Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2019

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 000-50796

SP Plus Corporation
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**16-1171179**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

200 E. Randolph Street, Suite 7700
Chicago, Illinois 60601-7702
(Address of Principal Executive Offices, Including Zip Code)
(312) 274-2000
(Registrant’s Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	SP	The NASDAQ Stock Market LLC

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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	
		Emerging Growth Company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange 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 October 30, 2019
Common Stock, $0.001 par value per share	22,948,766 Shares

SP PLUS CORPORATION

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SP Plus Corporation
Condensed Consolidated Balance Sheets

(millions, except for share and per share data)	September 30, 2019	December 31, 2018
	(unaudited)	
Assets		
Cash and cash equivalents	$ 29.6	$ 39.9
Notes and accounts receivable, net	150.0	150.7
Prepaid expenses and other	15.7	17.2
Total current assets	195.3	207.8
Leasehold improvements, equipment and construction in progress, net	43.2	40.3
Right-of-use assets	444.5	—
Other assets		
Advances and deposits	4.2	4.2
Other intangible assets, net	154.6	166.0
Favorable acquired lease contracts, net	—	17.6
Equity investments in unconsolidated entities	10.4	9.8
Other assets, net	20.3	17.3
Deferred taxes	13.1	14.6
Cost of contracts, net	4.5	9.2
Goodwill	585.7	585.5
Total other assets	792.8	824.2
Total assets	$ 1,475.8	$ 1,072.3
Liabilities and stockholders' equity		
Accounts payable	$ 102.5	$ 110.1
Accrued rent	18.2	23.5
Compensation and payroll withholdings	24.2	25.8
Property, payroll and other taxes	8.7	9.5
Accrued insurance	19.0	19.7
Accrued expenses	40.0	45.1
Short-term lease liabilities	117.1	—
Current portion of long-term obligations under credit facility and other long-term borrowings	14.4	13.2
Total current liabilities	344.1	246.9
Long-term borrowings, excluding current portion		
Obligations under credit facility	340.6	360.9
Other long-term borrowings	15.1	12.6
	355.7	373.5
Long-term lease liabilities	338.4	—
Unfavorable acquired lease contracts, net	—	24.7
Other long-term liabilities	59.3	58.6
Total noncurrent liabilities	753.4	456.8
Stockholders' equity		
Preferred stock, par value $0.01 per share; 5,000,000 shares authorized as of September 30, 2019 and December 31, 2018; no shares issued	—	—
Common stock, par value $0.001 per share; 50,000,000 shares authorized as of September 30, 2019 and December 31, 2018; 22,948,766 and 22,783,976 shares issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	—	—
Treasury stock, at cost; 1,263,642 and 305,183 shares as of September 30, 2019 and December 31, 2018, respectively	(39.8)	(7.5)
Additional paid-in capital	260.8	257.7
Accumulated other comprehensive loss	(3.3)	(2.4)
Retained earnings	160.6	120.7
Total SP Plus Corporation stockholders' equity	378.3	368.5
Noncontrolling interest	—	0.1
Total stockholders' equity	378.3	368.6
Total liabilities and stockholders' equity	$ 1,475.8	$ 1,072.3

See Notes to Condensed Consolidated Financial Statements.

SP Plus Corporation
Condensed Consolidated Statements of Income

	Three Months Ended		Nine Months Ended	
(millions, except for share and per share data) (unaudited)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Services revenue				
Lease type contracts	$ 104.6	$ 104.7	$ 307.6	$ 311.6
Management type contracts	132.6	82.6	395.4	264.8
	237.2	187.3	703.0	576.4
Reimbursed management type contract revenue	181.4	174.8	539.2	514.8
Total services revenue	418.6	362.1	1,242.2	1,091.2
Cost of services				
Lease type contracts	93.0	94.2	274.5	283.2
Management type contracts	85.5	48.1	254.7	157.6
	178.5	142.3	529.2	440.8
Reimbursed management type contract expense	181.4	174.8	539.2	514.8
Total cost of services	359.9	317.1	1,068.4	955.6
Gross profit				
Lease type contracts	11.6	10.5	33.1	28.4
Management type contracts	47.1	34.5	140.7	107.2
Total gross profit	58.7	45.0	173.8	135.6
General and administrative expenses	26.0	18.7	80.8	63.3
Depreciation and amortization	7.3	4.2	21.8	12.7
Operating income	25.4	22.1	71.2	59.6
Other expenses (income)				
Interest expense	4.8	2.1	14.7	6.5
Interest income	(0.1)	(0.1)	(0.3)	(0.3)
Equity in earnings from investment in unconsolidated entity	—	—	—	(10.1)
Total other expenses (income)	4.7	2.0	14.4	(3.9)
Earnings before income taxes	20.7	20.1	56.8	63.5
Income tax expense	5.7	5.6	14.6	16.9
Net income	15.0	14.5	42.2	46.6
Less: Net income attributable to noncontrolling interest	0.8	1.0	2.2	2.5
Net income attributable to SP Plus Corporation	$ 14.2	$ 13.5	$ 40.0	$ 44.1
Common stock data				
Net income per common share				
Basic	$ 0.64	$ 0.60	$ 1.79	$ 1.97
Diluted	$ 0.64	$ 0.60	$ 1.78	$ 1.95
Weighted average shares outstanding				
Basic	21,945,129	22,439,884	22,277,852	22,370,789
Diluted	22,038,905	22,626,746	22,411,965	22,607,274

See Notes to Condensed Consolidated Financial Statements.

SP Plus Corporation
Condensed Consolidated Statements of Comprehensive Income

	Three Months Ended		Nine Months Ended	
(millions) (unaudited)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net income	$ 15.0	$ 14.5	$ 42.2	$ 46.6
Other comprehensive income (expense)	(0.2)	0.1	(0.9)	(0.4)
Comprehensive income	14.8	14.6	41.3	46.2
Less: Comprehensive income attributable to noncontrolling interest	0.8	1.0	2.2	2.5
Comprehensive income attributable to SP Plus Corporation	$ 14.0	$ 13.6	$ 39.1	$ 43.7

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

SP Plus Corporation
Condensed Consolidated Statements of Stockholders' Equity

(millions, except share and per share data)	Common Stock Number of Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Noncontrolling Interest	Total
Nine months ended September 30, 2018 (unaudited)								
Balance (deficit) at January 1, 2018	22,542,672	$ —	$ 254.6	$ (1.2)	$ 67.0	$ (7.5)	$ 0.2	$ 313.1
Net income	—	—	—	—	15.3	—	0.6	15.9
Foreign currency translation	—	—	—	(0.4)	—	—	—	(0.4)
Issuance of restricted stock units	45,963	—	—	—	—	—	—	—
Issuance of performance stock units	48,174	—	—	—	—	—	—	—
Non-cash stock-based compensation related to restricted stock units and performance share units	—	—	0.6	—	—	—	—	0.6
Distribution to noncontrolling interest	—	—	—	—	—	—	(0.8)	(0.8)
Balance (deficit) at March 31, 2018	22,636,809	$ —	$ 255.2	$ (1.6)	$ 82.2	$ (7.5)	$ —	$ 328.3
Net income	—	—	—	—	15.3	—	0.9	16.2
Foreign currency translation	—	—	—	(0.2)	—	—	—	(0.2)
Issuance of stock grants	20,757	—	0.7	—	—	—	—	0.7
Non-cash stock-based compensation related to restricted stock units and performance share units	—	—	0.9	—	—	—	—	0.9
Distribution to noncontrolling interest	—	—	—	—	—	—	(0.8)	(0.8)
Balance (deficit) at June 30, 2018	22,657,566	$ —	$ 256.8	$ (1.8)	$ 97.6	$ (7.5)	$ 0.1	$ 345.2
Net income	—	—	—	—	13.5	—	1.0	14.5
Foreign currency translation	—	—	—	0.1	—	—	—	0.1
Issuance of restricted stock units	71,998	—	—	—	—	—	—	—
Non-cash stock-based compensation related to restricted stock units and performance share units	—	—	(0.1)	—	—	—	—	(0.1)
Distribution to noncontrolling interest	—	—	—	—	—	—	(1.0)	(1.0)
Balance (deficit) at September 30, 2018	22,729,564	$ —	$ 256.7	$ (1.6)	$ 111.1	$ (7.5)	$ —	$ 358.7

Note: Amounts may not foot due to rounding.

See Notes to Condensed Consolidated Financial Statements.

Nine months ended September 30, 2019 (unaudited)								
	Common Stock							
(millions, except share and per share data)	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Noncontrolling Interest	Total
Balance (deficit) at January 1, 2019	22,783,976	$ —	$ 257.7	$ (2.4)	$ 120.7	$ (7.5)	$ 0.1	$ 368.6
Net income	—	—	—	—	10.6	—	0.3	10.9
Foreign currency translation	—	—	—	0.2	—	—	—	0.2
Issuance of restricted stock units	7,518	—	—	—	—	—	—	—
Issuance of performance stock units	62,094	—	—	—	—	—	—	—
Non-cash stock-based compensation related to restricted stock units and performance share units	—	—	0.4	—	—	—	—	0.4
Treasury stock	—	—	—	—	—	(2.3)	—	(2.3)
Distribution to noncontrolling interest	—	—	—	—	—	—	(0.7)	(0.7)
Balance (deficit) at March 31, 2019	22,853,588	$ —	$ 258.0	$ (2.2)	$ 131.3	$ (9.8)	$ (0.3)	$ 377.0
Net income	—	—	—	—	15.2	—	1.1	16.3
Foreign currency translation	—	—	—	(0.1)	—	—	—	(0.1)
Effective portion of cash flow hedge	—	—	—	(0.8)	—	—	—	(0.8)
Issuance of stock grants	14,076		0.5	—	—	—	—	0.5
Issuance of restricted stock units	11,745	—	—	—	—	—	—	—
Non-cash stock-based compensation related to restricted stock units and performance share units	—	—	1.0	—	—	—	—	1.0
Treasury stock	—	—	—	—	—	(11.3)	—	(11.3)
Distribution to noncontrolling interest	—	—	—	—	—	—	(0.7)	(0.7)
Balance (deficit) at June 30, 2019	22,879,409	$ —	$ 259.5	$ (3.1)	$ 146.5	$ (21.1)	$ 0.1	$ 381.9
Net income	—	—	—	—	14.2	—	0.8	15.0
Foreign currency translation	—	—	—	(0.1)	—	—	—	(0.1)
Effective portion of cash flow hedge	—	—	—	(0.1)	—	—	—	(0.1)
Issuance of restricted stock units	69,357	—	—	—	—	—	—	—
Non-cash stock-based compensation related to restricted stock units and performance share units	—	—	1.3	—	—	—	—	1.3
Treasury stock	—	—	—	—	—	(18.7)	—	(18.7)
Distribution to noncontrolling interest	—	—	—	—	—	—	(1.0)	(1.0)
Balance (deficit) at September 30, 2019	22,948,766	$ —	$ 260.8	$ (3.3)	$ 160.6	$ (39.8)	$ —	$ 378.3

Note: Amounts may not foot due to rounding.

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

SP Plus Corporation
Condensed Consolidated Statements of Cash Flows

	Nine Months Ended	
(millions) (unaudited)	September 30, 2019	September 30, 2018
Operating activities		
Net income	$ 42.2	$ 46.6
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	21.8	13.4
Net amortization of acquired lease contracts	—	(0.5)
Net equity in earnings of unconsolidated entities (net of distributions)	(0.6)	(0.4)
Gain on sale of equity method investment in unconsolidated entity	—	(10.1)
Amortization of debt issuance costs	0.4	0.6
Amortization of original discount on borrowings	0.3	0.4
Non-cash stock-based compensation	3.1	2.1
Provisions for losses on accounts receivable	0.5	0.2
Deferred income taxes	1.8	0.1
Changes in operating assets and liabilities		
Notes and accounts receivable	0.2	(14.4)
Prepaid assets	1.9	2.1
Right-of-use assets	95.4	—
Other assets	(2.6)	(0.4)
Accounts payable	(7.6)	(9.2)
Long-term lease liabilities	(99.0)	—
Accrued liabilities	(3.0)	5.1
Net cash provided by operating activities	54.8	35.6
Investing activities		
Purchase of leasehold improvements and equipment	(6.4)	(6.7)
Proceeds from sale of equipment and contract terminations	0.3	0.2
Proceeds from sale of equity method investee's sale of assets	—	19.3
Cost of contracts purchased	(2.1)	(0.8)
Net cash (used in) provided by investing activities	(8.2)	12.0
Financing activities		
Payments on credit facility revolver	(360.3)	(101.6)
Proceeds from credit facility revolver	347.8	104.8
Payments on credit facility term loan	(8.4)	(50.0)
Payments on other long-term borrowings	(1.6)	(0.3)
Distribution to noncontrolling interest	(2.4)	(2.6)
Payments of debt issuance costs and original discount on borrowings	—	(0.1)
Repurchase of common stock	(32.0)	—
Net cash used in financing activities	(56.9)	(49.8)
Effect of exchange rate changes on cash and cash equivalents	—	(0.4)
Decrease in cash and cash equivalents	(10.3)	(2.6)
Cash and cash equivalents at beginning of year	39.9	22.8
Cash and cash equivalents at end of period	$ 29.6	$ 20.2
Supplemental disclosures		
Cash paid during the period for		
Interest	$ 13.8	$ 5.5
Income taxes, net	$ 11.6	$ 11.8

See Notes to Condensed Consolidated Financial Statements.

SP Plus Corporation
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Significant Accounting Policies and Practices

The Company

SP Plus Corporation (the "Company") facilitates the efficient movement of people, vehicles and personal belongings with the goal of enhancing the consumer experience while improving bottom line results for our clients. The Company provides professional parking management, ground transportation, remote baggage check-in and handling, facility maintenance, security, event logistics, and other technology-driven mobility solutions to aviation, commercial, hospitality, healthcare and government clients across North America. The Company typically enters into contractual relationships with property owners or managers as opposed to owning facilities.

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and disclosures normally included in the Condensed Consolidated Balance Sheets, Statements of Income, Comprehensive Income, Stockholders' Equity and Cash Flows prepared in conformity with U.S. GAAP have been condensed or omitted as permitted by such rules and regulations.

In the opinion of management, all adjustments (consisting only of adjustments of a normal and recurring nature) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2019 are not necessarily indicative of the results that might be expected for any other interim period or the fiscal year ending December 31, 2019. The financial statements presented in this report should be read in conjunction with the Company's annual Consolidated Financial Statements and notes thereto included in the Annual Report on Form 10-K filed on February 27, 2019.

Cash and cash equivalents

Cash equivalents represent funds temporarily invested in money market instruments with maturities of three months or less. Cash equivalents are stated at cost, which approximates fair value. Cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements was $0.4 million and $1.7 million as of September 30, 2019 and December 31, 2018, respectively, and are included within Cash and cash equivalents within the Condensed Consolidated Balance Sheets.

Financial Instruments

The carrying values of cash, accounts receivable and accounts payable approximate their fair value due to the short-term nature of these financial instruments. Book overdrafts of $26.0 million and $34.0 million are included within Accounts payable within the Condensed Consolidated Balance Sheets as of September 30, 2019 and December 31, 2018, respectively. Long-term debt has a carrying value that approximates fair value because these instruments bear interest at variable market rates.

Equity Investments in Unconsolidated Entities

The Company has ownership interests in 30 active partnerships, joint ventures or similar arrangements that operate parking facilities, of which 25 are consolidated under the VIE or voting interest models and 5 are unconsolidated where the Company's ownership interests range from 30-50 percent and for which there are no indicators of control. The Company accounts for such investments under the equity method of accounting, and its underlying share of each investee's equity is included in Equity investments in unconsolidated entities within the Condensed Consolidated Balance Sheets. As the operations of these entities are consistent with the Company's underlying core business operations, the equity in earnings of these investments are included in Services revenue - lease type contracts within the Condensed Consolidated Statements of Income. The equity earnings in these related investments were $0.8 million and $0.7 million for the three months ended September 30, 2019 and 2018, respectively, and were $2.4 million and $1.9 million for the nine months ended September 30, 2019 and 2018, respectively.

In October 2014, the Company entered into an agreement to establish a joint venture with Parkmobile USA, Inc. and contributed all of the assets and liabilities of its proprietary Click and Park parking prepayment business in exchange for a 30% interest in the newly formed legal entity called Parkmobile, LLC ("Parkmobile"). On January 3, 2018, the Company closed a transaction to sell the entire 30% interest in Parkmobile to Parkmobile USA, Inc. for a gross sale price of $19.0 million and in the first quarter of 2018, the Company recognized a pre-tax gain of $10.1 million, net of closing costs, and included in Equity in earnings from investment in unconsolidated entity within the Condensed Consolidated Statements of Income for the nine months ended September 30, 2018. The Company historically accounted for its investment in the Parkmobile joint venture using the equity method of accounting, and its underlying share of equity in Parkmobile was included in Equity investments in unconsolidated entities within the Condensed Consolidated Balance Sheets. The equity losses (earnings) in the Parkmobile joint venture were historically included in Equity in earnings from investment in unconsolidated entity within the Condensed Consolidated Statements of Income.

Noncontrolling Interests

Noncontrolling interests represent the noncontrolling holders' percentage share of income or losses from the subsidiaries in which the Company holds a majority, but less than 100 percent, ownership interest and the results of which are consolidated and included within the Condensed Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* Topic 842 requires lessees to record most leases on the balance sheet and recognize expense on the income statement. Additionally, the classification criteria and the accounting for sales-type and direct financing leases is modified for lessors. Under Topic 842, all entities are required to recognize "right-of-use" ("ROU") assets and lease liabilities on the balance sheet for all leases classified as either operating or finance leases. Lease classification will determine recognition of lease-related revenue and expense. Since the release of Topic 842, the FASB also issued the following additional ASUs updating the topic:

- In January 2018, the FASB issued ASU No. 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*
- In July 2018, the FASB issued ASU No. 2018-11, *Lease (Topic 842): Targeted Improvements*
- In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*
- In December 2018, the FASB issued ASU No. 2018-20, *Narrow Scope Improvements for Lessors*
- In March 2019, the FASB issued ASU No. 2019-01, *Codification Improvements*

Topic 842 and its related ASUs are effective for interim and annual reporting periods beginning after December 15, 2018.

The Company adopted the provisions of Topic 842 on January 1, 2019 under the modified retrospective approach and has used the effective date as the initial application date. Therefore, comparative periods have not been recast and continue to be reported under the accounting standards in effect for those prior periods presented. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification.

The standard had a material impact in our Condensed Consolidated Balance Sheet, but did not have a material impact in the Company's Condensed Consolidated Income Statement and no impact in the Condensed Consolidated Statement of Cash Flow. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the Company's accounting for finance leases remained substantially unchanged.

