as of June 30, 2006 was 200 basis points. The amount outstanding under the Company's Credit Facility was \$113.9 million consisting of a \$73.9 million term loan and a \$40.0 million revolving loan, with an overall weighted average interest rate of 5.9% as of June 30, 2006. The term loan is required to be repaid in quarterly payments of \$187,500 through March 2008 and quarterly payments of \$9.1 million from June 2008 through March 2010. The revolving loan is required to be repaid by February 2008. The aggregate availability under the Credit Facility was \$132.9 million at June 30, 2006, which is net of \$52.1 million of stand-by letters of credit.

The Company completed an amendment to the Credit Facility as of March 31, 2006. The main purpose of the amendment was to modify the financial covenant target requirements. The modifications affected the leverage ratio, senior leverage ratio and fixed charge coverage ratio. The new leverage targets step down over the next several quarters and will remain at 3.50 for the leverage ratio and 2.50 for the senior leverage ratio until loan maturity.

The Credit Facility contains covenants including those that require the Company to maintain certain financial ratios, restrict further indebtedness and certain acquisition activity and limit the amount of dividends paid. The primary ratios are a leverage ratio, senior leverage ratio and a fixed charge coverage ratio. Quarterly compliance is calculated using a four quarter rolling methodology and is measured against specified targets. The Company was in compliance with the covenants at June 30, 2006.

In August of 2005, the Company made an offer to its shareholders to purchase up to 4,400,000 shares of common stock at a price no greater than \$16.75 or lower than \$14.50 per share. The transaction was structured as a modified Dutch Auction tender offer.

The offer was amended to reduce the range from a price no higher than \$16.00 and no lower than \$14.00 per share. The transaction was concluded on October 14, 2005 at which time the Company accepted and purchased 4,400,000 shares at a price of \$15.50 per share. The Company exercised its right to purchase an additional 459,674 shares without extending or modifying the offer. The Company repurchased a total of 4,859,674 shares for \$75.3 million using the availability under the Credit Facility.

Central Parking believes its cash flows and the Credit Facility are sufficient for its cash needs over the next twelve months; however if Central Parking identifies investment opportunities requiring cash in excess of Central

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Parking's cash flows and the Credit Facility, Central Parking may seek additional sources of capital, including seeking to further amend the Credit Facility to obtain additional indebtedness.

Future Cash Commitments

The Company routinely makes capital expenditures to maintain or enhance parking facilities under its control. The Company expects capital expenditures for fiscal 2006 to be approximately \$19 to \$22 million, of which the Company has spent \$12.2 million during the first nine months of fiscal 2006.

The following tables summarize the Company's total contracted obligations and commercial commitments as of June 30, 2006 (amounts in thousands):

	Total	Payments due by period			
		Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
Long-term debt and capital lease obligations	\$ 131,275	\$ 2,648	100,966	\$ 27,534	\$ 127
Subordinated convertible debentures	78,085				78,085
Operating leases	967,571	197,290	274,320	167,318	328,643
Total contractual cash obligations	\$ 1,176,931	\$ 199,938	\$ 375,286	\$ 194,852	\$ 406,855

	Total	Amount of commitment expiration per period			
		Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
Unused lines of credit	\$ 132,858	\$	\$ 132,858	\$	\$

Unused lines of credit as of June 30, 2006 are reduced by \$52.1 million of standby letters of credit.

Item 3. Quantitative and Qualitative Disclosure about Market Risk*Interest Rate*

The Company's primary exposure to market risk consists of changes in interest rates on variable rate borrowings. As of June 30, 2006, the Company had \$113.9 million of variable rate debt outstanding under the Credit Facility priced at LIBOR plus a weighted average margin of 200 basis points. Of this amount, \$73.9 million of the Credit Facility is payable in quarterly installments of \$187,500 through March 2008 and quarterly payments of \$9.1 million from June 2008 through March 2010 and \$40.0 million in revolving credit loans are due in February 2008. The Company anticipates paying the scheduled quarterly payments from operating cash flows.

