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, 2020

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 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 issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 6, 2020
Common Stock, $0.001 par value per share	23,088,386 Shares

SP PLUS CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SP Plus Corporation
Condensed Consolidated Balance Sheets

(millions, except for share data)	September 30, 2020 (unaudited)	December 31, 2019
Assets		
Cash and cash equivalents	$ 15.6	$ 24.1
Notes and accounts receivable, net	103.6	162.3
Prepaid expenses and other	14.7	24.7
Total current assets	133.9	211.1
Leasehold improvements, equipment and construction in progress, net	53.8	47.9
Right-of-use assets	232.4	431.7
Goodwill	526.4	586.0
Other intangible assets, net	65.3	152.2
Equity investments in unconsolidated entities	10.1	10.2
Deferred taxes	75.7	10.6
Other assets, net	32.0	29.9
Total noncurrent assets	995.7	1,268.5
Total assets	$ 1,129.6	$ 1,479.6
Liabilities and stockholders' equity		
Accounts payable	$ 101.2	$ 115.3
Accrued and other current liabilities	88.2	121.4
Short-term lease liabilities	82.6	115.2
Current portion of long-term obligations under Senior Credit Facility and other long-term borrowings	23.2	17.9
Total current liabilities	295.2	369.8
Long-term borrowings, excluding current portion	348.1	351.1
Long-term lease liabilities	242.2	327.7
Other noncurrent liabilities	66.7	57.1
Total noncurrent liabilities	657.0	735.9
Total liabilities	$ 952.2	$ 1,105.7
Stockholders' equity		
Preferred stock, par value $0.01 per share; 5,000,000 shares authorized as of September 30, 2020 and December 31, 2019, respectively; no shares issued or outstanding	$ —	$ —
Common stock, par value $0.001 per share; 50,000,000 shares authorized as of September 30, 2020 and December 31, 2019; 25,121,534 and 23,086,792 shares issued and outstanding as of September 30, 2020, respectively, and 24,591,127 and 22,950,360 issued and outstanding as of December 31, 2019, respectively	—	—
Treasury stock, at cost; 2,034,742 and 1,640,767 shares as of September 30, 2020 and December 31, 2019, respectively	(70.6)	(55.3)
Additional paid-in capital	258.7	262.6
Accumulated other comprehensive loss	(5.2)	(2.7)
(Accumulated deficit) retained earnings	(3.8)	169.5
Total SP Plus Corporation stockholders' equity	179.1	374.1
Noncontrolling interest	(1.7)	(0.2)
Total stockholders' equity	177.4	373.9
Total liabilities and stockholders' equity	$ 1,129.6	$ 1,479.6

See Notes to Condensed Consolidated Financial Statements.

SP Plus Corporation
Condensed Consolidated Statements of Income

(millions, except for share and per share data) (unaudited)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Services revenue				
Lease type contracts	$ 38.5	$ 104.6	$ 150.4	$ 307.6
Management type contracts	79.7	132.6	279.6	395.4
	118.2	237.2	430.0	703.0
Reimbursed management type contract revenue	110.9	181.4	412.2	539.2
Total services revenue	229.1	418.6	842.2	1,242.2
Cost of services				
Lease type contracts	34.4	93.0	157.7	274.5
Management type contracts	41.5	85.5	179.4	254.7
	75.9	178.5	337.1	529.2
Reimbursed management type contract expense	110.9	181.4	412.2	539.2
Lease impairment	0.3	—	94.5	—
Total cost of services	187.1	359.9	843.8	1,068.4
Gross profit				
Lease type contracts	4.1	11.6	(7.3)	33.1
Management type contracts	38.2	47.1	100.2	140.7
Lease impairment	(0.3)	—	(94.5)	—
Total gross profit	42.0	58.7	(1.6)	173.8
General and administrative expenses	18.4	26.0	61.9	80.8
Depreciation and amortization	8.2	7.3	23.6	21.8
Impairment of goodwill and intangible assets	131.6	—	135.3	—
Operating (loss) income	(116.2)	25.4	(222.4)	71.2
Other expense (income)				
Interest expense	5.7	4.8	15.4	14.7
Interest income	(0.1)	(0.1)	(0.3)	(0.3)
Other expenses	—	—	0.2	—
Gain on sale of other investments	—	—	(0.3)	—
Total other expenses	5.6	4.7	15.0	14.4
(Loss) earnings before income taxes	(121.8)	20.7	(237.4)	56.8
Income tax (benefit) expense	(33.5)	5.7	(63.7)	14.6
Net (loss) income	(88.3)	15.0	(173.7)	42.2
Less: Net (loss) income attributable to noncontrolling interest	(0.2)	0.8	(0.4)	2.2
Net (loss) income attributable to SP Plus Corporation	$ (88.1)	$ 14.2	$ (173.3)	$ 40.0
Common stock data				
Net (loss) income per common share				
Basic	$ (4.19)	$ 0.64	$ (8.23)	$ 1.79
Diluted	$ (4.19)	$ 0.64	$ (8.23)	$ 1.78
Weighted average shares outstanding				
Basic	21,047,076	21,945,129	21,057,080	22,277,852
Diluted	21,047,076	22,038,905	21,057,080	22,411,965

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, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Net (loss) income	$ (88.3)	$ 15.0	$ (173.7)	$ 42.2
Change in fair value of interest rate collars	0.4	(0.1)	(2.2)	(0.9)
Foreign currency translation loss	—	(0.1)	(0.3)	—
Comprehensive (loss) income	(87.9)	14.8	(176.2)	41.3
Less: Comprehensive (loss) income attributable to noncontrolling interest	(0.2)	0.8	(0.4)	2.2
Comprehensive (loss) income attributable to SP Plus Corporation	$ (87.7)	$ 14.0	$ (175.8)	$ 39.1

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Stockholders' Equity

	Nine months ended September 30, 2019 (unaudited)							
	Common Stock							
(millions, except share data)	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Noncontrolling Interest	Total
Balance 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	—	—	0.4	—	—	—	—	0.4
Treasury stock	—	—	—	—	—	(2.3)	—	(2.3)
Distributions to noncontrolling interest	—	—	—	—	—	—	(0.7)	(0.7)
Balance 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)
Change in fair value of interest rate collars	—	—	—	(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	—	—	1.0	—	—	—	—	1.0
Treasury stock	—	—	—	—	—	(11.3)	—	(11.3)
Distributions to noncontrolling interest	—	—	—	—	—	—	(0.7)	(0.7)
Balance 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)
Change in fair value of interest rate collars	—	—	—	(0.1)	—	—	—	(0.1)
Issuance of restricted stock units	69,357	—	—	—	—	—	—	—
Non-cash stock-based compensation	—	—	1.3	—	—	—	—	1.3
Treasury stock	—	—	—	—	—	(18.7)	—	(18.7)
Distributions to noncontrolling interest	—	—	—	—	—	—	(1.0)	(1.0)
Balance at September 30, 2019	22,948,766	$ —	$ 260.8	$ (3.3)	$ 160.6	$ (39.8)	$ —	$ 378.3

SP Plus Corporation

Condensed Consolidated Statements of Stockholders' Equity

	Nine months ended September 30, 2020 (unaudited)							
	Common Stock							
(millions, except share data)	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings (Accumulated Deficit)	Treasury Stock	Noncontrolling Interest	Total
Balance at January 1, 2020	22,950,360	$ —	$ 262.6	$ (2.7)	$ 169.5	$ (55.3)	$ (0.2)	$ 373.9
Net (loss) income	—	—	—	—	(46.1)	—	0.5	(45.6
Foreign currency translation	—	—	—	(0.2)	—	—	—	(0.2
Change in fair value of interest rate collars	—	—	—	(2.8)	—	—	—	(2.8
Issuance of performance stock units	46,701	—	—	—	—	—	—	—
Non-cash stock-based compensation	—	—	(2.9)	—	—	—	—	(2.9
Treasury stock	—	—	—	—	—	(15.3)	—	(15.3
Distributions to noncontrolling interest	—	—	—	—	—	—	(0.5)	(0.5
Balance at March 31, 2020	22,997,061	$ —	$ 259.7	$ (5.7)	$ 123.4	$ (70.6)	$ (0.2)	$ 306.6
Net loss	—	—	—	—	(39.1)	—	(0.7)	(39.8
Foreign currency translation	—	—	—	(0.1)	—	—	—	(0.1
Change in fair value of interest rate collars	—	—	—	0.2	—	—	—	0.2
Issuance of stock grants	25,066	—	0.5	—	—	—	—	0.5
Non-cash stock-based compensation	—	—	0.4	—	—	—	—	0.4
Noncontrolling interest buyout	—	—	(1.7)	—	—	—	—	(1.7
Distributions to noncontrolling interest	—	—	—	—	—	—	(0.4)	(0.4
Balance at June 30, 2020	23,022,127	$ —	$ 258.9	$ (5.6)	$ 84.3	$ (70.6)	$ (1.3)	$ 265.7
Net loss	—	—	—	—	(88.1)	—	(0.2)	(88.3
Change in fair value of interest rate collars	—	—	—	0.4	—	—	—	0.4
Issuance of restricted share units	64,665	—	—	—	—	—	—	—
Non-cash stock-based compensation	—	—	(0.2)	—	—	—	—	(0.2
Distributions to noncontrolling interest	—	—	—	—	—	—	(0.2)	(0.2
Balance at September 30, 2020	23,086,792	$ —	$ 258.7	$ (5.2)	$ (3.8)	$ (70.6)	$ (1.7)	$ 177.4

Note: Amounts may not foot due to rounding.

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Cash Flows

	Nine Months Ended	
(millions) (unaudited)	September 30, 2020	September 30, 2019
Operating activities		
Net (loss) income	$ (173.7)	$ 42.2
Adjustments to reconcile net (loss) income to net cash provided by operations:		
Impairments	231.1	—
Depreciation and amortization	23.0	21.8
Non-cash stock-based compensation	(2.2)	3.1
Provisions for credit losses on accounts receivable	6.0	0.5
Deferred income taxes	(64.3)	1.8
Other	2.3	0.1
Changes in operating assets and liabilities		
Notes and accounts receivable	52.7	0.2
Prepaid and other current assets	10.0	1.9
Accounts payable	(14.1)	(7.6)
Accrued liabilities and other	(42.9)	(9.2)
Net cash provided by operating activities	27.9	54.8
Investing activities		
Purchases of leasehold improvements and equipment	(5.8)	(6.4)
Cost of contracts purchased	(2.3)	(2.1)
Proceeds from sale of other investments and equipment	0.8	0.3
Noncontrolling interest buyout	(1.7)	—
Net cash used in investing activities	(9.0)	(8.2)
Financing activities		
Payments on credit facility revolver	(401.5)	(360.3)
Proceeds from credit facility revolver	404.2	347.8
Payments on credit facility term loan	(8.4)	(8.4)
Payments on other long-term borrowings	(5.0)	(1.6)
Distributions to noncontrolling interest	(1.1)	(2.4)
Repurchases of common stock	(15.3)	(32.0)
Net cash used in financing activities	(27.1)	(56.9)
Effect of exchange rate changes on cash and cash equivalents	(0.3)	—
Decrease in cash and cash equivalents	(8.5)	(10.3)
Cash and cash equivalents at beginning of year	24.1	39.9
Cash and cash equivalents at end of period	$ 15.6	$ 29.6
Supplemental disclosures		
Cash paid during the period for		
Interest	$ 13.7	$ 13.8
Income taxes	$ 0.8	$ 11.6

See Notes to Condensed Consolidated Financial Statements.

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 the Company's 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 months ended September 30, 2020, are not necessarily indicative of the results that might be expected for any other interim period or the fiscal year ending December 31, 2020. 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 20, 2020 with the Securities and Exchange Commission.

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 were $0.2 million and $0.5 million as of September 30, 2020 and December 31, 2019, respectively, and are included within Cash and cash equivalents within the Condensed Consolidated Balance Sheets.

Allowance for Doubtful Accounts

Accounts receivable, net of the allowance for doubtful accounts, represents the Company's estimate of the amount that ultimately will be realized in cash. Management reviews the adequacy of its allowance for doubtful accounts on an ongoing basis, primarily using a review of specific accounts, as well as historical collection trends and aging of receivables, and makes adjustments to the allowance as necessary. Changes in economic conditions or other circumstances could have an impact on the collection of existing receivable balances or future allowance considerations. As of September 30, 2020 and December 31, 2019 the Company's allowance for doubtful accounts was $5.2 million and $1.9 million, respectively.

Transactions affecting the allowance for doubtful accounts receivable during the nine months ended September 30, 2020 and year ended December 31, 2019 were as follows:

(millions) (unaudited)	September 30, 2020	December 31, 2019
Beginning Balance	$ 1.9	$ 1.0
Provision for credit losses	6.0	2.1
Write offs and other	(2.7)	(1.2)
Ending Balance	$ 5.2	$ 1.9

Equity Investments in Unconsolidated Entities

The Company has ownership interests in 29 active partnerships, joint ventures or similar arrangements that operate parking facilities, of which 24 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 $0.2 million and $0.8 million for the three months ended September 30, 2020 and 2019, respectively, and were $1.0 million and $2.4 million for the nine months ended September 30, 2020 and 2019, respectively.

Other Noncurrent Assets

Other noncurrent assets consisted of advances and deposits and cost of contracts, net, as of September 30, 2020 and December 31, 2019.

Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of accrued rent, compensation, payroll withholdings, property, payroll and other taxes, insurance, and other accrued liabilities as of September 30, 2020 and December 31, 2019.

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.

Goodwill

Goodwill represents the excess of purchase price paid over the fair value of net assets acquired. In accordance with the Financial Accounting Standards Board's ("FASB") authoritative accounting guidance on goodwill, the Company evaluates goodwill for impairment on an annual basis, or more often if events or circumstances change that could cause goodwill to become impaired. The Company has elected to assess the impairment of goodwill annually on October 1 or at an interim date if there is an event or change in circumstances indicating the carrying value may not be recoverable. The goodwill impairment test is performed at the reporting unit level; the Company's reporting units represent its operating segments, consisting of Commercial and Aviation. Factors that could trigger an impairment review include significant under-performance relative to expected historical or projected future operating results, significant changes in the use of acquired assets or the Company's business strategy, and significant negative industry or economic trends.

The Company may perform a qualitative, rather than quantitative, assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. As of January 1, 2020, the Company adopted Accounting Standards Update ("ASU") 2017-04, which eliminated the two step approach from the current goodwill impairment test and allows impairment to be calculated based on the quantitative assessment. The determination of fair value of a reporting unit utilizes cash flow projections that assume certain future revenue and cost levels, comparable marketplace data, assumed discount rates based upon current market conditions and other valuation factors, all of which involve the use of significant judgment and estimates. The Company also assesses critical areas that may impact its business including economic conditions, market related exposures, competition, changes in service offerings and changes in key personnel.

Beginning in March 2020, the Company noted that the COVID-19 pandemic and the resulting stay at home orders issued by local governments were impacting certain of the Company's businesses. These factors have significantly impacted the hospitality and travel industries, as well as overall consumer discretionary spending.

Due to the impacts of COVID-19, revenues for certain markets in which the Company operates have dropped significantly as compared to the expectations as of the October 1, 2019 annual impairment test. The Company does not know how long the COVID-19 pandemic and its effects will continue to impact the results of the Company. In addition, certain Aviation contracts were terminated during August 2020. The termination of these contracts and the ongoing impacts of COVID-19 on the Company's expected future operating cash flows triggered the Company to complete a quantitative goodwill impairment analysis for the Aviation reporting unit as of August 31, 2020. Based on the quantitative analysis, the Company determined that estimated carrying values exceeded implied fair value for the Aviation reporting unit and goodwill was impaired during the three months ended September 30, 2020. See Note 7. Goodwill in the notes to the Condensed Consolidated Financial Statements for further discussion.

Other Intangible Assets, net

Other intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. The Company evaluates the remaining useful life of other intangible assets on a periodic basis to determine whether events or circumstances warrant a revision to their remaining useful lives. In addition, other intangible assets are reviewed for impairment when circumstances change that would indicate the carrying value may not be recoverable. Assumptions and estimates about future values and remaining useful lives of intangible and other long-lived assets are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors, such as changes in the Company's business strategy and internal forecasts. Although management believes the historical assumptions and estimates are reasonable and appropriate, different assumptions and estimates could materially impact reported financial results.

As a result of the impact of COVID-19 on the Company's expected future operating cash flows, the Company determined certain impairment triggers had occurred related to a proprietary know how intangible asset within the Aviation segment as of June 30, 2020. Accordingly, the Company analyzed undiscounted cash flows for the proprietary know how intangible asset as of June 30, 2020. Based on the undiscounted cash flow analysis, the Company determined that the estimated net carrying value for the proprietary know how intangible asset exceeded its undiscounted future cash flows and therefore, as of June 30, 2020, the asset was impaired.

Additionally, as a result of the termination of certain contracts within the Aviation reporting unit during August 2020 and the ongoing impact of COVID-19 on the Company's expected future operating cash flows, the Company determined certain impairment testing triggers had occurred related to the Company's customer relationships and trade names and trademarks intangible assets. Accordingly, the Company analyzed undiscounted cash flows for certain intangible assets as of August 31, 2020. Based on the undiscounted cash flow analysis, the Company determined that estimated net carrying values exceeded undiscounted future cash flows for certain intangible assets and therefore, as of August 31, 2020, certain intangible assets were impaired.

The impairments recognized were measured by the amount by which the carrying value of the intangible assets exceed their fair value. See Note 6. *Other Intangible Assets, net* in the notes to the Condensed Consolidated Financial Statements for further discussion.

For both goodwill and intangible assets, future events may indicate differences from management's judgments and estimates which could, in turn, result in impairment charges. Future events that may result in impairment charges include extended unfavorable economic impacts of COVID-19, increases in interest rates, which would impact discount rates, or other factors which could decrease revenues and profitability of existing locations and changes in the cost structure of existing facilities.

Long-Lived Assets

The Company evaluates long-lived assets, including right-of-use ("ROU") assets, leasehold improvements, equipment and construction in progress, for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable. The Company groups assets at the lowest level for which cash flows are separately identified in order to measure an impairment. Events or circumstances that would result in an impairment review include a significant change in the use of an asset, the planned sale or disposal of an asset, or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset group. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset group. If it is determined to be impaired, the impairment recognized is measured by the amount by which the carrying value of the asset exceeds its fair value.

As a result of the impact of COVID-19 on the Company's expected future operating cash flows, the Company's management determined certain impairment testing triggers had occurred for ROU assets associated with certain operating leases. Accordingly, the Company analyzed undiscounted cash flows for ROU assets associated with certain operating leases during the nine months ended September 30, 2020. Based on the undiscounted cash flow analysis, the Company determined that estimated net carrying values exceeded undiscounted cash flows for ROU assets associated with certain operating leases and therefore during the nine months ended September 30, 2020, ROU assets associated with certain operating leases were impaired. The impairment recognized is measured by the amount by which the carrying value of the ROU asset associated with certain operating leases exceeds its fair value. See Note 2. *Leases* in the notes to the Condensed Consolidated Financial Statements for further discussion.

Assumptions and estimates used to determine cash flows in the evaluation of impairment and the fair values used to determine the impairment are subject to a degree of judgment and complexity. Any future changes to the assumptions and estimates resulting from changes in actual results or market conditions from those anticipated may affect the carrying value of long-lived assets and could result in additional impairment charges. Future events that may result in impairment charges include extended unfavorable economic impacts of COVID-19, or other factors which could decrease revenues and profitability of existing locations and changes in the cost structure of existing facilities.