The impact of the standard on the Condensed Consolidated Balance Sheet as of September 30, 2019 is as follows:

	Impact of Changes in Accounting Policies as of September 30, 2019		
(millions) (unaudited)	As Reported	Balances without Adoption of Topic 842	Impact of Adoption Increase/(Decrease)
Assets			
Prepaid expenses and other (a)	$ 15.7	$ 16.7	$ (1.0)
Right-of-use assets (b)	444.5	—	444.5
Favorable acquired lease contracts, net (c)	—	14.9	(14.9)
Cost of contracts, net (d)	4.5	8.4	(3.9)
Liabilities			
Accrued rent (e)	$ 18.2	$ 26.8	$ (8.6)
Short-term lease liabilities (f)	117.1	—	117.1
Long-term lease liabilities (g)	338.4	—	338.4
Unfavorable lease contracts, net (h)	—	20.2	(20.2)
Other long-term liabilities (i)	59.3	61.3	(2.0)

(a) Represents prepaid rent reclassified to Right-of-use assets
(b) Represents capitalization of operating lease assets and reclassification of prepaid and deferred rent, lease incentives, favorable and unfavorable acquired lease contracts, net and cost of contract balances on operating leases
(c) Represents favorable acquired lease contracts, net reclassified to Right-of-use assets
(d) Represents cost of contract, net reclassified to Right-of-use assets
(e) Represents short-term deferred rent reclassified to Right-of-use assets
(f) Represents the recognition of short-term operating lease liabilities
(g) Represents the recognition of long-term operating lease liabilities
(h) Represents unfavorable acquired lease contracts, net reclassified to Right-of-use assets
(i) Represents long-term deferred rent reclassified to Right-of-use assets

In June 2018, the FASB issued ASU No. 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. Under existing guidance, the accounting for nonemployee share-based payments differs from that applied to employee awards, particularly with regard to the measurement date and the impact of performance conditions. This ASU provides that existing employee guidance will apply to nonemployee share-based transactions (as long as the transaction is not effectively a form of financing), with the exception of specific guidance related to the attribution of compensation cost. The cost of nonemployee awards will continue to be recorded as if the grantor had paid cash for the goods or services. In addition, the contractual term will be able to be used in lieu of an expected term in the option-pricing model for nonemployee awards. ASU No. 2018-07 is effective for all companies for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. The Company adopted the standard as of January 1, 2019. The standard did not have an impact on the Company's financial position, results of operations, cash flows and financial statement disclosures.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* This Update modifies accounting guidance for hedge accounting by making more hedge strategies eligible for hedge accounting, amending presentation and disclosure requirements, and changing how companies assess ineffectiveness. The intent is to simplify the application of hedge accounting and increase transparency of information about an entity's risk management activities. The amended guidance is effective for annual periods beginning after December 15, 2018. The Company adopted the standard as of January 1, 2019. The standard did not have an impact on the Company's financial position, results of operations, cash flows and financial statement disclosures.

In October 2018, the FASB issued ASU 2018-16, *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as Benchmark Interest Rate for Hedge Accounting Purposes*. This Update permits use of the OIS rate based on the SOFR as a U.S. benchmark interest rate for hedge accounting purposes. This Update is effective for fiscal years beginning after December 15, 2018. The Company adopted the standard as of January 1, 2019. The standard did not have an impact on the Company's financial position, results of operations, cash flows and financial statement disclosures.

Accounting Pronouncements to be Adopted

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment.*The new guidance simplifies the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill at reporting units with zero or negative carrying amounts. ASU No. 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests. The standard is not expected to have an impact on the Company's financial position, results of operations, cash flows and financial statement disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Credit Losses - Measurement of Credit Losses on Financial Instruments (Topic 326)* The standard significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard will replace today's "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost. For available-for-sale debt securities, entities will be required to record allowances rather than reduce the carrying amount, as they do today under the other-than-temporary impairment model. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The standard is effective for interim and annual reporting periods beginning after December 15, 2019. The Company is currently assessing the impact of adopting this standard on the Company's financial position, results of operations, cash flows and financial statement disclosures.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles – Goodwill and Other – Internal - Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* The standard requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in Accounting Standards Codification (ASC) 350-40 to determine which implementation costs to capitalize as assets. Capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. The standard is effective for interim and annual reporting periods beginning after December 15, 2019. The standard is not expected to have an impact on the Company's financial position, results of operations, cash flows and financial statement disclosures.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820).* This standard modifies the disclosures on fair value measurements by removing the requirement to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and the policy for timing of such transfers. The ASU expands the disclosure requirements for Level 3 fair value measurements, primarily focused on changes in unrealized gains and losses included in other comprehensive income. The standard is effective for interim and annual reporting periods beginning after December 15, 2019. The standard is not expected to have an impact on the Company's financial position, results of operations, cash flows and financial statement disclosures.

2. Leases

The Company leases parking facilities, office space, warehouses, vehicles and equipment and determines if an arrangement is a lease at inception. The Company rents or subleases certain real estate to third parties. The Company's sublease portfolio consists of operating leases for space within our leased parking facilities.

Prior to January 1, 2019, the Company recognized lease expense related to operating leases on a straight-line basis over the terms of the leases and, accordingly, recorded the difference between cash rent payments and recognition of rent expense as a deferred rent liability or prepaid rent. Landlord-funded leasehold improvements were also recorded as deferred rent liabilities and were amortized as a reduction of rent expense over the noncancelable term of the related operating lease. For leases that included one or more options to renew, the exercise of such renewal options is at the Company's sole discretion or mutual agreement. Certain of the Company's lease agreements included variable rent consisting primarily of payments that are a percentage of parking services revenue based on contractual levels and rental payments adjusted periodically for inflation.

Upon adoption of Topic 842, ROU assets represent the Company's "right-of-use" over an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The ROU asset includes cumulative prepaid or accrued rent on adoption date, unamortized lease incentives, unamortized initial direct costs, unamortized favorable acquired lease contracts, net and unfavorable acquired lease contracts, net initially recognized prior to adoption of Topic 842. The short term lease exception has been applied to leases with an initial term of 12 months or less and these leases are not recorded on the balance sheet.

Service concession arrangements within the scope of ASU No. 2017-10, *Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Services*, are excluded from the scope of Topic 842. Lease costs associated with these arrangements is recorded as a reduction of revenue. See Note 5. *Revenue* for further discussion.

As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. Lease expense is recognized on a straight-line basis over the lease term.

For leases that include one or more options to renew, the exercise of such renewal options is at the Company's sole discretion or mutual agreement. Equipment and vehicle leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Variable lease components comprising of payments that are a percentage of parking services revenue based on contractual levels and rental payments adjusted periodically for inflation are not included in lease liability. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of leased assets and liabilities and classification on the Condensed Consolidated Balance Sheet as of September 30, 2019 were as follows:

(millions) (unaudited)	**Classification**		**September 30, 2019**
Assets			
Operating	Right-of-use assets	$	444.5
Finance	Leasehold improvements, equipment and construction in progress, net[a]		17.7
Total leased assets		$	462.2
Liabilities			
Current			
Operating	Short-term lease liability	$	117.1
Finance	Current portion of long-term obligations under credit facility and other long-term borrowings		2.8
Noncurrent			
Operating	Long-term lease liability		338.4
Finance	Other long-term borrowings		15.1
Total lease liabilities		$	473.4

[a] Finance lease assets are recorded net of accumulated amortization of $2.1 million as of September 30, 2019

The components of lease cost and classification on the Condensed Consolidated Statement of Income for the three and nine months ended September 30, 2019 were as follows:

		Three Months Ended		**Nine Months Ended**	
(millions) (unaudited)	**Classification**	**September 30, 2019**		**September 30, 2019**	
Operating lease cost [a]	Cost of services - lease type contracts	$	61.4	$	177.5
Operating lease cost [a] [b]	General and administrative expenses		1.6		3.9
Finance lease cost					
Amortization of leased assets	Depreciation and amortization		0.9		1.7
Interest on lease liabilities	Interest expense		0.2		0.6
Net lease cost		$	64.1	$	183.7

[a] Includes short-term leases and variable lease costs
[b] Operating lease cost included in General and administrative expenses are related to leases for office space

Rent expense on operating leases was$63.0 million and $181.4 million for the three and nine months ended September 30, 2019, respectively. The following table presents information on short term and variable lease costs:

(millions) (unaudited)	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Short-term lease cost	$ 7.5	$ 25.4
Variable lease cost	14.9	43.3
Total short term and variable lease cost	$ 22.4	$ 68.7

Sublease income generated during the three and nine months ended September 30, 2019 was not material.

The Company has entered into operating lease arrangements as of September 30, 2019 that are effective for future periods. The total amount of right-of-use assets and lease liabilities related to these arrangements are immaterial.

Maturities of lease liabilities as of September 30, 2019 were as follows:

(millions) (unaudited)	Operating Leases Liabilities	Finance Leases Liabilities	Total
2019	$ 36.0	$ 0.9	$ 36.9
2020	131.0	3.6	134.6
2021	100.9	3.6	104.5
2022	80.6	3.1	83.7
2023	54.1	2.3	56.4
After 2024	126.0	7.1	133.1
Total lease payments	528.6	20.6	549.2
Less: Imputed interest	73.1	2.7	75.8
Present value of lease liabilities	$ 455.5	$ 17.9	$ 473.4

Future sublease income for the above periods shown was excluded as the amounts are not material.

Lease term and discount rate information was as follows:

(unaudited)	September 30, 2019
Weighted-average remaining lease term (years)	
Operating leases	5.6
Finance leases	7.3
Weighted-average discount rate	
Operating leases	4.9%
Finance leases	5.0%

Supplemental cash flow information related to leases was as follows:

(millions) (unaudited)	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 135.9
Operating cash flows from finance leases	0.6
Financing cash flows from finance leases	1.6
Leased assets obtained in exchange for new operating liabilities	50.1
Leased assets obtained in exchange for new finance lease liabilities	$ 5.2

3. Acquisition

On November 30, 2018, the Company acquired the outstanding shares (the "Acquisition") of ZWB Holdings, Inc. and Rynn's Luggage Corporation, their subsidiaries and affiliates (collectively, "Bags"). Bags is a leading provider of baggage delivery, remote airline check in, and other related services, primarily to airline, airport and hospitality clients. Subject to the terms and conditions of the Stock Purchase Agreement, as consideration for the acquisition of Bags, SP Plus paid to the Sellers total consideration of approximately $283.6 million. The consideration is comprised of $275.0 million of contractual cash consideration, $8.1 million related to the preliminary net working capital and cash acquired and $0.5 million for certain individual taxes to be paid by the Seller (the “Cash Consideration”). As described in Note 17. *Business Unit Segment Information*, the Company integrated the Bags' operations into Segment Two (Aviation) for segment reporting purposes, effective November 30, 2018.

The Company's acquisition of Bags has been accounted for as a business combination, and assets acquired and liabilities assumed were recorded at their estimated fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred, which is also generally measured at fair value or the net acquisition date fair values of the assets acquired and the liabilities assumed. The results of operations are reflected in the consolidated financial statements of the Company from the date of acquisition.

The Company incurred certain acquisition and integration costs associated with the transaction that were expensed as incurred and are reflected in the Condensed Consolidated Statements of Income. See Note 4. *Acquisition, Restructuring and Integration Costs.*

The Company believes that information gathered to date provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed but the company is waiting for additional information necessary to finalize those fair values. Thus, the provisional measurements of fair value set forth above are subject to change. As a result, during the measurement period, which may be up to one year from the acquisition date, adjustments to the assets acquired and liabilities assumed will be recorded with corresponding adjustments to goodwill. The Company expects to complete the purchase price allocation as soon as practicable but no later than one year from the acquisition date. The Company recorded measurement period adjustments during the nine months ended September 30, 2019 related to an increase in assumed workers' compensation liabilities.

The following estimated fair values of assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed:

(millions) (unaudited)	As Initially Reported November 30, 2018	Preliminary Measurement Period Adjustments	As Adjusted November 30, 2018
Cash and cash equivalents	$ 5.9	$ —	$ 5.9
Notes and accounts receivable	13.2	—	13.2
Prepaid expenses and other	2.0	—	2.0
Advances and deposits	0.2	—	0.2
Leasehold improvements, equipment and construction in progress, net	1.5	—	1.5
Other intangible assets, net	118.0	—	118.0
Goodwill	154.1	0.1	154.2
Accounts payable	(6.5)	—	(6.5)
Accrued expenses	(4.1)	(0.1)	(4.2)
Other long-term liabilities	(0.7)	—	(0.7)
Net assets acquired and liabilities assumed	$ 283.6	$ —	$ 283.6

Goodwill amounting to $154.2 million represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The goodwill recognized is attributable primarily to expanded revenue synergies and expanded opportunities in the aviation and hospitality businesses, and other benefits that the Company believes will result from combining its operations with the operations of Bags. The goodwill acquired is deductible for tax purposes.

Other intangible assets, net acquired consist of the following:

(millions) (unaudited)	Estimated Life [1]	Estimated Fair Value
Trade name	5.0 Years	$ 5.6
Customer relationships	12.4 - 15.8 Years	100.4
Existing technology	5.0 - 6.0 Years	10.4
Non-compete agreement	5.0 Years	1.6
Estimated fair value of other intangible assets		$ 118.0

[1] Represents preliminary estimated life of assets acquired.

The fair value estimate for all identifiable intangible assets is based on assumptions that market participants would use in pricing an asset, based on the most advantageous market for the asset (i.e., its highest and best use). The estimated fair value of trade names was determined with the relief from royalty savings method, which is a commonly-used variation of the income approach. The Company considered the return on assets and market comparable methods when estimating an appropriate royalty rate for the trade names. The estimated fair value of acquired customer relationships was determined with the excess earnings method, which is a variation of the income approach. This approach calculates the excess of the future cash inflows (i.e., revenue from customers generated from the relationships) over the related cash outflows (i.e., customer servicing expenses) generated over the useful life of the relationship. The estimated fair value of developed or existing technology was determined utilizing the relief from royalty savings method under the income approach with additional consideration given to asset deterioration rates.

The final determination of fair value of intangible assets, as well as estimated useful lives, remains subject to change. The finalization may have a material impact on the valuation of intangible assets and the purchase price allocation, which is expected to be finalized subsequent to the transaction but within the measurement period.

Pro forma financial information

The following unaudited pro forma results of operations for the three and nine months ended September 30, 2019 and 2018, assumes the Acquisition was completed on January 1, 2018, and as such Bags pre-acquisition results have been added to the Company's historical results. The historical consolidated financial information of the Company and the acquisition have been adjusted in the pro forma information to give effect to pro forma events that are (1) directly attributable to the transaction, (2) factually supportable and (3) expected to have a continuing impact on the combined results. The pro forma results contained in the table below include adjustments for (i) amortization of acquired intangibles, (ii) reduced general and administrative expenses related to non-routine transaction expenses, (iii) increased interest expense related to the financing of the acquisition, and (iv) estimated income tax effect.

The unaudited pro forma condensed combined financial information is presented solely for informational purposes and is not necessarily indicative of the combined results of operations or financial position that might have been achieved for the periods or dates indicated, nor is it necessarily indicative of the future results of the combined company. The unaudited pro forma condensed combined financial statements do not give effect to the potential impact of any anticipated benefits from revenue synergies, cost savings or operating synergies that may result from the Acquisition or to any future disynergies and integration related costs. Also, the unaudited pro forma condensed combined financial information does not reflect possible adjustments related to potential restructuring or integration activities that have yet to be determined or transaction or other costs following the combination that are not expected to have a continuing impact on the business of the combined company. Further, one-time transaction-related expenses anticipated to be incurred prior to, or concurrent with, the closing of the transaction are not included in the unaudited pro forma condensed combined statement of income as such transaction costs were determined not to be significant. Additionally, the pro forma financial information does not reflect the costs which the Company has incurred or may incur to integrate Bags.

	Three Months Ended		Nine Months Ended	
(millions) (unaudited)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Total services revenue	$ 418.6	$ 407.2	$ 1,242.2	$ 1,215.0
Net income attributable to SP Plus Corporation	14.2	13.6	40.0	44.7

Services revenue related to Bags in 2019 that is included in the Condensed Consolidated Statements of Income was $46.3 million and $132.7 million for the three and nine months ended September 30, 2019, respectively. Net income related to Bags in 2019 that is included in the Condensed Consolidated Statements of Income was $3.1 million and $9.9 million for the three and nine months ended September 30, 2019, respectively. Services revenue and net income are included in Services revenue - Management type contracts and Net income attributable to SP Plus Corporation, respectively.

4. Acquisition, Restructuring and Integration Costs

Acquisition, Restructuring and Integration Costs

The Company has incurred certain acquisition, restructuring, and integration costs that were expensed as incurred, which include:

- transaction costs and other acquisition related costs (primarily professional services and advisory services) primarily related to the Bags acquisition (included within General and administrative expenses within the Consolidated Statements of Income);
- costs (primarily severance and relocation costs) related to a series of Company initiated workforce reductions to increase organizational effectiveness and provide cost savings that can be reinvested in the Company's growth initiatives, during 2019 and 2018 (included within General and administrative expenses within the Condensed Consolidated Statements of Income); and
- consulting costs for integration-related activities related to the Bags acquisition (included within General and administrative expenses within the Condensed Consolidated Statements of Income);

The aggregate costs associated with the acquisition, restructuring, and integration related costs for thethree and nine months ended September 30, 2019 and September 30, 2018 are summarized in the following table:

	Three Months Ended		Nine Months Ended	
(millions) (unaudited)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
General and administrative expenses	$ —	$ 0.6	$ 1.3	$ 3.4

An accrual for acquisition, restructuring and integration costs of $0.2 million (of which, $0.2 million is included in Compensation and payroll withholdings within the Condensed Consolidated Balance Sheets) and $3.3 million (of which, $1.0 million is included in Compensation and payroll withholdings, $2.1 million is included in Accrued Expenses and $0.2 million is included in Other long-term liabilities within the Condensed Consolidated Balance Sheets) as of September 30, 2019 and December 31, 2018, respectively. As of September 30, 2019, all accruals for acquisition, restructuring, and integration are short-term in nature.

5. Revenue

The Company accounts for revenue in accordance with Topics 606 and 853. Topic 606 requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

Contracts with customers and clients

The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. Once a contract is identified, the Company evaluates whether the combined or single contract should be accounted for as more than one performance obligation. Substantially all of our revenues come from the following two types of arrangements: Lease type and Management type contracts.

Services revenue - lease type contracts

Under lease type arrangements, the Company pays the property owner a fixed base rent or payment, percentage rent or payment that is tied to the facility's financial performance, or a combination of both. The Company operates the parking facility and is responsible for most operating expenses, but typically is not responsible for major maintenance, capital expenditures or real estate taxes. Performance obligations for service revenues related to lease type contracts include parking for transient and monthly parkers. Revenue is recognized over time as the Company provides services. Certain expenses, primarily rental expense for the contractual arrangements that meet the definition of service concession arrangements, are recorded as a reduction of revenue for the three and nine months ended September 30, 2019 and 2018.

Services revenue - management type contracts

Management type contract revenue consists of management fees, including both fixed and performance-based fees. In exchange for this consideration, the Company has a bundle of performance obligations that include services such as managing the parking facility as well as ancillary services such as accounting, equipment leasing, consulting, insurance and other value-added services. The Company believes that it can generally purchase required insurance for the facility and facility operations at lower rates than clients can obtain on their own because the Company is effectively self-insured for all liability, worker's compensation and health care claims by maintaining a large per-claim deductible. As a result, the Company generates operating income on the insurance provided under our management type contracts by focusing on risk management efforts and controlling losses. Management type contract revenues do not include gross customer collections at the managed locations as these revenues belong to the property owners rather than to the Company. Management type contracts generally provide the Company with management fees regardless of the operating performance of the underlying facilities. Revenue is recognized over time as the Company provides services.

