COINMACH SERVICE CORP
Form 10-K
June 05, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 10-K

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

For the fiscal year ended March 31, 2007

or

o **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 001-32359

Coinmach Service Corp.

(Exact name of registrant as specified in its charter)

Delaware	**20-0809839**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

303 Sunnyside Blvd., Suite 70, Plainview, New York	**11803**
(Address of principal executive offices)	*(Zip Code)*

(516) 349-8555

(Registrant s telephone number, including area code)

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

Title of Each Class	**Name of Each Exchange on Which Registered**
Income Deposit Securities, each representing one share of Class A common stock, $0.01 par value per share, and an 11% Senior Secured Note due 2024 in a principal amount of $6.14	American Stock Exchange
Class A common stock, $0.01 par value per share	American Stock Exchange

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 twelve 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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of September 30, 2006, the aggregate market value of the outstanding shares of Class A Common Stock (whether or not underlying IDSs) that were held by non-affiliates of the registrant was approximately $251,512,323.

In determining the market value of shares of Class A Common Stock, all outstanding shares of Class A Common Stock (whether or not underlying IDSs) were assigned a value equal to the $9.93 closing price per share of separately held Class A Common Stock, as quoted on the American Stock Exchange on September 30, 2006. In determining the shares of Class A Common Stock held by non-affiliates, securities beneficially owned by directors, officers and holders of more than 10% of the outstanding shares of Class A Common Stock (whether or not underlying IDSs) have been excluded. The determination of the value of the Class A Common Stock and the determination of affiliate status are not necessarily a conclusive determination for other purposes.

As of the close of business on April 30, 2007, the registrant had outstanding (i) 13,365,966 Income Deposit Securities (IDSs), (ii) 29,260,030 shares of Cl ass A common stock, $0.01 par value per share (the Class A Common Stock) (of which 15,673,841 were held separate and apart from IDSs) and (iii) 23,374,450 shares of Class B common stock, $0.01 par value per share (the Class B Common Stock).

DOCUMENTS INCORPORATED BY REFERENCE

Selected designated portions of the registrant s definitive proxy statement to be delivered to stockholders on or before July 12, 2007 in connection with the registrant s 2007 annual meeting of stockholders scheduled to be held July 23, 2007 are incorporated by reference into Part III of this annual report.

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PART I

Item 1. BUSINESS

Description of the Business

General

We believe we are the leading provider of outsourced laundry equipment services for multi-family housing properties in North America, based on information provided by the Multi-Housing Laundry Association, a national trade association of multi-housing laundry operators and suppliers. Our core business (which we refer to as the route business) involves leasing laundry rooms from building owners and property management companies, installing and servicing laundry equipment and collecting revenues generated from laundry machines. For the fiscal year ended March 31, 2007, our route business represented approximately 89% of our total revenue.

Our long-term contracts with our customers provide us with stable, recurring revenues and consistent cash flows. We estimate that approximately 90% of our locations are subject to long-term contracts with initial terms of five to ten years, most of which have automatic renewal or right of first refusal provisions. In each year since 1997, we have retained on average approximately 96% of our existing machine base.

The existing customer base for our route business is comprised of owners of rental apartment buildings, property management companies, condominiums and cooperatives, universities and other multi-family housing properties. We typically set pricing for the use of laundry machines on location, and the owner or property manager maintains the premises and provides utilities such as natural gas, electricity and water. Our size and scale offer significant advantages over our competitors in terms of operating efficiencies and the quality of service we provide our customers.

We have grown our route business through selective acquisitions in order to expand and geographically diversify our service territories. Since January 1995, we have enhanced our national presence by completing many significant acquisitions (as well as numerous smaller acquisitions that we refer to as tuck ins). As a result of the growth in our washer and dryer machine base, our revenue has increased from approximately $178.8 million for the twelve months ended March 29, 1996 to approximately $555.3 million for the fiscal year ended March 31, 2007.

We had experienced net losses in each fiscal year since 2000 through March 31, 2006, and as of March 31, 2007, we had an accumulated deficit of approximately $281.4 million and total stockholders equity of approximately $100.7 million. We generated net income of approximately $0.2 million for the fiscal year ended March 31, 2007 (2007 Fiscal Year) and as of March 31, 2007, we had approximately $657.3 million in long-term debt.

In addition to our route business, we rent laundry machines and other household appliances and electronic items to corporate relocation entities, property owners, managers of multi-family housing properties and individuals through our subsidiary Appliance Warehouse of America, Inc., which we refer to as AWA. AWA is a Delaware corporation that is jointly owned by us and Coinmach Corporation, a Delaware corporation which we refer to as Coinmach. Coinmach is in turn a wholly-owned subsidiary of our direct wholly-owned subsidiary Coinmach Laundry Corporation, a Delaware corporation which we refer to as CLC. We also operate a laundry equipment distribution business through Super Laundry Equipment Corp., a Delaware corporation and our indirect wholly-owned subsidiary, which we refer to as Super Laundry.

We believe that our route business represents the industry-leading platform from which to continue the consolidation of the fragmented outsourced laundry equipment industry, as well as potentially develop and offer complementary services to other collections based route businesses such as operators of payphones and parking meters. We intend to continue to grow the route operation, as well as utilize our substantial sales, service,

collections and security infrastructure throughout the United States to offer related services to businesses outside our existing laundry business.

We maintain our corporate headquarters in Plainview, New York, a corporate office in Charlotte, North Carolina, a national call center in Irving, Texas and regional offices throughout the United States through which we conduct operating activities, including sales, service and collections.

Our Industry

The laundry equipment services industry is characterized by stable operating cash flows generated by long-term, renewable lease contracts with multi-family housing property owners and management companies. Based upon industry estimates, we believe there are approximately 3.5 million installed machines in multi-family properties throughout the United States, approximately 2.3 million of which have been outsourced to independent operators such as us and approximately 1.2 million of which continue to be operated by the owners of such locations, which we refer to as owner operators.

We believe the industry s consistent revenue and operating cash flows are primarily due to the long-term nature of location leases and the stable demand for laundry services. When new or renewal leases are signed, industry participants incur initial costs including the cost of washers and dryers, laundry room leasehold improvements and, at times, advance location payments. Property owners and landlords are typically responsible for utilities. Moreover, as the useful life of laundry equipment typically extends throughout the term of the contract pursuant to which it is installed, incremental capital requirements including working capital to service such contracts are not significant. Hence, the industry s operating cash flows and capital requirements are predictable.

Historically, the industry has been characterized by stable demand and has generally been resistant to changing market conditions and economic cycles. While the industry is affected by changes in occupancy rates of residential units, the effect of such changes is limited as laundry services are a necessity for tenants.