Income taxes

Deferred tax assets increased $65.1 million to $75.7 million as of September 30, 2020 compared to $10.6 million as of December 31, 2019. The increase in deferred tax assets is due to the impairment of ROU assets, other intangible assets and goodwill during the nine months ended September 30, 2020, as well as the deferral of FICA taxes resulting from the Coronavirus Aid, Relief, & Economic Security (CARES) Act during the nine months ended September 30, 2020.

Recently Issued Accounting Pronouncements

Recently Adopted Accounting Pronouncements

During the nine months ended September 30, 2020, the Company adopted the following ASUs with no material impact on the Condensed Consolidated Financial Statements:

ASU	Topic	Method of Adoption
2016-13	Credit Losses - Measurement of Credit Losses on Financial Instruments (Topic 326)	Prospective
2017-04	Intangibles – Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment	Prospective
2018-13	Fair Value Measurement (Topic 820)	Prospective
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	Prospective
20018-17	Consolidation (Topic 810), Targeted Improvements to Related Party Guidance for Variable Interest Entities	Prospective
2018-18	Collaborative Arrangements (Topic 808)	Prospective
2018-19	Codification Improvements to Topic 326, Financial Instruments - Credit Losses	Prospective
2019-04	Codification Improvements to Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Financial Instruments (Topic 825)	Prospective
2019-08	Compensation - Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606), Codification Improvements - Share-Based Consideration Payable to a Customer	Prospective
2020-02	Financial Instruments-Credit Losses (Topic 326) And Leases (Topic 842)-Amendments to Sec Paragraphs Pursuant to Sec Staff Accounting Bulletin No. 119 And Update to Sec Section On Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842)	Prospective
2019-12	Simplifying the Accounting for Income Taxes (Topic 740)	Prospective, early adopted

Accounting Pronouncements to be Adopted

Effects of Reference Rate Reform on Financial Reporting

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides optional expedient and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In response to the concerns about structural risks of interbank offered rates (IBORs) and, particularly, risks associated with the phase out of the London Interbank Offered Rate (LIBOR), regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction based and less susceptible to manipulation. The ASU provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. The ASU can be adopted no later than December 1, 2022 with early adoption permitted. The Company is currently assessing the impact of adopting the standard on the Company's financial position, results of operations, cash flows and financial statement disclosures.

Investments - equity securities; Investments-Equity Method and Joint Ventures; Derivatives and Hedging

In January 2020, the FASB issued ASU 2020-01, *Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)*. The amendments in this ASU clarify the interaction between the accounting for investments in equity securities, investment in equity method and certain derivatives instruments. The ASU is expected to reduce diversity in practice and increase comparability of the accounting for these interactions. This ASU is effective for fiscal years beginning after December 15, 2021. The Company is currently assessing the impact of adopting the standard 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 subleases certain real estate to third parties. The Company's sublease portfolio consists of operating leases for space within leased parking facilities.

The Company accounts for leases in accordance with Topic 842. Operating lease ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. ROU assets represent the Company's "right-of-use" over an underlying asset for the lease term, and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. The ROU asset includes cumulative prepaid or accrued rent, as well as lease incentives, initial direct costs and acquired lease contracts. 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.

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 the lease liability. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Consistent with other long-lived assets or asset groups that are held and used, the Company tests ROU assets when impairment indicators are present as detailed in Note 1. *Significant Accounting Policies and Practices*.

As discussed in Note 1. *Significant Accounting Policies and Practices*, due to the impact of COVID-19 on the Company's expected future operating cash flows, the Company determined certain impairment testing triggers had occurred within its asset groups. Accordingly, the Company performed an undiscounted cash flow analysis on certain operating lease ROU assets during the nine months ended September 30, 2020. Based on the undiscounted cash flow analysis as of March 31, 2020, June 30, 2020, and September 30, 2020, the Company determined that certain ROU asset groups had net carrying values that exceeded their estimated undiscounted future cash flows and fair value for these asset groups was determined. The fair value of ROU assets measured on a non-recurring basis, which is classified as Level 3 in the fair value hierarchy, was determined based on estimates of future discounted cash flows. The estimated fair values were compared to the net carrying values, and, as a result, ROU assets held and used with a carrying amount of $271.0 million were determined to have a fair value of $175.2 million resulting in an impairment charge of $95.8 million in the Commercial segment. The impairment charges of $0.3 million and $94.5 million for the three and nine months ended September 30, 2020, respectively, are included within Lease impairment in the Condensed Consolidated Statements of Income. Impairment charges included within General and administrative expenses in the Condensed Consolidated Statements of Income during the three and nine months ended September 30, 2020 for a certain abandoned operating lease amounted to $1.3 million. No lease impairment charges were recognized during the three and nine months ended September 30, 2019.

In April 2020, the FASB staff provided accounting elections for entities that receive or provide lease-related concessions to mitigate the economic effects of COVID-19 on lessees. The Company elected not to evaluate whether certain concessions provided by lessors in response to the COVID-19 pandemic, that are within the scope of additional interpretation provided by the FASB in April 2020, were lease modifications and has also elected not to apply modification guidance under Topic 842. These concessions will be recognized as a reduction of rent expense in the month they occur and will be recorded within Cost of parking services within the Condensed Consolidated Statements of Income. During the nine months ended September 30, 2020, as a result of the ongoing COVID-19 pandemic, the Company was able to negotiate lease concessions with certain landlords. These rent concessions have been recorded in accordance with the guidance noted above. As a result, the Company recorded $9.2 million and $18.1 million related to rent concessions as a reduction to cost of services during the three and nine months ended September 30, 2020, respectively.

Service concession arrangements within the scope of ASU No. 2017-10, *Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Services*. Costs associated with the right to use the infrastructure on these arrangements are recorded as a reduction of revenue. During the nine months ended September 30, 2020, as a result of the ongoing COVID -19 pandemic, the Company was able to negotiate cost reductions with certain entities. As a result, the Company recorded $6.9 million and $25.2 million related to such cost reductions during the three and nine months ended September 30, 2020, respectively. See Note 4. *Revenue* for further discussion on service concession arrangements.

The components of ROU assets and lease liabilities and classification on the Condensed Consolidated Balance Sheet as of September 30, 2020 (unaudited) and December 31, 2019 were as follows:

(millions)	Classification	September 30, 2020	December 31, 2019
Assets			
Operating	Right-of-use assets	$ 232.4	$ 431.7
Finance	Leasehold improvements, equipment and construction in progress, net	27.8	18.6
Total leased assets		$ 260.2	$ 450.3
Liabilities			
Current			
Operating	Short-term lease liabilities	$ 82.6	$ 115.2
Finance	Current portion of long-term obligations under Senior Credit Facility and other long-term borrowings	7.4	3.1
Noncurrent			
Operating	Long-term lease liabilities	242.2	327.7
Finance	Long-term borrowings, excluding current portion	20.4	15.6
Total lease liabilities		$ 352.6	$ 461.6

The components of lease cost and classification in the Condensed Consolidated Statement of Income for the three and nine months ended September 30, 2020 and 2019 were as follows:

		Three Months Ended		Nine Months Ended	
(millions) (unaudited)	Classification	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Operating lease cost (a)(b)	Cost of services - lease type contracts	$ 6.3	$ 63.0	$ 67.1	$ 181.4
Short-term lease (a)	Cost of services - lease type contracts	4.7	7.5	18.9	25.4
Variable lease	Cost of services - lease type contracts	5.0	14.9	14.7	43.3
Operating lease cost		16.0	85.4	100.7	250.1
Finance lease cost					
Amortization of leased assets	Depreciation and amortization	1.3	0.9	2.8	1.7
Interest on lease liabilities	Interest expense	0.3	0.2	0.8	0.6
Lease impairment	Lease impairment	0.3	—	94.5	—
Lease impairment	General and administrative expenses	1.3	—	1.3	—
Net lease cost		$ 19.2	$ 86.5	$ 200.1	$ 252.4

(a) Operating lease cost included in General and administrative expenses are related to leases for office space amounting to $1.4 million and $4.4 million for the three and nine months ended September 30, 2020, respectively, compared to $1.6 million and $3.9 million for the three and nine months ended September 30, 2019, respectively.

(b) Includes rent concessions amounting to $9.2 million and $18.1 million for the three and nine months ended September 30, 2020, respectively. No rent concessions were recognized during the nine months ended September 30, 2019.

Sublease income was $0.4 million and $0.5 million during the three months ended September 30, 2020 and 2019, respectively, and $1.2 million and $1.6 million during the nine months ended September 30, 2020 and 2019, respectively.

The Company has not entered into operating lease arrangements as of September 30, 2020 that commence in future periods.

Maturities of lease liabilities, lease term, and discount rate information as of September 30, 2020 were as follows:

(millions) (unaudited)	Operating Leases Liabilities	Finance Leases Liabilities	Total
2020	$ 26.8	$ 2.1	$ 28.9
2021	91.0	8.0	99.0
2022	75.9	6.8	82.7
2023	55.0	4.8	59.8
2024	38.0	3.0	41.0
After 2024	88.3	6.6	94.9
Total lease payments	375.0	31.3	406.3
Less: Imputed interest	50.2	3.5	53.7
Present value of lease liabilities	$ 324.8	$ 27.8	$ 352.6
Weighted-average remaining lease term (years)	5.5	5.3	
Weighted-average discount rate	5.0%	4.2%	

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

Supplemental cash flow information related to leases for the nine months ended September 30, 2020 and 2019 was as follows:

	Nine Months Ended	
(millions) (unaudited)	September 30, 2020	September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash outflows related to operating leases	$ 97.4	$ 135.9
Operating cash outflows related to interest on finance leases	0.8	0.6
Financing cash outflows related to finance leases	3.3	1.6
Leased assets obtained in exchange for new operating liabilities	13.1	50.1
Leased assets obtained in exchange for new finance lease liabilities	14.1	5.2

3. 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:

- 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 2020 and 2019 (included within Cost of services and General and administrative expenses within the Condensed Consolidated Statements of Income);
- Transaction costs and other acquisition related costs (primarily professional services and advisory services, as well as write-offs of aged receivables incurred prior to acquisition) primarily related to the Bags acquisition incurred during the three and nine months ended September 30, 2019 (included within General and administrative expenses within the Consolidated Statements of Income) and;
- Consulting costs for integration-related activities related to the Bags acquisition incurred during the three and nine months ended September 30, 2019 (included within General and administrative expenses within the Condensed Consolidated Statements of Income).

Included in General and administrative expenses are severance related costs of $0.9 million and $3.8 million for the three and nine months ended September 30, 2020, respectively, reflecting the actions the Company has taken to lessen the impacts of COVID-19 on the business. The acquisition, restructuring and integration related costs for the three and nine months ended September 30, 2020 and 2019 are summarized in the following table:

	Three Months Ended		Nine Months Ended	
(millions) (unaudited)	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Cost of services - lease type contracts	$ 0.1	$ —	$ 0.5	$ —
Cost of services - management type contracts	—	—	0.6	—
General and administrative expenses	1.6	—	5.8	1.3

The accrual for acquisition, restructuring and integration costs of $0.6 million and $0.1 million is included in Accrued and other current liabilities within the Condensed Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019, respectively.

4. 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 the 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 the Company's revenues come from the following two types of arrangements: Lease type and Management type contracts.

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 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, 2020 and 2019, respectively.

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 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, workers' 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 its 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 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 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. 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 its 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 the 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 14. *Business Unit Segment Information* for further information on disaggregation of the Company's 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, 2020 and 2019, respectively, 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 as monthly parker contracts, cash is typically collected in advance of the Company commencing its performance obligations under the contractual arrangement.

On September 30, 2020, the Company had $117.5 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**
2020	$	13.7
2021		42.8
2022		26.1
2023		17.8
2024		9.8
2025 and thereafter		7.3
Total	$	117.5

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 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 liabilities are reported on a contract-by-contract basis and are included in Notes and accounts receivable, net, and Accrued and other current liabilities, respectively, on the Condensed Consolidated Balance Sheets. See Note 1. *Significant Accounting Policies and Practices* for additional detail on the write-off of accounts receivable. There were no impairment charges recorded on contract assets and contract liabilities for the three and nine months ended September 30, 2020 and 2019.

The following table provides information about accounts receivable, contract assets and contract liabilities with customers and clients as of September 30, 2020 (unaudited) and December 31, 2019:

(millions)	September 30, 2020	December 31, 2019
Accounts receivable	$ 97.3	$ 151.3
Contract asset	6.3	11.0
Contract liability	(8.7)	(19.4)

Changes in contract assets which 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 during the nine months ended September 30, 2020 and 2019:

	Nine Months Ended	
(millions) (unaudited)	September 30, 2020	September 30, 2019
Balance, beginning of period	$ 11.0	$ 11.4
Additional contract assets	6.3	10.3
Reclassification to accounts receivable	(11.0)	(11.4)
Balance, end of period	$ 6.3	$ 10.3

Changes in contract liabilities primarily include additional contract liabilities and reductions of contract liabilities when revenue is recognized. The following table provides information about changes to contract liability balances during the nine months ended September 30, 2020 and 2019:

	Nine Months Ended	
(millions) (unaudited)	September 30, 2020	September 30, 2019
Balance, beginning of period	$ (19.4)	$ (19.1)
Additional contract liabilities	(8.7)	(16.3)
Recognition of revenue from contract liabilities	19.4	19.1
Balance, end of period	$ (8.7)	$ (16.3)

Cost of contracts, net

Cost of contracts, net, represents the cost of obtaining contractual rights associated with providing 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.

Amortization expense related to cost of contracts not considered service concession arrangements is included within Depreciation and amortization in the Condensed Consolidated Statements of Income. 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, 2020 and 2019, respectively. Amortization expense related to cost of contracts for the three and nine months ended September 30, 2020 and 2019 was as follows:

	Three Months Ended		Nine Months Ended	
(millions) (unaudited)	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Amortization expense	$ 0.6	$ 0.3	$ 1.3	$ 0.9

As of September 30, 2020 and December 31, 2019, cost of contracts net of accumulated amortization included on the Condensed Consolidated Balance Sheets within Other noncurrent assets was $5.0 million and $4.3 million, respectively. No impairment charges were recorded for the three and nine months ended September 30, 2020 and 2019, respectively.

5. 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 the Company and other loss contingencies are subject to significant uncertainty. The Company accrues a charge against income when its management determines that 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 the Company 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 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 the Company's results of operation, financial condition or cash flows.

In determining the appropriate accounting for loss contingencies, the Company considers the likelihood of loss or the incurrence of a liability, as well as the Company's 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. During the three and nine months ended September 30, 2020, the Company recorded $1.5 million and $6.0 million, respectively, in reserves related to legal matters.

6. Other Intangible Assets, net

The components of other intangible assets, net, at September 30, 2020 (unaudited) and December 31, 2019 were as follows:

		September 30, 2020			December 31, 2019		
(millions)	Weighted Average Life (Years)	Intangible Assets, Gross	Accumulated Amortization	Intangible Assets, Net	Intangible Assets, Gross	Accumulated Amortization	Intangible Assets, Net
Covenant not to compete	2.3	$ 2.9	$ (1.1)	$ 1.8	$ 2.9	$ (0.3)	$ 2.6
Trade names and trademarks	3.2	0.9	(0.1)	0.8	5.6	(1.2)	4.4
Proprietary know how	3.9	3.8	(0.2)	3.6	10.4	(2.0)	8.4
Management contract rights	8.3	81.0	(41.3)	39.7	81.0	(37.4)	43.6
Customer relationships	13.2	21.5	(2.1)	19.4	100.4	(7.2)	93.2
Other intangible assets, net (1)	9.4	$ 110.1	$ (44.8)	$ 65.3	$ 200.3	$ (48.1)	$ 152.2

(1) Intangible assets have estimated remaining lives between one and fourteen years.

The table below shows the amortization expense related to intangible assets for the three and nine months ended September 30, 2020 and 2019, respectively, and is included in Depreciation and amortization within the Condensed Consolidated Statements of Income:

	Three Months Ended		Nine Months Ended	
(millions) (unaudited)	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Amortization expense	$ 3.3	$ 3.8	$ 11.1	$ 11.4

As discussed in Note 1. *Significant Accounting Policies and Practices*, the Company determined impairment testing triggers had occurred for certain intangible assets. The fair value of these intangible assets were classified as Level 3 in the fair value hierarchy. See Note 1. *Significant Accounting Policies and Practices* for additional detail on the Company's policy for assessing Other Intangible Assets, net, for impairment.

Due to the impact of COVID-19 on the Company's expected future operating cash flows, the Company analyzed undiscounted cash flows as of June 30, 2020 and determined the carrying value for a proprietary know how asset was higher than its projected undiscounted cash flows. As a result, the Company recorded $3.7 million of impairment charges within the Aviation segment during the nine months ended September 30, 2020 that are recognized in Impairment of goodwill and intangible assets in the Condensed Consolidated Statements of Income.

Additionally, due to the termination of certain contracts within the Aviation segment during August 2020 and the impact of COVID-19 on the Company's expected future operating cash flows, the Company analyzed undiscounted cash flows as of August 31, 2020 and determined the carrying values for the customer relationships and trade names and trademarks were higher than their projected undiscounted cash flows. As a result, the Company recorded $72.1 million of impairment charges within the Aviation segment during the three months ended September 30, 2020 that are recognized in Impairment of goodwill and intangible assets in the Condensed Consolidated Statements of Income.

Additional information on the impairment analysis and the impairment charge recognized during the three and nine months ended September 30, 2020 is provided below:

(millions) (unaudited)	Three Months Ended September 30, 2020	September 30, 2019	Nine Months Ended September 30, 2020	September 30, 2019
Customer relationships (1)	$ 69.2	$ —	$ 69.2	$ —
Trade names and trademarks (1)	2.9	—	2.9	—
Proprietary know how (2)	—	—	3.7	—
Total impairment of intangible assets	$ 72.1	$ —	$ 75.8	$ —

(1) In connection with the analysis performed on August 31, 2020, customer relationships were valued using the multi-period earnings method and determined to have a carrying value of $73.8 million and a fair value of $4.6 million, while trade names and trademarks were valued using the royalty savings approach and determined to have a carrying value of $3.4 million and a fair value of $0.5 million, respectively.

(2) In connection with the analysis performed on June 30, 2020, Proprietary know how were valued using the multi-period excess earnings method and determined to have a carrying value of $7.6 million and a fair value of $3.9 million, respectively.

No impairment charges were recorded during the three and nine months ended September 30, 2019.

7. Goodwill

The changes to the carrying amount of goodwill for the nine months ended September 30, 2020 were as follows:

(millions) (unaudited)	Commercial	Aviation	Total
Net book value as of December 31, 2019			
Goodwill	$ 377.0	$ 209.0	$ 586.0
Accumulated impairment losses	—	—	—
Total	$ 377.0	$ 209.0	$ 586.0
Impairment	—	(59.5)	(59.5)
Foreign currency translation	(0.1)	—	(0.1)
Net book value as of September 30, 2020			
Goodwill	$ 376.9	$ 209.0	$ 585.9
Accumulated impairment losses	—	(59.5)	(59.5)
Total	$ 376.9	$ 149.5	$ 526.4

In July 2020, the Company changed its internal reporting structure. All prior periods presented have been reclassified to reflect the new internal reporting structure. See Note 14. *Business Unit Segment Information* for further discussion.

As discussed in Note 1. *Significant Accounting Policies and Practices*, due to the impacts of COVID-19, revenues for certain markets in which the Company operates have dropped significantly as compared to the expectations as of the October 1, 2019 annual impairment test. The Company does not know how long the COVID-19 pandemic and its effects will continue to impact results of the Company. In addition, certain Aviation contracts were terminated during August 2020. The termination of these contracts and the ongoing impacts of COVID-19 on the Company's expected future operating cash flows triggered the Company to complete a quantitative goodwill impairment analysis as of August 31, 2020 for the Aviation reporting unit. Accordingly, the Company determined the carrying value for the Aviation reporting unit was higher than its implied fair value. The implied fair value was determined based on cash flow projections that assume certain future revenue and cost levels, comparable marketplace data, assumed discount rates based upon current market conditions and other valuation factors. As a result, the Company recorded $59.5 million of impairment charges during the three and nine months ended September 30, 2020, that were recognized in Impairment of goodwill and intangible assets in the Condensed Consolidated Statements of Income. If the impacts from the COVID-19 pandemic exceed the Company's current expectations, additional impairment charges could be recorded in future periods. The fair value of goodwill was classified as Level 3 in the fair value hierarchy. No impairment charges were recorded during the three and nine months ended September 30, 2019.