The Company is required under the Credit Facility to enter into and maintain interest rate protection agreements designed to limit the Company's exposure to increases in interest rates. On May 30, 2003, the Company entered into two interest rate swap transactions for a combined notional amount of \$87.5 million. Both transactions swapped the Company's floating LIBOR interest rates for fixed interest of 2.45% until June 30, 2007. Because not all of the terms are consistent with the credit facility, the derivatives do not qualify as a cash flow hedge.

The weighted average interest rate on the Company's Credit Facility at June 30, 2006 was 5.9%. The 5.9% rate includes all outstanding LIBOR contracts and swap agreements at June 30, 2006. An increase (decrease) in LIBOR of 1% would result in an increase (decrease) of annual interest expense of \$0.9 million based on the Company's un-hedged outstanding Credit Facility balance of \$88.7 million at June 30, 2006.

In March 2000, a limited liability company, of which the Company is the sole shareholder, purchased a parking structure for \$19.6 million and financed \$13.3 million of the purchase price with a five-year note bearing interest at one-month floating LIBOR plus 162.5 basis points. In April 2005, the limited liability company amended the note. The amendment extended the term to a maturity date of February 28, 2008. The amended \$12.7 million loan will continue to bear interest at a floating basis based on LIBOR plus 162.5 basis points. The Company entered into an

interest rate cap agreement on the underlying \$12.7 million loan in October 2005. This agreement limits the Company's exposure to the floating interest rate by paying the Company for interest paid in excess of 5.50%.

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The Company's exposure to foreign exchange risk is minimal. As of June 30, 2006, the Company has approximately GBP 2.2 million (USD \$4.1 million) of cash and cash equivalents denominated in British pounds, EUR 2.0 million (USD \$1.5 million) denominated in euros, CAD 1.3 million (USD \$1.1 million) denominated in Canadian dollars, and USD \$1.3 million denominated in various other foreign currencies. The Company also has EUR 0.5 million (USD \$0.7 million) of notes payable denominated in euros and GBP 12.5 million (USD \$23.1 million) of notes payable denominated in pounds at June 30, 2006. These notes bear interest at a floating rate of 4.9% as of June 30, 2006, and require monthly principal and interest payments through 2012. The Company does not hold any hedging instruments related to foreign currency transactions. The Company monitors foreign currency positions and may enter into certain hedging instruments in the future should it determine that exposure to foreign exchange risk has increased. Based on the Company's overall currency rate exposure as of June 30, 2006, management does not believe a near-term change in currency rates, based on historical currency movements, would materially affect the Company's financial statements.

ITEM 4. Controls and Procedures**(a) Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the Exchange Act) for the quarter ended June 30, 2006.

Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of June 30, 2006 because of material weaknesses discussed below.

To address the material weaknesses described below, we performed additional analysis and other post-closing procedures to ensure our consolidated financial statements were prepared in accordance with generally accepted accounting principles. Accordingly, management, including the Chief Executive Officer and Chief Financial Officer, believe the consolidated financial statements included in this report present, in all material respects, the Company's financial condition, results of operations and cash flows for the quarter ended June 30, 2006.

(b) Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

As a result of this assessment, management identified material weaknesses in internal control over financial reporting as follows:

1. *Inadequate company-level controls.* We did not maintain effective company-level controls as defined in the *Internal Control - Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). These deficiencies related to three of the five components of internal control as defined by COSO (control environment, monitoring, and information and communication). Specifically,

Our control environment did not sufficiently promote integrity and ethical values over financial reporting throughout our management structure, and this material weakness was a contributing factor in the development of other material weaknesses described below;

We had inadequate monitoring controls, including inadequate staffing and procedures to ensure periodic evaluations of internal controls to ensure that appropriate personnel regularly obtain evidence that controls are functioning effectively and that identified control deficiencies are remediated timely; and

There was inadequate communication from management to employees regarding the importance of controls and employees' duties and control responsibilities.

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These deficiencies resulted in more than a remote likelihood that a material misstatement of our interim or annual financial statements would not be prevented or detected.

2. *Inadequate Expertise in U.S. Generally Accepted Accounting Principles.* Our finance and accounting personnel were inadequately trained and lacked appropriate expertise in U.S. generally accepted accounting principles to prepare financial information for inclusion in the Company's consolidated financial statements. This deficiency resulted in the improper capitalization of certain property and equipment, the improper recognition of revenue on certain management agreements, improper deferral of gains and losses on interest rate swap agreements, the failure to recognize impairment on property and equipment and other long-term assets, which required adjustments to the interim and annual financial statements.