The laundry equipment services industry remains highly fragmented, with many small, private and family-owned route businesses operating throughout all major metropolitan areas in the United States. According to information provided by the Multi-housing Laundry Association, the industry consists of over 250 independent operators. We believe that the highly fragmented nature of the industry, combined with the competitive advantages associated with economies of scale, will lead to further consolidation within the industry.

Business Operation

Description of Principal Operations

The primary aspects of our route business operations include: (i) sales and marketing; (ii) location leasing; (iii) service; (iv) information management; (v) remanufacturing and (vi) revenue collection and security.

Sales and Marketing

We market our products and services through a sales staff with an average industry experience of over ten years. The principal responsibility of the sales staff is to solicit customers and negotiate lease arrangements with building owners and managers. Sales personnel are paid commissions that comprise approximately 50% or more of their annual compensation. Selling commissions are based on a percentage of a location s value contribution to the Company. Sales personnel must be proficient with the application of sophisticated financial analyses, which calculate minimum returns on investments to achieve our targeted goals in securing location contracts and renewals. We believe that our sales staff is among the most competent and effective in the industry.

Our marketing strategy emphasizes excellent service offered by our experienced, highly-skilled personnel and quality equipment that maximizes efficiency and revenue and minimizes machine downtime. Our sales staff targets potential new and renewal lease locations by utilizing the integrated computer systems extensive database to provide information on our, as well as our competitors locations. Additionally, our integrated computer systems

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monitor performance, repairs and maintenance, as well as the profitability of locations on a daily basis. All sales, service and installation data is recorded and monitored daily on a custom-designed, secured computerized sales planner.

No single customer represents more than 2% of our gross revenue, and our ten largest customers collectively account for less than 10% of our gross revenue.

Location Leasing

Our leases provide us the exclusive right to operate and service the installed laundry machines, including repairs, revenue collection and maintenance. We typically set pricing for the use of the machines on location, and the property owner or property manager maintains the premises and provides utilities such as gas, electricity and water.

In return for the exclusive right to provide laundry equipment services, most of our leases provide for monthly commission payments to the location owners. Under the majority of leases, these commissions are based on a percentage of the cash collected from the laundry machines. Many of our leases require us to make advance location payments to the location owner in addition to commissions. Our leases typically include provisions that allow for unrestricted price increases, a right of first refusal (an opportunity to match competitive bids at the expiration of the lease term) and termination rights if we do not receive minimum net revenues from a lease. We have some flexibility in negotiating our leases and, subject to local and regional competitive factors, may vary the terms and conditions of a lease, including commission rates and advance location payments. We evaluate each lease opportunity through our integrated computer systems to achieve a desired level of return on investments.

We estimate that approximately 90% of our locations are under long-term leases with initial terms of five to ten years. Of the remaining locations not subject to long-term leases, we believe that we have retained a majority of such customers through long-standing relationships and expect to continue to service such customers. Most of our leases renew automatically or have a right of first refusal provision. Our automatic renewal clause typically provides that, if the building owner fails to take any action prior to the end of the original lease term or any renewal term, the lease will automatically renew on substantially similar terms. As of March 31, 2007, based on number of machines, our leases had an average remaining life to maturity of approximately 50 months (without giving effect to automatic renewals).

Service

Our employees deliver, install, service and collect revenue from washers and dryers in laundry facilities at our leased locations.

Our integrated computer systems allow for the quick dispatch of service technicians in response to both computer-generated (for preventive maintenance) and customer-generated service calls. On a daily basis, we receive and respond to approximately 2,500 service calls. We estimate that less than 1% of our machines are out of service on any given day. The ability to reduce machine down-time, especially during peak usage, enhances revenue and improves our reputation with our customers.

In a business that emphasizes prompt and efficient service, we believe that our integrated computer systems provide a significant competitive advantage in terms of responding promptly to customer needs. Computer-generated service calls for preventive maintenance are based on previous service history, repeat service call analysis and monitoring of service areas. These systems coordinate our radio or cellular equipped service vehicles and allow us to address customer needs quickly and efficiently.

Information Management

Our integrated computer systems serve three major functions: (i) tracking the service cycle of equipment; (ii) monitoring revenues and costs by location, customer and salesperson; and (iii) providing information on competitors and our lease renewal schedules.

Our integrated computer systems provide speed and accuracy throughout the entire service cycle by integrating the functions of service call entry, dispatching service personnel, parts and equipment purchasing, installation, distribution and collection. In addition to coordinating all aspects of the service cycle, our integrated computer systems track contract performance, which indicate potential machine problems or pilferage and provide data to forecast future equipment servicing requirements. We are constantly working with vendors to upgrade our integrated computer systems to enhance the productivity of our workforce.

Data on machine performance is used by our sales staff to forecast revenue by location. We are able to obtain daily, monthly, quarterly and annual reports on location performance, coin collection, service and sales activity by salesperson.

Our integrated computer systems also provide our sales staff with an extensive secured database essential to our marketing strategy to obtain new business through competitive bidding or owner-operator conversion opportunities.

We also believe that our integrated computer systems enhance our ability to successfully integrate acquired businesses into our existing operations. Regional or certain multi-regional acquisitions have typically been substantially integrated within 90 to 120 days, while a local acquisition can be integrated almost immediately.

Remanufacturing

We rebuild and reinstall a portion of our machines at approximately one-third the cost of acquiring new machines. Remanufactured machines are restored to virtually new condition with the same estimated average life and service requirements as new machines. Machines that can no longer be remanufactured are added to our inventory of spare parts.

Revenue Collection and Security

We believe that we provide the highest level of security for revenue collection control in the laundry equipment services industry. We utilize numerous precautionary procedures with respect to cash collection, including frequent alteration of collection patterns and extensive monitoring of collections and personnel. We enforce stringent employee standards and screening procedures for prospective employees. Employees responsible for, or who have access to, the collection of funds are tested randomly and frequently. Additionally, our security department performs trend and variance analyses of daily collections by location. Security personnel monitor locations, conduct investigations, and implement additional security procedures as necessary.

Description of Complementary Operations

Rental Operations

AWA is involved in the business of leasing laundry equipment and other household appliances and electronic items to corporate relocation entities, property owners, managers of multi-family housing properties and individuals. With access to approximately six million individual housing units, we believe this business line represents an opportunity for growth in a new market segment which is complementary to our route business. AWA is the product of two platform acquisitions which were consummated in 1997 and 1998 in Georgia and Texas. As of March 31, 2007, we have organically grown AWA s operations across 28 states. For the fiscal year ended March 31, 2007, revenue generated by AWA represented approximately 7% of our total revenue.