8. Borrowing Arrangements

Long-term borrowings as of September 30, 2020 and December 31, 2019, in order of preference, consist of:

(millions)	Maturity Date	Amount Outstanding September 30, 2020	December 31, 2019
		(unaudited)	
Senior Credit Facility, net of original discount on borrowings and deferred financing costs	November 30, 2023	$ 339.9	$ 345.9
Other borrowings	Various	31.4	23.1
Total obligations under Senior Credit Facility and other borrowings		371.3	369.0
Less: Current portion of obligations under Senior Credit Facility and other borrowings		23.2	17.9
Total long-term obligations under Senior Credit Facility and other borrowings		$ 348.1	$ 351.1

Senior Credit Facility

On November 30, 2018 (the "Closing Date"), the Company entered into a credit agreement (as amended prior to the Third Amendment Effective Date (as defined below), 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 which the Lenders made available to the Company a senior secured credit facility (the “Senior Credit Facility”). On May 6, 2020, (the "Third Amendment Effective Date"), the Company entered into the third amendment (the "Third Amendment") to the Credit Agreement (as amended by the Third Amendment, the "Amended Credit Agreement"). Prior to the Third Amendment Effective Date, the Senior Credit Facility permitted 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 entire principal amount of which the Company drew on the Closing Date). Pursuant to the Amended Credit Agreement, the aggregate commitments under the revolving credit facility increased by $45.0 million to $370.0 million. The increased borrowing capacity will be available until May 5, 2021, at which time it will revert back to $325.0 million.

Prior to the Third Amendment Effective Date, borrowings under the Senior Credit Facility bore 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 (“LIBOR”) loans, subject to a "floor" on LIBOR of 0.00%, or a comparable or successor rate to LIBOR approved by Bank of America, plus the applicable 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 LIBOR rate plus 1.0%. Pursuant to the Third Amendment, (a) for the period from the Third Amendment Effective Date until the date on which the Company delivers a compliance certificate for the fiscal quarter ending June 30, 2021, (i) the interest rate applicable to both the term loan and revolving facilities was fixed at LIBOR plus 2.75% per annum and (ii) the per annum rate applicable to unused revolving credit facility commitments was fixed at 0.375%, after which time the interest rate and the per annum rate will be determined as was previously provided in the Credit Agreement on the Closing Date, (b) the LIBOR "floor" was increased to 1.00%, (c) the Company was subject to a one-time liquidity test that required it to have liquidity of at least $50.0 million at June 30, 2020, and (d) certain other negative and financial covenants were amended, which included restrictions on certain Investments, Permitted Acquisitions, Restricted Payments and Prepayments of Subordinated Debt (each as defined in the Amended Credit Agreement and described in the Third Amendment), through the delivery of the compliance certificate for the fiscal quarter ending June 30, 2021.

Under the terms of the Credit Agreement, prior to the Third Amendment Effective Date, term loans were subject to scheduled quarterly payments of principal in installments equal to 1.25% of the initial aggregate principal amount of such term loan. In accordance with the Amended Credit Agreement, starting in the second quarter of 2021, the quarterly payments of principal in installments for term loans under the Senior Credit Facility will increase from 1.25% to 1.875% of the initial aggregate principal amount thereof.

Prior to the Third Amendment Effective Date, the Company was 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, and as calculated in accordance with, the Credit Agreement that were amended under the Third Amendment). In addition, the Company was 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). As of March 31, 2020, the step-down of the maximum total debt to EBITDA ratio required the Company to maintain a maximum ratio of not greater than 4.00:1.0. Under the terms of the Third Amendment, the maximum consolidated debt to EBITDA ratio was waived for the quarter ended June 30, 2020. Starting with the quarter ending September 30, 2020, the Company will be required to maintain a maximum consolidated total debt to EBITDA ratio (as calculated in accordance with the Third Amendment) of not greater than 5.50:1.0 (with certain step-downs described in the Amended Credit Agreement) and as of September 30, 2020 maintain a minimum consolidated fixed coverage ratio of not less than 2.75:1:0 (with certain step-ups described in the Amended 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 Senior Credit Facility matures on November 30, 2023. The proceeds from the Senior Credit Facility may be used to finance working capital, capital expenditures and acquisitions, as well as for other general corporate purposes. The Third Amendment did not change the guarantors, collateral, maturity date or permitted uses of proceeds, except as otherwise described above. The Company incurred approximately $1.7 million for fees and other customary closing costs in connection with the Amended Credit Agreement.

As of September 30, 2020, the Company was in compliance with its debt covenants under the Credit Agreement.

At September 30, 2020, the Company had $52.0 million of letters of credit outstanding under the Senior Credit Facility and borrowings against the Senior Credit Facility aggregated to $343.1 million.

The weighted average interest rate on the Company's Senior Credit Facility was 3.6% and 3.5% for the periods ended September 30, 2020 and September 30, 2019, respectively. That rate included all outstanding LIBOR contracts and letters of credit. The weighted average interest rate on all outstanding borrowings, not including letters of credit, was 3.8% at September 30, 2020 and September 30, 2019.

Interest Rate Collars

In May 2019, the Company entered into three-year interest rate collar contracts with an aggregate $222.3 million notional amount. The interest rate collars are used to manage interest rate risk associated with variable interest rate borrowings under the Credit Agreement. The collars established a range where the Company will pay the counterparties if the one-month LIBOR rate falls below the established floor rate, and the counterparties will pay the Company if the one-month 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 amortized consistently with the term loan portion of the Senior Credit Facility under the Credit Agreement prior to the Third Amendment. The interest rate collars were classified as cash flow hedges through May 5, 2020.

On May 6, 2020, concurrent with entering into the Third Amendment, the Company de-designated the three-year interest rate collars. Prior to de-designation, the effective portion of the change in the fair value of the collars was reported in Accumulated other comprehensive loss. Upon de-designation, the balance in Accumulated other comprehensive loss is being amortized through April 2022, which is over the remaining life for which the interest rate collars had previously been designated as cash flow hedges. Changes in the fair value of the collars after de-designation are included within Other income (expense) in the Condensed Consolidated Statements of Income.

See Note 13. *Comprehensive (Loss) Income* for the amount of loss recognized in Other Comprehensive income (loss) on the interest rate collars and loss reclassified from Accumulated other comprehensive loss to earnings during the three and nine months ended September 30, 2020, respectively.

Subordinated Convertible Debentures

The Company acquired Subordinated Convertible Debentures ("Convertible Debentures") as a result of the October 2, 2012 acquisition of Central Parking Corporation. 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, 2020 and December 31, 2019, respectively. The approximate redemption value of the Convertible Debentures outstanding at each of September 30, 2020 and December 31, 2019 was $1.1 million.

9. Stock Repurchase Program

In May 2016, the Company’s Board of Directors authorized the Company to repurchase, on the open market, shares of the Company's outstanding common stock in an amount not to exceed $30.0 million. Under this program, the entire authorized amount was applied to repurchase 988,767 shares of common stock at an average price of $30.30 resulting in completion of the program in August 2019.

In July 2019, the Company's Board of Directors authorized the Company to repurchase, on the open market, shares of the Company’s outstanding common stock in an amount not to exceed $50.0 million in aggregate. Under this program, the Company repurchased 393,975 shares of common stock during the nine months ended September 30, 2020 at an average price of $38.78 per share.

In March 2020, the Company's Board of Director's authorized the Company to repurchase, on the open market, shares of the Company’s outstanding common stock in an amount not to exceed $50.0 million in aggregate. During the nine months ended September 30, 2020, no shares had been repurchased under this program.

As of September 30, 2020, $50.0 million and $9.4 million remained available for repurchase under the March 2020 and July 2019 stock repurchase programs, respectively. Under the programs, repurchases 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, to the extent relied upon, and 10b5-1 under the Exchange Act at times and prices considered to be appropriate at the Company's discretion. The stock repurchase programs do not obligate the Company to repurchase any particular amount of common stock, have no fixed termination date, and may be suspended at any time at the Company's discretion. On March 10, 2020 and continuing through September 30, 2020, in order to improve the Company's liquidity during the COVID-19 pandemic, the Company suspended repurchases under the stock repurchase programs.

The table below summarizes stock repurchase activity under the stock repurchase programs during the three and nine months ended September 30, 2020 and 2019, respectively:

(millions, except for share and per share data) (unaudited)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Total number of shares repurchased	—	536,743	393,975	958,459
Average price paid per share	$ —	$ 34.83	$ 38.78	$ 33.73
Total value of shares repurchased	$ —	$ 18.7	$ 15.3	$ 32.3

The following table summarizes the remaining authorized repurchase amounts in the aggregate under the stock repurchase programs as of September 30, 2020:

(millions) (unaudited)	September 30, 2020
Total authorized repurchase amount	$ 100.0
Total value of shares repurchased	40.6
Total remaining authorized repurchase amount	$ 59.4

10. Bradley Agreement

In February 2000, the Company, through a partnership agreement with a minority partner (the “Partnership”), entered into a 25-year agreement (the "Bradley Agreement") with the State of Connecticut (the “State”) that was due to expire on April 6, 2025, under which the Company would operate garage and surface parking spaces at Bradley International Airport (“Bradley”) located in the Hartford, Connecticut metropolitan area.

Under the terms of the Bradley Agreement, the parking garage was financed through the issuance of State of Connecticut special facility revenue bonds and provided that the Company deposited, with the trustee for the bondholders, all gross revenues collected from operations of the garage and surface parking. From those gross revenues, the trustee paid debt service on the special facility revenue bonds outstanding, operating and capital maintenance expenses of the garage and surface parking facilities, and specific annual guaranteed minimum payments to the State. All of the cash flows from the parking facilities were pledged to the security of the special facility revenue bonds and were collected and deposited with the bond trustee. Each month the bond trustee made certain required monthly distributions, which were characterized as “Guaranteed Payments.” To the extent the monthly gross receipts generated by the parking facilities were not sufficient for the bond trustee to make the required Guaranteed Payments, the Company was obligated to deliver the deficiency amount to the bond trustee, with such deficiency payments representing interest bearing advances to the bond trustee.

On June 30, 2020, the Company and the State agreed to terminate the Bradley Agreement, with an effective date of May 31, 2020 (the “Termination Agreement”). The Company then entered into a management type contract with the Connecticut Airport Authority, effective June 1, 2020 (“Bradley Management Agreement”), under which the Company will provide the same parking services for Bradley.

Under the terms of the Bradley Management Agreement, the Company is no longer required to make deficiency payments. In addition, other than the contingent consideration discussed below, the Company has no other ongoing obligations under the Bradley Agreement.

The total deficiency repayments (net of payments made), interest and premium received and recognized under the Bradley Agreement for the three and nine months ended September 30, 2020 and 2019 were as follows:

(millions) (unaudited)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Deficiency repayments	$ —	$ 0.4	$ 0.1	$ 2.8
Interest	—	0.3	0.1	0.8
Premium	—	—	—	0.3

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

On June 30, 2020, concurrent with the termination of the Bradley Agreement and effective as of May 31, 2020, the Company entered into an agreement to purchase the minority partners’ share in the Partnership previously established to execute the Bradley Agreement for a total cash consideration of $1.7 million. The consideration was paid in cash during the three months ended September 30, 2020. Under the terms of the Termination Agreement, the Company may be required to pay additional consideration (“contingent consideration”) to the minority partner, that is contingent on the performance of the operations of Bradley. The contingent consideration is not capped and if any, would be payable to the minority partner in April 2025. Based on a probability weighting of potential payouts, the criteria to accrue for such potential payments had not been met and the contingent consideration was estimated to have no fair value as of September 30, 2020. The Company will continue to evaluate the criteria for making these payments in the future and accrue for such potential payments if deemed necessary.

11. Stock-Based Compensation

Stock Grants

There were 25,066 and 14,076 stock grants granted during the nine months ended September 30, 2020 and 2019, 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, 2020 and 2019, respectively.

Restricted Stock Units

During the nine months ended September 30, 2019, 37,235 restricted stock units were awarded, 76,875 restricted stock units vested and 7,978 restricted stock units were forfeited under the Company's Long-Term Incentive Plan, as Amended and Restated (the "Plan"). During the nine months ended September 30, 2020, 64,665 restricted stock units vested.

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, 2020 and 2019, 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, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Stock-based compensation expense	$ 0.2	$ 0.3	$ 0.8	$ 0.8

As of September 30, 2020, there was $0.9 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 1.3 years.

Performance Share Units

During the nine months ended September 30, 2020 and 2019, the Company granted 96,056 and 144,097 performance share units to certain executives, respectively. No performance share units vested during the nine months ended September 30, 2019. During the nine months ended September 30, 2020 and 2019, 12,306 and 11,819 performance share units, respectively, were forfeited under the Plan. During the nine months ended September 30, 2020, compensation expense related to 302,631 performance share units granted under the Performance-Based Incentive Program was reversed, because the Company no longer expected the required performance targets to be achieved for those awards.

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, 2020 and 2019, respectively, which is included in General and administrative expenses within the Condensed Consolidated Statements of Income:

	Three Months Ended		Nine Months Ended	
(millions) (unaudited)	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Stock-based compensation expense	$ (0.4)	$ 1.0	$ (3.5)	$ 1.8

As of September 30, 2020, there was no unrecognized compensation expense related to performance share unit awards.

12. Net (Loss) Income per Common Share

Basic net (loss) income per share is computed by dividing net (loss) income by the weighted daily average number of shares of common stock outstanding during the period. Diluted net (loss) 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 restricted stock units, using the treasury-stock method.

Basic and diluted net (loss) income per common share and 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, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Net (loss) income attributable to SP Plus Corporation	$ (88.1)	$ 14.2	$ (173.3)	$ 40.0
Basic weighted average common shares outstanding	21,047,076	21,945,129	21,057,080	22,277,852
Dilutive impact of share-based awards	—	93,776	—	134,113
Diluted weighted average common shares outstanding	21,047,076	22,038,905	21,057,080	22,411,965
Net (loss) income per common share				
Basic	$ (4.19)	$ 0.64	$ (8.23)	$ 1.79
Diluted	$ (4.19)	$ 0.64	$ (8.23)	$ 1.78

During the nine months ended September 30, 2020, common stock equivalents arising from 153,442 restricted stock units were considered anti-dilutive. For the three and nine months ended September 30, 2020 and 2019, 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 dates.

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.

13. Comprehensive (Loss) Income

The components of other comprehensive (loss) income and income tax benefit allocated to each component for the three and nine months ended September 30, 2020 and 2019 were as follows:

	Three Months Ended September 30, 2020			Nine Months Ended September 30, 2020		
(millions) (unaudited)	Before Tax Amount	Income Tax	Net of Tax Amount	Before Tax Amount	Income Tax	Net of Tax Amount
Translation adjustments	$ —	$ —	$ —	$ (0.3)	$ —	$ (0.3)
Change in fair value of interest rate collars	0.6	0.2	0.4	(3.0)	(0.8)	(2.2)
Other Comprehensive (loss) income	$ 0.6	$ 0.2	$ 0.4	$ (3.3)	$ (0.8)	$ (2.5)

	Three Months Ended September 30, 2019			Nine Months Ended September 30, 2019		
(millions) (unaudited)	Before Tax Amount	Income Tax	Net of Tax Amount	Before Tax Amount	Income Tax	Net of Tax Amount
Translation adjustments	$ (0.1)	$ —	$ (0.1)	$ —	$ —	$ —
Change in fair value of interest rate collars	(0.1)	$ —	(0.1)	(1.2)	(0.3)	(0.9)
Other Comprehensive loss	$ (0.2)	$ —	$ (0.2)	$ (1.2)	$ (0.3)	$ (0.9)

The changes to accumulated other comprehensive loss by component for the nine months ended September 30, 2020, were as follows:

(millions) (unaudited)	Foreign Currency Translation Adjustments	Change in Fair Value of Interest Rate Collars	Total Accumulated Other Comprehensive Loss
Balance as of December 31, 2019	$ (2.3)	$ (0.4)	$ (2.7)
Other comprehensive loss before reclassification	(0.3)	(2.9)	(3.2)
Amounts reclassified from accumulated other comprehensive loss	—	0.7	0.7
Balance as of September 30, 2020	$ (2.6)	$ (2.6)	$ (5.2)

The changes to accumulated other comprehensive loss by component for the nine months ended September 30, 2019, were as follows:

(millions) (unaudited)	Foreign Currency Translation Adjustments	Change in Fair Value of Interest Rate Collars	Total Accumulated Other Comprehensive Loss
Balance as of December 31, 2018	$ (2.4)	$ —	$ (2.4)
Other comprehensive loss before reclassification	—	(0.9)	(0.9)
Balance as of September 30, 2019	$ (2.4)	$ (0.9)	$ (3.3)

Reclassifications from accumulated other comprehensive loss for the three and nine months ended September 30, 2020 and 2019 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30		Classification in the Condensed Consolidated Statements of Income
Interest Rate Collars:	**2020**	**2019**	**2020**	**2019**	
Net realized loss	$ 0.6	$ —	$ 1.0	$ —	Other expenses
Reclassifications before tax	0.6	—	1.0	—	
Income tax benefit	0.2	—	0.3	—	
Reclassifications, net of tax	$ 0.4	$ —	$ 0.7	$ —	

14. 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 assess 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 other income, interest expense, depreciation and amortization or income taxes to the operating segments. The accounting policies for segment reporting are the same as for the Company as a whole.

In December 2019 and July 2020, the Company changed its internal reporting segment information reported to the CODM. Certain immaterial hospitality locations previously reported under Aviation are now included in Commercial and certain immaterial locations previously reported under Commercial are now included in Other. All prior periods for each segment presented have been reclassified to reflect the new internal reporting to the CODM.

- Commercial encompasses the Company's 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.
- Aviation encompasses the Company's 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 air check-in services, wheelchair assist services and other services.
- "Other" consists of ancillary revenue that is not specifically attributable to Commercial or Aviation and certain unallocated items, such as and including prior year insurance reserve adjustments and other corporate items.

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The following is a summary of revenues and gross profit by operating segment for the three and nine months ended September 30, 2020 and 2019:

(millions) (unaudited)	Three Months Ended September 30, 2020	Gross Margin %	Three Months Ended September 30, 2019	Gross Margin %	Nine Months Ended September 30, 2020	Gross Margin %	Nine Months Ended September 30, 2019	Gross Margin %
Services Revenue								
Commercial								
Lease type contracts	$ 37.4		$ 96.2		$ 142.5		$ 283.6	
Management type contracts	46.5		64.7		162.7		198.7	
Total Commercial	83.9		160.9		305.2		482.3	
Aviation								
Lease type contracts	1.0		8.1		7.5		23.4	
Management type contracts	31.6		65.4		111.4		189.5	
Total Aviation	32.6		73.5		118.9		212.9	
Other								
Lease type contracts	0.1		0.3		0.4		0.6	
Management type contracts	1.6		2.5		5.5		7.2	
Total Other	1.7		2.8		5.9		7.8	
Reimbursed management type contract revenue	110.9		181.4		412.2		539.2	
Total Services Revenue	$ 229.1		$ 418.6		$ 842.2		$ 1,242.2	
Gross Profit								
Commercial								
Lease type contracts	$ 3.3	8.8%	$ 7.8	8.1%	$ (11.4)	(8.0)%	$ 22.6	8.0%
Management type contracts	20.8	44.7%	27.1	41.9%	58.5	36.0%	77.4	39.0%
Lease impairment	(0.3)	N/M	—	N/M	(94.5)	N/M	—	N/M
Total Commercial	23.8		34.9		(47.4)		100.0	
Aviation								
Lease type contracts	0.3	30.0%	2.4	29.6%	0.3	4.0%	6.4	27.4%
Management type contracts	13.7	43.4%	16.9	25.8%	30.0	26.9%	50.8	26.8%
Total Aviation	14.0		19.3		30.3		57.2	
Other								
Lease type contracts	0.5	N/M	1.4	N/M	3.8	N/M	4.1	N/M
Management type contracts	3.7	N/M	3.1	N/M	11.7	N/M	12.5	N/M
Total Other	4.2		4.5		15.5		16.6	
Total gross profit	$ 42.0		$ 58.7		$ (1.6)		$ 173.8	

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 consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2019.