Service concession arrangements

Service concession agreements within the scope of Topic 853 include both lease type and management type contracts. Revenue generated from service concession arrangements, is accounted for under the guidance of Topics 606 and 853. For the three and nine months ended September 30, 2019 and 2018, respectively, certain expenses (primarily rental expense) related to service concession arrangements and depreciation and amortization, have been recorded as a reduction of Service revenue - lease type contracts.

Contract modifications and taxes

Contracts are often modified to account for changes in contract specifications and requirements. The Company considers contract modifications to exist when the modification either changes the consideration due to the Company or creates new performance obligations or changes the existing scope of the contract and related performance obligations. Most contract modifications are for services that are not distinct from the existing contract due to the fact that the Company is providing a bundle of performance obligations that are highly inter-related in the context of the contract, and are therefore accounted for as if they were part of that existing contract. Typically, modifications are accounted for prospectively as part of the existing contract.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, which are collected by the Company from a customer, are excluded from revenue.

Reimbursed management type contract revenue and expense

The Company recognizes both revenues and expenses, in equal amounts, that are directly reimbursed from the property owner for operating expenses incurred under a management type contract. The Company has determined it is the principal in these transactions as the nature of our performance obligations is for the Company to provide the services on behalf of the customer. As the principal to these related transactions, the Company has control of the promised services before they are transferred to the customer.

Disaggregation of revenue

The Company disaggregates its revenue from contracts with customers by type of arrangement for each of our reportable segments. The Company has concluded that such disaggregation of revenue best depicts the overall economic nature, timing and uncertainty of the Company's revenue and cash flows affected by the economic factors of the respective contractual arrangement. See Note 17. *Business Unit Segment Information* for further information on disaggregation of our revenue by segment.

Performance obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer or client, and is the unit of account under Topic 606. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The majority of the Company's contracts have a single performance obligation that is not separately identifiable from other promises in the contract and therefore not distinct, comprising the promise to provide a bundle of monthly performance obligations or parking services for transient or monthly parkers.

The contract price is generally deemed to be the transaction price. Some management type contracts include performance incentives that are based on variable performance measures. These incentives are constrained at contract inception and recognized once the customer has confirmed that the Company has met the contractually agreed upon performance measures as defined in the contract.

The Company's performance obligations are primarily satisfied over time as the Company provides the related services. Typically, revenue is recognized over time on a straight-line basis as the Company satisfies the related performance obligation. There are certain management type contracts where revenue is recognized based on costs incurred to date plus a reasonable margin. The Company has concluded this is a faithful depiction of how control is transferred to the customer. Performance obligations satisfied at a point in time for the three and nine months ended September 30, 2019 and 2018 were not significant.

The time between completion of the performance obligation and collection of cash is typically not more than 30 - 60 days. In certain contractual arrangements, such monthly parker contracts, cash is typically collected in advance of the Company commencing its performance obligations under the contractual arrangement.

On September 30, 2019, the Company had $135.3 million related to performance obligations that were unsatisfied or partially unsatisfied for which the Company expects to recognize revenue. This amount excludes variable consideration primarily related to contracts where the Company and customer share the gross revenues or operating profit for the location and contracts where transaction prices include performance incentives that are constrained at contract inception. These performance incentives are based on measures that are ascertained exclusively by future performance and therefore cannot be estimated at contract inception by the Company. The Company applies the practical expedient that permits exclusion of information about the remaining performance obligations that have original expected durations of one year or less. The Company expects to recognize the remaining performance obligations as revenue in future periods as follows:

(millions) (unaudited)		Remaining Performance Obligations
2019	$	17.9
2020		50.2
2021		29.9
2022		14.6
2023		10.3
2024 and thereafter		12.4
Total	$	135.3

Contract balances

The timing of revenue recognition, billings and cash collections results in accounts receivable, contract assets and contract liabilities. Accounts receivable represent amounts where the Company has an unconditional right to the consideration and therefore only the passage of time is required for the Company to receive consideration due from the customer. Both lease type and management type contracts have customers and clients where amounts are billed as work progresses or in advance in accordance with agreed-upon contractual terms. Billing may occur subsequent to or prior to revenue recognition, resulting in contract assets and contract liabilities. The Company, on occasion, receives advances or deposits from customers and clients, on both lease and management type contracts, before revenue is recognized, resulting in the recognition of contract liabilities.

Contract assets and contract liabilities are reported on a contract-by-contract basis and are included in Notes and accounts receivable, net and Accrued expenses, respectively, on the Condensed Consolidated Balance Sheets. Impairment charges related to accounts receivable for the three and nine months ended September 30, 2019 and 2018, were not significant. There were no impairment charges recorded on contract assets and contract liabilities for the three and nine months ended September 30, 2019 and 2018.

The following table provides information about accounts receivable, contract assets and contract liabilities with customers and clients as of September 30, 2019 (unaudited) and December 31, 2018:

(millions)		September 30, 2019		December 31, 2018
Accounts receivable	$	139.7	$	139.3
Contract asset	$	10.3	$	11.4
Contract liability	$	(16.3)	$	(19.1)

Changes in contract assets include recognition of additional consideration due from the customer are offset by reclassifications of contract asset balances to accounts receivable when the Company obtains an unconditional right to consideration, thereby establishing an accounts receivable. The following table provides information about changes to contract asset balances for the nine-month periods ended September 30, 2019 and 2018:

	Nine Months Ended			
(millions) (unaudited)		September 30, 2019		September 30, 2018
Balance, beginning of period	$	11.4	$	12.2
Additional contract assets		96.4		100.0
Reclassification to accounts receivable		(97.5)		(101.4)
Balance, end of period	$	10.3	$	10.8

Changes in contract liability primarily include additional contract liabilities and liquidation of contract liabilities when revenue is recognized.The following table provides information about changes to contract liability balances for the nine-month periods ended September 30, 2019 and 2018:

	Nine Months Ended	
(millions) (unaudited)	September 30, 2019	September 30, 2018
Balance, beginning of period	$ 19.1	$ 20.5
Additional contract liabilities	122.2	128.6
Recognition of revenue from contract liabilities	(125.0)	(132.6)
Balance, end of period	$ 16.3	$ 16.5

Cost of contracts, net

Cost of contracts, net represents the cost of obtaining contractual rights associated with providing parking services for management type contracts. Incremental costs incurred to obtain service contracts are amortized on a straight line basis over the estimated life of the contracts, including anticipated renewals and terminations. This is consistent with the timing of when the Company satisfies the related performance obligations. Estimated lives are based on the contract life or anticipated lives of the contract.

The table below shows amortization expense related to cost of contracts for thethree and nine months ended September 30, 2019 and 2018. Amortization expense of cost of contracts related to service concession arrangements within the scope of Topic 853 and certain management type contracts are recorded as a reduction of revenue and were not significant for the three and nine months ended September 30, 2019 and 2018, respectively.

	Three Months Ended		Nine Months Ended	
(millions) (unaudited)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Amortization expense related to cost of contract included in depreciation and amortization	$ 0.3	$ 0.8	$ 0.9	$ 2.3

As of September 30, 2019 and December 31, 2018 cost of contracts net of accumulated amortization included on the Condensed Consolidated Balance Sheets under Cost of contract, net were $4.5 million and $9.2 million, respectively. No impairment charges were recorded for thethree and nine months ended September 30, 2019 and 2018.

6. Legal and Other Commitments and Contingencies

The Company is subject to litigation in the normal course of its business. The outcomes of legal proceedings and claims brought against it and other loss contingencies are subject to significant uncertainty. The Company accrues a charge against income when its management determines that it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. In addition, the Company accrues for the authoritative judgments or assertions made against it by government agencies at the time of their rendering regardless of its intent to appeal. In addition, the Company is from time-to-time party to litigation, administrative proceedings and union grievances that arise in the normal course of business, and occasionally pays non-material amounts to resolve claims or alleged violations of regulatory requirements. There are no "normal course" matters that separately or in the aggregate, would, in the opinion of management, have a material adverse effect on its operation, financial condition or cash flow.

In determining the appropriate accounting for loss contingencies, the Company considers the likelihood of loss or impairment of an asset or the incurrence of a liability, as well as its ability to reasonably estimate the amount of potential loss. The Company regularly evaluates current information available to determine whether an accrual should be established or adjusted. Estimating the probability that a loss will occur and estimating the amount of a potential loss or a range of potential loss involves significant estimation and judgment.

7. Other Intangible Assets, net

The following presents a summary of other intangible assets, net:

		September 30, 2019 (unaudited)			December 31, 2018		
(millions)	Weighted Average Life (Years)	Acquired Intangible Assets, Gross (1)	Accumulated Amortization	Acquired Intangible Assets, Net	Acquired Intangible Assets, Gross (1)	Accumulated Amortization	Acquired Intangible Assets, Net
Covenant not to compete	4.2	$ 1.6	$ (0.3)	$ 1.3	$ 1.6	$ —	$ 1.6
Trade names and trademarks	4.2	5.6	(0.9)	4.7	6.3	(0.7)	5.6
Proprietary know how	4.9	10.4	(1.5)	8.9	11.0	(0.8)	10.2
Management contract rights	9.3	81.0	(36.1)	44.9	81.0	(32.2)	48.8
Customer relationships	14.2	100.4	(5.6)	94.8	100.4	(0.6)	99.8
Acquired intangible assets, net (2)	11.8	$ 199.0	$ (44.4)	$ 154.6	$ 200.3	$ (34.3)	$ 166.0

(1) Excludes the original cost and accumulated amortization of fully amortized intangible assets.
(2) Intangible assets have estimated remaining lives between four and fifteen years.

The table below shows the amortization expense related to intangible assets for thethree and nine months ended September 30, 2019 and September 30, 2018:

	Three Months Ended		Nine Months Ended	
(millions) (unaudited)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Amortization expense related to other intangible assets included in depreciation and amortization	$ 3.8	$ 1.3	$ 11.4	$ 4.0

8. Goodwill

The amounts for goodwill and changes to carrying value by reportable segment are as follows:

(millions) (unaudited)	Segment One	Segment Two	Total
Balance as of December 31, 2018	$ 368.7	$ 216.8	$ 585.5
Foreign currency translation	0.1	—	0.1
Purchase price adjustments	—	0.1	0.1
Balance as of September 30, 2019	$ 368.8	$ 216.9	$ 585.7

The Company tests goodwill at least annually for impairment (the Company has elected to annually test for potential impairment of goodwill on the first day of the fourth quarter) and tests more frequently if indicators are present or changes in circumstances suggest that impairment may exist. The indicators include, among others, declines in sales, earnings or cash flows or the development of a material adverse change in business climate. The Company assesses goodwill for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment, referred to as a component.

The Company completed its annual goodwill impairment test as of October 1, 2018, using a qualitative test (Step Zero), to determine the likelihood of impairment and if it was more likely than not that the fair value of the reporting units were less than the carrying value of the reporting unit. The Company concluded that the estimated fair values of each of the Company's reporting units exceeded its carrying amount of net assets assigned to that reporting unit and, therefore, no further testing was required (Step One). Generally, the more-likely-than-not threshold is a greater than a 50% likelihood that the fair value of a reporting unit is greater than the carrying value. As part of the October 1, 2018 goodwill assessment, the Company engaged a third-party to estimate a discount rate, which is a primary driver in the valuation of the Company's reporting units' fair values. No impairment was recorded as a result of the goodwill impairment test performed. The Company monitors for indicators for goodwill impairment testing between annual tests. No adverse events occurred during the three and nine months ended September 30, 2019 that would cause the Company to test goodwill for impairment.

9. Fair Value Measurement

Fair Value Measurements-Recurring Basis

In determining fair value, the Company uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. Applicable accounting literature establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The fair value hierarchy is based on observable or unobservable inputs to valuation techniques that are used to measure fair value. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon its own market assumptions. Applicable accounting literature defines levels within the hierarchy based on the reliability of inputs as follows:

- Level 1: Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable and market-corroborated inputs, which are derived principally from or corroborated by observable market data.
- Level 3: Inputs that are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis and the basis of measurement at September 30, 2019 and December 31, 2018:

	Fair Value Measurement					
	September 30, 2019 (unaudited)			December 31, 2018		
(millions)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Cash and cash equivalents	$ 29.6	$ —	$ —	$ 39.9	$ —	$ —
Liabilities						
Accrued expenses						
Interest rate collars	—	(1.2)	—	—	—	—
Total	$ 29.6	$ (1.2)	$ —	$ 39.9	$ —	$ —

Interest Rate Collars

The Company seeks to minimize risks from interest rate fluctuations through the use of interest rate collar contracts and hedge only exposures in the ordinary course of business. Interest rate collars are used to manage interest rate risk associated with our floating rate debt. Effective May 2019, the Company entered into three zero cost interest rate collar contracts with an aggregate notional amount of $222.3 million with maturity dates of April 2022. The notional amount amortizes consistent with the term loan portion of the Senior Credit Facility. See Note 10. *Borrowing Arrangements* for additional disclosure on interest rate collar contract transactions. The Company accounts for its derivative instruments at fair value. Derivatives held by the Company are designated as hedges of specific exposures at inception, with an expectation that changes in the fair value will essentially offset the change in the underlying exposure. Discontinuance of hedge accounting is required whenever it is subsequently determined that an underlying transaction is not going to occur, with any gains or losses recognized in the Consolidated Statements of Income at such time, with any subsequent changes in fair value recognized currently in earnings.

The fair value of interest rate collars is a Level 2 fair value measurement, based on quoted prices of similar items in active markets. The effective portion of the change in fair value of the interest rate collars is reported in Accumulated other comprehensive income, a component of Stockholders' equity, and is being recognized as an adjustment to interest expense or other (expense) income, respectively, over the same period the related expenses are recognized in earnings. Gains and losses from cash flow hedging instruments reclassified from Accumulated other comprehensive income to earnings are reported as Cash provided by operating activities on the Condensed Consolidated Statements of Cash Flows. The Company did not enter into derivative transactions during the nine months ended September 30, 2018.

See Note 15. *Comprehensive Income* for amount of gain (loss) recognized in Other Comprehensive loss on the interest rate collars. No gain (loss) was reclassified from Accumulated Other Comprehensive loss during the three and nine months ended September 30, 2019. No gain (loss) was recognized in income on the interest rate collars resulting from hedge ineffectiveness or exclusion from the assessment of hedge effectiveness.

The following table presents summarized information about the Company's interest rate collars:

Interest Rate Collars				
September 30, 2019 (unaudited)				
		Interest Rate Parameters		
(millions)	Maturity Date	Notional Amount	LIBOR Ceiling	LIBOR Floor
Collar 1	April 2022	$ 74.1	2.5%	1.2%
Collar 2	April 2022	74.1	2.5%	1.3%
Collar 3	April 2022	74.1	2.5%	1.4%
Total		$ 222.3		

Nonrecurring Fair Value Measurements

Certain assets are measured at fair value on a nonrecurring basis; that is, the assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). Non-financial assets such as goodwill, intangible assets, and leasehold improvements, equipment and construction in progress are subsequently measured at fair value when there is an indicator of impairment and recorded at fair value only when impairment is recognized. The Company assesses the impairment of intangible assets annually or whenever events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable. The fair value of its goodwill and intangible assets is not estimated if there is no change in events or circumstances that indicate the carrying amount of an intangible asset may not be recoverable. There were no impairment charges for the nine months ended September 30, 2019 and 2018.

Financial Instruments Not Measured at Fair Value

The following table presents the carrying amounts and estimated fair values of financial instruments not measured at fair value in the Condensed Consolidated Balance Sheets at September 30, 2019 and December 31, 2018:

	September 30, 2019 (unaudited)		December 31, 2018	
(millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Credit Facility, net of original discount on borrowings and deferred financing costs	$ 351.0	$ 351.0	$ 371.2	$ 371.2
Other obligations	$ 19.1	$ 19.1	$ 15.4	$ 15.4

The fair value of the Restated Credit Facility and Other obligations approximates the carrying amount due to variable interest rates and would be classified as a Level 2. See Note 10. *Borrowing Arrangements*, for further information.

10. Borrowing Arrangements

Long-term borrowings, in order of preference, consist of:

		Amount Outstanding	
(millions)	Maturity Date	September 30, 2019	December 31, 2018
		(unaudited)	
Credit facility, net of original discount on borrowings and deferred financing costs	November 30, 2023	$ 351.0	$ 371.2
Other borrowings	Various	19.1	15.5
Total obligations under credit facility and other borrowings		370.1	386.7
Less: Current portion of obligations under credit facility and other borrowings		14.4	13.2
Total long-term obligations under credit facility and other borrowings		$ 355.7	$ 373.5

Former Amended and Restated Credit Facility

On February 20, 2015, the Company amended and restated its credit facility (the "Former Restated Credit Facility") that permitted aggregate borrowings of $400.0 million consisting of (i) a revolving credit facility of up to $200.0 million at any time outstanding, which includes a $100.0 million sublimit for letters of credit and a $20.0 million sublimit for swing-line loans, and (ii) a term loan facility of $200.0 million. The Former Restated Credit Facility was due to mature on February 20, 2020.

Senior Credit Facility

On November 30, 2018 (the "Closing Date") and in connection with the Acquisition, the Company entered into a credit agreement (the “Credit Agreement”) with Bank of America, N.A. (“Bank of America”), as Administrative Agent, swing-line lender and a letter of credit issuer; Wells Fargo Bank, N.A., as syndication agent; BMO Harris Bank N.A., JPMorgan Chase Bank, N.A., KeyBank National Association and U.S. Bank National Association, as co-documentation agents; Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, as joint lead arrangers and joint bookrunners; and the lenders party thereto (the “Lenders”). Pursuant to the terms, and subject to the conditions of the Credit Agreement, the Lenders have made available to the Company a new senior secured credit facility (the “Senior Credit Facility”) that permits aggregate borrowings of $550.0 million consisting of (i) a revolving credit facility of up to $325.0 million at any time outstanding, which includes a letter of credit facility that is limited to $100.0 million at any time outstanding, and (ii) a term loan facility of $225.0 million. The Senior Credit Facility matures on November 30, 2023.

The entire amount of the term loan portion of the Senior Credit Facility was drawn by the Company on the Closing Date and is subject to scheduled quarterly amortization of principal in installments equal to 1.25% of the initial aggregate principal amount of such term loan. The Company also borrowed $174.8 million under the revolving credit facility on the Closing Date. The proceeds from these borrowings were used by the Company to pay the purchase price for the Acquisition (See Note 3*. Acquisition*), to pay other costs and expenses related to the acquisition of Bags and the related financing and to repay in full the obligations under the Former Restated Credit Facility. In addition, proceeds from the Senior Credit Facility may be used to finance working capital, capital expenditures and other acquisitions, payments and general corporate purposes.

Borrowings under the Senior Credit Facility bear interest, at the Company’s option, (i) at a rate per annum based on the Company’s consolidated total debt to EBITDA ratio for the 12-month period ending as of the last day of the immediately preceding fiscal quarter, determined in accordance with the applicable pricing levels set forth in the Credit Agreement (the “Applicable Margin”) for London Interbank Offered Rate (or a comparable or successor rate approved by Bank of America) (“U.S. dollar LIBOR”) loans, plus the applicable U.S. dollar LIBOR rate or (ii) the Applicable Margin for base rate loans plus the highest of (x) the federal funds rate plus 0.5%, (y) the Bank of America prime rate and (z) a daily rate equal to the applicable U.S. dollar LIBOR rate plus 1.0%.