Distribution Operations

Super Laundry, an indirect wholly-owned subsidiary, is a laundromat equipment distribution company which was incorporated in 1995. Super Laundry s business consists of constructing complete turnkey retail laundromats, retrofitting existing retail laundromats, distributing exclusive and non-exclusive lines of commercial coin and non-coin operated machines and parts, and selling service contracts. Super Laundry s customers generally enter into sales contracts pursuant to which Super Laundry constructs and equips a complete laundromat operation, including

location identification, construction, plumbing, electrical wiring and all required permits. For the fiscal year ended March 31, 2007, revenue generated by Super Laundry represented approximately 4% of our total revenue.

Competition

The laundry equipment services industry is highly competitive, capital intensive and requires reliable and quality service. Despite the overall fragmentation of the industry, we believe there are currently three multi-regional route operators, including us, with significant operations throughout the United States. Our two major multi-regional competitors are Web Service Company, Inc. and Mac-Gray Corp.

We believe our most significant competitive strength is our ability to maximize commissions and/or make advance location payments to location owners while maintaining the highest level of service. We are significantly larger than the next largest competitor, and we maintain a national presence. As such, we can spread our overhead costs over a larger machine base, allowing us a competitive advantage by offering more attractive pricing terms to our customers. In addition, our national presence enables us to offer large national customers broader coverage in order to service a wider range of their properties.

Employees and Labor Relations

As of March 31, 2007, we employed approximately 1,950 employees. In the Northeast region, approximately 100 hourly workers are represented by Local 966, affiliated with the International Brotherhood of Teamsters scheduled to expire September 20, 2008. We believe that we maintain a good relationship with our union and non-union employees, and we have never experienced a work stoppage since our inception.

General Development of Business

Our original predecessor entity was founded over 50 years ago as a private, family-run business with operations in New York.

CLC, our wholly-owned subsidiary, was incorporated on March 31, 1995 under the name SAS Acquisitions Inc. in the State of Delaware and is the sole stockholder of all of the common stock of Coinmach, our primary operating subsidiary. In November 1995, The Coinmach Corporation, a Delaware corporation and predecessor of Coinmach, merged with and into Solon Automated Services, Inc., which we refer to as Solon. In connection with the merger with Solon, CLC changed its name from SAS Acquisitions Inc., and Solon, the surviving corporation in the merger, changed its name to Coinmach Corporation.

The IDS Offering and Class A Common Stock Offering

In November and December, 2004, we completed our initial public offering of 18,911,532 IDSs (including a partial overallotment exercise by the underwriters on December 21, 2004) and $20.0 million aggregate principal amount of 11% senior secured notes due 2024 (the 11% Senior Secured Notes) sold separate and apart from the IDSs, which we refer to as the IPO. In connection with the IPO and the use of proceeds therefrom, we completed certain related transactions, which we refer to collectively as the IDS Transactions which resulted in Coinmach Holdings, LLC (Holdings) becoming our controlling stockholder through its consolidated ownership of all of our Class B Common Stock, which is entitled to more votes per share than the Class A Common Stock. In addition, AWA became our wholly-owned indirect subsidiary and CLC and its subsidiaries (including Coinmach) became our subsidiaries.

On February 8, 2006, we completed a public offering of 12,312,633 shares of Class A Common Stock (including a full overallotment exercise by the underwriters on February 17, 2006) at a price to the public of $9.00 per share which we refer to as the Class A Offering . In connection with the Class A Offering and the use of proceeds therefrom, we (i) completed the purchase of approximately $48.4 million aggregate principal amount outstanding of the 11% Senior Secured Notes pursuant to a tender offer (the Tender Offer) described in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Operating and Investing Activities , which amount included payment of related fees and expenses, (ii)

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repurchased 2,199,413 shares of Class A Common Stock owned by an affiliate of GTCR CLC, LLC at a repurchase price of $8.505 per share, or approximately $18.7 million in the aggregate, described in Item 5 Market Price of and Dividends on Our Common Equity and Related Stockholder Matters Issuer Purchases of Equity Securities , (iii) repurchased 1,605,995 shares of Class B Common Stock held by certain directors and officers of CSC at a repurchase price of $8.505 per share, or approximately $13.7 million in the aggregate, and (iv) used the remaining proceeds for general corporate purposes.

Acquisition of American Sales, Inc.

On April 3, 2006, we completed the acquisition of American Sales, Inc. (ASI) for a purchase price of $15.0 million, subject to certain purchase price adjustments. ASI is a leading laundry service provider to colleges and universities in the mid-west, with 40 years of experience and more than 45 partner schools. We plan to combine ASI s strength in the college market with our national footprint to develop a national campus laundry solutions platform.

Special Note Regarding Forward Looking Statements

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward looking statements, including, without limitation, the statements under Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations, to be covered by the safe harbor provisions for forward-looking statements in these provisions. These forward-looking statements include, without limitation, statements about our future financial position, adequacy of available cash resources, common stock dividend policy and anticipated payments, business strategy, competition, budgets, projected costs and plans and objectives of management for future operations. These forward-looking statements are usually accompanied by words such as may, will, expect, intend, project, estimate, anticipate, believe, continue and similar expressions. The forward looking information is based various factors and was derived using numerous assumptions.

Forward-looking statements necessarily involve risks and uncertainties, and our actual results could differ materially from those anticipated in the forward-looking statements due to a number of factors, including those set forth below and in this report. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. We caution readers not to place undue reliance on such statements and undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements contained in this report.

Certain factors, including but not limited to those listed below, may cause actual results to differ materially from current expectations, estimates, projections, forecasts and from past results:

- the restrictive debt covenants and other requirements related to our substantial leverage that could restrict our operating flexibility;
- our ability to continue to renew our lease contracts with property owners and management companies;
- extended periods of reduced occupancy which could result in reduced revenues and cash flow from operations in certain areas;
- our ability to compete effectively in a highly competitive and capital intensive industry which is fragmented nationally, with many small, private and family-owned businesses operating throughout all major metropolitan areas;
- compliance obligations and liabilities under regulatory, judicial and environmental laws and regulations, including, but not limited to, governmental action imposing heightened energy and water efficiency

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standards or other requirements with respect to commercial clothes washers;

our ability to maintain borrowing flexibility and to meet our projected and future cash needs, including capital expenditure requirements with respect to maintaining our machine base, given our substantial level of indebtedness, history of net losses and cash dividend payments on our common stock pursuant to our dividend policy;

risks associated with expansion of our business through tuck-ins and other acquisitions and integration of acquired operations into our existing business;

as a holding company, our dependence on cash flow from our operating subsidiaries to make payments under the 11% Senior Secured Notes and contractual and legal restrictions on the ability of our subsidiaries to make dividends and distributions to us;

the risk of adverse tax consequences should the 11% Senior Secured Notes not be respected as debt for U.S. federal income tax purposes;

risks associated with changes in accounting standards promulgated by the Financial Accounting Standards Board, the Securities and Exchange Commission (the SEC) or the American Institute of Certified Public Accountants; and

other factors discussed elsewhere in this report and in our public filings with the SEC.