Important Information Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q is being filed by SP Plus Corporation ("we", "us" or "our") with the Securities and Exchange Commission ("SEC") and contains forward-looking statements, including statements regarding the anticipated further impact of the COVID-19 pandemic on our operations and financial condition. These statements are typically accompanied by the words "expect," "estimate," "intend", "will," "predict," "project," "may," "should," "could," "believe," "would," "might," "anticipate," or 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"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as enacted under 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. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Our actual results, performance and achievements could be materially different from those expressed in, or implied by, our forward-looking statements. Important factors which could cause or contribute to our actual results, performance or achievements being different from those expressed in, or implied by, our forward-looking statements include, but are not limited to, those discussed in this Quarterly Report on Form 10-Q and, in particular, the risks discussed in Part II, Item 1A. *Risk Factors* included in this Quarterly Report on Form 10-Q and other documents we file with the SEC, 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.

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, 2020, we operated approximately 85% of our locations under management type contracts and approximately 15% under lease type contracts.

In evaluating our financial condition and operating performance, management's primary focus is on our gross profit and general and administrative expenses. Revenue from lease type contracts includes all gross customer collections derived from our leased locations (net of local 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. Therefore, gross profit and total general and administrative expenses, rather than revenue, are management's primary focus.

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 experiences 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 89% and 92% for the twelve-month periods ended September 30, 2020 and 2019, respectively. This retention rate captures facilities in the Commercial segment.

Commercial Segment Facilities

In order to mitigate some of the impact from the COVID-19 pandemic, we converted many of our lease locations to management locations during the nine months September 30, 2020. In addition, we were able to exit many less profitable contracts, which were for both leased and managed facilities. The following table reflects our Commercial facilities (by contractual type) operated on the dates indicated:

	September 30, 2020	December 31, 2019	September 30, 2019
Leased facilities	466	609	617
Managed facilities	2,596	2,560	2,556
Total Commercial segment facilities	3,062	3,169	3,173

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:

Lease type contracts. Consists of all revenue received at 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. Revenue from lease type contracts includes a reduction of Services revenue - lease type contracts.

Management type contracts. 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, payments received for exercising termination rights, consulting, developmental fees, gains on sales of contracts, insurance and other value-added services with respect to managed type contracts. We believe we generally can purchase required insurance at lower rates than our clients can obtain on their own because we effectively self-insure for all liability and worker's 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 those facilities, as those 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. C*onsists of the direct reimbursement from the client 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:

Lease type contracts. 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, 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 from lease type contracts includes a reduction of Cost of services revenue - lease type contracts due to the adoption of Topic 853, which requires rental expense be presented as a reduction of Services revenue - lease type contracts (and corresponding contracts) that meet the criteria and definition of a service concession arrangement.

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 those costs are included in our results of operations.

*Reimbursed Management Type Contract Expense. C*onsists of direct reimbursed costs incurred on behalf of a client under a management type contract, which are reflected in our cost of 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.

Goodwill

Goodwill represents the excess of purchase price paid over the fair value of net assets acquired. In accordance with the Financial Accounting Standards Board's ("FASB") authoritative accounting guidance on goodwill, we evaluate goodwill for impairment on an annual basis, or more often if events or circumstances change that could cause goodwill to become impaired. We have elected to assess the impairment of goodwill annually on October 1 or at an interim date if there is an event or change in circumstances indicating the carrying value may not be recoverable. The goodwill impairment test is performed at the reporting unit level; our reporting units represent our operating segments, consisting of Commercial and Aviation. Factors that could trigger an impairment review include significant under-performance relative to expected historical or projected future operating results, significant changes in the use of acquired assets or our business strategy, and significant negative industry or economic trends.

We may perform a qualitative, rather than quantitative, assessment, to determine whether it is more likely than not that the fair value of a reporting unit is less than the carrying amount. As of January 1, 2020, we adopted Accounting Standards Update ("ASU") 2017-04, which eliminated the two step approach from the current goodwill impairment test and allows impairment to be calculated based on the quantitative assessment. The determination of fair value of a reporting unit utilizes cash flow projections that assume certain future revenue and cost levels, comparable marketplace data, assumed discount rates based upon current market conditions and other valuation factors, all of which involve the use of significant judgment and estimates. We also assess critical areas that may impact our business including economic conditions, market related exposures, competition, changes in service offerings and changes in key personnel.

Beginning in March 2020, we noted that the COVID-19 pandemic and the resulting stay at home orders issued by local governments were impacting certain of our businesses. These factors have significantly impacted the hospitality and travel industries, as well as overall consumer discretionary spending.

Due to the impacts of COVID-19, revenues for certain markets in which we operate have dropped significantly as compared to the expectations as of the October 1, 2019 annual impairment test. We do not know how long the impacts of COVID-19 will impact the results of the Company. In addition, certain Aviation contracts were terminated during August 2020. The termination of these contracts and the ongoing impacts of COVID-19 on our expected future operating cash flows triggered us to complete a quantitative goodwill impairment analysis for our Aviation reporting unit as of August 31, 2020. Based on the quantitative analysis, we determined that estimated carrying values exceeded implied fair value for the Aviation reporting unit and goodwill was impaired during the three months ended September 30, 2020. See Note 7. *Goodwill* in the notes to the Condensed Consolidated Financial Statements for further discussion.

Other Intangibles Assets, net

Other intangible assets represent assets with finite lives that are amortized over their estimated useful lives and reviewed for impairment when circumstances change that would indicate the carrying value may not be recoverable. Intangible assets are amortized on a straight-line basis over their estimated useful lives. We evaluate the remaining useful life of the other intangible assets on a periodic basis to determine whether events or circumstances warrant a revision to their remaining useful lives. Assumptions and estimates about future values and remaining useful lives of our intangible and other long-lived assets are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors, such as changes in our business strategy and internal forecasts. Although management believes the historical assumptions and estimates are reasonable and appropriate, different assumptions and estimates could materially impact reported financial results.

As a result of the termination of certain contracts within the Aviation reporting unit and the ongoing impact of COVID-19 on our expected future operating cash flows, we determined certain impairment testing triggers had occurred related to our intangible assets. Accordingly, we analyzed undiscounted cash flows for certain intangible assets as of August 31, 2020. Based on that undiscounted cash flow analysis, we determined that estimated net carrying values exceeded undiscounted future cash flows for certain intangible assets and therefore as of August 31, 2020, certain intangible assets were impaired. See Note 6. *Other Intangible Assets* in the notes to the Condensed Consolidated Financial Statements for further discussion.

For both goodwill and intangible assets, future events may indicate differences from our judgments and estimates which could, in turn, result in impairment charges. Future events that may result in impairment charges include extended unfavorable economic impacts of COVID-19, increases in interest rates, which would impact discount rates, or other factors which could decrease revenues and profitability of existing locations and changes in the cost structure of existing facilities.

Long-Lived Assets

We evaluate long-lived assets, primarily including right-of-use (“ROU”) assets, leasehold improvements, equipment and construction in progress for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable. We group assets at the lowest level for which cash flows are separately identified in order to measure an impairment. Events or circumstances that would result in an impairment review include a significant change in the use of an asset, the planned sale or disposal of an asset, or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset group. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset group. If it is determined to be impaired, the impairment recognized is measured by the amount by which the carrying value of the asset exceeds its fair value.

As a result of the impact of COVID-19 on our expected future operating cash flows, we determined certain impairment triggers had occurred for ROU assets associated with leases. See Note 2. *Leases* in the notes to the Condensed Consolidated Financial Statements for further discussion.

Assumptions and estimates used to determine cash flows in the evaluation of impairment and the fair values used to determine the impairment are subject to a degree of judgment and complexity. Any future changes to the assumptions and estimates resulting from changes in actual results or market conditions from those anticipated may affect the carrying value of long-lived assets and could result in additional impairment charges. Future events that may result in impairment charges include extended unfavorable economic impacts of COVID-19, or other factors which could decrease revenues and profitability of existing locations and changes in the cost structure of existing facilities.

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 reported to our CODM as Commercial and Aviation.

- 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.
- 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 include ground transportation services, valet services, baggage handling, baggage repair and replacement, remote air check-in services and other services.
- "Other" consists of ancillary revenue and costs that are not specifically attributable to Commercial or Aviation and certain unallocated items, such as and including prior year insurance reserve adjustments/costs and other corporate items.

In December 2019 and July 2020, we changed our internal reporting segment information reported to the CODM. Certain immaterial hospitality locations previously reported under Aviation are now included in Commercial and certain immaterial locations previously reported under Commercial are now included in Other. All prior periods for each segment presented have been reclassified to conform to our internal reporting structure.

Analysis of Results of Operations

Three Months Ended September 30, 2020 Compared to Three Months September 30, 2019

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. Other business comprises of expired business, conversions and new/acquired business. As a result of the COVID-19 pandemic, we have executed on a strategy to successfully convert certain lease type contracts to management type contracts which should provide a higher gross profit over the contract term. In addition, for those locations that have remained leases, we have worked with landlords to either receive rent concessions or change lease terms to be more favorable to us. Expired business relates to contracts that have expired but where we were operating the business in the comparative period presented. Existing business in the Other segment represents amounts not specifically attributable to Commercial or Aviation and certain unallocated items.

Consolidated results for the three months ended September 30, 2020 and 2019, respectively, include the following notable items:

	Three Months Ended		Variance	
(millions) (unaudited)	September 30, 2020	September 30, 2019	Amount	%
Services revenue (1)	$ 118.2	$ 237.2	$ (119.0)	(50.2)%
Cost of services (2)	75.9	178.5	(102.6)	(57.5)%
Lease impairment	0.3	—	0.3	100.0%
Gross profit	42.0	58.7	(16.7)	(28.4)%
General and administrative expenses	18.4	26.0	(7.6)	(29.2)%
Depreciation and amortization	8.2	7.3	0.9	12.3%
Impairment of goodwill and intangible assets	131.6	—	131.6	100.0%
Operating (loss) income	(116.2)	25.4	(141.6)	(557.5)%
Income tax (benefit) expense	(33.5)	5.7	(39.2)	(687.7)%

(1) Excludes Reimbursed management type contract revenue
(2) Excludes Reimbursed management type contract expense

Services revenue decreased by $119.0 million, or 50.2%, attributable to the following:

- Services revenue for lease type contracts decreased $66.1 million, or 63.2%, primarily driven by a decrease of $41.6 million from existing business, $13.0 million from locations that converted to management type contracts during the periods presented, and $11.6 million from expired business, partially offset by an increase of $0.1 million from new/acquired business. Existing business revenue decreased $41.6 million, or 52.9%, primarily due to a decrease in transient revenue as a result of the ongoing COVID-19 pandemic.

- Services revenue for management type contracts decreased $52.9 million, or 39.9%, primarily from a decrease of $50.0 million from existing business and $10.7 million from expired business, partially offset by an increase of $7.2 million from new/acquired business and $0.6 million from locations that converted from lease type contracts during the periods presented. Existing business revenue decreased $50.0 million, or 42.9%, primarily due to a decrease in volume based management type contracts primarily related to the Aviation segment as a result of the ongoing COVID-19 pandemic, partially offset by $5.6 million of termination fees received related to certain terminated Aviation contracts.

Gross profit decreased by $16.7 million, or 28.4%, attributable to the following:

- Gross profit for lease type contracts decreased $7.5 million, or 64.7%, and gross profit percentage decreased to 10.6% for the three months ended September 30, 2020, compared to 11.1% for the three months ended September 30, 2019. Gross profit for lease type contracts decreased as a result of decreases in existing business, expired business, locations that converted to management type contracts during the periods presented, and new/acquired business. Gross profit for existing business decreased $3.6 million, or 37.5%, primarily due to decreases in transient revenue as a result of the ongoing COVID-19 pandemic and an increase in legal expenses, partially offset by the recognition of certain concessions of $14.4 million, as well as a decrease in overall net operating costs.

- Gross profit for management type contracts decreased $8.9 million, or 18.9%, while gross profit percentage for management type contracts increased to 47.9% for three months ended September 30, 2020, compared to 35.5% for three months ended September 30, 2019. Gross profit for management type contracts decreased as a result of decreases in existing business and expired business, partially offset by increases in new/acquired business and locations that converted from lease type contracts during the periods presented. Gross profit for existing business decreased $6.3 million, or 15.7%, primarily due to a decrease in volume based management type contracts as a result of the ongoing COVID-19 pandemic, partially offset by a decrease in compensation, benefits, overall net operating costs and $5.6 million of termination fees received related to certain terminated Aviation contacts.

- We recognized $0.3 million of impairment charges related to operating lease ROU assets in the Commercial segment for the three months ended September 30, 2020. Due to the impact of COVID-19 on our operations, our projected future revenue, profitability and operating cash flows for certain locations is expected to be lower than our prior projections. As a result, the fair value of those locations was lower than their carrying value and a corresponding impairment charge was recorded during the three months ended September 30, 2020. No ROU impairment charges were recognized during the three months ended September 30, 2019.

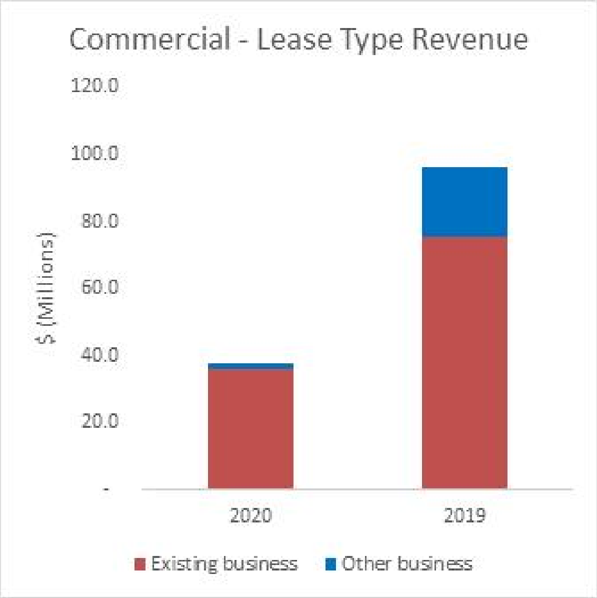
General and administrative expenses decreased $7.6 million, or 29.2%, for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019, primarily related to lower performance based compensation during the three months ended September 30, 2020, as well as cost reduction initiatives during the three months ended September 30, 2020 as compared to the prior year, partially offset by an increase in acquisition, restructuring and integration costs. Impairment charges included within General and administrative expenses in the Condensed Consolidated Statements of Income during the three months ended September 30, 2020 for an abandoned operating lease amounted to $1.3 million. No similar impairment charges were recognized during the three months ended September 30, 2019.

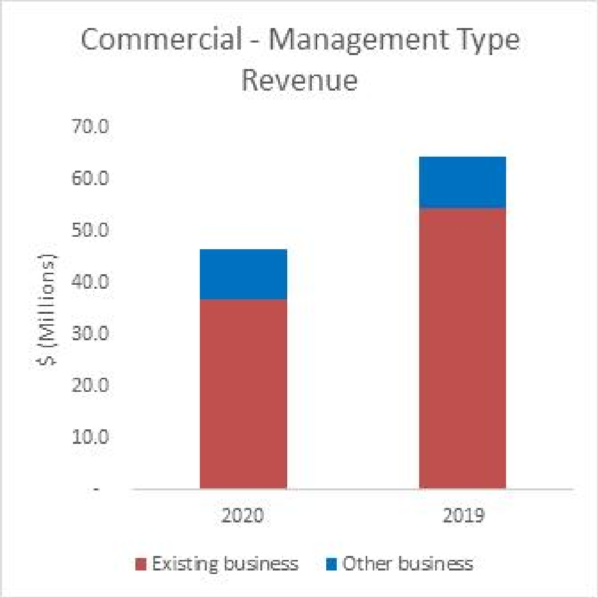
We recognized $131.6 million of impairment charges related to certain finite lived intangible assets and goodwill during the three months ended September 30, 2020 in the Aviation segment. Due to the impact of COVID-19 on our operations and the termination of certain Aviation contracts, our projected future revenue, profitability and operating cash flows within the Aviation segment are expected to be lower than our prior projections. As a result, the implied fair value of certain asset groups related to finite lived intangible assets within the Aviation segment were lower than their carrying value, resulting in $72.1 million of impairment charges being recorded during the three months ended September 30, 2020. In addition, based on the quantitative goodwill impairment analysis performed by us as of August 31, 2020, the estimated carrying values for the Aviation reporting unit exceeded their implied fair value, resulting in $59.5 million of goodwill impairment charges being recorded during the three months ended September 30, 2020. No similar impairment charges were recognized during the three months ended September 30, 2019.

Our effective tax rate was 27.5% for the three months ended September 30, 2020 and 2019.

The following tables are a summary of revenues (excluding reimbursed management type contract revenue) and gross profit by segment for the three months ended September 30, 2020 and 2019.

Commercial segment: Services Revenue

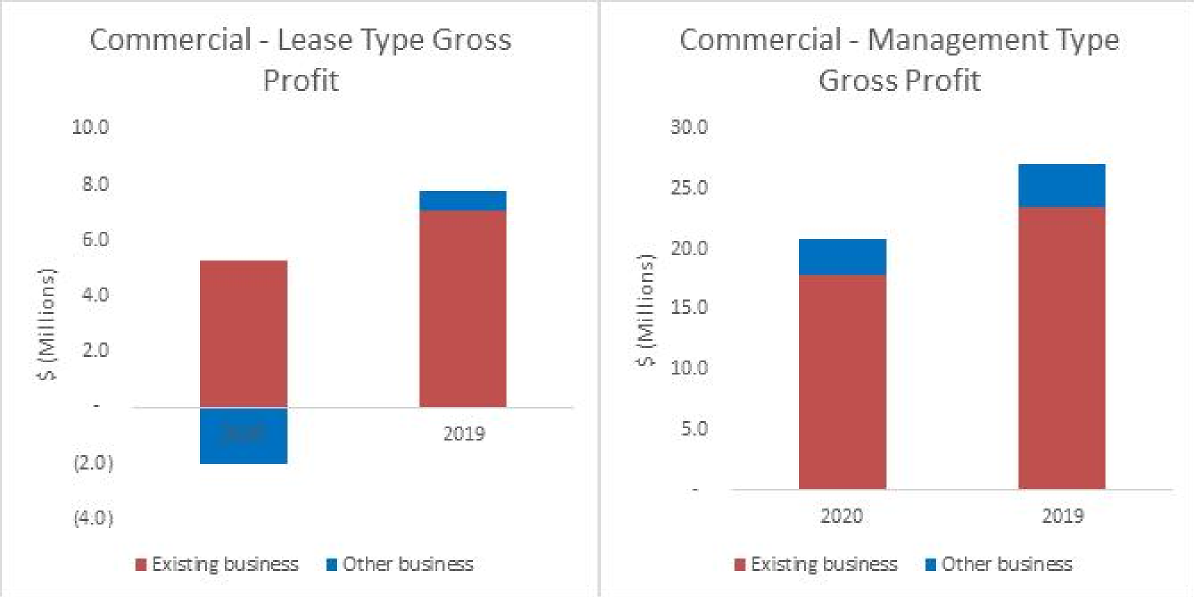




Lease type contracts. Revenue decreased $58.8 million, or 61.1%, to $37.4 million for the three months ended September 30, 2020, compared to $96.2 million for the three months ended September 30, 2019. Existing business decreased $39.3 million, or 52.2%, primarily due to a decrease in transient revenue as a result of the ongoing COVID-19 pandemic. Revenue from other business decreased by $19.5 million, or 93.3%, primarily due to decreases of $9.9 million from expired business and $9.7 million from locations that converted to management type contracts during the periods presented, partially offset by an increase of $0.1 million from new/acquired business.