3. *Inadequate segregation of duties.* We had inadequate procedures and controls to ensure proper segregation of duties within our purchasing, disbursements and accounting processes. As a result, misappropriations of assets occurred and were not detected in a timely manner. This deficiency resulted in the misappropriation of assets due to the unauthorized transfer of certain management contracts to a former officer of the United Kingdom subsidiary and the Company's continued payment and recognition of management costs after the contracts were transferred, which required adjustments to the interim and annual financial statements to write-off certain current assets, property and equipment and goodwill.

4. *Inadequate financial statement preparation and review procedures.* We had inadequate policies, procedures and personnel to ensure that accurate, reliable interim and annual financial statements were prepared and reviewed on a timely basis. Specifically, we had insufficient levels of supporting documentation and review and supervision of the Company's accounting and finance departments. These deficiencies resulted in errors in the recognition of revenue, improper capitalization of certain property and equipment, improperly recorded assets, the failure to record certain accrued liabilities in the United Kingdom subsidiary which required adjustments to the interim and annual financial statements.

5. *Inadequate reviews of account reconciliations, analyses and journal entries.* We had inadequate review procedures over account reconciliations, account and transaction analyses, and journal entries. Specifically, deficiencies were noted in the following areas: a) management review of supporting documentation, calculations and assumptions used to prepare the financial statements, including spreadsheets and account analyses; and b) management review of journal entries recorded during the financial statement preparation process. These deficiencies resulted in inappropriate recognition of revenue, inappropriate classification of assets, improperly recorded assets, the failure to record certain accrued liabilities, which required adjustments to the interim and annual financial statements.

6. *Inadequate controls over authorization of purchase and disbursement transactions.* We had inadequate controls over purchases and the disbursement of funds as well as the recording of accruals for purchases and expenses. Specifically,

Inadequate and ineffective policies over the authorization of purchases;

Ineffective invoice approval policies;

Ineffective supervisory oversight and/or review of the addition or removal of management contracts; and

Inadequate period-end cut-off procedures in the procurement cycle.

These deficiencies increase the likelihood that unauthorized purchases and disbursements could occur and not be detected in a timely manner. These deficiencies resulted in the misappropriation of assets because of the unauthorized transfer of certain management contracts to a former officer of the United Kingdom subsidiary, the Company's continued payment and recognition of management costs after the contracts were transferred, and the failure to record certain accrued liabilities, which required adjustments to the interim and annual financial statements.

7. *Inadequate controls over revenue recognition.* Our review procedures over accounting for revenue recognition were not functioning effectively. Specifically, the review procedures over the application of our revenue recognition policies for management agreements were inadequate. These deficiencies resulted in the improper recognition of revenue on certain management contracts, which required adjustments to the interim and annual financial statements.

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As a result of these material weaknesses as of June 30, 2006 in the Company's internal control over financial reporting, management has concluded that, as of June 30, 2006, the Company's internal control over financial reporting was not effective based on the criteria set forth by the COSO of the Treadway Commission in Internal Control Integrated Framework.

(c) Changes in Internal Control Over Financial Reporting

During the fourth quarter of 2005, the Company removed the persons directly responsible for the unauthorized related party transactions and improper and inaccurate accounting entries in the United Kingdom subsidiary. There were no other changes in our internal control over financial reporting that occurred in the fourth quarter of 2005 that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

Subsequent to September 30, 2005, we implemented the remedial measures outlined below to address the identified material weaknesses in connection with the preparation of our September 30, 2005 consolidated financial statements. We have dedicated additional resources to the review of our control processes and procedures surrounding the internal control environment. Furthermore, we have been conducting a thorough review and evaluation of our internal controls as part of our compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

In order to remediate the weaknesses in our internal control over financial reporting, management has implemented the following measures as of the date of filing of this Form 10-Q:

Hired senior management including financial reporting personnel.

Changed the lines of reporting so that the accounting, internal audit, information technology and human resources functions in the United Kingdom subsidiary report directly to the corresponding department heads in the United States.

Established new approval authorization control limits.

Established new reconciliation procedures.