Under the terms of the Credit Agreement, the Company is required to maintain a maximum consolidated total debt to EBITDA ratio of not greater than 4.25:1.0 with certain step-downs described in the Credit Agreement. In addition, the Company is required to maintain a minimum consolidated fixed charge coverage ratio of not less than 3.50:1.0 (with certain step-ups described in the Credit Agreement).

Events of default under the Credit Agreement include failure to pay principal or interest when due, failure to comply with the financial and operational covenants, the occurrence of any cross default event, non-compliance with other loan documents, the occurrence of a change of control event, and bankruptcy and other insolvency events. If an event of default occurs and is continuing, the Administrative Agent can, with the consent of the required Lenders, among others (i) terminate the commitments under the Credit Agreement, (ii) accelerate and require the Company to repay all the outstanding amounts owed under the Credit Agreement, and (iii) require the Company to cash collateralize any outstanding letters of credit.

Each wholly owned domestic subsidiary of the Company (subject to certain exceptions set forth in the Credit Agreement) has guaranteed all existing and future indebtedness and liabilities of the other guarantors and the Company arising under the Credit Agreement. The Company’s obligations under the Credit Agreement and such domestic subsidiaries’ guaranty obligations are secured by substantially all of their respective assets.

The Company is in compliance with the covenants under the Credit Agreement as of September 30, 2019.

At September 30, 2019, the Company had $53.6 million of letters of credit outstanding under the Senior Credit Facility, borrowings against the Senior Credit Facility aggregated to $354.0 million.

The weighted average interest rate on our Senior Credit Facility and Former Restated Credit Facility was 3.5% and 4.0% for the periods ended September 30, 2019 and December 31, 2018, respectively. The rate includes all outstanding U.S. dollar LIBOR contracts and letters of credit. The weighted average interest rate on outstanding borrowings, not including letters of credit, was 3.8% and 4.3%, respectively, at September 30, 2019 and December 31, 2018.

In connection with and effective upon the execution and delivery of the Credit Agreement on November 30, 2018, the Company recognized losses on extinguishment of debt relating to debt discount and debt issuance costs. These losses were not significant.

Interest Rate Collars

In May 2019, the Company entered into three-year interest rate collar contracts with an aggregate $222.3 million notional amount. Interest rate collars are used to manage interest rate risk associated with variable interest rate borrowings under the Credit Agreement. The collars establish a range where the Company will pay the counterparties if the one-month U.S. dollar LIBOR rate falls below the established floor rate, and the counterparties will pay the Company if the one-month U.S. dollar LIBOR rate exceeds the established ceiling rate of 2.5%. The collars settle monthly through the termination date of April 2022. No payments or receipts are exchanged on the interest rate collar contracts unless interest rates rise above or fall below the pre-determined ceiling or floor rates. The notional amount amortizes consistent with the term loan portion of the Senior Credit Facility. These interest rate collars are classified as cash flow hedges, and the Company calculates the effectiveness of the hedge on a monthly basis. See Note 9. *Fair Value Measurement* for additional disclosure on interest rate collar contract transactions. As of December 31, 2018, the Company had no ongoing derivative transactions.

Subordinated Convertible Debentures

The Company acquired Subordinated Convertible Debentures ("Convertible Debentures") as a result of a prior acquisition. The subordinated debenture holders have the right to redeem the Convertible Debentures for $19.18 per share upon their stated maturity (April 1, 2028) or upon acceleration or earlier repayment of the Convertible Debentures. There were no redemptions of Convertible Debentures during the periods ended September 30, 2019 and December 31, 2018, respectively. The approximate redemption value of the Convertible Debentures outstanding at September 30, 2019 and December 31, 2018 is $1.1 million and $1.1 million, respectively.

11. Share Repurchase Plan

In May 2016, the Company's Board of Directors authorized the Company to repurchase, on the open market, shares of its outstanding common stock in an amount not to exceed $30.0 million in aggregate. In July 2019, the Company's Board of Director's authorized a new program to repurchase, on the open market, shares of its outstanding common stock in an amount not to exceed $50.0 million in aggregate. Purchases of the Company's common stock may be made in open market transactions effected through a broker-dealer at prevailing market prices, in block trades, or by other means in accordance with Rules 10b-18 and 10b5-1 under the Securities Exchange Act of 1934. The share repurchase program does not obligate the Company to repurchase any particular amount of common stock, and has no fixed termination date.

Under this program, the Company has repurchased 1,263,642 shares of common stock through September 30, 2019. The table below summarizes share repurchase activity during the three and nine months ended September 30, 2019.

(millions, except for share and per share data) (unaudited)	Three Months Ended September 30, 2019		Nine Months Ended September 30, 2019	
Total number of shares repurchased		536,743		958,459
Average price paid per share	$	34.83	$	33.73
Total value of shares repurchased	$	18.7	$	32.3

No shares were repurchased during the three and nine months ended September 30, 2018.

The following table summarizes the remaining authorized repurchase amount under the program as of September 30, 2019.

(millions) (unaudited)	September 30, 2019	
Total authorized repurchase amount	$	80.0
Total value of shares repurchased		39.8
Total remaining authorized repurchase amount	$	40.2

12. Bradley Agreement

The Company entered into a 25-year agreement with the State of Connecticut ("State") that expires on April 6, 2025, under which it operates the surface parking and 3,500 garage parking spaces at Bradley International Airport ("Bradley") located in the Hartford, Connecticut metropolitan area.

The parking garage was financed through the issuance of State of Connecticut special facility revenue bonds and provides that the Company deposits, with the trustee for the bondholders, all gross revenues collected from operations of the surface and garage parking. From these gross revenues, the trustee pays debt service on the special facility revenue bonds outstanding, operating and capital maintenance expense of the surface and garage parking facilities, and specific annual guaranteed minimum payments to the state. Principal and interest on the Bradley special facility revenue bonds increase from approximately $3.6 million in contract year 2002 to approximately $4.5 million in contract year 2025. Annual guaranteed minimum payments to the State increase from approximately $8.3 million in contract year 2002 to approximately $13.2 million in contract year 2024. The annual minimum guaranteed payment to the State by the trustee for the twelve months ended December 31, 2019 and 2018 is $12.0 million and was $11.8 million, respectively. All of the cash flow from the parking facilities are pledged to the security of the special facility revenue bonds and are collected and deposited with the bond trustee. Each month the bond trustee makes certain required monthly distributions, which are characterized as "Guaranteed Payments." To the extent the monthly gross receipts generated by the parking facilities are not sufficient for the trustee to make the required Guaranteed Payments, the Company is obligated to deliver the deficiency amount to the trustee, with such deficiency payments representing interest bearing advances to the trustee. The Company does not directly guarantee the payment of any principal or interest on any debt obligations of the State of Connecticut or the trustee.

The following is the list of Guaranteed Payments:

- Garage and surface operating expenses,
- Principal and interest on the special facility revenue bonds,
- Trustee expenses,
- Major maintenance and capital improvement deposits, and
- State minimum guarantee.

To the extent sufficient funds are available, the trustee is then directed to reimburse the Company for deficiency payments up to the amount of the calculated surplus, with the Company having the right to be repaid the principal amount of any and all deficiency payments, together with actual interest and premium, not to exceed 10% of the initial deficiency payment. The Company calculates and records interest and premium income along with deficiency principal repayments as a reduction of cost of services in the period the associated deficiency repayment is received from the trustee. The Company believes these advances to be fully recoverable as the Bradley Agreement places no time restriction on the Company's right to reimbursement. The reimbursement of principal, interest and premium will be recognized when received.

The total deficiency repayments (net of payments made) from the State as of September 30, 2019 (unaudited) are as follows:

(millions)	September 30, 2019
Balance as of December 31, 2018	$ 3.9
Deficiency payments made	—
Deficiency repayments received	(2.8)
Balance as of September 30, 2019	$ 1.1

The total deficiency repayments (net of payments made), interest and premium received and recognized for the three and nine months ended September 30, 2019 and 2018 are as follows:

	Three Months Ended		Nine Months Ended	
(millions) (unaudited)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Deficiency repayments	$ 0.4	$ 0.9	$ 2.8	$ 2.9
Interest	$ 0.3	$ —	$ 0.8	$ 0.5
Premium	$ —	$ 0.1	$ 0.3	$ 0.2

Deficiency payments made are recorded as an increase in Cost of services - management type contracts and deficiency repayments, interest and premium received are recorded as reductions to Cost of services - management type contracts. The reimbursement of principal, interest and premium are recognized when received.

There were no amounts of estimated deficiency payments accrued as of September 30, 2019 and December 31, 2018, as the Company concluded that the potential for future deficiency payments did not meet the criteria of both probable and estimable.

In addition to the recovery of certain general and administrative expenses incurred, the Bradley Agreement provides for an annual management fee payment, which is based on operating profit tiers. The annual management fee is further apportioned 60% to the Company and 40% to an un-affiliated entity and the annual management fee will be paid to the extent funds are available for the trustee to make distribution, and are paid after Guaranteed Payments (as defined in the Bradley Agreement), and after the repayment of all deficiency payments, including interest and premium. Cumulative management fees of approximately $19.5 million and $18.7 million have not been recognized as of September 30, 2019 and December 31, 2018, respectively, and no management fees were recognized as revenue for the three and nine months ended September 30, 2019 and 2018.

13. Stock-Based Compensation

Stock Grants

There were 14,076 and 12,736 stock grants granted during the nine months ended September 30, 2019 and 2018, respectively. The Company recognized $0.5 million of stock-based compensation expense related to stock grants for the three and nine months ended September 30, 2019 and 2018, respectively.

Restricted Stock Units

During the nine months ended September 30, 2019 and 2018, 37,235 and 52,306 restricted stock units were authorized by the Company, respectively. During the nine months ended September 30, 2019 and 2018, 76,875 and 129,706 restricted stock units vested, respectively. During the nine months ended September 30, 2019 and 2018, 7,978 and 6,456 restricted stock units were forfeited under the Company's Long-Term Incentive Plan, as Amended and Restated (the "Plan") and became available for reissuance, respectively.

The table below shows the Company's stock-based compensation expense related to the restricted stock units for the three and nine months ended September 30, 2019 and 2018, respectively, and is included in General and administrative expenses within the Condensed Consolidated Statements of Income:

	Three Months Ended		Nine Months Ended	
(millions) (unaudited)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Stock-based compensation expense	$ 0.3	$ 0.3	$ 0.8	$ 0.6

As of September 30, 2019, there was $2.0 million of unrecognized stock-based compensation costs related to the restricted stock units that are expected to be recognized over a weighted average remaining period of approximately 2.0 years.

Performance Share Units

In September 2014, the Board of Directors authorized a performance-based incentive program under the Company's Plan ("Performance-Based Incentive Program"), whereby the Company will issue performance share units to certain executives that represent shares potentially issuable in the future. The objective of the Performance-Based Incentive Program is to link compensation to business performance, encourage ownership of Company stock, retain executive talent, and reward executive performance. The Performance-Based Incentive Program provides participating executives with the opportunity to earn vested common stock if certain performance targets for pre-tax free cash flow are achieved over a three years performance period and recipients satisfy service-based vesting requirements. The stock-based compensation expense associated with unvested performance share units are recognized on a straight-line basis over the shorter of the vesting period or minimum service period and dependent upon the probable outcome of the number of shares that will ultimately be issued based on the achievement of pre-tax free cash flow over the cumulative three years period.

During the nine months ended September 30, 2019 and 2018, the Company granted 144,097 and 28,060 performance share units to certain executives, respectively. The grants during the nine months ended September 30, 2019 included an increase during the three months ended September 30, 2019 of 18,865 shares that are expected to be awarded based on the revised estimate of performance shares that are expected to vest. The grants during the nine months ended September 30, 2018 included a decrease during the three months ended September 30, 2018 of 70,661 shares based on the revised estimate of performance shares that are no longer expected to vest. No performance share units vested during the nine months ended September 30, 2019. During the nine months ended September 30, 2018, 6,874 performance share units vested related to certain participating executives being eligible for retirement. During the nine months ended September 30, 2019 and 2018, 11,819 and 10,572 performance share units were forfeited under the Plan and became available for reissuance, respectively.

The table below shows the Company's stock-based compensation expense (reduction of expense) related to the Performance-Based Incentive Program for the three and nine months ended September 30, 2019 and 2018, respectively, and is included in General and administrative expenses within the Condensed Consolidated Statements of Income:

	Three Months Ended		Nine Months Ended	
(millions) (unaudited)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Stock-based compensation expense	$ 1.0	$ (0.4)	$ 1.8	$ 0.7

Future compensation expense for currently outstanding awards under the Performance-Based Incentive Program could reach a maximum of$15.0 million. Stock-based compensation for the Performance-Based Incentive Program is expected to be recognized over a weighted average period of 1.9 years.

14. Net Income per Common Share

Basic net income per share is computed by dividing net income by the weighted daily average number of shares of common stock outstanding during the period. Diluted net income per share is based upon the weighted daily average number of shares of common stock outstanding for the period plus dilutive potential common shares, including stock options and restricted stock units using the treasury-stock method.

A reconciliation of the weighted average basic common shares outstanding to the weighted average diluted common shares outstanding is as follows:

	Three Months Ended		Nine Months Ended	
(millions, except share and per share data) (unaudited)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net income attributable to SP Plus Corporation	$ 14.2	$ 13.5	$ 40.0	$ 44.1
Basic weighted average common shares outstanding	21,945,129	22,439,884	22,277,852	22,370,789
Dilutive impact of share-based awards	93,776	186,862	134,113	236,485
Diluted weighted average common shares outstanding	22,038,905	22,626,746	22,411,965	22,607,274
Net income per common share				
Basic	$ 0.64	$ 0.60	$ 1.79	$ 1.97
Diluted	$ 0.64	$ 0.60	$ 1.78	$ 1.95

For the three and nine months ended September 30, 2019 and 2018, unvested performance share units were excluded from the computation of weighted average diluted common share outstanding because the number of shares ultimately issuable is contingent on the Company's performance goals, which were not achieved as of the reporting date.

There are no additional securities that could dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share, other than those disclosed.

15. Comprehensive Income

Comprehensive income consists of the following components, net of tax:

	Three Months Ended		Nine Months Ended	
(millions) (unaudited)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net income	$ 15.0	$ 14.5	$ 42.2	$ 46.6
Effective portion of unrealized loss on cash flow hedge	(0.1)	—	(0.9)	—
Foreign currency translation (loss) gain	(0.1)	0.1	—	(0.4)
Comprehensive income	14.8	14.6	41.3	46.2
Less: Comprehensive income attributable to noncontrolling interest	0.8	1.0	2.2	2.5
Comprehensive income attributable to SP Plus Corporation	$ 14.0	$ 13.6	$ 39.1	$ 43.7

Accumulated other comprehensive loss is comprised of foreign currency translation adjustments and the effective portion of unrealized loss on cash flow hedges. The components of changes in accumulated comprehensive loss, net of tax, for the nine months ended September 30, 2019 were as follows:

(millions) (unaudited)		Foreign Currency Translation Adjustments		Effective Portion of Unrealized Loss on Cash Flow Hedge		Total Accumulated Other Comprehensive Loss
Balance as of December 31, 2018	$	(2.4)	$	—	$	(2.4)
Change in other comprehensive loss		0.2		—		0.2
Balance as of March 31, 2019	$	(2.2)	$	—	$	(2.2)
Change in other comprehensive loss		(0.1)		(0.8)		(0.9)
Balance as of June 30, 2019	$	(2.3)	$	(0.8)	$	(3.1)
Change in other comprehensive loss		(0.1)		(0.1)		(0.2)
Balance as of September 30, 2019	$	(2.4)	$	(0.9)	$	(3.3)

16. Income Taxes

For the three months ended September 30, 2019, the Company recognized an income tax expense of $5.7 million on pre-tax earnings of $20.7 million compared to $5.6 million income tax expense on pre-tax earnings of $20.1 million for the three months ended September 30, 2018. For the nine months ended September 30, 2019, the Company recognized an income tax expense of $14.6 million on pre-tax earnings of $56.8 million compared to $16.9 million income tax expense on pre-tax earnings of $63.5 million for the nine months ended September 30, 2018. The effective tax rate was approximately 25.7% for the nine months ended September 30, 2019 compared to 26.6% for the nine months ended September 30, 2018. The effective tax rate for the nine months ended September 30, 2019 decreased primarily due to a decrease in state income taxes.

As of September 30, 2019, the Company has not identified any uncertain tax positions that would have a material impact on the Company's financial position. The Company recognizes potential interest and penalties related to uncertain tax positions, if any, in income tax expense.

The tax years that remain subject to examination for the Company's major tax jurisdictions at September 30, 2019 are shown below:

2016 – 2018 United States — federal income tax
2012 – 2018 United States — state and local income tax
2015 – 2018 Canada and Puerto Rico

17. Business Unit Segment Information

Segment information is presented in accordance with a “management approach,” which designates the internal reporting used by the Company's Chief Operating Decision Maker (“CODM”) for making decisions and assessing performance as the source of the Company’s reportable segments. The Company’s segments are organized in a manner consistent with which discrete financial information is available and evaluated regularly by the CODM in deciding how to allocate resources and in assessing performance.

An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenue and incur expenses, and about which separate financial information is regularly evaluated by the CODM. The CODM is the Company’s chief executive officer.

Each of the operating segments are directly responsible for revenue and expenses related to their operations including direct segment administrative costs. Finance, information technology, human resources, and legal are shared functions that are not allocated back to the two operating segments. The CODM assesses the performance of each operating segment using information about its revenue and gross profit as its primary measure of performance, but does not evaluate segments using discrete asset information. There are no inter-segment transactions and the Company does not allocate interest and other income, interest expense, depreciation and amortization or taxes to operating segments. The accounting policies for segment reporting are the same as for the Company as a whole.

The operating segments are internally reported to the Company's CODM as Segment One (Commercial) and Segment Two (Aviation).

- Segment One (Commercial) encompasses our services in healthcare facilities, municipalities, including meter revenue collection and enforcement services, government facilities, hotels, commercial real estate, residential communities, retail, colleges and universities, as well as ancillary services such as shuttle and ground transportation services, valet services, taxi and livery dispatch services and event planning, including shuttle and transportation services.
- Segment Two (Aviation) encompasses our services in aviation (i.e., airports, airline and certain hospitality clients with baggage and parking services) as well as ancillary services, which include shuttle and ground transportation services, valet services, baggage handling, baggage repair and replacement, remote airline check-in services, wheelchair assist services and other services.
- "Other" consists of ancillary revenue that is not specifically identifiable to Segments One or Two and certain unallocated items, such as and including prior year insurance reserve adjustments/costs and other corporate items.

The business is managed based on segments administered by executive officers.