Management type contracts. Revenue decreased $18.2 million, or 28.1%, to $46.5 million for the three months ended September 30, 2020, compared to $64.7 million for the three months ended September 30, 2019. Existing business management type revenue decreased $17.4 million, or 32.0%, primarily due to a decrease in volume based management type contracts. Other business management type revenue decreased by $0.8 million, or 7.8%, primarily due to a decrease of $8.9 million from expired business, partially offset by increases of $7.7 million from new/acquired business and $0.4 from locations that converted from lease type contracts during the periods presented.

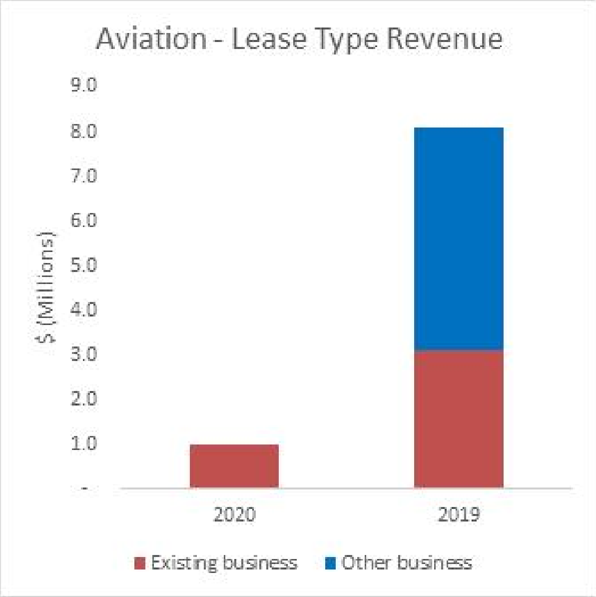
Commercial segment: Gross Profit

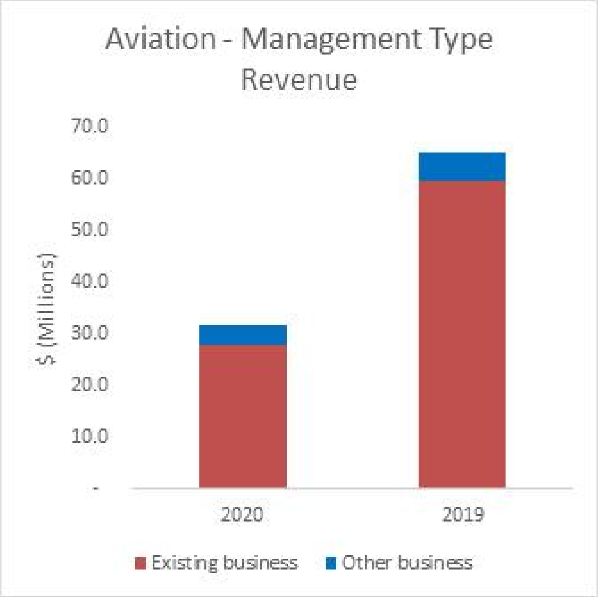


Lease type contracts. Gross profit decreased $4.5 million, or 57.7%, to $3.3 million for the three months ended September 30, 2020, compared to $7.8 million for three months ended September 30, 2019. Gross profit percentage increased to 8.8% for the three months ended September 30, 2020, compared to 8.1% for the three months ended September 30, 2019. Gross profit decreased as a result of declines in expired business, existing business as a result of the ongoing COVID-19 pandemic, and new/acquired business. Gross profit for existing business decreased $1.8 million, or 25.4%, primarily due to decreases in transient revenue as a result of the ongoing COVID-19 pandemic, partially offset by decreases in rent expense primarily due to the recognition of certain concessions of $11.2 million, as well as decreases in variable rent and overall net operating costs.

Management type contracts. Gross profit decreased $6.3 million, or 23.2%, to $20.8 million for the three months ended September 30, 2020, compared to $27.1 million for the three months ended September 30, 2019. Gross profit percentage increased to 44.7% for three months ended September 30, 2020, compared to 41.9% for three months ended September 30, 2019. Gross profit decreased as a result of decreases in existing business and expired business, partially offset by an increase in new/acquired business and locations that converted from lease type contracts during the periods presented. Gross profit for existing business decreased $5.6 million, or 23.8%, primarily due to a decrease in volume based management type contracts as a result of the ongoing COVID-19 pandemic, partially offset by a decrease in compensation, benefits and overall net operating costs.

Aviation segment: Services Revenue

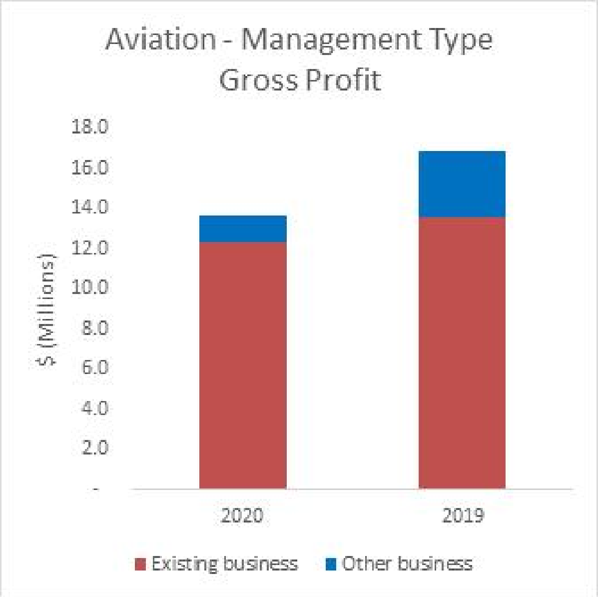




Lease type contracts. Revenue decreased $7.1 million, or 87.7%, to $1.0 million for the three months ended September 30, 2020, compared to $8.1 million for the three months ended September 30, 2019. Existing business decreased $2.1 million, or 67.7%, primarily due to a decrease in transient revenue as a result of the ongoing COVID-19 pandemic. Other business decreased by $5.0 million, or 100.0%, primarily due to decreases of $3.3 million from locations that converted to management type contracts during the periods presented and $1.7 million from expired business.

Management type contracts. Revenue decreased $33.8 million, or 51.7%, to $31.6 million for the three months ended September 30, 2020, compared to $65.4 million for the three months ended September 30, 2019. Existing business decreased by $31.7 million, or 53.1%, primarily due to a decrease in volume based management type contracts, partially offset by the $5.6 million of termination fees received related to certain terminated contracts. Other business decreased by $2.1 million, or 36.8%, primarily due to decreases of $1.8 million from expired business and $0.5 million from new/acquired business, partially offset by an increase of $0.2 million from locations that converted from lease type contracts during the periods presented.

Aviation segment: Gross Profit



Lease type contracts. Gross profit decreased $2.1 million, or 87.5%, to $0.3 million for the three months ended September 30, 2020, compared to $2.4 million for three months ended September 30, 2019. Gross profit percentage increased to 30.0% for the three months ended September 30, 2020, compared to 29.6% for the three months ended September 30, 2019. Gross profit decreased as a result of decreases in existing business, expired business and locations that converted to management type contracts during the periods presented. Gross profit for existing business decreased $0.9 million, or 81.8%, primarily due to decreases in transient revenue as a result of the ongoing COVID-19 pandemic, partially offset by the recognition of certain concessions of $4.8 million and a decrease in overall net operating costs.

Management type contracts. Gross profit decreased $3.2 million, or 18.9%, to $13.7 million for the three months ended September 30, 2020, compared to $16.9 million for the three months ended September 30, 2019. Gross profit percentage increased to 43.4% for three months ended September 30, 2020, compared to 25.8% for three months ended September 30, 2019. Gross profit decreased as a result of decreases in expired business, existing business, and new/acquired business, partially offset by locations that converted from lease type contracts during the periods presented. Gross profit for existing business decreased $1.3 million, or 9.6%, primarily due to decreases in volume based management type contracts as a result of the ongoing COVID-19 pandemic, partially offset by $5.6 million of termination fees received related to certain terminated contracts and decreases in overall net operating costs.

"Other" segment

"Other" consists of ancillary revenue and costs that are not specifically identifiable to the Commercial or Aviation Segments and certain unallocated items, such as and including prior year insurance reserve adjustments/costs and other corporate items. Total service revenue in “Other” decreased $1.1 million, or 39.3%, to $1.7 million for the three months ended September 30, 2020, compared to $2.8 million for the three months ended September 30, 2019. Gross profit for “Other” decreased $0.3 million, or 6.7%, to $4.2 million for the three months ended September 30, 2020, compared to $4.5 million for the three months ended September 30, 2019.

Nine Months Ended September 30, 2020 Compared to Nine Months September 30, 2019

Consolidated results of the nine months ended September 30, 2020 and 2019 include the following notable items:

	Nine Months Ended		Variance	
(millions) (unaudited)	September 30, 2020	September 30, 2019	Amount	%
Services revenue (1)	$ 430.0	$ 703.0	$ (273.0)	(38.8)%
Cost of services (2)	337.1	529.2	(192.1)	(36.3)%
Lease impairment	94.5	—	94.5	100.0%
Gross profit	(1.6)	173.8	(175.4)	(100.9)%
General and administrative expenses	61.9	80.8	(18.9)	(23.4)%
Depreciation and amortization	23.6	21.8	1.8	8.3%
Impairment of goodwill and intangible assets	135.3	—	135.3	100.0%
Operating (loss) income	(222.4)	71.2	(293.6)	(412.4)%
Income tax (benefit) expense	(63.7)	14.6	(78.3)	(536.3)%

(1) Excludes Reimbursed management type contract revenue
(2) Excludes Reimbursed management type contract expense

Services revenue decreased by $273.0 million, or 38.8%, attributable to the following:

- Services revenue for lease type contracts decreased $157.2 million, or 51.1%, primarily driven by a decrease of $100.8 million from existing business, $30.8 million from expired business, $25.4 million from locations that converted to management type contracts during the periods presented, and $0.2 million from new/acquired business. Existing business revenue decreased $100.8 million, or 44.6%, primarily due to a decrease in transient revenue as a result of the ongoing COVID-19 pandemic.

- Services revenue for management type contracts decreased $115.8 million, or 29.3%, primarily due to a decrease of $113.9 million from existing business and $27.5 million from expired business, partially offset by an increase of $24.6 million from new/acquired business and $1.0 million from locations that converted from lease type contracts during the periods presented. Existing business revenue decreased $113.9 million, or 33.8%, primarily due to a decrease in volume based management type contracts primarily related to the Aviation segment as a result of the ongoing COVID-19 pandemic, partially offset by $5.6 million of termination fees received related to certain terminated Aviation contacts.

Gross profit decreased by $175.4 million, or 100.9%, attributable to the following:

- Gross profit for lease type contracts decreased $40.4 million, or 122.1%, and gross profit percentage was negative 4.9% for the nine months ended September 30, 2020, compared to 10.8% for the nine months ended September 30, 2019. Gross profit decreased as a result of decreases in gross profit for existing business, expired business, locations that converted to management type contracts during the periods presented and new/acquired business. Gross profit for existing business decreased $24.0 million, or 89.2%, primarily due to decreases in transient revenue as a result of the ongoing COVID-19 pandemic and an increase in legal and bad debt expense, partially offset by the recognition of certain concessions of $41.2 million, as well as a decrease in overall net operating costs.

- Gross profit for management type contracts decreased $40.5 million, or 28.8%, while gross profit percentage for management type contracts increased to 35.8% for nine months ended September 30, 2020, compared to 35.6% for nine months ended September 30, 2019. Gross profit decreased as a result of decreases in gross profit for existing business and expired business, partially offset by increases in new/acquired business and locations that converted from lease type contracts during the periods presented. Gross profit for existing business decreased $26.6 million, or 23.2%, primarily due to a decrease in volume based management type contracts and increase in legal and bad debt expenses, partially offset by a decreases in compensation, benefits, overall net operating costs and $5.6 million of termination fees received related to certain terminated Aviation contacts.

- We recognized $94.5 million of impairment charges related to operating lease ROU assets in the Commercial segment for the nine months ended September 30, 2020. Due to the impact of COVID-19 on our operations, our projected future operating cash flows for certain locations is expected to lower. As a result, the fair value of those locations was lower than their carrying value and a corresponding impairment charge was recorded during the nine months ended September 30, 2020. No impairment charge was recognized during the nine months ended September 30, 2019.

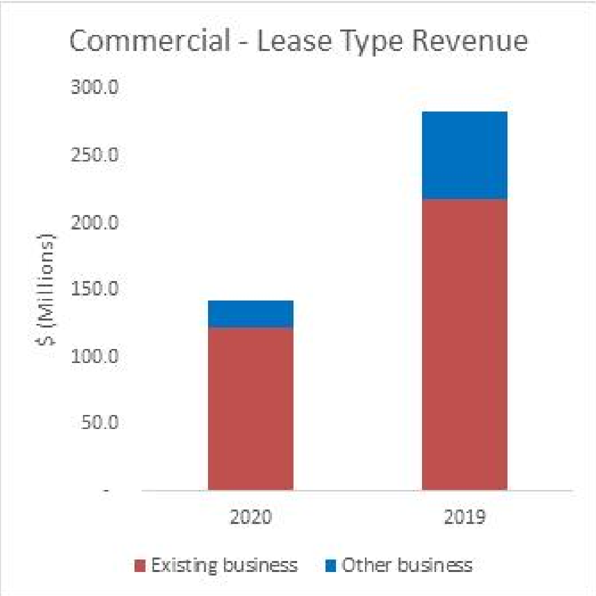
General and administrative expenses decreased $18.9 million, or 23.4%, for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019, primarily related to the reversal of stock based compensation related to performance share units during the nine months ended September 30, 2020, as well as lower performance based compensation and cost initiatives, partially offset by an increase in acquisition, restructuring and integration costs. Impairment charges of $1.3 million during the nine months ended September 30, 2020 related to an abandoned operating lease. No similar impairment charges were recognized during the nine months ended September 30, 2019.

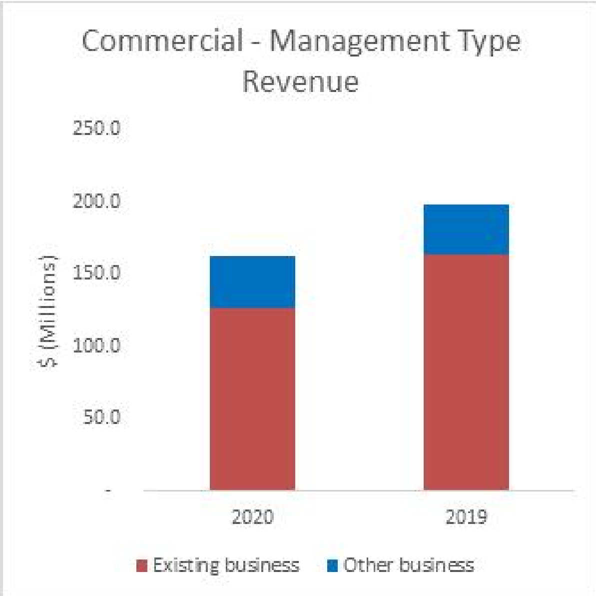
We recognized $135.3 million of impairment charges related to certain finite lived intangible assets and goodwill during the nine months ended September 30, 2020 in the Aviation segment. Due to the impact of COVID-19 on our operations and the termination of certain Aviation contracts, our projected future revenue, profitability and operating cash flows within the Aviation segment are expected to be lower than our prior projections. As a result, the implied fair value of certain asset groups related to finite lived intangible assets within the Aviation segment were lower than their carrying value, resulting in $75.8 million of impairment charges being recorded during the nine months ended September 30, 2020. In addition, based on the quantitative goodwill impairment analysis performed by us as of August 31, 2020, the estimated carrying values for the Aviation reporting unit exceeded their implied fair value, resulting in $59.5 million of goodwill impairment charges being recorded during the nine months ended September 30, 2020. No similar impairment charges were recognized during the nine months ended September 30, 2019.

Our effective tax rate was 26.8% for the nine months ended September 30, 2020 compared to 25.7% for the nine months ended September 30, 2019. The effective tax rate for the nine months ended September 30, 2020 reflects a decrease in estimated tax credits and an increase in valuation allowances on state net operating loss carryforwards.

The following tables are a summary of revenues (excluding reimbursed management type contract revenue) and gross profit by segment for the nine months ended September 30, 2020 and 2019.

Commercial segment: Services Revenue





Lease type contracts. Lease type contract revenue decreased $141.1 million, or 49.8%, to $142.5 million for the nine months ended September 30, 2020, compared to $283.6 million for the nine months ended September 30, 2019. Existing business revenue decreased $96.6 million, or 44.3%, primarily due to a decrease in transient revenue as a result of the ongoing COVID-19 pandemic. Revenue from other business decreased by $44.5 million, or 67.8%, primarily due to decreases of $26.3 million from expired business and $18.7 million from locations that converted to management type contracts during the periods presented, partially offset by an increase of $0.5 million from new/acquired business.

Management type contracts. Management type contract revenue decreased $36.0 million, or 18.1%, to $162.7 million for the nine months ended September 30, 2020, compared to $198.7 million for the nine months ended September 30, 2019. Existing business revenue decreased by $36.8 million, or 22.5%, primarily due to a decrease in volume based management type contracts. Management type revenue from other business increased by $0.8 million, or 2.3%, primarily due to an increase of $22.2 million from new/acquired business and $0.7 in locations that converted from lease type contracts, partially offset by a decrease of $22.1 million from expired business.

Commercial segment: Gross Profit

Lease type contracts. Gross profit decreased $34.0 million, or 150.4%, to a loss of $11.4 million for the nine months ended September 30, 2020, compared to gross profit of $22.6 million for nine months ended September 30, 2019. Gross profit percentage decreased to negative 8.0% for the nine months ended September 30, 2020, compared to 8.0% for the nine months ended September 30, 2019. Gross profit decreased as a result of declines in existing business, expired business, new/acquired business, and locations that converted to management type contracts in the periods presented. Gross profit for existing business decreased $22.1 million, or 107.8%, primarily due to decreases in transient revenue as a result of the ongoing COVID-19 pandemic, partially offset by the recognition of certain concessions of $20.1 million, as well as decreases in variable rent and overall net operating costs.

Management type contracts. Gross profit decreased $18.9 million, or 24.4%, to $58.5 million for the nine months ended September 30, 2020, compared to $77.4 million for the nine months ended September 30, 2019. Gross profit percentage decreased to 36.0% for nine months ended September 30, 2020, compared to 39.0% for nine months ended September 30, 2019. Gross profit decreased as a result of declines in existing business and expired business, partially offset by increases in new/acquired business and locations that converted from lease type contracts during the periods presented. Gross profit for existing business decreased $13.4 million, or 20.7%, primarily due to a decrease in volume based management type contracts as a result of the ongoing COVID-19 pandemic, partially offset by a decrease in compensation, benefits and overall net operating costs.