Several important factors, in addition to the specific factors discussed in connection with each forward-looking statement individually, could affect our future results or expectations and could cause those results and expectations to differ materially from those expressed in the forward-looking statements contained in this report. These additional factors include, among other things, future economic, industry, social, competitive and regulatory conditions, demographic trends, financial market conditions, future business decisions and actions of our competitors, suppliers, customers and stockholders and legislative, judicial and other governmental authorities, all of which are difficult or impossible to predict accurately and many of which are beyond our control. These factors, in some cases, have affected, and in the future, together with other factors, could affect, our ability to implement our business strategy and may cause our future performance and actual results of operations to vary significantly from those contemplated by the statements expressed in this report.

Item 1A. RISK FACTORS

Our business faces many risks. The risks described below may not be the only risks we face. Additional risks that we do not yet know of or that we currently believe are immaterial may also impair our business and operations. If any of the events or circumstances described in the following risks actually occur, our business, financial condition or results of operations could suffer, and the trading price of our IDSs or Class A Common Stock could decline.

Risks Relating to Our Business

We have a history of net losses and may not generate profits in the future.

We have experienced net losses in each fiscal year since 2000 through 2006. We incurred net losses of approximately $24.6 million and $35.3 million for the fiscal year ended March 31, 2006 (2006 Fiscal Year) and for the fiscal year ended March 31, 2005 (2005 Fiscal Year), respectively. These losses resulted from a variety of costs including, but not limited to, non-cash charges such as depreciation and amortization of tangible and intangible assets and debt financing costs resulting from our growth strategy. However, even though we generated net income of approximately $0.2 million for the 2007 Fiscal Year, we may not generate net income from operations in the future. Continuing net losses limit our ability to service our debt and fund our operations.

Our business could suffer if we are unsuccessful in negotiating lease renewals.

Our business is highly dependent upon the renewal of our lease contracts with property owners and management companies. We have historically focused on obtaining long-term, renewable lease contracts, and management estimates that approximately 90% of our locations are subject to long-term leases with initial terms of five to ten years. If we are unable to secure long-term exclusive leases on favorable terms or at all, or if property owners or management companies choose to vacate properties as a result of economic downturns that impact occupancy levels our growth, financial condition and results of operations could be adversely affected.

We may not be able to successfully identify attractive tuck-in acquisitions, successfully integrate acquired operations or realize the intended benefits of acquisitions.

We evaluate from time to time opportunities to acquire local, regional and multi-regional route businesses. This strategy is subject to numerous risks, including:

- an inability to obtain sufficient financing to complete our acquisitions;
- an inability to negotiate definitive acquisition agreements on satisfactory terms;
- difficulty in integrating the operations, systems and management of acquired assets and absorbing the increased demands on our administrative, operational and financial resources;
- the diversion of our management s attention from their other responsibilities;
- the loss of key employees following completion of our acquisitions;
- the failure to realize the intended benefits of our acquisitions; and
- our being subject to unknown liabilities.

Our inability to effectively address these risks could force us to revise our business plan, incur unanticipated expenses or forego additional opportunities for expansion.

If our required capital expenditures exceed our projections, we may not have sufficient funding, which could adversely affect our growth, financial condition and results of operations.

We must continue to make capital expenditures relating to our route business to maintain our operating base, including investments in equipment, advance location payments and laundry room improvements. Capital expenditures (net of proceeds from the sale of equipment and investments) in connection with maintaining and expanding our machine base for the 2007 Fiscal Year were approximately $69.6 million (excluding approximately $17.9 million relating to acquisition capital expenditures and payments of approximately $4.0 million relating to capital lease obligations) and for the 2006 Fiscal Year were approximately $69.3 million (excluding approximately $3.4 million relating to acquisitions and approximately $4.7 million relating to capital lease payments). We may have unanticipated capital expenditure requirements in the future. If we cannot obtain sufficient capital to meet such requirements from increases in our cash flow from operating activities, additional borrowings or other sources, our growth, financial condition and results of operations could suffer materially.

Reduced occupancy levels could adversely affect us.

Extended periods of reduced occupancy at our locations can adversely affect our operations. In a period of occupancy decline, we could be faced with reductions in revenues and cash flow from operations in certain areas. In

past periods of occupancy decline, we designed incentive programs that were successful in maintaining stable profit margins by offering owners and management companies financial incentives relating to increased occupancy levels in exchange for certain guaranteed minimum periodic payments. Although we are geographically diversified and our revenue is derived from a large customer base, we may not be able to maintain our revenue levels or cash flow from operations in periods of low occupancy.

Our dividend policy may negatively impact our ability to finance our working capital requirements, capital expenditures or operations.

Pursuant to our dividend policy, since the completion of the IPO, our board of directors has distributed to holders of our common stock substantially all of the cash generated by our business in excess of operating needs and amounts needed to service our indebtedness. If, as expected, we maintain our dividend policy and rate of cash dividend payments, we may not retain a sufficient amount of cash to finance growth opportunities that may arise or unanticipated capital expenditure needs or to fund our operations in the event of a significant business downturn. We may have to forego growth opportunities or capital expenditures that would otherwise be necessary or desirable if we do not find alternative sources of financing. If we do not have sufficient cash for these purposes, our financial condition and our business will suffer.

Our business could be adversely affected by the loss of one or more of our key personnel.

Continued success will depend largely on the efforts and abilities of our executive officers and certain other key employees. We do not maintain insurance policies with respect to the retention of such employees, and our operations could be affected adversely if, for any reason, such officers or key employees do not remain with us.

Our industry is highly competitive, which could adversely affect our business.

The laundry equipment services industry is highly competitive, capital intensive and requires reliable, quality service. The industry is fragmented nationally, with many small, private and family-owned businesses operating throughout all major metropolitan areas. Notwithstanding the fragmentation of the industry, there are currently three companies, including us, with significant operations in multiple regions throughout the United States. Some of our competitors may possess greater financial and other resources. Furthermore, current and potential competitors may make acquisitions or may establish relationships among themselves or with third parties to increase their ability to compete within the industry. Accordingly, it is possible that new competitors may emerge and rapidly acquire significant market share. If this were to occur, our business, operating results, financial condition and cash flows could be materially adversely affected.

Our business may be adversely affected by compliance obligations and liabilities under environmental laws and regulations.

Our business and operations are subject to federal, state and local environmental laws and regulations that impose limitations on the discharge of, and establish standards for the handling, generation, emission, release, discharge, treatment, storage and disposal of, certain materials, substances and wastes. To the best of management s knowledge, there are no existing or potential environmental claims against us, nor have we received any notification of responsibility for, or any inquiry or investigation regarding, any disposal, release or threatened release of any hazardous material, substance or waste generated by us that is likely to have a material adverse effect on our business or financial condition. However, we cannot predict with any certainty that we will not in the future incur any liability under environmental laws and regulations that could have a material adverse effect on our business or financial condition.