The following is a summary of revenues and gross profit by operating segment for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended				Nine Months Ended			
(millions) (unaudited)	September 30, 2019	Gross Margin %	September 30, 2018	Gross Margin %	September 30, 2019	Gross Margin %	September 30, 2018	Gross Margin %
Services Revenue								
Segment One								
Lease type contracts	$ 96.2		$ 97.6		$ 283.6		$ 290.8	
Management type contracts	62.3		59.4		191.1		191.1	
Total Segment One	158.5		157.0		474.7		481.9	
Segment Two								
Lease type contracts	8.1		6.9		23.4		20.3	
Management type contracts	68.1		21.1		198.0		66.2	
Total Segment Two	76.2		28.0		221.4		86.5	
Other								
Lease type contracts	0.3		0.2		0.6		0.5	
Management type contracts	2.2		2.1		6.3		7.5	
Total Other	2.5		2.3		6.9		8.0	
Reimbursed management type contract revenue	181.4		174.8		539.2		514.8	
Total Services Revenue	$ 418.6		$ 362.1		$ 1,242.2		$ 1,091.2	
Gross Profit								
Segment One								
Lease type contracts	$ 7.7	8%	$ 7.7	8%	$ 22.1	8%	$ 19.5	7%
Management type contracts	25.8	41%	24.1	41%	73.0	38%	71.8	38%
Total Segment One	33.5		31.8		95.1		91.3	
Segment Two								
Lease type contracts	2.4	30%	2.0	29%	6.4	27%	5.6	28%
Management type contracts	17.5	26%	6.7	32%	52.9	27%	20.3	31%
Total Segment Two	19.9		8.7		59.3		25.9	
Other								
Lease type contracts	1.5	N/M	0.8	N/M	4.6	N/M	3.3	N/M
Management type contracts	3.8	N/M	3.7	N/M	14.8	N/M	15.1	N/M
Total Other	5.3		4.5		19.4		18.4	
Total gross profit	$ 58.7		$ 45.0		$ 173.8		$ 135.6	
General and administrative expenses	26.0		18.7		80.8		63.3	
General and administrative expense percentage of gross profit	44%		42%		46%		47%	
Depreciation and amortization	7.3		4.2		21.8		12.7	
Operating income	25.4		22.1		71.2		59.6	
Other expenses (income)								
Interest expense	4.8		2.1		14.7		6.5	
Interest income	(0.1)		(0.1)		(0.3)		(0.3)	
Equity earnings from investment in unconsolidated entity	—		—		—		(10.1)	
Total other expenses (income)	4.7		2.0		14.4		(3.9)	
Earnings before income taxes	20.7		20.1		56.8		63.5	
Income tax expense	5.7		5.6		14.6		16.9	
Net income	15.0		14.5		42.2		46.6	
Less: Net income attributable to noncontrolling interest	0.8		1.0		2.2		2.5	
Net income attributable to SP Plus Corporation	$ 14.2		$ 13.5		$ 40.0		$ 44.1	

N/M - Not Meaningful

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our results of operations should be read in conjunction with the condensed consolidated financial statements and the notes thereto contained in this Quarterly Report on Form 10-Q and the condensed consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Important Information Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q is being filed by SP Plus Corporation ("we", "SP Plus" or the "Company") with the Securities and Exchange Commission ("SEC") and contains forward-looking statements. These statements are typically accompanied by the words "expect," "estimate," "intend", "will," "predict," "project," "may," "should," "could," "believe," "would," "might," "anticipate," or words of similar terms and phrases, but such words, terms and phrases are not the exclusive means of identifying such statements. These expressions are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. These forward looking statements are made based on management's expectations, beliefs and projections concerning future events and are subject to uncertainties and factors relating to operations and the business environment, all of which are difficult to predict and many of which are beyond management's control. These forward looking statements are not guarantees of future performance and there can be no assurance that our expectations, beliefs and projections will be realized.

Although we believe there is a reasonable basis for the forward-looking statements, our actual results could be materially different. The most important factors which could cause our actual results to differ from our forward-looking statements are set forth on our description of risk factors in Item 1A. *Risk Factors* of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and Item *1A. Risk Factors* included in this Quarterly Report, which should be read in conjunction with the forward-looking statements in this report. Forward-looking statements speak only as of the date they are made, and except as expressly required by the federal securities laws, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, changed circumstances, future events or for any other reason.

Explanatory Note

On November 30, 2018, we completed the acquisition of ZWB Holdings, Inc. and Rynn's Luggage Corporation, their subsidiaries and affiliates (collectively, "Bags") and our consolidated results of operations for the three and nine months ended September 30, 2019 includes the results of operations related to Bags. Our consolidated operations for the three and nine months ended September 30, 2018 do not include amounts related to the Bags' results of operations. See Note 3. *Acquisition*, which is included in *Part I, Item 1. "Financial Statements"* for further discussion of the Bags acquisition.

Overview

Our Business

We facilitate the efficient movement of people, vehicles and personal belongings with the goal of enhancing the consumer experience while improving bottom line results for our clients. We provide professional parking management, ground transportation, remote baggage check-in and handling, facility maintenance, security, event logistics, and other technology-driven mobility solutions to aviation, commercial, hospitality, healthcare and government clients across North America. We typically enter into contractual relationships with property owners or managers as opposed to owning facilities.

We operate under two types of arrangements: management type contracts and lease type contracts. Under a management type contract, we typically receive a fixed and/or variable monthly fee for providing our services, and we may also receive an incentive fee based on the achievement of certain performance objectives. We also receive fees for ancillary services. Typically, all of the underlying revenue and expenses under a standard management type contract flow through to our client rather than to us. However, some management type contracts, which are referred to as "reverse" management type contracts, usually provide for larger management fees and require us to pay various costs. Under a lease type contract, we generally pay to the client either a fixed annual rent, a percentage of gross customer collections, or a combination of both. Under a lease type contract, we collect all revenue and are responsible for most operating expenses, but typically are not responsible for major maintenance, capital expenditures or real estate taxes. Margins for lease type contracts vary significantly, not only due to operating performance, but also due to variability of parking rates in different cities and varying space utilization by parking facility type and location. As of September 30, 2019, we operated approximately 81% of our locations under management type contracts and approximately 19% under lease type contracts.

In evaluating our financial condition and operating performance, management's primary focus is on our gross profit and total general and administrative expense. Revenue from lease type contracts includes all gross customer collections derived from our leased locations (net of local parking taxes), whereas revenue from management type contracts only includes our contractually agreed upon management fees and amounts attributable to ancillary services. Gross customer collections at facilities under management type contracts, therefore, are not included in our revenue. Revenue from lease type contracts also includes a reduction of Services revenue - lease type contracts pursuant to ASU No. 2017-10, *Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Service*s, which requires rental expense be presented as a reduction of Services revenue - lease type contracts for those facilities (and corresponding contracts) that meet the criteria and definition of a service concession arrangement. Accordingly, while a change in the proportion of our operating agreements that are structured as lease type contracts versus management type contracts may cause significant fluctuations in reported revenue and expense of parking services, that change will not artificially affect our gross profit. For example, as of September 30, 2019, approximately 81% of our business was operating under management type contracts and 81% of our gross profit for the nine months ended September 30, 2019 was derived from management type contracts. Only 56% of total revenue (excluding reimbursed management type contract revenue), however, was from management type contracts because under those contracts the revenue collected from parking customers belongs to our clients. Therefore, gross profit and total general and administrative expense, rather than revenue, are management's primary focus.

Bags Acquisition

On November 30, 2018, we acquired the outstanding shares of Bags for an all-cash purchase price of $277.9 million, net of $5.9 million of cash acquired. Bags is a leading provider of baggage services, remote airline check-in, and other related services, primarily to airline, airport and hospitality clients. Bags provides these services by combining exceptional customer service with innovative technologies. Based in Orlando, Florida, Bags operates in over 250 cities in North America with approximately 3,000 employees. Its clients include major airlines, airports, sea ports, cruise lines, and leading hotels and resorts. Bags handles more than 5.0 million checked bags annually.

General Business Trends

We believe that sophisticated clients (which also include property owners) recognize the potential for parking services, parking management, ground transportation services, baggage handling and other ancillary services to be a profit generator and/or a service differentiator to their customers. By outsourcing these services, they are able to capture additional profit and improve customer experience by leveraging the unique operational skills and controls that an experienced services company can offer. Our ability to consistently deliver a uniformly high level of services to our clients, including the use of various technological enhancements, allows us to maximize the profit and/or customer experience to our clients and improves our ability to win contracts and retain existing clients. Our focus on customer service and satisfaction is a key driver of our high retention rate, which was approximately 92% and 89% for both twelve-month periods ended September 30, 2019 and 2018, respectively. This retention rate captures facilities in Segment One (Commercial).

Summary of Segment One (Commercial) Facilities

The following table reflects our Segment One (Commercial) facilities (by contractual type) operated at the end of the years indicated:

	September 30, 2019	December 31, 2018	September 30, 2018
Leased facilities	617	628	628
Managed facilities	2,556	2,514	2,572
Total Segment One (Commercial) facilities [1]	3,173	3,142	3,200

(1) Includes partial ownership in one leased facility.

Revenue

We recognize services revenue from lease and management type contracts as the related services are provided. Substantially all of our revenue comes from the following two sources:

Services revenue—lease type contracts. Services revenue related to lease type contracts consists of all revenue received at a lease type locations, including gross receipts (net of local taxes), consulting and real estate development fees, gains on sales of contracts and payments for exercising termination rights.

Services revenue—management type contracts. Management type contract revenue consists of management fees, including fixed, variable and/or performance-based fees, and amounts attributable to ancillary services such as accounting, equipment leasing, baggage services, remote air check-in services, payments received for exercising termination rights, consulting, developmental fees, gains on sales of contracts, insurance and other value-added services with respect to management type contracts. We believe we generally purchase required insurance at lower rates than our clients can obtain on their own because we effectively self-insure for all liability and workers' compensation and health care claims by maintaining a large per-claim deductible. As a result, we have generated operating income on the insurance provided under our management type contracts by focusing on our risk management efforts and controlling losses. Management type contract revenues do not include gross customer collections at managed type contracts as these revenues belong to the client rather than to us. Management type contracts generally provide us with a management fee regardless of the operating performance of the underlying management type contract.

Reimbursed Management Type Contract Revenue

Reimbursed management type contract revenue consists of the direct reimbursement from the property owner for operating expenses incurred under a management type contract, which are reflected in our revenue.

Cost of Services

Our cost of services consists of the following:

Cost of services—lease type contracts. The cost of services under a lease type arrangement consists of contractual rents or fees paid to the client and all operating expenses incurred in connection with operating the leased facility. Contractual rents or fees paid to the client are generally based on either a fixed contractual amount or a percentage of gross revenue or a combination thereof. Generally, under a lease type arrangement we are not responsible for major capital expenditures or real estate taxes.

Cost of services—management type contracts. The cost of services under a management type contract is generally the responsibility of the client. As a result, these costs are not included in our results of operations. However, our reverse management type contracts, which typically provide for larger management fees, do require us to pay for certain costs and these costs are included in results of operations.

Reimbursed Management Type Contract Expense

Reimbursed management type contract expense consists of direct reimbursed costs incurred on behalf of property owners under a management type contract, which are reflected in our cost of parking services.

Gross Profit

Gross profit equals our revenue less the cost of generating such revenue. This is the key metric we use to examine our performance because it captures the underlying economic benefit to us of both lease and management type contracts.

General and Administrative Expenses

General and administrative expenses include salaries, wages, payroll taxes, insurance, travel and office related expenses for our headquarters, field offices, supervisory employees, and board of directors.

Depreciation and Amortization

Depreciation is determined using a straight-line method over the estimated useful lives of the various asset classes, or in the case of leasehold improvements, over the initial term of the operating lease or its useful life, whichever is shorter. Intangible assets determined to have finite lives are amortized over their remaining estimated useful life.

Results of Operations

Segments

An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenue and incur expenses, and about which separate financial information is regularly evaluated by our chief operating decision maker ("CODM"), in deciding how to allocate resources. Our CODM is our chief executive officer.

The operating segments are internally reported to our CODM as Segment One (Commercial) and Segment Two (Aviation).

- Segment One (Commercial) encompasses our services in healthcare facilities, municipalities, including meter revenue collection and enforcement services, government facilities, hotels, commercial real estate, residential communities, retail, colleges and universities, as well as ancillary services such as ground transportation services, valet services, taxi and livery dispatch services and event planning, including shuttle and transportation services.
- Segment Two (Aviation) encompasses our services in aviation (*e.g.,* airports, airline and certain hospitality clients with baggage and parking services) as well as ancillary services, which includes ground transportation services, valet services, baggage handling, baggage repair and replacement, remote airline check-in services and other services.
- "Other" consists of ancillary revenue that is not specifically identifiable to Segments One or Two and certain unallocated items, such as and including prior year insurance reserve adjustments/costs and other corporate items.

The following tables are a summary of revenues (excluding reimbursed management type contract revenue), cost of services and gross profit by segment for the three months ended September 30, 2019 and 2018:

Three Months Ended September 30, 2019 Compared to Three Months September 30, 2018

Segment revenue information is summarized as follows:

	Three Months Ended September 30,									
	Segment One		Segment Two		Other		Total		Variance	
(millions) (unaudited)	2019	2018	2019	2018	2019	2018	2019	2018	Amount	%
Lease type contract revenue:										
New/acquired business	$ 1.7	$ —	$ 0.9	$ —	$ —	$ —	$ 2.6	$ —	$ 2.6	— %
Expired business	1.0	6.6	—	—	—	—	1.0	6.6	(5.6)	(84.8)%
Existing business	91.4	88.7	7.2	6.9	0.3	0.2	98.9	95.8	3.1	3.2 %
Conversions	2.1	2.3	—	—	—	—	2.1	2.3	(0.2)	(8.7)%
Total lease type contract revenue	$ 96.2	$ 97.6	$ 8.1	$ 6.9	$ 0.3	$ 0.2	$ 104.6	$ 104.7	$ (0.1)	(0.1)%
Management type contract revenue:										
New/acquired business	$ 7.4	$ 0.6	$ 46.8	$ —	$ —	$ —	$ 54.2	$ 0.6	$ 53.6	8,933.3 %
Expired business	0.6	4.7	0.3	0.1	—	—	0.9	4.8	(3.9)	(81.3)%
Existing business	54.1	54.0	21.0	21.0	2.2	2.1	77.3	77.1	0.2	0.3 %
Conversions	0.2	0.1	—	—	—	—	0.2	0.1	0.1	100.0 %
Total management type contract revenue	$ 62.3	$ 59.4	$ 68.1	$ 21.1	$ 2.2	$ 2.1	$ 132.6	$ 82.6	$ 50.0	60.5 %

Revenue associated with existing business represents business that has been operating for at least one year and operating for the entire period in the comparative period being presented. Revenue associated with expired business relates to contracts that have expired, however, we were operating the location in the comparative period presented.

Services revenue—lease type contracts. Lease type contract revenue decreased $0.1 million, or 0.1%, to $104.6 million for the three months ended September 30, 2019, compared to $104.7 million for the three months ended September 30, 2018. The decrease in lease type contract revenue resulted primarily from a decrease of $5.6 million from expired business and $0.2 million from locations that converted from management type contracts during the periods presented, partially offset by increases of $3.1 million from existing business and $2.6 million from new/acquired business. Existing business revenue increased $3.1 million, or 3.2%, primarily due to monthly parking revenue and transient revenue.

From a reporting segment perspective, lease type contract revenue decreased primarily due to expired business in Segment One and conversions in Segment One, partially offset by increases in existing business in Segment One, Two, and Other, and new/acquired business in Segment One and Two. The Other amounts in existing business represent revenues not specifically identifiable to Segments One or Two.

Services revenue—management type contracts. Management type contract revenue increased $50.0 million, or 60.5%, to $132.6 million for the three months ended September 30, 2019, compared to $82.6 million for the three months ended September 30, 2018. The increase in management type contract revenue resulted primarily from an increase of $53.6 million from new/acquired business, primarily due to the Bags acquisition, $0.2 million from existing business, and $0.1 million from conversions, partially offset by a decrease of $3.9 million from expired business. Existing business increased $0.2 million, or 0.3%, primarily due to an increased management fees.

From a reporting segment perspective, management type contract revenue increased primarily due to increases from new/acquired business in Segment One and Two, existing business in Segment One and Other, expired business in Segment Two, and conversions in Segment One, partially offset by decreases in revenue from expired business in Segment One. The Other amounts in existing business represent revenues not specifically identifiable to Segment One or Two.

Reimbursed management type contract revenue. Reimbursed management type contract revenue increased $6.6 million, or 3.8%, to $181.4 million for the three months ended September 30, 2019, compared to $174.8 million for the three months ended September 30, 2018. This increase resulted from an increase in reimbursements for costs incurred on behalf of owners.

Segment cost of services information is summarized as follows:

	Three Months Ended September 30,									
	Segment One		Segment Two		Other		Total		Variance	
(millions) (unaudited)	2019	2018	2019	2018	2019	2018	2019	2018	Amount	%
Cost of services lease type contracts:										
New/acquired business	$ 1.8	$ —	$ 0.6	$ —	$ —	$ —	$ 2.4	$ —	$ 2.4	— %
Expired business	0.9	6.6	—	—	—	—	0.9	6.6	(5.7)	(86.4)%
Existing business	83.7	81.1	5.1	4.9	(1.2)	(0.6)	87.6	85.4	2.2	2.6 %
Conversions	2.1	2.2	—	—	—	—	2.1	2.2	(0.1)	(4.5)%
Total cost of services lease type contracts	$ 88.5	$ 89.9	$ 5.7	$ 4.9	$ (1.2)	$ (0.6)	$ 93.0	$ 94.2	$ (1.2)	(1.3)%
Cost of services management type contracts:										
New/acquired business	$ 4.6	$ 0.4	$ 37.0	$ —	$ —	$ —	$ 41.6	$ 0.4	$ 41.2	10,300.0 %
Expired business	0.4	3.0	—	—	—	—	0.4	3.0	(2.6)	(86.7)%
Existing business	31.4	31.9	13.6	14.4	(1.6)	(1.6)	43.4	44.7	(1.3)	(2.9)%
Conversions	0.1	—	—	—	—	—	0.1	—	0.1	— %
Total cost of services management type contracts	$ 36.5	$ 35.3	$ 50.6	$ 14.4	$ (1.6)	$ (1.6)	$ 85.5	$ 48.1	$ 37.4	77.8 %

Cost of services associated with existing business represents locations that have been operating for at least one year and operating for the entire period in the comparative period being presented. Cost of services associated with expired business relates to contacts that have expired, however, we were operating the location in the comparative period presented.

Cost of services—lease type contracts. Cost of services for lease type contracts decreased $1.2 million, or 1.3%, to $93.0 million for the three months ended September 30, 2019, compared to $94.2 million for the three months ended September 30, 2018. The decrease in cost of services for lease type contracts resulted primarily from a decrease of $5.7 million from expired business and $0.1 million from locations that converted from management type contracts during the periods presented, partially offset by increases of $2.4 million from new/acquired business and $2.2 million from existing business. Existing business costs increased $2.2 million, or 2.6%, primarily due to an increase in rent expense as a result of higher revenues for existing business and an increase in compensation and benefit costs, partially offset by a decrease in overall net operating costs.

From a reporting segment perspective, cost of services for lease type contracts decreased primarily from expired business in Segment One, existing business in Other, and conversions in Segment One, partially offset by new/acquired business in Segment One and Two and existing business in Segment One and Two. The Other segment amounts in existing business represent costs not specifically identifiable to Segment One or Two.

Cost of services—management type contracts. Cost of services for management type contracts increased $37.4 million, or 77.8%, to $85.5 million for the three months ended September 30, 2019, compared to $48.1 million for the three months ended September 30, 2018. The increase in cost of services for management type contracts resulted primarily from increases of $41.2 million from new/acquired business, primarily due to the Bags acquisition, and $0.1 million from locations that converted from lease type contracts during the periods presented, partially offset by a decrease of $2.6 million from expired business and $1.3 million from existing business. Existing business decreased $1.3 million, or 2.9%, primarily due to a decrease in overall net operating costs, partially offset by an increase in compensation and benefit costs.