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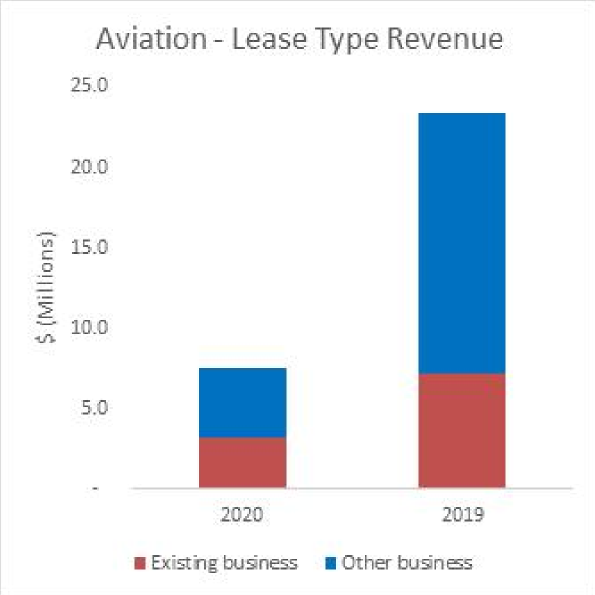
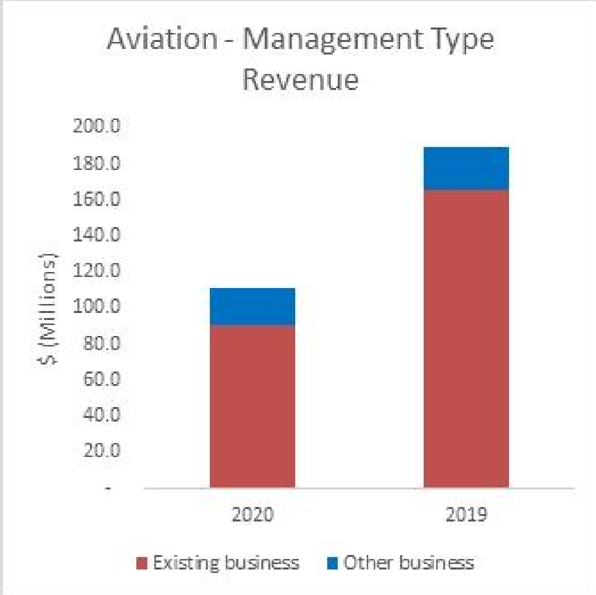
Aviation segment: Services Revenue

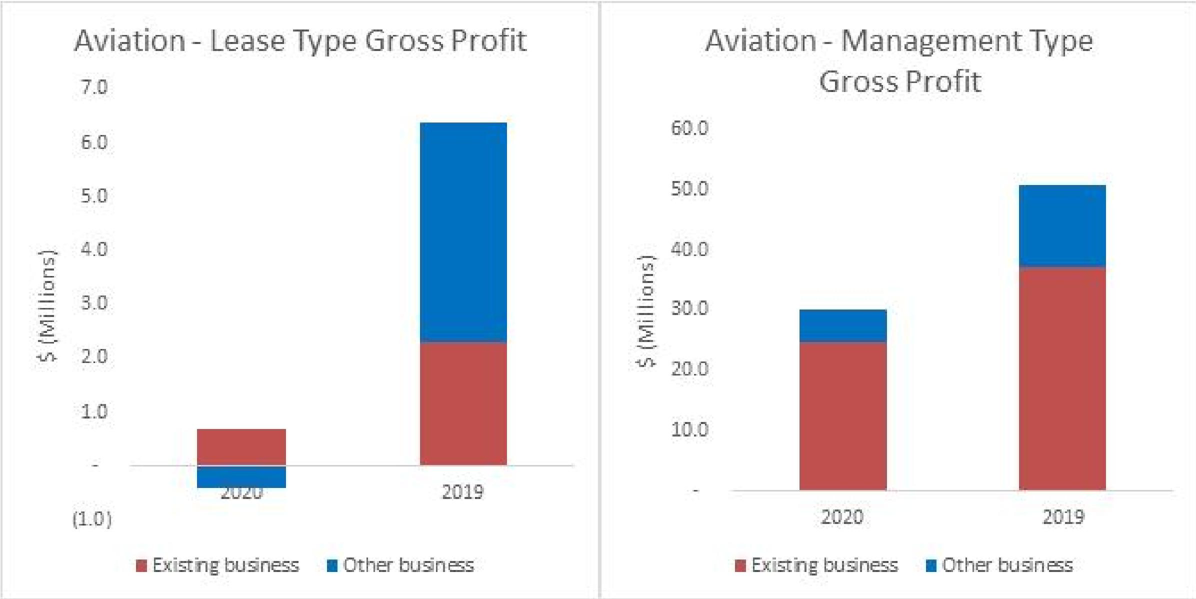




Lease type contracts. Lease type contract revenue decreased $15.9 million, or 67.9%, to $7.5 million for the nine months ended September 30, 2020, compared to $23.4 million for the nine months ended September 30, 2019. Existing business revenue decreased $4.0 million, or 55.6%, primarily due to a decrease in transient revenue as a result of the ongoing COVID-19 pandemic. Revenue from other business decreased by $11.9 million, or 73.5%, primarily due to decreases of $6.7 million from locations that converted to management type contracts during the periods presented, $4.5 million from expired business, and $0.7 million from new/acquired business.

Management type contracts. Management type contract revenue decreased $78.1 million, or 41.2%, to $111.4 million for the nine months ended September 30, 2020, compared to $189.5 million for the nine months ended September 30, 2019. Existing business decreased by $75.4 million, or 45.5%, primarily due to a decrease in volume based management type contracts as a result of the ongoing COVID-19 pandemic, partially offset by $5.6 million of termination fees received related to certain terminated contracts. Revenue from other business decreased by $2.7 million, or 11.3%, primarily due to a decrease of $5.4 million from expired business, partially offset by increases of $2.4 million from new/acquired business and $0.3 million from locations that converted from lease type contracts during the periods presented.

Aviation segment: Gross Profit



Lease type contracts. Gross profit decreased $6.1 million, or 95.3%, to $0.3 million for the nine months ended September 30, 2020, compared to $6.4 million for nine months ended September 30, 2019. Gross profit percentage decreased to 4.0% for the nine months ended September 30, 2020, compared to 27.4% for the nine months ended September 30, 2019. Gross profit decreased as a result of declines in locations that converted to management type contracts in the periods presented, existing business, expired business and new/acquired business. Gross profit for existing business decreased $1.6 million, or 69.6%, primarily due to declines in transient revenue as a result of the ongoing COVID-19 pandemic, partially offset by the recognition of certain concessions of $23.1 million, as well as a decrease in variable rent and overall net operating costs.

Management type contracts. Gross profit for management type contracts decreased $20.8 million, or 40.9%, to $30.0 million for the nine months ended September 30, 2020, compared to $50.8 million for the nine months ended September 30, 2019. Gross profit percentage increased to 26.9% for nine months ended September 30, 2020, compared to 26.8% for nine months ended September 30, 2019. Gross profit decreased as a result of declines in existing business, expired business and new/acquired business, partially offset by an increase in locations that converted from lease type contracts in the periods presented. Gross profit for existing business decreased $12.4 million, or 33.2%, primarily due to decreases in volume based management type contracts as a result of the ongoing COVID-19 pandemic, partially offset by decreases in overall net operating costs and $5.6 million of termination fees received related to certain terminated contacts.

"Other" segment

"Other" consists of ancillary revenue and costs that are not specifically identifiable to Commercial or Aviation and certain unallocated items, such as and including prior year insurance reserve adjustments/costs and other corporate items. Total service revenue in “Other” decreased $1.9 million, or 24.4%, to $5.9 million for the nine months ended September 30, 2020, compared to $7.8 million for the nine months ended September 30, 2019. Gross profit for “Other” decreased $1.1 million, or 6.6%, to $15.5 million for the nine months ended September 30, 2020, compared to $16.6 million for the nine months ended September 30, 2019.

Analysis of Financial Condition

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, insurance claims, interest and legal settlements. Our investing and financing spending can include payments for acquired businesses, joint ventures, capital expenditures, cost of contracts, distributions to noncontrolling interests, share repurchases and payments on our outstanding indebtedness.

As of September 30, 2020, we had $15.6 million of cash and cash equivalents and $180.3 million of borrowing availability under our Senior Credit Facility. The COVID-19 pandemic and resulting global disruptions have negatively affected the global economy as well as our business and the businesses of our customers and clients. The full impact of COVID-19 on our business and the businesses of our customers and clients is unknown and highly unpredictable and could continue beyond the containment of the COVID-19 outbreak. We are taking further actions to improve our liquidity, including, without limitation, reducing operating expenses and capital expenditures and suspending repurchases of our common stock. On May 6, 2020, we entered into the third amendment to our credit agreement, which, among other things, increased the funds available under our revolving credit facility by $45.0 million. The additional capacity will be available until May 5, 2021. Based on these actions and our expectations regarding the impact of COVID-19, we believe we will be able to generate sufficient liquidity to satisfy our obligations and remain in compliance with our existing debt covenants for the next twelve months.

Outstanding Indebtedness

On September 30, 2020, we had total indebtedness of approximately $371.3 million, an increase of $2.3 million from December 31, 2019. The $371.3 million in total indebtedness as of September 30, 2020 includes:

- $339.9 million under our Senior Credit Facility, net of deferred financing costs of $2.2 million and discounts of $1.0 million
- $31.4 million of other debt including finance lease obligations, obligations on seller notes and other indebtedness.

Senior Credit Facility

On November 30, 2018 (the "Closing Date"), we entered into a credit agreement (as amended prior to the Third Amendment Effective Date (as defined below), the “Credit Agreement”) with Bank of America, N.A. (“Bank of America”), as Administrative Agent, and various other institutions (the “Lenders”), pursuant to which the Lenders made available to us a senior secured credit facility (the “Senior Credit Facility”). On May 6, 2020 (the "Third Amendment Effective Date"), we entered into the third amendment (the "Third Amendment") to the Credit Agreement (as amended by the Third Amendment, the "Amended Credit Agreement"). Prior to the Third Amendment Effective Date, the Senior Credit Facility permitted aggregate borrowings of $550 million consisting of (i) a revolving credit facility of up to $325 million at any time outstanding, which includes a letter of credit facility that is limited to $100 million at any time outstanding, and (ii) a term loan facility of $225 million (the entire principal amount of which we drew on the Closing Date). Pursuant to the Amended Credit Agreement, the aggregate commitments under the revolving credit facility increased by $45 million to $370 million. The increased borrowing capacity will be available until May 5, 2021, at which time it will revert back to $325 million.

Prior to the Third Amendment Effective Date, borrowings under the Senior Credit Facility bore 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 ("LIBOR") loans, subject to a "floor" on LIBOR of 0.00%, or a comparable or successor rate to LIBOR approved by Bank of America, plus the applicable 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 LIBOR rate plus 1.0%. Pursuant to the Third Amendment, (a) for the period from the Third Amendment Effective Date until the date on which we deliver a compliance certificate for the fiscal quarter ending September 30, 2021, (i) the interest rate applicable to both the term loan and revolving credit facilities was fixed at LIBOR plus 2.75% per annum and (ii) the per annum rate applicable to unused revolving credit facility commitments was fixed at 0.375%, after which time the interest rate and per annum rate will be determined as was previously provided in the Credit Agreement on the Closing Date, (b) the LIBOR "floor" was increased to 1.00%, (c) certain other negative and financial covenants were amended, which included restrictions on certain Investments, Permitted Acquisitions, Restricted Payments and Prepayments of Subordinated Debt (each as defined in the Amended Credit Agreement and described in the Third Amendment), through the delivery of the compliance certificate for the fiscal quarter ending September 30, 2021.

Under the terms of the Credit Agreement, prior to the Third Amendment Effective Date, term loans were subject to scheduled quarterly payments of principal in installments equal to 1.25% of the initial aggregate principal amount of such term loan. In accordance with the Amended Credit Agreement, starting in the second quarter of 2021, the quarterly payments of principal in installments for term loans under the Senior Credit Facility will increase from 1.25% to 1.875% of the initial aggregate principal amount thereof.

Prior to the Third Amendment Effective Date, we were 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, and as calculated in accordance with, the Credit Agreement that were amended under the Third Amendment). In addition, we were 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). Under the terms of the Third Amendment, the maximum consolidated debt to EBITDA ratio will be waived for the quarter ending September 30, 2020. Starting with the quarter ending September 30, 2020, we will be required to maintain a maximum consolidated total debt to EBITDA ratio (as calculated in accordance with the Third Amendment) of not greater than 5.50:1.0 (with certain step-downs described in the Amended Credit Agreement) and as of September 30, 2020 maintain a minimum consolidated fixed coverage ratio of not less than 2.75:1:0 (with certain step-ups described in the Amended 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 or 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 us to repay all the outstanding amounts owed under the Credit Agreement, and (iii) require us to cash collateralize any outstanding letters of credit

Each of our wholly-owned domestic subsidiaries (subject to certain exceptions set forth in the Credit Agreement) have 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. The Senior Credit Facility matures on November 30, 2023. The proceeds from the Senior Credit Facility may be used to finance working capital, capital expenditures and acquisitions, as well as for other general corporate purposes. The Third Amendment did not change the guarantors, collateral, maturity date or permitted uses of proceeds, except as otherwise described above. We incurred approximately $1.6 million for fees and other customary closing costs in connection with the Amended Credit Agreement.

As of September 30, 2020, we had $52.0 million letters of credit outstanding under the Senior Credit Facility and borrowings against the Senior Credit Facility were $343.1 million (excluding debt discount of $1.0 million and deferred financing costs of $2.2 million). As of September 30, 2020, we were in compliance with the covenants under the Credit Agreement, and we had $180.3 million of borrowing availability under the Senior Credit Facility.

Stock Repurchases

On March 10, 2020, we suspended stock repurchases in order to help improve liquidity in response to the impacts of COVID-19.

In May 2016, our Board of Directors authorized us to repurchase on the open market shares of our outstanding common stock in an amount not to exceed $30.0 million. Under this program, the entire authorized amount was applied to repurchase 988,767 shares of common stock at an average price of $30.30 resulting in the completion of the program in August 2019.

In July 2019, our Board of Directors authorized us to repurchase, on the open market, shares of our outstanding common stock in an amount not to exceed $50.0 million in aggregate. Under this program, we have repurchased 393,975 shares of common stock at an average price of $38.78 during the nine months ended September 30, 2020.

In March 2020, our Board of Director's authorized a new program to repurchase, on the open market, shares of our outstanding common stock in an amount not to exceed $50.0 million in aggregate. We have yet to repurchase shares under this program.

The table below summarizes share repurchase activity during the three and nine months ended September 30, 2020 and 2019.

	Three Months Ended		**Nine Months Ended**	
(millions, except for share and per share data) (unaudited)	**September 30, 2020**	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**
Total number of shares repurchased	—	536,743	393,975	958,459
Average price paid per share	$ —	$ 34.83	$ 38.78	$ 33.73
Total value of shares repurchased	$ —	$ 18.7	$ 15.3	$ 32.3

Since commencement, under all three programs, we have repurchased 2,034,742 shares of common stock through September 30, 2020. The following table summarizes the remaining authorized repurchase amounts under the programs as of September 30, 2020.

(millions) (unaudited)	**September 30, 2020**
Total authorized repurchase amount	$ 100.0
Total value of shares repurchased	40.6
Total remaining authorized repurchase amount	$ 59.4

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 of these reasons, from time to time, we carry a significant cash balance, while also utilizing our credit facility.

Summary of Cash Flows

Our primary sources of liquidity are cash flows from operating activities and availability under our Senior Credit Facility. The following describes our cash flows for the nine months ended September 30, 2020 and 2019, respectively:

	Nine Months Ended	
(millions) (unaudited)	September 30, 2020	September 30, 2019
Net cash provided by operating activities	$ 27.9	$ 54.8
Net cash used in investing activities	(9.0)	(8.2)
Net cash used in financing activities	(27.1)	(56.9)
Effect of exchange rate changes on cash and cash equivalents	(0.3)	—
Net decrease in cash and cash equivalents	$ (8.5)	$ (10.3)

Operating Activities

Net cash provided by operating activities was $27.9 million for the nine months ended September 30, 2020 as compared to $54.8 million during the nine months ended September 30, 2019. The decrease in net cash provided by operating activities primarily resulted from the impacts of COVID-19, partially offset by better working capital management and lower cash taxes.

Investing Activities

Net cash used in investing activities was $9.0 million for the nine months ended September 30, 2020, an increase of $0.8 million from $8.2 million during the nine months ended September 30, 2019, primarily due to the noncontrolling interest buyout during the nine months ended September 30, 2020. Cash used to purchase leasehold improvements and equipment was $5.8 million during the nine months ended September 30, 2020 as compared to $6.4 million during the nine months ended September 30, 2019.

Financing Activities

Net cash used in financing activities was $27.1 million for the nine months ended September 30, 2020, a decrease of $29.8 million from $56.9 million during the nine months ended September 30, 2019. The decrease in net cash used in investing activities was primarily due to higher withdrawals on the Senior Credit Facility.

Cash and Cash Equivalents

We had Cash and cash equivalents of $15.6 million and $24.1 million at September 30, 2020 and December 31, 2019, respectively. The cash balances reflect our ability to utilize funds deposited into our bank accounts.

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, 2019.

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 our chief executive officer and our chief financial officer, 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 chief financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2020.

Changes in Internal Control Over Financial Reporting

There have been no significant changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2020, 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.

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 risk factors and the other information described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. The following risk factors supplement and/or update 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 global COVID-19 pandemic has had, and is expected to continue to have a negative effect on the global economy, the United States economy and the global financial markets, and has disrupted, and is expected to continue to disrupt, our operations and our clients' operations, all of which will have an adverse effect on our business, financial condition and results of operations.

The ongoing COVID-19 global and national health emergency has caused significant disruptions in the international and United States economies and financial markets. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The spread of COVID-19 has caused illness, quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity and financial transactions, supply chain interruptions and overall economic and financial market instability.

We are taking precautions to protect the safety and well-being of our employees, clients and customers. However, no assurance can be given that the steps being taken will be deemed to be adequate or appropriate, nor can we predict the level of disruption which will occur to our ability to continue to provide services to our clients.

The spread of COVID-19 and the recent developments surrounding the global pandemic are having material negative impacts on all aspects of our business, as many of the clients we serve have suspended or closed operations. We have been, and will continue to be, negatively impacted by related developments, including heightened governmental regulations and travel advisories, recommendations by the U.S. Department of State and the Centers for Disease Control and Prevention, and travel bans and restrictions, each of which has impacted, and is expected to continue to significantly impact, the demand for the services we provide, including professional parking management, ground transportation, remote baggage check-in and handling, facility maintenance, security, event logistics, and other technology-driven mobility solutions.

The extent to which the pandemic impacts our business, operations, and financial results, including the duration and magnitude of such effects, will depend on numerous evolving factors that we may not be able to accurately predict or assess, including, but not limited to:

- the duration and scope of the pandemic;
- its impact on global and regional economies and economic activity, including the duration and magnitude of its impact on unemployment rates and consumer spending;
- its short and longer-term impact on consumer behavior (including the demand for travel and related hospitality services and attendance at concerts, conventions and large public gatherings) and levels of consumer confidence;
- the short and longer-term impact of statewide stay-at-home orders, including the possible acceleration of the movement toward home office or "work from home" alternatives;
- the ability of our clients and our customers to navigate the impacts of the pandemic;
- actions governments, businesses and individuals take in response to the pandemic, including limiting or banning travel and in-person gatherings; and
- how quickly economies, travel activity, sporting events, concerts and other social or business functions and gatherings and demand for the related services we provide recover after the pandemic subsides.