Federal legislation concerning energy and water efficiency standards on commercial clothes washers could require a significant increase in our capital expenditures and consequently reduce our profit margins.

Pursuant to recent amendments to the Energy Policy and Conservation Act, commercial clothes washers manufactured after January 1, 2007 are subject to certain federal energy and water efficiency standards. While we have

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been informed by certain manufacturers that washers not compliant with such standards will be able to be modified without a material increase in cost in order to meet such standards, there can be no assurance that any such affected washers in our installed base will be able to be modified without a material increase in cost or that the costs of purchasing compliant washers will not increase by a material amount.

In addition, new federal standards could be enacted in the future which could result in a significant increase in our capital expenditures and consequently reduce our profit margins. If manufacturers are unable to make such modifications without material cost increases or at all, implementing machines compliant with such new laws could result in increased capital costs (including material and equipment costs), labor and installation costs, and in some cases, operation and maintenance costs. Our capital expenditures, as well as those of other industry participants, may significantly increase in order to comply with such new standards. If we are unable to mitigate such increased capital through price increases, we may be unable to recover such costs and our cash flows from operations would be materially adversely affected.

Any failure or inadequacy of our information technology infrastructure could harm our business.

The capacity, reliability and security of our information technology hardware and software infrastructure and our ability to expand and update this infrastructure in response to our changing needs are important to the continued operation of our businesses. To avoid technology obsolescence and enable future cost savings and customer service enhancements, we are continually updating our information technology infrastructure. In addition, we intend to add new features and functionality to our products, services and systems that could result in the need to develop, license or integrate additional technologies. Our inability to add additional software and hardware or to upgrade our technology infrastructure could have adverse consequences, which could include the delayed implementation of related services and impaired quality. We may not be able to effectively upgrade and expand our systems, or add new systems, in a timely and cost effective manner and we may not be able to smoothly integrate any newly developed or purchased technologies with our existing systems. These difficulties could harm or limit our ability to improve our business. In addition, any failure of our existing information technology infrastructure could result in significant additional costs to us.

Our financial results have been and could further be negatively impacted by impairments of goodwill or other intangible assets required by SFAS 142 and the application of future accounting policies or interpretations of existing accounting policies.

In accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* referred to as SFAS 142, we perform an annual assessment on goodwill and other intangible assets for impairment and also test between annual tests if an event occurs or circumstances change that would more likely than not reduce then fair value of a reporting unit below it s carrying amount. See Note 2 to the consolidated financial statements and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates in this Form 10-K.

A downward revision in the fair value of one of our reporting units could result in additional impairments of goodwill under SFAS 142 and additional non-cash charges. Any charge resulting from the application of SFAS 142 could have a significant negative effect on our reported net loss. In addition, our financial results could be negatively impacted by the application of existing and future accounting policies or interpretations of existing accounting policies, any continuing impact of SFAS 142 or any negative impact relating to the application of Statement of Financial Accounting Standards No. 144, *Accounting for the Improvement and Disposal of Long-Lived Assets*.

Any acquisitions we make involve a degree of risk.

We have in the past, and may in the future, engage in acquisitions to expand our presence in the route or other businesses. If any future acquisitions are not successfully integrated with our business, our ongoing operations could be adversely affected. Additionally, acquisitions may not achieve desired profitability objectives or result in any anticipated successful expansion of the acquired businesses or concepts. Although we review and analyze assets or companies we acquire, such reviews are subject to uncertainties and may not reveal all potential risks. Additionally, although we attempt to obtain protective contractual provisions, such as representations, warranties and indemnities, in connection with acquisitions, we cannot assure you that we can obtain such provisions in our

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acquisitions or that they will fully protect us from unforeseen costs of the acquisition. We may also incur significant costs in connection with pursuing possible acquisitions, even if the acquisition is not ultimately consummated.

Risks Relating to Our Securities

We have substantial indebtedness which could restrict our ability to pay interest and principal on the 11% Senior Secured Notes and to pay dividends with respect to the shares of the Class A Common Stock and the shares of Class B Common Stock and could adversely affect our financing options and liquidity position.

We have now, and will continue to have, a substantial amount of indebtedness. As of March 31, 2007, we had total indebtedness of approximately $657.3 million, and an additional $75.0 million (or $68.2 million after letters of credit) available for borrowing under the revolver portion of the Amended and Restated Credit Facility (as defined herein).

Our substantial indebtedness could have important consequences. For example, our substantial indebtedness could:

- make it more difficult for us to pay dividends on our common stock;
- reduce or eliminate your ability to recover any of your investment in any bankruptcy proceedings involving us;
- limit our flexibility to adjust to changing market conditions, reduce our ability to withstand competitive pressures and increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to borrow additional amounts for working capital, capital expenditures, future business opportunities, including strategic acquisitions, and other general corporate requirements or hinder us from obtaining such financing on terms favorable to us or at all;
- limit our ability to raise cash through the issuance of additional securities;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, future business opportunities and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- limit our ability to refinance our indebtedness.

We may be able to incur substantially more indebtedness, which could exacerbate the risks described above.

We may be able to incur substantial amounts of additional indebtedness in the future, including indebtedness resulting from issuances of separate 11% Senior Secured Notes or additional IDSs or from borrowings under the Amended and Restated Credit Facility. While the indenture governing the 11% Senior Secured Notes, the Amended and Restated Credit Facility and the terms of the Intercompany Note (as defined herein) will limit our and our subsidiaries ability to incur additional indebtedness, those limitations are subject to a number of exceptions. Furthermore, we may enter into future financing arrangements. Any additional indebtedness incurred by us could increase the risks associated with our substantial indebtedness.

The holders of IDSs and common stock may not receive the level of dividends provided for in the dividend policy that our board of directors adopted or any dividends at all.

Our dividend policy contemplates the payment of a quarterly cash dividend of approximately $0.20615 per share of Class A Common Stock and, subject to certain subordination provisions and other limitations, an annual dividend on shares of our Class B Common Stock. We expect to continue to pay quarterly dividends on our Class A Common Stock at the rate set forth in our current dividend policy. However, our board of directors may, in its discretion, amend or repeal our dividend policy. Our board of directors may decrease the level of dividends provided for in the dividend policy or entirely discontinue the payment of dividends. Dividend payments are not required or guaranteed, and holders of our common stock do not have any legal right to receive or require the payment of dividends. Future dividends, if any, with respect to shares of our capital stock will depend on, among other things, our results of operations, cash requirements, financial condition and contractual restrictions, and our ability to generate cash from our operations, which in turn is dependent on our ability to attract and retain customers and our ability to service our debt obligations and capital expenditures requirements. See Item 5 Market Price of and Dividends on Our Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Dividends Restrictions on Dividend Payments. Other factors, including the pursuit of new business strategies or opportunities, increased regulatory compliance costs or lease renewal costs, changes in our competitive environment and changes in tax treatment of our debt, may also reduce cash available for dividends.