Replaced accounting software used in the United Kingdom subsidiary with programs used in the United States and U.S. management employees have direct access to this system.

Management is considering additional remedial actions to be implemented in fiscal 2006.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On December 23, 2005, the Company entered into a settlement agreement with Rotala PLC, the Flights Group companies, Stuart Lawrenson, Paul Churchman and Michael Tackley resolving the Company's claims arising from certain actions taken by former employees of the Company in the United Kingdom. The key terms of the settlement include: (1) The payment to the Company of the proceeds from the sale of 46,666,667 shares of Rotala stock, indirectly owned by Lawrenson, which were sold through a private placement with net proceeds of pound sterling (GBP) 602,296 (USD \$1,073,741 based on January 26, 2006 exchange rate) was received by the Company on January 26, 2006; (2) Rotala issued promissory notes to the Company with a value of GBP 800,000 (USD \$1,374,738 based on December 31, 2005 exchange rate), payable in annual installments between December 31, 2006, and December 31, 2010; (3) in addition to amounts already received from Rotala for goods and services benefiting the Flights Group, Rotala agreed to pay an additional GBP 270,000 (USD \$472,377 based on April 5, 2006 exchange rate) to the Company upon completion of a previously announced fundraising which was completed and paid to the Company on April 5, 2006; (4) Rotala granted to the Company a warrant to purchase 15,000,000 ordinary shares of Rotala stock at an exercise price of 1.5 pence per share, exercisable for a five year period; (5) Stuart Lawrenson agreed to pay to the Company GBP 70,000 (USD \$120,290 based on December 31, 2005 exchange rate) in April 2006 and to pay an additional GBP 60,000 (USD \$103,105 based on December 31, 2005 exchange rate) within a year; and (6) Paul Churchman and Michael Tackley each agreed to pay GBP 10,000 (USD \$17,184 based on December 31, 2005 exchange rate) to the Company within ninety days. The Company received the payment of GBP 95,000 (USD \$166,276 based on April 6, 2006 exchange rate) from Lawrenson on April 6, 2006, and another payment of GBP

35,000 (USD \$65,204 based on May 9, 2006 exchange rate) on May 9, 2006 and the payments from Churchman and Tackley of GBP 20,053 (USD \$35,097 based on April 6, 2006 exchange rate) on April 6, 2006. Lawrenson, Churchman and Tackley have met all of their obligations under the settlement agreement and all claims relating to the settlement agreement have been released.

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Rotala and the Flight Group companies have met all of their obligations settlement agreement to date. The only remaining obligations of Rotala/Flight Group are the repayment of the promissory note of GBP 800,000 discussed above and acceptance of the Company's future exercise of the warrant described above.

In addition to the matter described above, the Company is subject to various legal proceedings and claims, which arise in the ordinary course of its business. In the opinion of management, the ultimate liability with respect to those proceedings and claims will not have a material adverse effect on the financial position, operations, or liquidity of the Company, but could have a material effect on the results of operations in a given quarter.