From a reporting segment perspective, cost of services for management type contracts increased primarily due to new/acquired business in Segment One and Two, and conversions in Segment One, partially offset by a decrease in expired business in Segment One, and existing business in Segment One and Two. The Other segment amounts in existing business represent costs not specifically identifiable to Segment One or Two.

Reimbursed management type contract expense. Reimbursed management type contract expense increased $6.6 million, or 3.8%, to $181.4 million for the three months ended September 30, 2019, compared to $174.8 million for the three months ended September 30, 2018. This increase resulted from an increase in reimbursements for costs incurred on behalf of owners.

Segment gross profit/gross profit percentage information is summarized as follows:

	Three Months Ended September 30,									
	Segment One		Segment Two		Other		Total		Variance	
(millions) (unaudited)	2019	2018	2019	2018	2019	2018	2019	2018	Amount	%
Gross profit lease type contracts:										
New/acquired business	$ (0.1)	$ —	$ 0.3	$ —	$ —	$ —	$ 0.2	$ —	$ 0.2	— %
Expired business	0.1	—	—	—	—	—	0.1	—	0.1	— %
Existing business	7.7	7.6	2.1	2.0	1.5	0.8	11.3	10.4	0.9	8.7 %
Conversions	—	0.1	—	—	—	—	—	0.1	(0.1)	(100.0)%
Total gross profit lease type contracts	$ 7.7	$ 7.7	$ 2.4	$ 2.0	$ 1.5	$ 0.8	$ 11.6	$ 10.5	$ 1.1	10.5 %
	(Percentages)									
Gross profit percentage lease type contracts:										
New/acquired business	(5.9)%	—%	33.3%	—%	—%	—%	7.7%	—%		
Expired business	10.0 %	—%	—%	—%	—%	—%	10.0%	—%		
Existing business	8.4 %	8.6%	29.2%	29.0%	500.0%	400.0%	11.4%	10.9%		
Conversions	— %	4.3%	—%	—%	—%	—%	—%	4.3%		
Total gross profit percentage	8.0 %	7.9%	29.6%	29.0%	500.0%	400.0%	11.1%	10.0%		
Gross profit management type contracts:										
New/acquired business	$ 2.8	$ 0.2	$ 9.8	$ —	$ —	$ —	$ 12.6	$ 0.2	$ 12.4	6,200.0 %
Expired business	0.2	1.7	0.3	0.1	—	—	0.5	1.8	(1.3)	(72.2)%
Existing business	22.7	22.1	7.4	6.6	3.8	3.7	33.9	32.4	1.5	4.6 %
Conversions	0.1	0.1	—	—	—	—	0.1	0.1	—	— %
Total gross profit management type contracts	$ 25.8	$ 24.1	$ 17.5	$ 6.7	$ 3.8	$ 3.7	$ 47.1	$ 34.5	$ 12.6	36.5 %
	(Percentages)									
Gross profit percentage management type contracts:										
New/acquired business	37.8 %	33.3%	20.9%	—%	—%	—%	23.2%	33.3%		
Expired business	33.3 %	36.2%	100.0%	100.0%	—%	—%	55.6%	37.5%		
Existing business	42.0 %	40.9%	35.2%	31.4%	172.7%	176.2%	43.9%	42.0%		
Conversions	50.0 %	100.0%	—%	—%	—%	—%	50.0%	100.0%		
Total gross profit percentage	41.4 %	40.6%	25.7%	31.8%	172.7%	176.2%	35.5%	41.8%		

Gross profit associated with existing business represents locations that have been operating for at least one year and operating for the entire period in the comparative period being presented. Gross profit associated with expired business relates to contracts that have expired, however, we were operating the location in the comparative period presented.

Gross profit—lease type contracts. Gross profit for lease type contracts increased $1.1 million, or 10.5%, to $11.6 million for the three months ended September 30, 2019, compared to $10.5 million for three months ended September 30, 2018. Gross profit percentage for lease type contracts increased to 11.1% for the three months ended September 30, 2019, compared to 10.0% for the three months ended September 30, 2018. Gross profit for lease type contracts increased as a result of increases in gross profit for existing business, new/acquired business, and expired business, partially offset by decreases locations that converted from management type contracts during the periods presented. Gross profit for existing business increased primarily due to increases in monthly parking revenue and transient revenue and a decrease in overall net operating costs, partially offset by an increase in compensation and benefit costs and rent expense.

From a reporting segment perspective, gross profit for lease type contracts increased primarily due to increases in new/acquired business in Segment Two, existing business in Segment One, Two, and Other, and expired business in Segment One, partially offset by decreases in gross profit from new/acquired business in Segment One, and conversions in Segment One. The Other amounts in existing business represent gross profit not specifically identifiable to Segment One or Two.

Gross profit—management type contracts. Gross profit for management type contracts increased $12.6 million, or 36.5%, to $47.1 million for the three months ended September 30, 2019, compared to $34.5 million for the three months ended September 30, 2018. Gross profit percentage for management type contracts decreased to 35.5% for three months ended September 30, 2019, compared to 41.8% for three months ended September 30, 2018. Gross profit for management type contracts increased as a result of increases in gross profit for new/acquired business, primarily due to the Bags acquisition, and existing business, partially offset by a decrease in expired business. Existing business gross profit increased $1.5 million, or 4.6%, primarily due to increased management fees.

From a reporting segment perspective, gross profit for management type contracts increased primarily due to new/acquired business in Segment One and Two, existing business in Segment One, Two, and Other, and expired business in Segment Two, partially offset by decreases in expired business in Segment One. The Other amounts in existing business represent gross profit not specifically identifiable to Segment One or Two.

General and administrative expenses. General and administrative expenses increased $7.3 million, or 39.0%, to $26.0 million for the three months ended September 30, 2019, compared to $18.7 million for the three months ended September 30, 2018. The increase in General and administrative expenses was primarily related to the Bags acquisition and higher compensation and benefit costs, including costs associated with our performance-based compensation program.

Depreciation and amortization. Depreciation and amortization increased $3.1 million, or 73.8%, to $7.3 million for the three months ended September 30, 2019, compared to $4.2 million for the three months ended September 30, 2018. This increase was primarily a result of additional amortization relating to intangible assets recognized in the acquisition of Bags.

Interest expense. Interest expense increased $2.7 million, or 128.6%, to $4.8 million for the three months ended September 30, 2019, compared to $2.1 million for the three months ended September 30, 2018. This increase resulted primarily from an increase in borrowings used to fund the acquisition of Bags, partially offset by a decrease in the weighted average interest rate.

Interest income. Interest income was $0.1 million for the three months ended September 30, 2019 and 2018.

Equity in earnings from investment in unconsolidated entity. There were no Equity in earnings from investment in unconsolidated entity for the three months ended September 30, 2019 and 2018.

Income tax expense. Income tax expense increased $0.1 million to $5.7 million for the three months ended September 30, 2019, as compared to $5.6 million for the three months ended September 30, 2018. Our effective tax rate was 27.5% for the three months ended September 30, 2019 and 27.7% for the three months ended September 30, 2018. The effective tax rate for the three months ended September 30, 2019 decreased primarily due to a decrease in state income taxes.

Nine Months Ended September 30, 2019 Compared to Nine Months September 30, 2018

Segment revenue information is summarized as follows:

	Nine Months Ended September 30,									
	Segment One		Segment Two		Other		Total		Variance	
(millions) (unaudited)	2019	2018	2019	2018	2019	2018	2019	2018	Amount	%
Lease type contract revenue:										
New/acquired business	$ 6.8	$ 1.4	$ 2.2	$ —	$ —	$ —	$ 9.0	$ 1.4	$ 7.6	542.9 %
Expired business	6.5	26.9	—	—	—	—	6.5	26.9	(20.4)	(75.8)%
Existing business	259.8	252.1	21.2	20.3	0.6	0.5	281.6	272.9	8.7	3.2 %
Conversions	10.5	10.4	—	—	—	—	10.5	10.4	0.1	1.0 %
Total lease type contract revenue	$ 283.6	$ 290.8	$ 23.4	$ 20.3	$ 0.6	$ 0.5	$ 307.6	$ 311.6	$ (4.0)	(1.3)%
Management type contract revenue:										
New/acquired business	$ 18.4	$ 2.7	$ 132.7	$ 0.6	$ —	$ —	$ 151.1	$ 3.3	$ 147.8	4,478.8 %
Expired business	4.8	21.3	3.0	0.8	—	—	7.8	22.1	(14.3)	(64.7)%
Existing business	167.3	166.6	62.3	64.8	6.3	7.5	235.9	238.9	(3.0)	(1.3)%
Conversions	0.6	0.5	—	—	—	—	0.6	0.5	0.1	20.0 %
Total management type contract revenue	$ 191.1	$ 191.1	$ 198.0	$ 66.2	$ 6.3	$ 7.5	$ 395.4	$ 264.8	$ 130.6	49.3 %

Revenue associated with existing business represents business that has been operating for at least one year and operating for the entire period in the comparative period being presented. Revenue associated with expired business relates to contracts that have expired, however, we were operating the location in the comparative period presented.

Services revenue—lease type contracts. Lease type contracts revenue decreased $4.0 million, or 1.3%, to $307.6 million for the nine months ended September 30, 2019, compared to $311.6 million for the nine months ended September 30, 2018. The decrease in lease type contracts revenue resulted primarily from decreases of $20.4 million from expired business, partially offset by an increase of $8.7 million from existing business, $7.6 million from new/acquired business, and $0.1 million from business that converted from management type contracts during the periods presented. Existing business revenue increased $8.7 million, or 3.2%, primarily due to an increase in fees for transient revenue.

From a reporting segment perspective, lease type contract revenue decreased primarily due to expired business in Segment One, partially offset by increases from existing business in Segment One, Two, and Other, new/acquired business in Segment One and Two, and conversions in Segment One. The Other segment amounts in existing business represent revenue not specifically identifiable to Segment One or Two.

Services revenue—management type contracts. Management type contract revenue increased $130.6 million, or 49.3%, to $395.4 million for the nine months ended September 30, 2019, compared to $264.8 million for the nine months ended September 30, 2018. The increase in management type contract revenue resulted primarily from an increase of $147.8 million from new/acquired business primarily due to the Bags acquisition and $0.1 million from conversions, partially offset by a decrease of $14.3 million from expired business and $3.0 million from existing business. Existing business decreased $3.0 million, or 1.3%, primarily due to change in contract terms for certain management type contracts, whereby the contract terms converted from a "reverse" management type contract to a management type contract, which typically has lower management fees from the facility owner but do not require us to pay certain operating costs associated with the facilities operation, partially offset by increased management fees.

From a reporting segment perspective, management type contract revenue increased primarily due to increases from new/acquired business in Segment One and Segment Two, existing business in Segment One, expired business in Segment Two, and conversions in Segment One, partially offset by decreases in revenue from expired business in Segment One and existing business in Segment Two and Other. The Other amounts in existing business represent revenues not specifically identifiable to Segment One or Segment Two.

Reimbursed management type contract revenue. Reimbursed management type contract revenue increased $24.4 million, or 4.7%, to $539.2 million for the nine months ended September 30, 2019, compared to $514.8 million for the nine months ended September 30, 2018. This increase resulted from an increase in reimbursements for costs incurred on behalf of owners.

Segment cost of services information is summarized as follows:

	Nine Months Ended September 30,									
	Segment One		Segment Two		Other		Total		Variance	
(millions) (unaudited)	2019	2018	2019	2018	2019	2018	2019	2018	Amount	%
Cost of services lease type contracts:										
New/acquired business	$ 6.7	$ 1.3	$ 1.6	$ —	$ —	$ —	$ 8.3	$ 1.3	$ 7.0	538.5 %
Expired business	5.6	27.4	—	—	—	—	5.6	27.4	(21.8)	(79.6)%
Existing business	238.8	232.8	15.4	14.7	(4.0)	(2.8)	250.2	244.7	5.5	2.2 %
Conversions	10.4	9.8	—	—	—	—	10.4	9.8	0.6	6.1 %
Total cost of services lease type contracts	$ 261.5	$ 271.3	$ 17.0	$ 14.7	$ (4.0)	$ (2.8)	$ 274.5	$ 283.2	$ (8.7)	(3.1)%
Cost of services management type contracts:										
New/acquired business	$ 10.7	$ 1.6	$ 104.6	$ 0.5	$ —	$ —	$ 115.3	$ 2.1	$ 113.2	5,390.5 %
Expired business	3.2	14.2	—	0.5	—	—	3.2	14.7	(11.5)	(78.2)%
Existing business	104.0	103.4	40.5	44.9	(8.5)	(7.6)	136.0	140.7	(4.7)	(3.3)%
Conversions	0.2	0.1	—	—	—	—	0.2	0.1	0.1	100.0 %
Total cost of services management type contracts	$ 118.1	$ 119.3	$ 145.1	$ 45.9	$ (8.5)	$ (7.6)	$ 254.7	$ 157.6	$ 97.1	61.6 %

Cost of services associated with existing business represents business that has been operating for at least one year and operating for the entire period in the comparative period being presented. Cost of services associated with expired business relates to contacts that have expired, however, we were operating the location in the comparative period presented.

Cost of services—lease type contracts. Cost of services for lease type contracts decreased $8.7 million, or 3.1%, to $274.5 million for the nine months ended September 30, 2019, compared to $283.2 million for the nine months ended September 30, 2018. The decrease in cost of services for lease type contracts resulted primarily from a decrease of $21.8 million from expired business, partially offset by increases of $7.0 million from new/acquired business, $5.5 million from existing business, and $0.6 million from business that converted from management type contracts during the periods presented. Existing business costs increased $5.5 million, or 2.2%, primarily due to an increase in rent expense as a result of higher revenues for existing business and an increase in compensation and benefits costs, partially offset by a decrease in overall net operating costs.

From a reporting segment perspective, cost of services for lease type contracts decreased primarily from expired business in Segment One and existing business in Other, partially offset by new/acquired business in Segment One and Two, existing business in Segment One and Two and conversions in Segment One. The Other segment amounts in existing business represent costs not specifically identifiable to Segment One or Two.

Cost of services—management type contracts. Cost of services for management type contracts increased $97.1 million, or 61.6%, to $254.7 million for the nine months ended September 30, 2019, compared to $157.6 million for the nine months ended September 30, 2018. The increase in cost of services for management type contracts resulted primarily from increases of $113.2 million from new/acquired business, primarily due to the Bags acquisition, and $0.1 million from locations that converted from lease type contracts during the periods presented, partially offset by a decrease of $11.5 million from expired business and $4.7 million from existing business. Existing business decreased $4.7 million, or 3.3%, primarily due to a decrease in overall net operating costs, change in contract terms for certain management type contracts, whereby the contract terms converted from a "reverse" management type contract to a management type contract, which typically has lower management fees from the facility owner but do not require us to pay certain operating costs associated with the facilities operation, partially offset by an increase in compensation and benefit costs.

From a reporting segment perspective, cost of services for management type contracts increased primarily due to new/acquired business in Segment One and Two, existing business in Segment One, and conversions in Segment One, partially offset by a decrease in expired business in Segment One and Two, and existing business in Segment Two and Other. The Other segment amounts in existing business represent costs not specifically identifiable to Segment One or Two.

Reimbursed management type contract expense. Reimbursed management type contract expense increased $24.4 million, or 4.7%, to $539.2 million for the nine months ended September 30, 2019, compared to $514.8 million for the nine months ended September 30, 2018. This increase resulted from an increase in reimbursements for costs incurred on behalf of owners.

Table of Contents

Segment gross profit/gross profit percentage information is summarized as follows:

	Nine Months Ended September 30,									
	Segment One		Segment Two		Other		Total		Variance	
(millions) (unaudited)	2019	2018	2019	2018	2019	2018	2019	2018	Amount	%
Gross profit lease type contracts:										
New/acquired business	$ 0.1	$ 0.1	$ 0.6	$ —	$ —	$ —	$ 0.7	$ 0.1	$ 0.6	600.0 %
Expired business	0.9	(0.5)	—	—	—	—	0.9	(0.5)	1.4	(280.0)%
Existing business	21.0	19.3	5.8	5.6	4.6	3.3	31.4	28.2	3.2	11.3 %
Conversions	0.1	0.6	—	—	—	—	0.1	0.6	(0.5)	(83.3)%
Total gross profit lease type contracts	$ 22.1	$ 19.5	$ 6.4	$ 5.6	$ 4.6	$ 3.3	$ 33.1	$ 28.4	$ 4.7	16.5 %
	(Percentages)									
Gross profit percentage lease type contracts:										
New/acquired business	1.5%	7.1 %	27.3%	—%	—%	—%	7.8%	7.1 %		
Expired business	13.8%	(1.9)%	—%	—%	—%	—%	13.8%	(1.9)%		
Existing business	8.1%	7.7 %	27.4%	27.6%	766.7%	660.0%	11.2%	10.3 %		
Conversions	1.0%	5.8 %	—%	—%	—%	—%	1.0%	5.8 %		
Total gross profit percentage	7.8%	6.7 %	27.4%	27.6%	766.7%	—%	10.8%	9.1 %		
Gross profit management type contracts:										
New/acquired business	$ 7.7	$ 1.1	$ 28.1	$ 0.1	$ —	$ —	$ 35.8	$ 1.2	$ 34.6	2,883.3 %
Expired business	1.6	7.1	3.0	0.3	—	—	4.6	7.4	(2.8)	(37.8)%
Existing business	63.3	63.2	21.8	19.9	14.8	15.1	99.9	98.2	1.7	1.7 %
Conversions	0.4	0.4	—	—	—	—	0.4	0.4	—	— %
Total gross profit management type contracts	$ 73.0	$ 71.8	$ 52.9	$ 20.3	$ 14.8	$ 15.1	$ 140.7	$ 107.2	$ 33.5	31.3 %
	(Percentages)									
Gross profit percentage management type contracts:										
New/acquired business	41.8%	40.7 %	21.2%	16.7%	—%	—%	23.7%	36.4 %		
Expired business	33.3%	33.3 %	100.0%	37.5%	—%	—%	59.0%	33.5 %		
Existing business	37.8%	37.9 %	35.0%	30.7%	234.9%	201.3%	42.3%	41.1 %		
Conversions	66.7%	80.0 %	—%	—%	—%	—%	66.7%	80.0 %		
Total gross profit percentage	38.2%	37.6 %	26.7%	30.7%	234.9%	201.3%	35.6%	40.5 %		

Gross profit associated with existing business represents business that has been operating for at least one year and operating for the entire period in the comparative period being presented. Gross profit associated with expired business relates to contracts that have expired, however, we were operating the location in the comparative period presented.

Gross profit—lease type contracts. Gross profit for lease type contracts increased $4.7 million, or 16.5%, to $33.1 million for the nine months ended September 30, 2019, compared to $28.4 million for nine months ended September 30, 2018. Gross profit percentage for lease type contracts increased to 10.8% for the nine months ended September 30, 2019, compared to 9.1% for the nine months ended September 30, 2018. Gross profit for lease type contracts increased as a result of increases in gross profit for existing business, new/acquired business, and expired business, partially offset by decreases in business that converted from management type contracts during the periods presented. Gross profit for existing business increased primarily due to increases in transient revenue, partially offset by an increase in compensation and benefit costs and rent expense.