Under the terms of the Amended and Restated Credit Facility we are required to satisfy various financial maintenance covenants in order to pay dividends, including a requirement that our EBITDA equals or exceeds certain specified minimum amounts over specified periods, which amounts may exceed the amounts necessary to pay cash dividends on our common stock pursuant to our dividend policy. In addition, in order to pay dividends on our common stock, we are also required to satisfy certain covenants under the indenture governing the 11% Senior Secured Notes.

If we are not able to satisfy the financial and other covenants in our debt agreements or otherwise generate sufficient funds to pay dividends on our common stock pursuant to our dividend policy, we may be required to do one or more of the following: (i) reduce our capital expenditures, (ii) fund capital expenditures or other costs and expenses with borrowings under the Amended and Restated Credit Facility, (iii) evaluate other funding alternatives, such as capital markets transactions, refinancing or restructuring our consolidated indebtedness, asset sales, or financing from third parties, or (iv) seek an amendment, waiver or other modification from requisite lenders under the Amended and Restated Credit Facility, holders of the 11% Senior Secured Notes and lenders under any financing arrangements entered into by us to the extent applicable restrictions contained in the terms of such indebtedness precluded us from making such dividends. Additional sources of funds may not be available on commercially reasonable terms or at all or may not be permitted pursuant to the terms of our existing indebtedness.

Furthermore, if we failed to satisfy any financial maintenance or other covenant, we would be required to seek an amendment, waiver or other modification from the requisite lenders under the Amended and Restated Credit Facility to waive any resulting default. If we were to use working capital or permanent borrowings to fund dividends, we would have less cash and/or borrowing capacity available for future dividends and other purposes, which could negatively impact our future liquidity, our ability to adapt to changes in our industry and our ability to expand our business. In addition to any of the foregoing options that may be available to us, our board of directors may at any time and in its absolute discretion reduce the level of dividends provided for in our dividend policy or eliminate such dividends entirely.

Subject to certain limitations, we may redeem all or part of our outstanding Class B Common Stock. Any purchase by us of shares of Class A Common Stock or Class B Common Stock will reduce cash available for Class A Common Stock dividend payments. In the fourth quarter of the 2006 Fiscal Year, we repurchased 2,199,413 shares of Class A Common Stock and 1,605,995 shares of Class B Common Stock with proceeds from the Class A Offering. See Item 5 Market Price of and Dividends on Our Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Issuer Purchases of Equity Securities.

Due to our currently contemplated cash uses, including dividend payments, we do not expect to retain enough cash from operations to be able to pay our outstanding indebtedness when it matures or when principal payments (other

than regularly scheduled amortization payments under the Amended and Restated Credit Facility) on such

indebtedness otherwise becomes due. Therefore, cash available for dividends will be reduced when such payments are required, unless such indebtedness is refinanced prior to such time. See Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Future Capital Needs and Resources.

In addition, any future issuances of Class A Common Stock, including but not limited to issuances pursuant to our existing benefit plans, will increase the number of outstanding Class A common stock shares and consequently make it more difficult for us to pay dividends on the Class A Common Stock at the dividend rate set forth in our dividend policy. In February 2006, 88,889 restricted shares of Class A Common Stock had been awarded to certain executive officers and directors and employees under our benefit plans. On November 3, 2006, 132,500 performance contingent and time-based vesting restricted shares of Class A Common Stock were awarded to certain executive officers and directors under our benefit plans. On March 6, 2007, 15,000 performance contingent and time-based vesting restricted shares of Class A Common Stock were awarded to certain employees under our benefit plans. See Item 5 Market Price of and Dividends on Our Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Securities Authorized for Issuance under Equity Compensation Plans.

The earliest that the subordination of payment of any cash dividends on the Class B Common Stock may terminate is the fiscal year ending March 31, 2008, and all shares of Class B Common Stock will then be equally entitled to cash dividend payments with all shares of Class A Common Stock, subject to the Class B Common Stock step up dividend right described below. Therefore, any cash set aside for dividends will thereafter be shared by the holders of the Class A Common Stock and Class B Common Stock on a pro rata basis. Since under these circumstances less cash will be available to the holders of Class A Common Stock, we may be forced to reduce cash dividends on the Class A Common Stock.

Following the termination of the subordination provisions, each share of Class B Common Stock will be entitled to a step up dividend of 105% of the aggregate amount of dividends declared on each share of Class A Common Stock for the four fiscal quarters occurring during any fiscal year ending after March 31, 2007 (unless, solely with respect to the fiscal years ended March 31, 2008 and March 31, 2009, the Subordination Termination Conditions have not been satisfied with respect to such fiscal year). Any excess payments in cash will reduce cash available for future Class A Common Stock dividend payments, which may force us to reduce such Class A Common Stock dividend payments.

Furthermore, the Amended and Restated Credit Facility, the Intercompany Note and the indenture governing the 11% Senior Secured Notes contain limitations on Coinmach s ability to pay dividends. In addition, any financing arrangements we may enter into in the future, may contain further limitations on payment of dividends. You may not receive the level of dividends provided for in our dividend policy or any dividends at all.

Delaware law also restricts our ability to pay dividends. Under Delaware law, our board of directors and the boards of directors of our corporate subsidiaries may declare dividends only to the extent of our surplus, which is total assets at current value minus total liabilities at current value (as each may be determined in good faith by our board of directors), minus statutory capital, or if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

There is no active trading market for our debt-only securities, which could prevent us from issuing debt-only securities and may limit our ability to obtain future financing.

If we are unable to issue additional IDSs, we may be forced to rely on the sale of debt-only or equity-only securities as an additional source of capital. However, the absence of a liquid market for separate notes may make the issuance by us of separate notes relatively less appealing, limiting our ability to obtain debt-only financing on reasonable terms or at all. If we are unable to raise capital through a debt-only financing, we may be forced to enter into more costly financing arrangements in order to fund working capital and capital expenditures and otherwise service our liquidity needs.

We are a holding company with no direct operations, and therefore our ability to make payments under the 11% Senior Secured Notes or declare and distribute dividends on the Class A Common Stock and Class B Common Stock depends on cash flow from our subsidiaries.