The COVID-19 pandemic has already subjected our business, operations and financial condition to a number of risks, including, but not limited to, those discussed below.

- COVID-19 has negatively impacted, and, in the future, particularly following the end of the period covered by this Quarterly Report on Form 10-Q, is expected to continue to negatively impact to an extent we are unable to predict, our revenues from the services we provide, which are driven primarily by revenues from commercial, travel, entertainment and leisure-related activities.

- Our clients may experience a decline in their revenues due to the pandemic, which may cause them to be unable or unwilling to pay us amounts that we are entitled to on a timely basis or at all, which would adversely affect our revenues and liquidity.
- Our clients with whom we have management type contracts may also require us to deposit all parking revenues directly into their respective accounts-a departure from our typical practice under such contracts of depositing such revenues into one of our accounts and, after withholding and retaining any operating expenses and other amounts for which we are responsible or to which we are entitled, remit funds to the client. If client requests for such an arrangement are significant, our working capital and liquidity may be adversely affected.

As a result, we have taken steps to reduce operating costs and other expenses while improving efficiency, including furloughing a substantial number of our personnel, implementing reduced work hours for other hourly personnel, eliminating non-essential spending and capital expenditures and suspending our stock repurchase program. Those steps, along with others we have taken and will take in the future, to reduce our costs may not be sufficient to offset any reduction in our revenues and, at the same time, may negatively impact our ability to attract and retain employees and senior management, retain or expand our client and customer base, continue to provide services sufficient to meet customer demand, including, in particular, following the end of the pandemic, and compete with others in our industries, and our reputation, revenues and market share may suffer as a result.

In addition, if our furloughed personnel do not return to work with us when the COVID-19 pandemic subsides, we may experience operational challenges, which could limit our ability to grow and expand our business and could reduce our profits. Further, reputational damage from, and the financial impact of, reduced work hours could lead employees to depart the company and make it harder for us to recruit and hire new employees in the future.

Our ability to grow our company may also be harmed by COVID-19. If COVID-19 or general economic weakness causes further deterioration for the travel, leisure and hospitality industry or the other industries to which we provide services, we may not be able to expand the geographies in which we provide our services or acquire businesses that may enable us to fuel our growth. In addition, once the pandemic subsides, certain acquisition or other opportunities to grow our business may no longer be available, because such opportunities may have been pursued by our competitors or such opportunities may be too costly or time-consuming for us to pursue at that time. *See* “Risks relating to our acquisition strategy may adversely impact our results of operations.” *See also* “We are subject to intense competition that could constrain our ability to gain business and adversely impact our profitability.”

COVID-19 has caused, and, in the future, may continue to cause, us to incur additional expenses in light of the public health implications posed by COVID-19, including additional or accelerated investments in technology solutions which may be mandated by local, state, federal or other governmental authorities or by recommendations from the Centers for Disease Control and Prevention. The cost of investing in, implementing and maintaining such technology may be high, and such technology, whether purchased or developed internally, may not meet our needs or the needs of our clients and customers, in a timely, cost-effective manner or at all. During the course of implementing new technology into our operations, we may experience system interruptions and failures, which may result in additional costs to us. In addition, we may not recognize, in a timely manner or at all, the benefits that we may expect as a result of our implementing this or any other new technology into our operations.

The full impact of COVID-19 on our business and the industries in which we operate, as well as the effect on local, regional and global economic conditions, is highly uncertain, and its continuation, a future resurgence of COVID-19, or the existence of any future pandemic could precipitate or magnify the other risks described below in this Item 1A. “Risk Factors.”

We are subject to intense competition that could constrain our ability to gain business and adversely impact our profitability.

Competition is intense in the parking facility management, valet, ground transportation service, event management and baggage delivery businesses including other ancillary services that we offer. Providers of similar services have traditionally competed on the basis of cost and quality of service. As we have worked to establish ourselves as a leader in the industries in which we operate, we compete predominately on the basis of high levels of service and strong relationships. We may not be able to, or may choose not to compete with certain competitors on the basis of price. As a result, a greater proportion of our clients may switch to other service providers or elect to self-manage the services we provide.

The low cost of entry into these businesses has led to strongly competitive, fragmented markets consisting of various sized entities, ranging from small local or single lot operators to large regional and national businesses and multi-facility operators, as well as governmental entities and companies that can perform for themselves one or more of the services we provide. Regional and local-owned and operated companies may have additional insights into local or smaller markets and significantly lower labor and overhead costs, providing them with a competitive advantage in those regards. Competitors may also be able to adapt more quickly to changes in customer requirements, devote greater resources to the promotion and sale of their services or develop technology that is as or more successful than our technology.

We provide nearly all of our services under contracts, many of which are obtained through competitive bidding, and many of our contracts require that our clients pay certain costs at specified rates. Our management type contracts are typically for a term of one to three years, although the contracts may be terminated by the client, without cause, on 30-days' notice or less, giving clients regular opportunities to attempt to negotiate a reduction in fees or other allocated costs. Any loss of a significant number of clients could, in the aggregate, materially adversely affect our operating results. We may experience higher operating costs related to changes in laws and regulations regarding employee benefits, employee minimum wage, and other entitlements promulgated by federal, state and local governments or as a result of increased local wages necessary to attract employees due to changes in the unemployment rate. If actual costs exceed the rates specified in the contacts or we are unable to renegotiate our specified rates in our contracts, our profitability may be negatively affected. Furthermore, these strong competitive pressures could impede our success in bidding for profitable business and our ability to maintain or increase prices even as costs rise, thereby reducing margins.

Changing consumer preferences and legislation may lead to a decline in parking demand, which could have a material adverse impact on our business, financial condition and results of operations.

Ride sharing services, such as Uber and Lyft, and car sharing services, like Zipcar, along with the potential for driverless cars, may lead to a decline in parking demand in cities and urban areas. While we devote considerable effort and resources to analyzing and responding to consumer preference and changes in the markets in which we operate, consumer preferences cannot be predicted with certainty and can change rapidly. Changes in consumer behaviors, including the use of mobile phone applications and on-line parking reservation services that help drivers reserve parking with garage, lots and individual owner spaces, cannot be predicted with certainty and could change current customers' parking preferences, which may have an impact on the price customers are willing to pay for our services. Additionally, urban congestion and congestion pricing due to the aforementioned ride sharing services, or state and local laws that have been or may be passed encouraging carpooling and use of mass transit systems, may negatively impact parking demand and pricing that a customer would be willing to pay for our services. If we are unable to anticipate and respond to trends in the consumer marketplace and the industry, including, but not limited to, market displacement by livery service companies, car sharing companies and changing technologies, it could have a material and adverse impact on our business, financial condition and results of operations. In addition, several state and local laws have been passed in recent years that encourage the use of carpooling and mass transit. In the future, local, state and federal environmental regulatory authorities may pursue or continue to pursue, measures related to climate change and greenhouse gas emissions which may have the effect of decreasing the number of cars being driven. Such laws or regulations could adversely impact the demand for our services and ultimately our business.

Our business success depends on our ability to preserve client relationships.

We primarily provide services pursuant to agreements that are cancelable by either party upon 30-days’ notice. As we generally incur initial costs on new contracts, our business associated with long-term client relationships is generally more profitable than short-term client relationships. Managing our existing client relationships, including those client relationships acquired as part of a business acquisition, is an important factor in contributing to our business success. If we lose a significant number of existing clients, or fail to win new clients, our profitability could be negatively impacted, even if we gain equivalent revenues from new clients or through client relationships acquired by acquisition.

We may have difficulty obtaining, maintaining or renewing coverage for certain insurable risks or coverage for certain insurable risks at a reasonable cost to us or at all.

We use a combination of insured and self-insured programs to cover workers' compensation, general/garage liability, automobile liability, property damage, healthcare and other insurable risks, and we provide liability and workers' compensation insurance coverage, consistent with our obligations to our clients under our various contracts. We are responsible for claims in excess of our insurance policies' limits, and, while we endeavor to purchase insurance coverage that is appropriate to our assessment of risk, we are unable to predict with certainty the frequency, nature or magnitude of claims or direct or consequential damages. If our insurance proves to be inadequate or unavailable, our business may be negatively affected.

Recent consolidation within the insurance industry could impact our ability to obtain or renew policies at competitive rates. Should we be unable to obtain or renew our excess, umbrella, or other commercial insurance policies at competitive rates, it could have a material adverse impact on our business, as would the occurrence of catastrophic uninsured claims or the inability or refusal of our insurance carriers to pay otherwise insured claims.

We are subject to volatility associated with our high deductible and high retention insurance programs, including the possibility that changes in estimates of ultimate insurance losses could result in material charges against our operating results.

We are obligated to reimburse our insurance carriers for, or pay directly, each loss incurred up to the amount of a specified deductible or self-insured retention amount. We also purchase property insurance that provides coverage for loss or damage to our property and, in some cases, our clients' property, as well as business interruption coverage for lost operating income and certain associated expenses. The deductible or retention applicable to any given loss under the property insurance policies varies based upon the insured values and the peril that causes the loss. Our financial statements reflect our funding of all such obligations based upon guidance and evaluation received from third-party insurance professionals. However, our actual obligations at any particular time may exceed the amount presently funded or accrued, in which case we would need to set aside additional funds to reserve for any such excess.

The determination of required insurance reserves is dependent upon significant actuarial judgments. We use the results of actuarial studies to estimate insurance rates and reserves for future periods and adjust reserves as appropriate for the current year and prior years. Changes in insurance reserves as a result of periodic evaluations of the liabilities can cause swings in operating results that may not be indicative of the performance of our ongoing business. Actual experience related to our insurance reserves can cause us to change our estimates for reserves, and any such changes may materially impact our results of operations, causing volatility in our operating results. Additionally, our obligations could increase if we receive a greater number of insurance claims, or if the severity of, or the administrative costs associated with, those claims generally increases.

Further, to the extent that we self-insure our losses, deterioration in our loss control and/or our continuing claim management efforts could increase the overall costs of claims within our retained limits. A material change in our insurance costs due to changes in the frequency of claims, the severity of claims, the costs of excess/umbrella premiums, regulatory changes, or consolidation within the insurance industry could have a material adverse effect on our financial position, results of operations, or cash flows.

Because of the size of the operations covered and our claims experience, we purchase insurance policies at prices that we believe represent a discount to the prices that would typically be charged to clients on a stand-alone basis. The clients for whom we provide professional services pursuant to management type contracts have the option of purchasing their own liability insurance policies (provided that we are named as an additional insured party). Historically, most of our clients have chosen to obtain insurance coverage by being named as additional insureds under our master liability insurance policies. Pursuant to our management type contracts, we charge those clients an allocated portion of our insurance-related costs. Our inability to purchase such policies at competitive rates or charge clients for such insurance-related costs, could have a material adverse effect on our financial position, results of operations or cash flows.

We do not maintain insurance coverage for all possible risks.

We maintain a comprehensive portfolio of insurance policies to help protect us against loss or damage incurred from a wide variety of insurable risks. Each year, we review with our third party insurance advisers whether the insurance policies and associated coverages that we maintain are sufficient to adequately protect us from the various types of risk to which we are exposed in the ordinary course of business. That analysis takes into account various pertinent factors such as the likelihood that we would incur a material loss from any given risk, as well as the cost of obtaining insurance coverage against any such risk. We are responsible for claims in excess of our insurance policies' limits, and, while we endeavor to purchase insurance coverage that is appropriate to our assessment of risk, we are unable to predict with certainty the frequency, nature or magnitude of claims or direct or consequential damages, including, in particular, due to unforeseen events, such as pandemics and terrorist attacks. In addition, we may sustain material losses resulting from an event or occurrence where our insurance coverage is believed to be sufficient, but such coverage is either inadequate or we cannot access the coverage. Furthermore, our business interruption insurance, however, may not provide sufficient coverage, if any, for losses we incur in connection with a pandemic, in addition to other specified exclusions. These scenarios may result in a material adverse impact on our results of operations.

Our risk management and safety programs may not have the intended effect of allowing us to reduce our insurance costs.

We attempt to mitigate our business and operating risks through the implementation of Company-wide safety and loss control programs designed to decrease the incidence of accidents or events that might increase our exposure or liability. However, our insurance coverage may not be adequate, despite our implementation of Company-wide safety and loss control efforts, or may be inaccessible in certain instances, either of which would result in additional costs to us and may adversely impact our results of operations.

Adverse litigation judgments or settlements resulting from legal proceedings in which we may be involved could adversely affect our operations and financial condition.

In the normal course of business, we are from time to time involved in various legal proceedings. The outcome of these and any other legal proceedings cannot be predicted. It is possible that an unfavorable outcome of some or all of the matters could cause us to incur substantial liabilities that may have a material adverse effect upon our financial condition and results of operations. Any significant adverse litigation, judgments or settlements could have a negative effect on our business, financial condition and results of operations. Because our business employs a significant number of employees, we incur risks that these individuals will make claims against us for violating various employment-related federal, state and local laws. Some or all of these claims may lead to litigation, including class action litigation, and there may be negative publicity with respect to any alleged claims. Additionally, we are subject to risks in the states where we have employees, including, for example, if there are new or unanticipated judicial interpretations of existing laws and those interpretations are applied to employers on a retroactive basis.

We operate in a highly regulated environment, and our compliance with laws and regulations, including any changes thereto, or our non-compliance with such laws and regulations, may impose significant costs on us.

Under various federal, state and local environmental laws, ordinances and regulations, current or previous owners or operators of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in their properties. This applies to properties we either own or operate. These laws typically impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. We may be potentially liable for such costs as a result of our operation of parking facilities. Additionally, we hold a partial ownership interest in four parking facilities, and companies that we acquired in previous years may have owned a large number of properties that we did not acquire. We may be held liable for certain costs as a result of such previous and current ownership. In addition, from time to time we are subject to legal claims and regulatory actions involving environmental issues at certain locations or otherwise in connection with our operations. The cost of defending against claims of liability, or remediation of a contaminated property, could have a material adverse effect on our business, financial condition and results of operations.

In connection with ground transportation services and certain transportation and baggage services provided to our clients, including shuttle bus operations, baggage handling and delivery services and remote airline check-in services, the U.S. Department of Transportation, including the Transportation Security Administration (TSA) and Department of Homeland Security, and various federal and state agencies exercise broad powers over these transportation and baggage related services, including, licensing and authorizations, safety, training and insurance requirements. Our employees must also comply with the various safety and fitness regulations promulgated by the U.S. Department of Transportation and other federal agencies, including those related to minimum training hours and requirements, drug and alcohol testing and service hours. We may become subject to new and more restrictive federal and state regulations, including in the wake of the COVID-19 pandemic. Compliance with such regulations could hamper our ability to provide qualified drivers and increase our operating costs. Our compliance with any new rules and regulations, directives, anticipated rules or other forms of regulatory oversight may have a material adverse effect on us.

We are also subject to consumer credit laws and credit card industry rules and regulations relating to the processing of credit card transactions, including the Fair and Accurate Credit Transactions Act and the Payment Card Data Security Standard. These laws and these industry standards impose substantial financial penalties for non-compliance.

In addition, we are subject to laws generally applicable to businesses, including, but not limited, to federal, state and local regulations relating to data privacy, wage and hour matters, employee classification, mandatory healthcare benefits, unlawful workplace discrimination and whistle blowing. Any actual or alleged failure to comply with any regulation applicable to our business or any whistle-blowing claim, even if without merit, could result in costly litigation, regulatory action or otherwise harm our business, financial condition and results of operations.

We collect and remit sales/parking taxes and file tax returns for and on behalf of ourselves and our clients. We are affected, and may in the future be affected, by laws and regulations that may impose a direct assessment on us for failure to remit sales/parking taxes and filing of tax returns for ourselves and on behalf of our clients.

We cannot predict changes in laws and regulations made by federal, state or local government. Any such changes may pose additional regulatory burden and costs on our business or otherwise adversely affect our results of operations.

Risks relating to our acquisition strategy may adversely impact our results of operations.

In the past, a significant portion of our growth has been generated by acquisitions. In light of recent events related to the COVID-19 pandemic, we expect that there will be a slowdown in the pace or size of our acquisitions, which, in addition to the other factors discussed above, could lead to a slower growth rate. Any acquisition we make, including Bags, may not provide us with any of the benefits that we anticipated or anticipate when entering into such transaction, particularly acquisitions in adjacent professional services. The process of integrating an acquired business may create unforeseen difficulties and expenses. The areas in which we may face risks in connection with any potential acquisition of a business include, but are not limited to:

- failure of the acquired business to perform in-line with management expectations or acquisition models;
- revenue synergies and our ability to cross-sell service offerings to existing clients may be different than management's expectations;
- costs of integrating the business or synergies anticipated could be different than management's expectations;
- management time and focus may be diverted from operating our business to acquisition integration;
- the time frame for integration could be delayed and the related costs may exceed management's expectations;
- clients or key employees of an acquired business may not remain, which could negatively impact our ability to grow that acquired business;
- integration of the acquired business’s accounting, information technology, human resources, and other administrative systems may fail to permit effective management and expense reduction;
- an acquired entity may not have in place all the necessary controls as required by the SEC and the Public Company Accounting Oversight Board, and implementing such controls, procedures, and policies may fail;
- integrating financial reporting policies in compliance with the SEC's requirements and the requirements of other regulatory bodies may result in increased costs, time and resources spent on or by our financial personnel;
- integrating an acquired entity into our internal control over financial reporting may require and continue to require significant time and resources from our management and other personnel and may increase our compliance costs;
- additional indebtedness incurred as a result of an acquisition may adversely impact our financial position, results of operations, and cash flows;
- we may be subject to additional compliance and other regulatory requirements as a result of the acquired business, including in connection with any new products or services we offer; and
- unanticipated or unknown liabilities may arise relating to the acquired business.

Our management type contracts and lease type contracts expose us to certain risks.

The loss or renewal on less favorable terms of a substantial number of management type contracts or lease type contracts could have a material adverse effect on our business, financial condition and results of operations. A material reduction in the operating income associated with the integrated services we provide under management type contracts and lease type contracts could have a material adverse effect on our business, financial condition and results of operations. Our management type contracts are typically for a term of one to three years, although the contracts may be terminated, without cause, on 30-days' notice or less, giving clients regular opportunities to attempt to negotiate a reduction in fees or other allocated costs. Any loss of a significant number of clients could in the aggregate materially adversely affect our operating results.

We are particularly exposed to increases in costs for locations that we operate under lease type contracts because we are generally responsible for all the operating expenses of our leased locations. Typically, during the first and fourth quarters of each year, seasonality generally impacts our performance with regard to moderating revenues, with the reduced levels of travel most clearly reflected in the parking activity associated with our airport and hotel businesses as well as increases in certain costs of parking services, such as snow removal, all of which negatively affects gross profit. The impact of COVID-19 on the seasonality of our business specifically, and the performance of our operations generally, will depend on, among other factors, the scale and duration of the pandemic and its impact on regulations, consumer behavior and consumer spending.

Deterioration in economic conditions in general could reduce the demand for our services and, as a result, reduce our earnings and adversely affect our financial condition.

Adverse changes in global, national and local economic conditions could have a negative impact on our business. Adverse economic conditions, including in relation to COVID-19, may result in client's customers reducing their discretionary spending, which includes travel and leisure spending. Because a portion of our revenue is tied to the volume of airline passengers, hotel guests, retail shoppers and sports event attendees, our business could be adversely impacted by the curtailment of business travel, personal travel or discretionary spending caused by unfavorable changes in economic conditions and/or consumer confidence. Adverse changes in local, regional, national and international economic conditions could depress prices for our services or cause clients to cancel agreements for the services we provide to our clients and their customers.