From a reporting segment perspective, gross profit for lease type contracts increased primarily due to increases in existing business in Segment One, Two, and Other, new/acquired business in Segment Two, and expired business in Segment One, partially offset by decreases in gross profit from conversions in Segment One. The Other amounts in existing business represent gross profit not specifically identifiable to Segment One or Two.

Gross profit—management type contracts. Gross profit for management type contracts increased $33.5 million, or 31.3%, to $140.7 million for the nine months ended September 30, 2019, compared to $107.2 million for the nine months ended September 30, 2018. Gross profit percentage for management type contracts decreased to 35.6% for nine months ended September 30, 2019, compared to 40.5% for nine months ended September 30, 2018. Gross profit for management type contracts increased as a result of increases in gross profit for new/acquired business, primarily due to the Bags acquisition, and existing business, partially offset by a decrease in expired business. Existing business gross profit increased $1.7 million, or 1.7%, primarily due to decreases in net operating costs and increased management fees.

From a reporting segment perspective, gross profit for management type contracts increased primarily due to new/acquired business in Segment One and Segment Two, existing business in Segment One and Two, and expired business in Segment Two, partially offset by decreases in expired business in Segment One, and existing business in Other.

General and administrative expenses. General and administrative expenses increased $17.5 million, or 27.6%, to $80.8 million for the nine months ended September 30, 2019, compared to $63.3 million for the nine months ended September 30, 2018. The increase in General and administrative expenses was primarily related to the Bags acquisition, a $1.7 million cost recovery from a vendor partner recognized in the second quarter of 2018, and higher compensation and benefit costs, including costs associated with our performance-based compensation program.

Depreciation and amortization. Depreciation and amortization increased $9.1 million, or 71.7%, to $21.8 million for the nine months ended September 30, 2019, compared to $12.7 million for the nine months ended September 30, 2018. This increase was primarily a result of additional amortization relating to intangible assets recognized in the acquisition of Bags.

Interest expense. Interest expense increased $8.2 million, or 126.2%, to $14.7 million for the nine months ended September 30, 2019, compared to $6.5 million for the nine months ended September 30, 2018. This increase resulted primarily from an increase in borrowings used to fund the acquisition of Bags, partially offset by a decrease in the weighted average interest rate.

Interest income. Interest income was $0.3 million for the nine months ended September 30, 2019 and 2018.

Equity in earnings from investment in unconsolidated entity. There were no Equity in earnings from investment in unconsolidated entity for the nine months ended September 30, 2019. Equity in earnings from investment in unconsolidated entity was $10.1 million for the nine months ended September 30, 2018. The decrease in earnings were primarily related to our $10.1 million net gain on the sale of our entire 30% equity interest in Parkmobile during the nine months ended September 30, 2018.

Income tax expense. Income tax expense decreased $2.3 million to $14.6 million for the nine months ended September 30, 2019, as compared to $16.9 million for the nine months ended September 30, 2018. Our effective tax rate was 25.7% for the nine months ended September 30, 2019 and 26.6% for the nine months ended September 30, 2018. The effective tax rate for the nine months ended September 30, 2019 decreased primarily due to a decrease in state income taxes.

Liquidity and Capital Resources

General

We continually project anticipated cash requirements for our operating, investing, and financing needs as well as cash flows generated from operating activities available to meet these needs. Our operating needs can include, among other items, commitments for cost of services, operating leases, payroll payments, insurance claims payments, interest payments and legal settlements. Our investing and financing spending can include payments for acquired businesses, joint ventures, capital expenditures, cost of contracts purchased, commitments for capital leases, distributions to noncontrolling interests and payments on our outstanding indebtedness.

Outstanding Indebtedness

On September 30, 2019, we had total indebtedness of approximately $370.1 million, a decrease of $16.6 million from December 31, 2018. The $370.1 million in total indebtedness as of September 30, 2019 includes:

- $351.0 million under our Senior Credit Facility, net of original discount on borrowings of $1.3 million and deferred financing costs of $1.8 million; and
- $19.1 million of other debt including finance lease obligations, obligations on seller notes and other indebtedness.

Former Amended and Restated Credit Facility

On February 20, 2015, we amended and restated our credit facility (the "Former Restated Credit Facility") that permitted aggregate borrowings of $400.0 million consisting of (i) a revolving credit facility of up to $200.0 million at any time outstanding, which includes a $100.0 million sublimit for letters of credit and a $20.0 million sublimit for swing-line loans, and (ii) a term loan facility of $200.0 million. The Former Restated Credit Facility was due to mature on February 20, 2020.

Senior Credit Facility

On November 30, 2018 (the "Closing Date") and in connection with the Acquisition, we entered into a credit agreement (the “Credit Agreement”) with Bank of America, N.A. (“Bank of America”), as Administrative Agent, swing-line lender and a letter of credit issuer; Wells Fargo Bank, N.A., as syndication agent; BMO Harris Bank N.A., JPMorgan Chase Bank, N.A., KeyBank National Association and U.S. Bank National Association, as co-documentation agents; Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, as joint lead arrangers and joint bookrunners; and the lenders party thereto (the “Lenders”). Pursuant to the terms, and subject to the conditions, of the Credit Agreement, the Lenders have made available to us a new senior secured credit facility (the “Senior Credit Facility”) that permits aggregate borrowings of $550.0 million consisting of (i) a revolving credit facility of up to $325.0 million at any time outstanding, which includes a letter of credit facility that is limited to $100.0 million at any time outstanding, and (ii) a term loan facility of $225.0 million. The Senior Credit Facility matures on November 30, 2023.

The entire amount of the term loan portion of the Senior Credit Facility was drawn by us on the Closing Date and is subject to scheduled quarterly amortization of principal in installments equal to 1.25% of the initial aggregate principal amount of such term loan. We also borrowed $174.8 million under the revolving credit facility on the Closing Date. The proceeds from these borrowings were used by us to pay the purchase price for the Acquisition (See Note 3. *Acquisition*), to pay other costs and expenses related to the acquisition of Bags and the related financing and to repay in full the obligations under the Former Restated Credit Facility. In addition, proceeds from the Senior Credit Facility may be used to finance working capital, capital expenditures and other acquisitions, payments and general corporate purposes.

Borrowings under the Senior Credit Facility bear interest, at our option, (i) at a rate per annum based on our consolidated total debt to EBITDA ratio for the 12-month period ending as of the last day of the immediately preceding fiscal quarter, determined in accordance with the applicable pricing levels set forth in the Credit Agreement (the “Applicable Margin”) for London Interbank Offered Rate (or a comparable or successor rate selected by the parties) (“U.S. dollar LIBOR”) loans, plus the applicable U.S. dollar LIBOR rate or (ii) the Applicable Margin for base rate loans plus the highest of (x) the federal funds rate plus 0.5%, (y) the Bank of America prime rate and (z) a daily rate equal to the applicable U.S. dollar LIBOR rate plus 1.0%.

Under the terms of the Credit Agreement, we are required to maintain a maximum consolidated total debt to EBITDA ratio of not greater than 4.25:1.0 with certain step-downs described in the Credit Agreement. In addition, we are required to maintain a minimum consolidated fixed charge coverage ratio of not less than 3.50:1.0 (with certain step-ups described in the Credit Agreement).

Events of default under the Credit Agreement include failure to pay principal or interest when due, failure to comply with the financial and operational covenants, the occurrence of any cross default event, non-compliance with other loan documents, the occurrence of a change of control event, and bankruptcy and other insolvency events. If an event of default occurs and is continuing, the Administrative Agent can, with the consent of the required Lenders, among others (i) terminate the commitments under the Credit Agreement, (ii) accelerate and require the Company to repay all the outstanding amounts owed under the Credit Agreement, and (iii) require the Company to cash collateralize any outstanding letters of credit.

Each wholly owned domestic subsidiary of ours (subject to certain exceptions set forth in the Credit Agreement) has guaranteed all existing and future indebtedness and liabilities of the other guarantors and us arising under the Credit Agreement. Our obligations under the Credit Agreement and such domestic subsidiaries' guaranty obligations are secured by substantially all of their respective assets.

We are in compliance with the covenants under the Credit Agreement as of September 30, 2019.

As of September 30, 2019, we had $133.9 million of borrowing availability under the Senior Credit Facility. Our borrowing availability under the Credit Agreement is limited only as of our fiscal quarter-end by the covenant restrictions described above. At September 30, 2019, we had $53.6 million letters of credit outstanding under the Senior Credit Facility and borrowings against the Senior Credit Facility aggregated $354.0 million (excluding debt discount of $1.3 million and deferred financing costs of $1.8 million).

Contractual Obligations and Commitments

As of September 30, 2019, other than changes related to adoption of the new lease accounting standard as described in Note 1 *Significant Accounting Policies and Practices*, there were no material changes to our contractual obligations and commitments outside the ordinary course of business since December 31, 2018, as reported in our 2018 Form 10-K. See Note 2 *Leases,* for further information regarding our contractual obligations and commitments.

Share Repurchases

In May 2016, our Board of Directors authorized us to repurchase shares of our common stock in the open market of up to $30.0 million in aggregate. Purchases of our common stock may be made in open market transactions effected through a broker-dealer at prevailing market prices, in block trades, or by other means in accordance with Rules 10b-18 and 10b5-1 under the Securities Exchange Act of 1934. The share repurchase program does not obligate us to repurchase any particular amount of common stock, and has no fixed termination date.

Under this program, the Company has repurchased 1,263,642 shares of common stock through September 30, 2019. The table below summarizes share repurchase activity during the three and nine months ended September 30, 2019.

	Three Months Ended	Nine Months Ended
(millions, except for share and per share data) (unaudited)	September 30, 2019	September 30, 2019
Total number of shares repurchased	536,743	958,459
Average price paid per share	$ 34.83	$ 33.73
Total value of shares repurchased	$ 18.7	$ 32.3

No shares were repurchased during the three and nine months ended September 30, 2018.

The following table summarizes the remaining authorized repurchase amount under the program as of September 30, 2019.

(millions) (unaudited)	September 30, 2019
Total authorized repurchase amount	$ 80.0
Total value of shares repurchased	39.8
Total remaining authorized repurchase amount	$ 40.2

Interest Rate Collars

In May 2019, we entered into three-year interest rate collar contracts with an aggregate $222.3 million notional amount. Interest rate collars are used to manage interest rate risk associated with variable interest rate borrowings under the Credit Agreement. The collars establish a range where the Company will pay the counterparties if the one-month U.S. dollar LIBOR rate falls below the established floor rate, and the counterparties will pay the Company if the one-month U.S. dollar LIBOR rate exceeds the established ceiling rate of 2.5%. The collars settle monthly through the termination date of April 2022. No payments or receipts are exchanged on the interest rate collar contracts unless interest rates rise above or fall below the pre-determined ceiling or floor rates. The notional amount amortizes consistent with pay down of the term loan portion of the Senior Credit Facility. These interest rate collars are classified as cash flow hedges, and the Company calculates the effectiveness of the hedge on a monthly basis. As of December 31, 2018, the Company had no ongoing derivative transactions.

We do not enter into derivative instruments for any purpose other than for cash flow hedging purposes.

Deficiency Payments

Pursuant to our obligations with respect to the parking garage operations at Bradley International Airport, we are required to make certain deficiency payments for the benefit of the State of Connecticut and for holders of special facility revenue bonds. The deficiency payments represent contingent interest bearing advances to the trustee to cover operating cash flow requirements. As of September 30, 2019, we had received $1.1 million of cumulative deficiency repayments from the trustee, net of payments. Deficiency payments made are recorded as increases to cost of services and the reimbursements are recorded as reductions to cost of services. We believe these advances to be fully recoverable and will recognize the principal, interest and premium payments related to these deficiency payments when they are received. We do not directly guarantee the payment of any principal or interest on any debt obligations of the State of Connecticut or the trustee.

The total deficiency repayments (net of payments made), interest and premium received and recognized for the three and nine months ended September 30, 2019 and 2018 are as follows:

	Three Months Ended		Nine Months Ended	
(millions) (unaudited)	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Deficiency repayments	$ 0.4	$ 0.9	$ 2.8	$ 2.9
Interest	$ 0.3	$ —	$ 0.8	$ 0.5
Premium	$ —	$ 0.1	$ 0.3	$ 0.2

Daily Cash Collections

As a result of day-to-day activity at our parking locations, we collect significant amounts of cash. Lease type contract revenue is generally deposited into our local bank accounts, with a portion remitted to our clients in the form of rental payments according to the terms of the leases. Under management type contracts, clients may require us to deposit the daily receipts into one of our local bank accounts, with the cash in excess of our operating expenses and management fees remitted to the clients at negotiated intervals. Other clients require us to deposit the daily receipts into client designated bank accounts and the clients then reimburse us for operating expenses and pay our management fee subsequent to month-end or may require segregated bank accounts for the receipts and disbursements at locations. Our working capital and liquidity may be adversely affected if a significant number of our clients require us to deposit all parking revenues into their respective accounts.

Our liquidity also fluctuates on an intra-month and intra-year basis depending on the contract mix and timing of significant cash payments. Additionally, our ability to utilize cash deposited into our local accounts is dependent upon the availability and movement of that cash into our corporate account. For all these reasons, from time to time, we carry a significant cash balance, while also utilizing our credit facility.

Summary of Cash Flows

	Nine Months Ended	
(millions) (unaudited)	September 30, 2019	September 30, 2018
Net cash provided by operating activities	$ 54.8	$ 35.6
Net cash (used in) provided by investing activities	$ (8.2)	$ 12.0
Net cash used in financing activities	$ (56.9)	$ (49.8)

Operating Activities

Our primary sources of funds are cash flows from operating activities and changes in operating assets and liabilities.

Net cash provided by operating activities totaled $54.8 million for the nine months ended September 30, 2019. Cash provided by operating activities for the first nine months of 2019 included $69.5 million from operations, partially offset by changes in operating assets and liabilities that resulted in a use of $14.7 million. The net increase in operating assets and liabilities was a result of (i) a decrease in notes and accounts receivable of $0.2 million primarily related to timing of collections; (ii) a $7.6 million decrease in accounts payable primarily due to timing of payments to our clients as described under "Daily Cash Collections"; (iii) a net increase in prepaid and other assets of $0.7 million primarily due to increases in prepaid insurance and the value of Company-owned life insurance policies; (iv) a $95.4 million decrease in right-of-use assets due to the amortization of Right-of-use assets; (v) a $99.0 million decrease in long-term lease liabilities due to operating lease payments; and (vi) a $3.0 decrease in accrued liabilities primarily due to timing of payments.

Net cash provided by operating activities totaled $35.6 million for the nine months ended September 30, 2018. Cash provided by operating activities for the first nine months of 2018 included $52.4 million from operations, partially offset by changes in operating assets and liabilities that resulted in a cash use of $16.8 million. The net decrease in operating assets and liabilities was a result of (i) an increase in notes and accounts receivable of $14.4 million due to recognizing a contract asset upon adoption of Topic 606 (effective January 1, 2018) and timing of collections; (ii) a net decrease in prepaid and other assets of $1.7 million mainly due to decreases in prepaid taxes, partially offset by increases in prepaid insurance and prepaid rent; (iii) a $9.2 million decrease in accounts payable due to timing of payments to our clients as described under "Daily Cash Collections", partially offset by recognizing a contract liability upon the adoption of Topic 606 (effective January 1, 2018) and (iv) a $5.1 million increase in accrued liabilities primarily related to timing of payments.

Investing Activities

Net cash used in investing activities totaled$8.2 million for the nine months ended September 30, 2019. Cash used in investing activities for thenine months ended September 30, 2019 included (i) $6.4 million primarily for capital investments needed to secure and/or extend lease facilities and investments in information system enhancements and infrastructure and (ii) $2.1 million for cost of contract purchases, partially offset by (iii) $0.3 million of proceeds from the sale of assets and contract terminations.

Net cash provided by investing activities totaled $12.0 million for the nine months ended September 30, 2018. Cash provided by investing activities for the nine months ended September 30, 2018 included (i) $19.3 million of proceeds received from the sale of equity method investments, and (ii) $0.2 million of proceeds from the sale of equipment and contract terminations, partially offset by (iii) $6.7 million for capital investments needed to secure and/or extend lease facilities and investments in information system enhancements and infrastructure and (ii) $0.8 million for cost of contract purchases.

Financing Activities

Net cash used in financing activities totaled$56.9 million in the nine months ended September 30, 2019. Cash used in financing activities for thenine months ended September 30, 2019 included (i) $20.9 million net payments on the credit facility; (ii) $32.0 million on payments for the repurchase of common stock; (iii) $1.6 million for payments on other long-term debt obligations; and (iv) $2.4 million of distributions to noncontrolling interest.

Net cash used in financing activities totaled $49.8 million in the nine months ended September 30, 2018. Cash used in financing activities for the nine months ended September 30, 2018 included (i) $3.2 million net proceeds on the Restated Credit Facility; (ii) $50.0 million for payments on the Restated Credit Facility term loan; (iii) $2.6 million of distributions to noncontrolling interest; (iv) $0.3 million for payments on other long-term debt obligations; and (v) $0.1 million on payments for debt issuance costs.

Cash and Cash Equivalents

We had Cash and cash equivalents of$29.6 million and $39.9 million at September 30, 2019 and December 31, 2018, respectively. Cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements were $0.4 million and $1.7 million as of September 30, 2019 and December 31, 2018, respectively, and are included within Cash and cash equivalents within the Condensed Consolidated Balance Sheets.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in our primary risk exposures or management of market risks from those disclosed in our Form 10-K for the year-ended December 31, 2018.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report, we conducted an evaluation, under supervision and with the participation of management, including the chief executive officer and senior vice president and corporate controller, of the effectiveness of the design and operation of our disclosure controls and procedures (the "Evaluation") at a reasonable assurance level as of the last day of the period covered by this Form 10-Q.

Disclosure controls and procedures are defined by Rules 13a-15(e) and 15d-15(e) of the Exchange Act as controls and other procedures that are designed to ensure that information required to be disclosed by us in reports filed with the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed under the Exchange Act is accumulated and communicated to our management, including our principal executive officer, principal financial officer and principal accounting officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosures.

Based on the Evaluation, our chief executive officer and senior vice president, corporate controller concluded that our disclosure controls and procedures were effective as of September 30, 2019.

Management's assessment of internal control over financial reporting as of December 31, 2018 excludes internal control over financial reporting related to Bags (acquired on November 30, 2018).

Changes in Internal Controls Over Financial Reporting

There have been no significant changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2019, which were identified in connection with management’s evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting. We implemented internal controls to ensure we adequately evaluated our contracts and properly assessed the impact of the new lease accounting standard, Topic 842, that the Company adopted on January 1, 2019. There were no significant changes to our internal control over financial reporting due to the adoption of the standard. Management's assessment and conclusions on the effectiveness of internal control over financial reporting did not include the internal controls of Bags, which is included in the three and nine months ended September 30, 2019 Quarterly Financial Statements of SP Plus Corporation. We will incorporate Bags into our annual evaluation of internal control over financial reporting for the year ending December 31, 2019.