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We are a holding company with no operations. Consequently, we will depend on distributions or other intercompany transfers from our subsidiaries (including payments under the intercompany loan from Coinmach) to make interest and principal payments on the 11% Senior Secured Notes and to pay dividends on the Class A Common Stock and Class B Common Stock. In addition, distributions and intercompany transfers to us from our subsidiaries will depend on:

their earnings;

covenants contained in our and their debt agreements, including the Amended and Restated Credit Facility and the indenture governing the 11% Senior Secured Notes;

covenants contained in other agreements to which we or our subsidiaries are or may become subject;

business and tax considerations; and

applicable law, including laws regarding the payment of dividends and distributions.

Restrictions on Coinmach s ability to pay dividends contained in the indenture governing the Amended and Restated Credit Facility are different, and in certain cases more restrictive, than the restrictions on our ability to pay dividends contained in the indenture governing the 11% Senior Secured Notes. Therefore, circumstances may arise where, although we would be permitted to pay dividends under the indenture governing the 11% Senior Secured Notes, Coinmach would be unable to provide us with the cash to actually pay such dividends as well as interest on the 11% Senior Secured Notes. We cannot give assurance that the operating results of our subsidiaries will be sufficient to make distributions or other payments to us or that any distributions and/or payments will be adequate to pay any amounts due under the 11% Senior Secured Notes or the amounts intended under our dividend policy.

Restrictive covenants in our current and future indebtedness could adversely restrict our operating flexibility.

The indenture governing the 11% Senior Secured Notes contains covenants that restrict our ability, as well as the ability of our restricted subsidiaries, to:

incur additional indebtedness or, in the case of our restricted subsidiaries, issue preferred stock;

create liens;

pay dividends or make other restricted payments;

make certain investments;

sell or make certain dispositions of assets;

engage in sale and leaseback transactions;

engage in transactions with affiliates;

place restrictions on the ability of our restricted subsidiaries to pay dividends, or make other payments, to us; and

engage in mergers or consolidations and transfers of all, or substantially all of our assets.

In addition, the Amended and Restated Credit Facility and the Intercompany Note contain, and the terms of any other indebtedness that we or our subsidiaries may enter into (including any future financing arrangements) may

contain, other and more restrictive covenants that limit our and our subsidiaries ability to incur indebtedness, and make capital expenditures and limit our subsidiaries ability to make distributions or pay dividends to us. These covenants may also require us and/or our subsidiaries to meet or maintain specified financial ratios and tests. Our ability to comply with the ratios and tests under these covenants may be affected by events beyond our control, including prevailing economic, financial, regulatory or industry conditions. A breach of any of such covenants, ratios or tests could result in a default under such indebtedness. The Amended and Restated Credit Facility (and the Intercompany Note) prohibit Coinmach and its subsidiaries (including AWA, as a guarantor under such credit facility), from making certain distributions in respect of its capital stock while a default or an event of default is outstanding thereunder. If we were unable to repay those amounts, the lenders under the Amended and Restated Credit Facility or holders of the 11% Senior Secured Notes, as applicable, could proceed against the security granted to them to secure that indebtedness. If the lenders or holders of the 11% Senior Secured Notes accelerated the payment of their indebtedness, our assets may not be sufficient to repay in full our indebtedness, which could prevent you from recovering some or all of your investment in the Class A Common Stock.

Lack of a significant amount of cash could adversely affect our growth, financial condition and results of operations.

Our ability to make payments on, refinance or repay our debt, or to fund planned capital expenditures and expand our business, will depend largely upon our future operating performance. Our future operating performance is subject to general economic, financial, competitive, legislative and regulatory factors, as well as other factors that are beyond our control. We cannot give assurance that our business will generate enough cash to enable us to pay our outstanding debt or fund our other liquidity and capital needs. If we are unable to generate sufficient cash to service our debt requirements, we will be required to obtain such capital from additional borrowings or other sources, including:

- sales of certain assets to meet our debt service requirements;
- sales of equity; and
- negotiations with our lenders to restructure the applicable debt.

If we cannot satisfy our cash requirements, our growth, financial condition and results of operations could suffer.

Additionally, our after-tax cash flow available for dividend payments would be reduced if the 11% Senior Secured Notes were treated by the Internal Revenue Service, or the IRS, as equity rather than debt for U.S. federal income tax purposes. In that event, the stated interest on the 11% Senior Secured Notes could be treated as a dividend, and interest on the 11% Senior Secured Notes would not be deductible by us for U.S. federal income tax purposes. Our inability to deduct interest on the 11% Senior Secured Notes could materially increase our taxable income and, thus, our U.S. federal and applicable state income tax liability. This could reduce our after-tax cash flow and materially adversely affect our ability to pay dividends on the Class A Common Stock.

Voting control of us by Holdings may prevent the holders of IDSs from receiving a premium in the event of a change of control and may create conflicts of interest.

As of March 31, 2007, Holdings was in control of approximately 62% of our voting power and therefore exerts substantial control over our business and over matters submitted to our stockholders for approval. Such voting control could have the effect of delaying, deferring or preventing a change in control, merger or tender offer of us, which would deprive our security holders of an opportunity to receive a premium for our securities and may negatively affect the market price of such securities. Moreover, Holdings could effectively receive a premium for transferring ownership to third parties that would not inure to the benefit of the other holders of our securities.

The interests of the equity investors in Holdings (which equity investors include our management and certain of our directors) may conflict with the interests of other holders of our securities. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of these parties as indirect holders of

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equity might conflict with the interests of a holder of the 11% Senior Secured Notes. These parties also may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to the holders of the 11% Senior Secured Notes.

We will not be able to deduct interest on the 11% Senior Secured Notes if the 11% Senior Secured Notes are not respected as debt for U.S. federal income tax purposes.

Our after-tax cash flow available for dividend payments would be reduced if the 11% Senior Secured Notes were treated by the IRS, as equity rather than debt for U.S. federal income tax purposes. In that event, the stated interest on the 11% Senior Secured Notes could be treated as a dividend, and interest on the 11% Senior Secured Notes would not be deductible by us for U.S. federal income tax purposes. Our inability to deduct interest on the 11% Senior Secured Notes could materially increase our taxable income and, thus, our U.S. federal and applicable state income tax liability. This could reduce our after-tax cash flow and materially adversely affect our ability to pay dividends on the Class A Common Stock.

The separate public trading markets for IDSs and shares of Class A Common Stock, and the ability to separate and create IDSs, may diminish the value of your investment in IDSs or separately held shares of Class A Common Stock, as the case may be.

Our IDSs and shares of Class A Common Stock not held in the form of IDSs are separately listed for trading on the American Stock Exchange (AMEX). An IDS holder may separate its IDSs into shares of Class A Common Stock and 11% Senior Secured Notes at any time. In addition, upon the occurrence of certain events IDSs will automatically and, in some cases, permanently, separate. Conversely, subject to limitations, a holder of separate shares of Class A Common Stock and 11% Senior Secured Notes can combine such securities to form IDSs. Separation and creation of IDSs will automatically result in increases and decreases, respectively, in the number of IDSs and shares of Class A Common Stock not in the form of IDSs.