In addition, our business operations tend to be concentrated in large urban areas. Many of our customers are workers who commute by car to their places of employment in these urban centers or who use services in the travel, leisure and hospitality industry. Our business could be materially adversely affected to the extent that weak economic conditions or demographic factors could result in the elimination of jobs and high unemployment in the large urban areas where our business operations are concentrated, as has occurred in the wake of COVID-19. In addition, increased unemployment levels, increased office vacancies in urban areas, movement toward home office or “work from home” alternatives or lower consumer spending could reduce consumer demand for our services.

We are increasingly dependent on information technology, and potential disruption, cyber-attacks, cyber-terrorism and security breaches to our technology, or our third-party providers and clients, or the compromise of our data, present risks that could harm our business.

We are increasingly dependent on automated information technology systems to manage and support a variety of business processes and activities. In addition, a portion of our business operations is conducted electronically, increasing the risk of attack or interception that could cause loss or misuse of data, system failures, disruption of operations, unauthorized malware, computer or system viruses, or the compromise of data, such as theft of intellectual property or inappropriate disclosure of confidential, proprietary or personal information.

Furthermore, while we continue to devote resources to monitoring and updating our systems and implementing information security measures to protect our systems, the controls and procedures that we have in place may not be sufficient to protect us from security breaches. Improper activities by third parties, exploitation of encryption technology, new data-hacking tools and discoveries and other events or developments may result in a future compromise or breach of our networks, payment card terminals or other payment systems. In particular, the techniques used by criminals to obtain unauthorized access to sensitive data change frequently and often are not recognized until they have been deployed against a target. Accordingly, we may be unable to anticipate these techniques or implement adequate preventative measures.

Additionally, our systems could be subject to damage or interruption from system conversions, power outages, computer or telecommunications failures, computer viruses and malicious attack, security breaches and catastrophic events. If our systems are damaged or fail to function properly, we may incur substantial repair and/or replacement costs, experience data loss or theft and impediments to our ability to manage customer transactions, which could adversely affect our operations and our results of operations. The occurrence of acts of cyber terrorism, such as website defacement, denial of automated payment services, sabotage of our proprietary on-demand technology or the use of electronic social media to disseminate unfounded or otherwise harmful allegations to our reputation, could have a material adverse effect on our business. Any disruptions to our information technology systems, breaches or compromise of data and/or misappropriation of information could result in lost sales, negative publicity, litigation, violation of privacy laws or business interruptions or damage to our reputation that, in turn, could negatively impact our financial condition and results of operations. While we maintain insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses potentially incurred and would not remedy any damage to our reputation.

We do not have control over security measures taken by third-party vendors hired by our clients to prevent unauthorized access to electronic and other confidential information. There can be no assurance third-party vendors will not suffer an attack in the future in which unauthorized parties gain access to personal financial information of individuals associated with our company, our clients or our client's customers, and any such incident may not be discovered and remedied in a timely manner, or at all.

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 LIBOR as a reference rate to calculate interest rates under the Senior Credit Facility and to establish the floor and ceiling ranges for the interest rate collar contracts that we 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 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 LIBOR to alternative rates will occur over the course of the next few years. If a published LIBOR is unavailable after 2021, the interest rates under our Senior Credit Facility 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 LIBOR and may also result in reductions in the value of certain instruments or the effectiveness of related transactions such as our interest rate collars and any other hedges, increased borrowing costs, uncertainty under applicable documentation, or difficult and costly consent processes. Any such effects of the transition away from 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.

Impairment charges could have a material adverse effect on our financial condition and results of operations.

Goodwill represents the excess purchase price of acquired businesses over the fair values of the assets acquired and liabilities assumed. October 1st is our annual impairment assessment date for goodwill. However, we could be required to evaluate the recoverability of goodwill prior to the annual assessment if we experience a significant under-performance relative to expected historical or projected future operating results, significant changes in the use of acquired assets or our business strategy, and significant negative industry or economic trends. The goodwill impairment test is performed at the reporting unit level. If the fair value of one of our reporting units is less than its carrying value, we would record impairment for the excess of the carrying amount over the implied fair value. The valuation of our reporting units requires significant judgment in evaluation of recent indicators of market activity and estimated future cash flows, discount rates, and other factors. Future events may indicate differences from management’s judgments and estimates which could, in turn, result in impairment charges. Future events that may result in impairment charges include extended unfavorable economic impacts of COVID-19, increases in interest rates, which would impact discount rates, or other factors which could decrease revenues and profitability of our reporting units and changes in the cost structure of existing facilities. During the nine months ended September 30, 2020, we recognized a goodwill impairment charge of $59.5 million. See Note 1. *Significant Accounting Policies and Practices* and Note 7. *Goodwill* to our Condensed Consolidated Financial Statements for further discussion.

We evaluate our long-lived assets, including lease ROU and intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. These events and circumstances include, but are not limited to, a current expectation that a long-lived asset will be disposed of significantly before the end of its previously estimated useful life, a significant adverse change in the extent or manner in which we use a long-lived asset, a change in its physical condition or a projection or forecast that demonstrates continuing losses associated with the use of the long-lived asset group. When this occurs, a recoverability test is performed that compares the projected undiscounted cash flows from the use and eventual disposition of an asset or asset group to its carrying amount. If we conclude that the projected undiscounted cash flows are less than the carrying amount, impairment would be recorded for the excess of the carrying amount over the estimated fair value. During the nine months ended September 30, 2020, we concluded that certain ROU and intangible assets were impaired and recorded impairment charges amounting to $95.8 million and $75.8 million, respectively. See Notes 1. *Significant Accounting Policies and Practices*, Note 2. *Leases* and Note 6. *Other Intangible Assets, net* to our Condensed Consolidated Financial Statements for further discussion.

Assumptions and estimates used to determine cash flows in the evaluation of impairment and the fair values used to determine the impairment are subject to a degree of judgment and complexity. Any future changes to the assumptions and estimates resulting from changes in actual results or market conditions from those anticipated may affect the carrying value of long-lived assets and could result in additional impairment charges. Future events that may result in impairment charges include extended unfavorable economic impacts of COVID-19, or other factors which could decrease revenues and profitability of existing locations and changes in the cost structure of existing facilities.

We have incurred indebtedness, and we may incur indebtedness in the future, that could adversely affect our financial condition.

Our Credit Agreement, as amended by the Third Amendment, provides for a Senior Credit Facility that includes a $370.0 million revolving credit facility through May 5, 2021, at which time it will revert back to $325.0 million, and a $225.0 million term loan that is scheduled to mature in November 2023. The Senior Credit Facility is secured by a lien on all of our assets. In connection with our entry into the Third Amendment, the negative and financial covenants in the Credit Agreement were amended and some additional covenants were added, as described under the caption "Management's Discussion and Analysis of Financial Condition--Analysis of Financial Condition--Liquidity and Capital--Outstanding Indebtedness--Senior Credit Facility." Failure to comply with covenants or to meet payment obligations under our Senior Credit Facility could result in an event of default which, if not cured or waived, could result in the acceleration of outstanding debt obligations.

We may incur additional indebtedness in the future, which could cause the related risks to intensify. We may need to refinance all or a portion of our indebtedness on or before their respective maturities. We may not be able to refinance any of our indebtedness, including indebtedness under our Senior Credit Facility, on commercially reasonable terms or at all. If we are unable to refinance our debt, we may default under the terms of our indebtedness, which could lead to an acceleration of debt repayment. We do not expect that we could repay all of our outstanding indebtedness if the repayment of such indebtedness was accelerated. If adequate capital is not available to us and our internal sources of liquidity prove to be insufficient, or if future financings require more restrictive covenants, such combination of events could adversely affect our ability to (i) acquire new businesses or enter new markets, (ii) service or refinance our existing debt, (iii) make necessary capital investments and (iv) make other expenditures necessary for the ongoing conduct of our business.

In addition, the terms of future debt agreements and amendments to our existing debt agreements could include more restrictive covenants, which may further restrict our business operations or cause future financing to be unavailable due to our covenant restrictions then in effect.

Our ability to maintain and expand our business will be dependent upon the availability of adequate capital.

The ability to maintain and expand our business will depend in part on the availability of adequate capital, which in turn will depend, in large part, on cash flow generated by our business and the availability of equity and debt capital. In addition, the Senior Credit Facility contains provisions that restrict our ability to incur additional indebtedness and/or make substantial investments or acquisitions. As a result, we may not have the ability to obtain adequate capital to maintain and expand our business.

The financial difficulties or bankruptcy of one or more of our major clients could adversely affect our results.

Future revenue and our ability to collect accounts receivable depend, in part, on the financial strength of our clients. We estimate an allowance for doubtful accounts, and this allowance adversely impacts profitability. In the event that our clients experience financial difficulty, become unable to obtain financing or seek bankruptcy protection, our profitability would be further impacted by our failure to collect accounts receivable in excess of the estimated allowance. Additionally, our future revenue would be reduced by the loss of these clients or by the cancellation of lease type contracts or management type contracts by clients in bankruptcy.

Labor disputes could lead to loss of revenues or expense variations.

When one or more of our major collective bargaining agreements becomes subject to renegotiation or we face union organizing drives, we may disagree with the union on important issues that, in turn, could lead to a strike, work slowdown or other job actions. We may not be able to renew existing labor union contracts on acceptable terms, particularly during times of economic distress, and, in such cases, we may not be able to staff sufficient employees for our short-term needs. A strike, work slowdown or other job action could in some cases disrupt our ability to provide services, resulting in reduced revenues. If declines in client service occur or if our clients are targeted for sympathy strikes by other unionized workers, contract cancellations could result. Negotiating a first time agreement or renegotiating an existing collective bargaining agreement could result in a substantial increase in labor and benefits expenses that we may be unable to pass through to clients. In addition, potential legislation could make it significantly easier for union organizing drives to be successful and could give third-party arbitrators the ability to impose terms of collective bargaining agreements upon us and a labor union if we are unable to agree with such union on the terms of a collective bargaining agreement. At December 31, 2019, approximately 28% of our employees were represented by labor unions and approximately 38% of our collective bargaining contracts are up for renewal in 2020, representing approximately 26% of our employees. In addition, at any given time, we may face a number of union organizing drives. When one or more of our major collective bargaining agreements becomes subject to renegotiation or when we face union organizing drives, we and the union may disagree on important issues that could lead employees to strike, work slowdown, or other job actions. In a market where we are unionized but our competitors are not unionized, we may lose clients as a result. A strike, work slowdown, or other job actions could disrupt our ability to provide services to our clients, resulting in reduced revenues or contract cancellations. Moreover, negotiating first-time collective bargaining agreements or renewing existing agreements, could result in substantial increases in labor and benefit costs that we may not be able to pass through to clients.

In addition, we make contributions to multi-employer benefit plans on behalf of certain employees covered by collective bargaining agreements, and we could be responsible for paying unfunded liabilities incurred by such benefit plans, which amount could be material.

Our business success depends on retaining senior management and attracting and retaining qualified personnel.

Our future performance depends on the continuing services and contributions of our senior management to execute on our acquisition and growth strategies and to identify and pursue new opportunities. Our future success also depends, in large part, on our continued ability to attract and retain qualified personnel. Any unplanned turnover in senior management or inability to attract and retain qualified personnel could have a negative effect on our results of operations.

Additionally, we must attract, train and retain a large and growing number of qualified employees while controlling labor costs. Our ability to control labor costs is subject to numerous internal and external factors, including changes in immigration policy, regulatory changes, prevailing wage rates, and competition we face from other companies to attract and retain qualified employees. We may not be able to attract and retain qualified employees in the future, which could have a material adverse effect on our business, financial condition and results of operations.

Catastrophic events could disrupt our business and services.

Catastrophic events, including natural disasters, severe weather conditions, pandemic outbreaks and acts of terrorism or other geopolitical events, may cause economic dislocations throughout the country, lead to reduced levels of travel and result in an increase in certain costs of providing parking and remote bag check-in and handling services, any of which could negatively affect the use of our services and our gross profit. In addition, terrorist attacks have resulted in, and may continue to result in, increased government regulation of airlines and airport facilities, including the imposition of minimum distances between parking facilities and terminals, resulting in the elimination of parking facilities we manage. We derive a significant percentage of our gross profit from parking facilities and parking related services in and around airports. The Federal Aviation Administration generally prohibits parking within 300 feet of airport terminals during periods of heightened security. Although the prohibition is not currently in effect, it may be reinstated in the future. The existing regulations governing parking within 300 feet of airport terminals or future regulations may prevent us from using certain parking spaces. Reductions in the number of parking spaces and air travelers may reduce our revenue and cash flow from both our leased facilities and those facilities and contracts we operate under management type contracts.

Because our business is affected by weather-related trends, typically in the first and fourth quarters of each year, our results may fluctuate from period to period, which could make it difficult to evaluate our business.

Weather conditions, including fluctuations in temperatures, snow or severe weather storms, heavy flooding, hurricanes or natural disasters, can negatively impact portions of our business. We periodically have experienced fluctuations in our quarterly results arising from a number of factors, including the following:

- reduced levels of travel during and as a result of severe weather conditions, which is reflected in lower revenue from our services; and
- increased cost of services, such as snow removal and longer delivery times for our baggage delivery services.

These factors have typically had negative impacts to our gross profit and could cause gross profit reductions in the future. Fluctuations in our results could make it difficult to evaluate our business or cause instability in the market price of our common stock.

State and municipal government clients may sell or enter into long-term lease type contracts of parking-related assets with our competitors or property owners and developers may redevelop existing locations for alternative uses.

In order to raise additional revenue, a number of state and municipal governments have either sold or entered into long-term lease type contracts of public assets or may be contemplating such transactions. The assets that are the subject of such transactions have included government-owned parking garages located in downtown commercial districts and parking operations at airports. The sale or long-term leasing of such government-owned parking assets to our competitors or clients of our competitors could have a material adverse effect on our business, financial condition and results of operations.

Additionally, property owners and developers may elect to redevelop existing locations for alternative uses other than parking or significantly reduce the number of existing spaces used for parking at those facilities in which we either lease through a lease type contract or operate through a management type contract. Reductions in the number of parking spaces or potential loss of contracts due to redevelopment by property owners may reduce our gross profit and cash flow for both our lease type contracts and those facilities or contracts we operate under management type contracts.

The sureties for our performance bond program may elect not to provide us with new or renewal performance bonds for any reason.

As is customary in the industry, a surety provider can refuse to provide a bond principal with new or renewal surety bonds. If any existing or future surety provider refuses to provide us with surety bonds, either generally or because we are unwilling or unable to post collateral at levels sufficient to satisfy the surety's requirements, we may not be able to find alternate providers on acceptable terms, or at all. Our inability to provide surety bonds could also result in the loss of existing contracts. Failure to find a provider of surety bonds, and our resulting inability to bid for new contracts or renew existing contracts, could have a material adverse effect on our business and financial condition.

Federal healthcare reform legislation may adversely affect our business and results of operations.

We provide healthcare and other benefits to employees. In certain circumstances, we charge our clients insurance-related costs. Costs for health care have increased more rapidly than the general inflation in the U.S. economy. If this trend in health care continues and we are unable to raise the rates we charge our clients to cover expenses incurred due to the Patient Protection and Affordable Care Act or other healthcare initiatives, our operating profit could be negatively impacted.

Changes in tax laws or rulings could materially affect our financial position, results of operations, and cash flows.

We are subject to income and non-income tax laws in the United States (federal, state and local) and other foreign jurisdictions, which include Canada and Puerto Rico. Changes in tax laws, regulations, tax rulings, administrative practices or changes in interpretations of existing laws, could materially affect our business. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change, with or without notice, and the effective tax rate could be affected by changes in the mix of earnings in countries with differing statutory tax rates or changes in tax laws or their interpretation, including in the United States (federal, state and local), Canada and Puerto Rico. Our income tax expense, deferred tax assets and liabilities and our effective tax rates could be affected by numerous factors, including the relative amount of our foreign earnings, including earnings being lower than anticipated in jurisdictions where we have lower statutory rates and higher than anticipated in jurisdictions where we have higher statutory rates, the applicability of special tax regimes, losses incurred in jurisdictions for which we are not able to realize the related tax benefit, entry into new businesses or geographies, changes to our existing business and operations, acquisitions and investments and how they are financed and changes in the relevant tax, accounting and other laws regulation, administrative practices, principles and interpretations. Additionally, adverse changes in the underlying profitability and financial outlook of our operations or changes in tax law, as discussed above, could lead to changes in our valuation allowances against deferred tax assets on our consolidated balance sheets, which could materially affect our results of operations.

We are also subject to tax audits and examinations by governmental authorities in the United States (federal, state and local), Canada and Puerto Rico. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes, but our assessments as to the outcome of such tax audits and examinations involve a number of assumptions and may ultimately prove to be incorrect. Negative unexpected results from one or more such tax audits or examinations or our failure to sustain our reporting positions on examination could have an adverse effect on our results of operations and our effective tax rate.

We have investments in joint ventures and may be subject to certain financial and operating risks with our joint venture investments.

We have acquired or invested in a number of joint ventures, and may acquire or enter into joint ventures with additional companies. These transactions create risks such as:

- additional operating losses and expenses in the businesses acquired or joint ventures in which we have made investments;
- the dependence on the investee's accounting, financial reporting and similar systems, controls and processes of other entities whose financial performance is incorporated into our financial results due to our investment in that entity;
- potential unknown liabilities associated with a company we may acquire or in which we invest;
- requirements or obligations to commit and provide additional capital, equity, or credit support as required by the joint venture agreements;
- inability of the joint venture partner to (1) perform its obligations as a result of financial or other difficulties or (2) provide additional capital, equity or credit support under the joint venture agreements; and
- disruption of our ongoing business, including loss of management focus on the business.

As a result of future acquisitions or joint ventures in which we may invest, we may need to issue additional equity securities, spend our cash, or incur debt and contingent liabilities, any of which could reduce our profitability and harm our business. In addition, valuations supporting our acquisitions or investments in joint ventures could change rapidly given the global economic environment and climate. We could determine that such valuations have experienced impairments, resulting in other-than-temporary declines in fair value that could adversely impact our financial results.

Actions of activist investors could disrupt our business.

Public companies have been the target of activist investors, including, in particular, during times of economic and market turmoil. In the event that a third-party, such as an activist investor, proposes to change our governance policies, board of directors, or other aspects of our operations, our review and consideration of such proposals may create a significant distraction for our management and employees. This could negatively impact our ability to execute our long-term growth plan and may require our management to expend significant time and resources responding to such proposals. Such proposals may also create uncertainties with respect to our financial position and operations and may adversely affect our ability to attract and retain key employees.

Item 2. Unregistered Sales of Equity and Use of Proceeds

Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Table of Contents
Item 6. Exhibits

Index to Exhibits

		Incorporated by Reference		
Exhibit Number	**Description**	**Form**	**Exhibit**	**Filing Date/Period End Date**
31.1*	Section 302 Certification dated November 9, 2020 for G Marc Baumann, President and Chief Executive Officer (Principal Executive Officer).			
31.2*	Section 302 Certification dated November 9, 2020 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 November 9, 2020.			
101.INS*	Inline 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*	Inline XBRL Taxonomy Extension Schema			
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase			
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase			
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase			
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase			
104**	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101			

* 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: November 9, 2020	By: /s/ G MARC BAUMANN
	G Marc Baumann
	Chief Executive Officer and President
	(Principal Executive Officer)
Date: November 9, 2020	By: /s/ KRISTOPHER H. ROY
	Kristopher H. Roy
	Chief Financial Officer
	(Principal Financial Officer, and Principal Accounting Officer)

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: November 9, 2020

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 and Principal Accounting Officer)

Date: November 9, 2020

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, 2020, 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: November 9, 2020

/s/ KRISTOPHER H. ROY

Name: Kristopher H. Roy

Title: *Chief Financial Officer*

(Principal Financial Officer and Principal Accounting Officer)

Date: November 9, 2020

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.