Inherent limitations of the Effectiveness of Internal Control

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of the inherent limitations of any internal control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to claims and litigation in the normal course of our business. The outcomes of claims and legal proceedings brought against us and other loss contingencies are subject to significant uncertainty. We accrue a charge when our management determines that it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. When a loss is probable, we record an accrual based on the reasonably estimable loss or range of loss. When no point of loss is more likely than another, we record the lowest amount in the estimated range of loss and disclose the estimated range. We do not record liabilities for reasonably possible loss contingencies, but do disclose a range of reasonably possible losses if they are material and we are able to estimate such a range. If we cannot provide a range of reasonably possible losses, we explain the factors that prevent us from determining such a range. In addition, we accrue for the authoritative judgments or assertions made against us by government agencies at the time of their rendering regardless of our intent to appeal. We regularly evaluate current information available to us to determine whether an accrual should be established or adjusted. Estimating the probability that a loss will occur and estimating the amount of a loss or a range of loss involves significant estimation and judgment.

Item 1A. Risk Factors

Investors should carefully consider the discussion of risks factors and the other information described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. New risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance. The following risk factor supplements and/or updates risk factors previously disclosed and should be considered in conjunction with the other information included in, or incorporated by reference in, this quarterly report on Form 10-Q.

The phase-out of the London Interbank Offered Rate (“LIBOR”) could affect interest rates under our existing credit facility agreement, hedging activity, as well as our ability to seek future debt financing.

LIBOR is the basic rate of interest used in lending between banks on the London interbank market and is widely used as a reference for setting the interest rates on loans globally. We generally use U.S. dollar LIBOR as a reference rate to calculate interest rates under our credit facility agreement (the “Senior Credit Facility”) and to establish the floor and ceiling ranges for the interest rate collar contracts that the Company has entered into to manage interest rate risk associated with the Senior Credit Facility.

In 2017, the United Kingdom’s Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. Regulators in various jurisdictions have been working to replace LIBOR and other interbank offered rates with reference interest rates that are more firmly based on actual transactions. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, has identified the Secured Overnight Financing Rate (“SOFR”) that is calculated using short-term repurchase agreements backed by Treasury securities, as its preferred alternative to U.S. dollar LIBOR. The Financial Accounting Standards Board ("FASB") added the Overnight Index Swap Rate based on the SOFR to the list of U.S. benchmark interest rates eligible to be hedged under US GAAP and has issued a proposal for consideration that would help facilitate the market transition from existing reference interest rates to alternatives.

It is expected that a transition away from the widespread use of U.S. dollar LIBOR to alternative rates will occur over the course of the next few years. If a published U.S. dollar LIBOR is unavailable after 2021, the interest rates under our Senior Credit Facility which is indexed to LIBOR will be determined using various alternative methods, any of which may not be as favorable to us as those in effect prior to any LIBOR phase-out. In addition, the transition process to an alternative method may involve, among other things, increased volatility or illiquidity in markets for instruments that currently rely on U.S. dollar LIBOR and may also result in reductions in the value of certain instruments or the effectiveness of related transactions such as hedges, increased borrowing costs, uncertainty under applicable documentation, or difficult and costly consent processes. Any such effects of the transition away from U.S. dollar LIBOR, as well as other unforeseen effects, may result in expenses, difficulties, complications or delays in connection with future financing efforts, which could have a material adverse impact on our business, financial condition and results of operations.

Item 2. Unregistered Sales of Equity and Use of Proceeds

The following table provides information about purchases we made during the quarter ended September 30, 2019 of equity securities that are registered by us pursuant Section 12 of the Exchange Act:

(millions, except for share and per share data) (unaudited)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plan
07/01/2019 through 07/31/2019	193,094	$ 33.64	193,094	$ 52.4
08/01/2019 through 08/31/2019	180,724	34.58	180,724	46.2
09/01/2019 through 09/30/2019	162,925	36.51	162,925	40.2
Total	536,743	$ 34.83	536,743	$ 40.2

In May 2016, our Board of Directors authorized us to repurchase in the open market shares of our outstanding common stock in an amount not to exceed $30.0 million. In July 2019, the Company's Board of Director's authorized a new program to repurchase, on the open market, shares of its outstanding common stock in an amount not to exceed $50.0 million in aggregate. Purchases of the Company's common stock may be made in open market transactions effected through a broker-dealer at prevailing market prices, in block trades, or by other means in accordance with Rules 10b-18 and 10b5-1 under the Securities Exchange Act of 1934 at time and prices considered to be appropriate at the discretion of the Company. The share repurchase program does not obligate the Company to repurchase any particular amount of common stock, has no fixed termination date and the program may be suspended at any time at the Company's discretion.

During the third quarter of 2019, we repurchased 536,743 shares in the open market at an average price of $34.83 per share and average commissions of $0.03 per share. The total value of the third quarter transactions was $18.7 million. At September 30, 2019, 1,263,642 shares were held as treasury stock.

As of September 30, 2019, $40.2 million remained available for repurchase under the July 2019 stock repurchase program. The share repurchase program has no fixed termination date.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Index to Exhibits

Exhibit Number	Description	Incorporated by Reference Form	Exhibit	Filing Date/Period End Date
10.1*	Second Amendment to Credit Agreement, dated as of October 30, 2019, by and among the Company, as the borrower; certain subsidiaries of the Company, as guarantors; Bank of America, N.A., as administrative agent, swing-line lender and a letter of credit issuer; Wells Fargo Bank, N.A., as syndication agent; BMO Harris Bank N.A., JPMorgan Chase Bank, N.A., KeyBank National Association, and U.S. Bank National Association, as co-documentation agents.			
31.1*	Section 302 Certification dated October 31, 2019 for G Marc Baumann, Director, President and Chief Executive Officer (Principal Executive Officer).			
31.2*	Section 302 Certification dated October 31, 2019 for Kristopher H. Roy, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer).			
32**	Certification pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated October 31, 2019.			
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document			
101.SCH*	XBRL Taxonomy Extension Schema			
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase			
101.DEF*	XBRL Taxonomy Extension Definition Linkbase			
101.LAB*	XBRL Taxonomy Extension Label Linkbase			
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase			

* Filed herewith

** Furnished herewith

SIGNATURES

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

SP PLUS CORPORATION

Date: October 31, 2019	By:	/s/ G MARC BAUMANN
		G Marc Baumann
		Chief Executive Officer and President
		(Principal Executive Officer)
Date: October 31, 2019	By:	/s/ KRISTOPHER H. ROY
		Kristopher H. Roy
		Chief Financial Officer
		(Principal Financial Officer, Principal Accounting Officer and Duly Authorized Officer)

Exhibit 10.1

SECOND AMENDMENT

THIS SECOND AMENDMENT dated as of October 30, 2019 (this "Amendment") is entered into among SP Plus Corporation (the "Borrower"), the Guarantors, the Lenders party hereto and Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C Issuer. All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement (as defined below).

RECITALS

WHEREAS, the Borrower, the Guarantors, the Lenders and Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C Issuer, have entered into that certain Credit Agreement dated as of November 30, 2018 (as amended, modified, extended, restated or supplemented from time to time on or prior to the date hereof, the "Credit Agreement"); and

WHEREAS, the Borrower has requested that the Required Lenders agree to certain amendments to the Credit Agreement, and the Required Lenders have agreed to such amendments as set forth below.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments.

1.1 The definition of "Limited Condition Transaction" set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

> ""Limited Condition Transaction" means, in each case solely if the Borrower has exercised its option pursuant to Section 1.09 in connection therewith, (a) any Permitted Acquisition, the acquisition of Equity Interests in any Joint Venture or similar Investment permitted by Section 7.03, in each case, the consummation of which is not conditioned on the availability of, or on obtaining, any third-party financing, (b) the declaration or public announcement of any Restricted Payment permitted by Section 7.06; provided that such Restricted Payment is made within sixty (60) days of being declared, (c) any agreement to consummate any Disposition permitted by Section 7.05 and/or (d) the submission or delivery of an irrevocable notice of Prepayment of Subordinated Debt to the extent permitted by Section 7.14; provided that such Prepayment of Subordinated Debt is made within sixty (60) days of the date of such notice."

1.2 Section 7.06(c) of the Credit Agreement is amended to read as follows:

> "the Borrower may declare and make any other Restricted Payment, so long as: (i) no Default shall exist or would exist after giving effect thereto; (ii) after giving effect to such Restricted Payment on a Pro Forma Basis, the Loan Parties are in Pro Forma Compliance with the financial covenants set forth in Section 7.11 (which, for the avoidance of doubt, may, at the sole option of the Borrower, be tested on the LCT Test Date in accordance with Section 1.09); and (iii) after giving effect to such Restricted Payment and any Credit Extensions made in connection therewith, Availability shall be at least $20,000,000; and"

2 . Conditions Precedent. This Amendment shall be effective upon receipt by the Administrative Agent of counterparts of this Amendment duly executed by the Borrower, the Guarantors, the Required Lenders and Bank of America, N.A., as Administrative Agent.

3. Miscellaneous.

(a) The Credit Agreement and the other Loan Documents and the obligations of the Loan Parties thereunder, are hereby ratified and confirmed and shall remain in full force and effect according to their terms. This Amendment shall constitute a Loan Document.

(b) Each Guarantor (i) acknowledges and consents to all of the terms and conditions of this Amendment, (ii) affirms all of its obligations under the Loan Documents and (iii) agrees that this Amendment and all documents executed in connection herewith do not operate to reduce or discharge its obligations under the Credit Agreement or the Loan Documents.

(c) The Loan Parties hereby represent and warrant on the date hereof as follows:

(i) The Loan Parties have taken all necessary corporate or other organizational action to authorize the execution, delivery and performance of this Amendment.

(ii) This Amendment has been duly executed and delivered by each Loan Party and constitutes each such Loan Party's legal, valid and binding obligations, enforceable against such Loan Party in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium or other laws affecting the enforceability of creditors' rights generally and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(iii) No approval, consent, exemption, authorization or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by the Borrower or any Guarantor of this Amendment, other than, in each case, (A) those approvals, consents, exemptions, authorizations, actions, notices and filings which have been duly obtained, and (B) those approvals, consents, exemptions, authorizations, actions, notices and filings the failure of which to obtain or make could not reasonably be expected to have a Material Adverse Effect.

(d) The Loan Parties represent and warrant to the Lenders that, on the date hereof after giving effect to this Amendment, (i) the representations and warranties of each Loan Party set forth in the Credit Agreement and the other Loan Documents are true and correct in all material respects (except to the extent any such representation and warranty is qualified by Material Adverse Effect or other materiality, in which case, it is true and correct in all respects) with the same effect as if then made (except to the extent stated to relate to a specific earlier date, in which case, such representations and warranties was true and correct in all material respects (except to the extent any such representation and warranty is qualified by Material Adverse Effect or other materiality, in which case, it was true and correct in all respects) as of such earlier date) and (ii) no Event of Default exists, or would immediately result from this Amendment.

(e) This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart of this Amendment by fax or e-mail shall be effective as an original and shall constitute a representation that an executed original shall be delivered.

(f) **THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS.**

[remainder of page intentionally left blank]

Each of the parties hereto has caused a counterpart of this Second Amendment to be duly executed and delivered as of the date first above written.

BORROWER: SP PLUS CORPORATION,
a Delaware corporation

By: /s/ Kristopher Roy
Name: Kristopher Roy
Title: Chief Financial Officer

GUARANTORS: ATLANTA PROVISIONS, LLC,
a Florida limited liability company
AUSTIN BERGSTROM TRANSFER, LLC,
a Florida limited liability company
BAGGAGE AIRLINE GUEST SERVICES, INC.,
a Florida corporation
BAGS FOR CRUISES, LLC,
a Florida limited liability company
BAGS OF FLORIDA, LLC,
a Florida limited liability company
BAGS OF GEORGIA, LLC,
a Florida limited liability company
BAGS OF NEVADA, LLC,
a Nevada limited liability company
BAGS PARKING SERVICES LLC,
a Florida limited liability company
BALTIMORE DISTRIBUTION, LLC,
a Florida limited liability company
CCM INVESTMENTS GROUP, LLC,
a Delaware limited liability company
CENTRAL PARKING CORPORATION,
a Tennessee corporation
CENTRAL PARKING SYSTEM OF CONNECTICUT, INC.,
a Tennessee corporation
CENTRAL PARKING SYSTEM OF GEORGIA, INC.,
a Tennessee corporation
CENTRAL PARKING SYSTEM OF MARYLAND, INC.,
a Tennessee corporation

By: /s/ Robert N. Sacks
Name: Robert N. Sacks
Title: Executive Vice President, Secretary

[*Signature Pages Continue*]

CENTRAL PARKING SYSTEM OF NEW YORK, INC.,
a Tennessee corporation
CENTRAL PARKING SYSTEM OF PUERTO RICO, INC.,
a Tennessee corporation
CENTRAL PARKING SYSTEM OF WASHINGTON, INC.,
a Tennessee corporation
CENTRAL PARKING SYSTEM REALTY OF NEW YORK, INC., a Tennessee corporation
CERTIFIED AUTO RETRIEVAL SERVICE, INC.,
a Florida corporation
CITY NIGHTS VALET, INC.,
a Florida corporation
CITY SIDE SERVICES, LLC,
a Delaware limited liability company
COLORADO SPRINGS SERVICES, LLC,
a Florida limited liability company
CPC PROPCO, LLC,
a Delaware limited liability company
DALLAS LOVE SUPPLIES, LLC,
a Florida limited liability company
DC PROVISIONS, LLC,
a Florida limited liability company
DENVER SERVICES, LLC,
a Florida limited liability company
DULLES SERVICES, LLC,
a Florida limited liability company
EUGENE PROVISIONS, LLC,
a Florida limited liability company
HOME SERV DELIVERY, LLC,
a Florida limited liability company
HOSPITALITY CCGS HOLDINGS, LLC,
a Delaware limited liability company

By: /s/ Robert N. Sacks
Name: Robert N. Sacks
Title: Executive Vice President, Secretary

[*Signature Pages Continue*]

JAMAICA LOGISTICS, LLC,
a Florida limited liability company

KCPC HOLDINGS, INC.,
a Delaware corporation

KINNEY SYSTEM, INC.,
a Delaware corporation

LUGGAGE LOGISTICS & PROCUREMENT, LLC, a Florida limited liability company

LUGGAGE SERVICES AND LOGISTICS, LLC,
a Delaware limited liability company

MAPLE LEAF LOGISTICS, LLC,
a Florida limited liability company

MERRITT LEASING, LLC,
a Florida limited liability company

MERRITT TRUCKING LLC,
a Delaware limited liability company

MIAMI DADE CONVEYANCE, LLC,
a Florida limited liability company

MINNEAPOLIS TRANSFER, LLC,
a Florida limited liability company

NETBAGS.COM, LLC,
a Pennsylvania limited liability company

NEWARK DISTRIBUTIONS, LLC,
a Florida limited liability company

ORLANDO DTTS, LLC,
a Florida limited liability company

PACIFIC BAGS, LLC,
a Florida limited liability company

PORTLAND PROVISIONS, LLC,
a Florida limited liability company

QUEENS CONVEYANCE, LLC,
a Florida limited liability company

REMOTE CHECK-IN, LLC,
a Delaware limited liability company

RSF SECURE, LLC,
a Delaware limited liability company

By: /s/ Robert N. Sacks
Name: Robert N. Sacks
Title: Executive Vice President, Secretary

[*Signature Pages Continue*]

RSF STAFF, LLC,
a Delaware limited liability company

RYNN'S LUGGAGE OF TEXAS, INC.,
a Texas corporation

RYNN'S LUGGAGE CORPORATION,
a Pennsylvania corporation

SALT LAKE CITY TRANSFER, LLC,
a Florida limited liability company

SORT, LLC,
a Florida limited liability company

STANDARD AUTO PARK, INC.,
an Illinois corporation

STANDARD PARKING CORPORATION IL,
a Delaware corporation

TAMPA CONVEYANCE, LLC,
a Florida limited liability company

TROS DTTS, LLC,
a Florida limited liability company

TRUK, LLC,
a Delaware limited liability company,

TUCSON PROVISIONS, LLC
a Florida limited liability company,

TUGS, LLC
a Florida limited liability company,

USA PARKING SYSTEM, INC.,
a Tennessee corporation

VOYAGER MERCHANDISING, LLC,
a Delaware limited liability company

ZWB HOLDINGS, INC.,
a Florida corporation

By: /s/ Robert N. Sacks
Name: Robert N. Sacks
Title: Executive Vice President, Secretary

APCOA LASALLE PARKING COMPANY, LLC,
a Louisiana limited liability company

By: SP Plus Corporation
Its: Manager and Member

By: /s/ Robert N. Sacks
Name: Robert N. Sacks
Title: Executive Vice President, Secretary

[*Signature Pages Continue*]

CENTRAL PARKING SYSTEM, INC.,
a Tennessee corporation

By: /s/ Robert N. Sacks
Name: Robert N. Sacks
Title: Executive Vice President, Assistant Secretary

ADMINISTRATIVE AGENT: BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/ Kyle D Harding
Name: Kyle D Harding
Title: AVP

LENDERS: BANK OF AMERICA, N.A.,
as a Lender, L/C Issuer and Swingline Lender

By: /s/ Daniel K. Phelan
Name: Daniel K. Phelan
Title: Assistant Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Peg Laughlin
Name: Peg Laughlin
Title: SVP

BMO HARRIS BANK N.A.

By: /s/ Kendal B. Cross
Name: Kendal B. Cross
Title: Vice President

JPMORGAN CHASE BANK, N.A.

By: /s/ Erik Barragan
Name: Erik Barragan
Title: Authorized Officer

KEYBANK NATIONAL ASSOCIATION

By: /s/ David A. Wild
Name: David A. Wild
Title: Senior Vice President

[*Signature Pages Continue*]

U.S. BANK NATIONAL ASSOCIATION
By: /s/ Brian R Denk
Name: Brian R Denk
Title: Assistant Vice President

ASSOCIATED BANK, N.A.

By: /s/ Craig Thessin
Name: Craig Thessin
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Edward Han
Name: Edward Han
Title: Vice President

FIRST HAWAIIAN BANK

By: /s/ Derek Chang
Name: Derek Chang
Title: SVP

CIBC BANK USA

By: /s/ Josh Udelhofen
Name: Josh Udelhofen
Title: Commercial RM

Exhibit 31.1

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, G Marc Baumann, certify that:

1. I have reviewed this Form 10-Q of SP Plus Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ G MARC BAUMANN

G Marc Baumann
Chief Executive Officer and President
(Principal Executive Officer)

Date: October 31, 2019

Exhibit 31.2

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Kristopher H. Roy, certify that:

1. I have reviewed this Form 10-Q of SP Plus Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ KRISTOPHER H. ROY

Kristopher H. Roy
Chief Financial Officer
(Principal Financial Officer, Principal Accounting Officer and Duly Authorized Officer)

Date: October 31, 2019

Exhibit 32

Certification pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of SP Plus Corporation (the “Company”) for the quarterly period ending September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) the Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ G MARC BAUMANN

Name: G Marc Baumann

Title: Chief Executive Officer and President
(Principal Executive Officer)

Date: October 31, 2019

/s/ KRISTOPHER H. ROY

Name: Kristopher H. Roy

Title: *Chief Financial Officer*
(Principal Financial Officer, Principal Accounting Officer and Duly Authorized Officer)

Date: October 31, 2019

This certification shall not be deemed “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934, or the Exchange Act, or otherwise subject to the liability of Section 18 of the Exchange Act. Such certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.