Item 6. Exhibits

- 2.1 Plan of Recapitalization, effective October 9, 1997 (Incorporated by reference to Exhibit 2 to the Company's Registration Statement No. 33-95640 on Form S-1).
- 2.2 Agreement and Plan of Merger dated September 21, 1998, by and among the Registrant, Central Merger Sub, Inc., Allright Holdings, Inc., Apollo Real Estate Investment Fund II, L.P. and AEW Partners, L.P. (Incorporated by reference to Exhibit 2.1 to the Company's Registration Statement No. 333-66081 on Form S-4 filed on October 21, 1998).
- 2.3 Amendment dated as of January 5, 1999, to the Agreement and Plan of Merger dated September 21, 1998 by and among the Registrant, Central Merger Sub, Inc., Allright Holdings, Inc., Apollo Real Estate Investment Fund II, L.P. and AEW Partners, L.P. (Incorporated by reference to Exhibit 2.1 to the Company's Registration Statement No. 333-66081 on Form S-4 filed on October 21, 1998, as amended).
- 2.4 Acquisition Agreement and Plan of Merger dated as of November 7, 1997, by and between the Registrant and Kinney System Holding Corp and a subsidiary of the Registrant (Incorporated by reference to the Company's Current Report on Form 8-K filed on February 17, 1998).
- 3.1 (a) Amended and Restated Charter of the Registrant (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement No. 333-23869 on Form S-3).
- (b) Articles of Amendment to the Charter of Central Parking Corporation increasing the authorized number of shares of common stock, par value \$0.01 per share, to one hundred million (Incorporated by reference to Exhibit 2 to the Company's 10-Q for the quarter ended March 31, 1999).
- 3.2 Amended and Restated Bylaws of the Registrant (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement No. 333-23869 on Form S-3).
- 4.1 Form of Common Stock Certificate (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement No. 33-95640 on Form S-1).
- 4.2 (a) Registration Rights Agreement (the Allright Registration Rights Agreement) dated as of September 21, 1998 by and between the Registrant, Apollo Real Estate Investment Fund II, L.P., AEW Partners, L.P. and Monroe J. Carell, Jr., The Monroe Carell Jr. Foundation, Monroe Carell Jr. 1995 Grantor Retained Annuity Trust, Monroe Carell Jr. 1994 Grantor Retained Annuity Trust, The Carell Children's Trust, The 1996 Carell Grandchildren's Trust, The Carell Family Grandchildren 1990 Trust, The Kathryn Carell Brown Foundation, The Edith Carell Johnson Foundation, The Julie Carell Stadler Foundation, 1997 Carell Elizabeth Brown Trust, 1997 Ann Scott Johnson Trust, 1997 Julia Claire Stadler Trust, 1997 William Carell Johnson Trust, 1997 David Nicholas Brown Trust and 1997 George Monroe Stadler Trust (Incorporated by reference to Exhibit 4.4 to the Company's Registration Statement No. 333-66081 filed on October 21, 1998).

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- 4.2 (b) Amendment dated January 5, 1999 to the Allright Registration Rights Agreement (Incorporated by reference to Exhibit 4.4.1 to the Company's Registration Statement No. 333-66081 filed on October 21, 1998, as amended).
- 4.2 (c) Second Amendment dated February 1, 2001 to the Allright Registration Rights Agreement. (Incorporated by reference to Exhibit 4.6 to the Company's Registration Statement No. 333-54914 on Form S-3 filed on February 2, 2001)
- 4.3 Indenture dated March 18, 1998 between the registrant and Chase Bank of Texas, National Association, as Trustee regarding up to \$113,402,050 of 5-1/4 % Convertible Subordinated Debentures due 2028. (Incorporated by reference to Exhibit 4.5 to the Registrant's Registration Statement No. 333-52497 on Form S-3).
- 4.4 Amended and Restated Declaration of Trust of Central Parking Finance Trust dated as of March 18, 1998. (Incorporated by reference to Exhibit 4.5 to the Registrant's Registration Statement No. 333-52497 on Form S-3).
- 4.5 Preferred Securities Guarantee Agreement dated as of March 18, 1998 by and between the Registrant and Chase Bank of Texas, national Association as Trustee (Incorporated by reference to Exhibit 4.7 to the Registrant's Registration Statement No. 333-52497 on Form S-3).
- 4.6 Common Securities Guarantee Agreement dated March 18, 1998 by the Registrant. (Incorporated by reference to Exhibit 4.9 to 333-52497 on Form S-3).
- 10.1 Fifth Amendment to Credit Agreement dated April 7, 2006 by and among Central Parking Corporation et al and Bank of America, N. A. et al (Incorporated by reference to Exhibit 10.1 on Form 10-Q filed on May 10, 2006).
- 31.1 Certification of Emanuel Eads pursuant to Rule 13a-14(a).
- 31.2 Certification of Jeff Heavrin pursuant to Rule 13a-14(a).
- 32.1 Certification of Emanuel Eads pursuant to Section 1350.
- 32.2 Certification of Jeff Heavrin pursuant to Section 1350

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned party duly authorized.

Date: August 9, 2006

CENTRAL PARKING CORPORATION

By: /s/ EMANUEL EADS

Emanuel Eads

Chief Executive Officer

Date: August 9, 2006

CENTRAL PARKING CORPORATION

By: /s/ JEFF HEAVRIN

Jeff Heavrin

Senior Vice President and Chief Financial

Officer

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