We cannot predict what effect separate trading markets in IDSs and separately held shares of Class A Common Stock, or fluctuations in the number of such securities outstanding, will have on the value of such securities. If the value of separately held shares of Class A Common Stock is deemed to be less than the value of the same security underlying an IDS, creation of IDSs by combining such separate shares with any then available 11% Senior Secured Notes may become more attractive. Conversely, if the value of an IDS is deemed to be less than the value of its components, separation of IDSs may become more attractive.

Any reduction in the number of either IDSs or separately held shares of Class A Common Stock would decrease the liquidity for the remaining outstanding IDSs or shares of Class A Common Stock (as the case may be), which could further diminish the value of such securities. Furthermore, if the number of either of such securities outstanding falls below the minimum required for listing on the American Stock Exchange, such securities may be delisted from such exchange.

Future sales or the possibility of future sales of a substantial amount of shares of Class A Common Stock or IDSs may depress the price of IDSs or shares of Class A Common Stock.

Future sales or the availability for sale of substantial amounts of shares of Class A Common Stock or IDSs in the public market could adversely affect the prevailing market price of IDSs or shares of Class A Common Stock and could impair our ability to raise capital through future sales of our securities.

We may issue shares of our Class A Common Stock, which may or may not be in the form of IDSs, or other securities from time to time as consideration for future acquisitions and investments. In the event any such acquisition or investment is significant, the number of shares of our Class A Common Stock, which may be in the form of IDSs, or the number or aggregate principal amount, as the case may be, of other securities that we may issue may in turn be significant. In addition, we may also grant registration rights covering those IDSs, shares of Class A Common Stock, or other securities in connection with any such acquisitions and investments.

From time to time our employees may be granted equity-based performance incentives pursuant to our existing benefit plans, which might include the issuance of new shares of Class A Common Stock or IDSs. New issuances of Class A Common Stock or IDSs under such plans would have a dilutive effect on our earnings per share, and could reduce the fair market value of IDSs or Class A Common Stock. On February 15, 2006, 88,889 restricted shares of Class A Common Stock had been awarded to certain executive officers and directors and employees under our benefit plans. On November 3, 2006, 132,500 performance contingent and time-based vesting restricted shares of Class A Common Stock were awarded to certain executive officers and directors under our benefit plans. On March 6, 2007, 15,000 performance contingent and time-based vesting restricted shares of Class A Common Stock were awarded to certain employees under our benefit plans. See Item 5 Market Price of and Dividends on our Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Securities Authorized for Issuance under Equity Compensation Plans.

Any sales or distributions of shares of our Class A Common Stock or IDSs would dilute our earnings per share and the voting power of each share of common stock outstanding prior to such sale or distribution, and could adversely affect the prevailing market price of our IDSs and Class A Common Stock. As a result you could experience a significant loss in the value of your investment.

Available Information

Under the Securities Exchange Act of 1934, as amended, we are required to file annual, quarterly and current reports, proxy and information statements and other information with the SEC. You may read and copy any document we file with the SEC at the SEC s Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC maintains a web site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. We file electronically with the SEC.

We make available, free of charge, through the investor relations section of our web site, our reports on Forms 10-K, 10-Q and 8-K, and amendments to those reports, as soon as reasonably practicable after they are filed with the SEC. The address for our web site is http://www.coinmachservicecorp.com.

We have adopted a Code of Business Conduct and Ethics applicable to all of our and our subsidiaries employees, officers and directors. We have also adopted a Supplemental Code of Ethics for the CEO and Senior Financial Officers. The full text of each such code is available at the investor relations section of our web site, http://www.coinmachservicecorp.com. We intend to disclose amendments to, or waivers from, each such code in accordance with the rules and regulations of the SEC and make such disclosures available on our web site.

The information contained on our web site is not part of, and is not incorporated in, this or any other report we file with or furnish to the SEC.

Item 1B. UNRESOLVED STAFF COMMENTS

We have received no written comments regarding our periodic or current reports from the staff of the SEC that were issued 180 days or more preceding the end of our 2007 Fiscal Year that remained unresolved.

Item 2. PROPERTIES

As of March 31, 2007, we leased 62 offices throughout our operating regions ranging in square footage between 500 and 33,000 serving various operational purposes, including sales and service activities, revenue collection and warehousing. A significant portion of our leased properties service our core route operations.

We presently maintain our headquarters in Plainview, New York, leasing approximately 11,600 square feet pursuant to a ten-year lease scheduled to terminate September 30, 2011. Our Plainview facility is used for general corporate and administrative purposes.

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We also maintain a corporate office in Charlotte, North Carolina, leasing approximately 3,000 square feet pursuant to a five-year lease scheduled to terminate October 31, 2011.

In addition, we maintain a national call center in Irving, Texas, leasing approximately 20,000 square feet pursuant to a ten-year lease scheduled to terminate April 30, 2016.

Item 3. LEGAL PROCEEDINGS

We are party to various legal proceedings arising in the ordinary course of business. Although the ultimate disposition of such proceedings is not presently determinable, management does not believe that adverse determinations in any or all such proceedings would have a material adverse effect upon our financial condition, results of operations or cash flows.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

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PART II

Item 5. MARKET PRICE OF AND DIVIDENDS ON OUR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Holders

Income Deposit Securities

Our IDSs are listed on the American Stock Exchange under the trading symbol DRY. The following table sets forth for the periods indicated the high and low sales prices for the IDSs reported on the American Stock Exchange and the cash distribution per unit of our IDS:

Fiscal Quarter Ended	High	Low	IDS Distribution
Fiscal Year ended March 31, 2006:			
June 30, 2005	$13.56	$12.70	$ 0.375
September 30, 2005	$13.99	$13.14	$ 0.375
December 31, 2005	$15.85	$13.72	$ 0.375
March 31, 2006	$17.00	$14.75	$ 0.375
Fiscal Year ended March 31, 2007:			
June 30, 2006	$17.45	$16.12	$ 0.375
September 30, 2006	$18.20	$16.55	$ 0.375
December 31, 2006	$18.90	$16.61	$ 0.375
March 31, 2007	$19.50	$18.09	$ 0.375

As of June 1, 2007, Cede & Co. (nominee of DTC) holds our outstanding IDSs on behalf of several participants in the DTC system, which in turn hold on behalf of beneficial owners.

Class A Common Stock

Shares of Class A Common Stock are listed on the American Stock Exchange under the trading symbol DRA. The following table sets forth for the periods indicated the high and low sales prices for the Class A Common Stock reported on the American Stock Exchange and the cash dividends per share of our Class A Common Stock:

Fiscal Quarter Ended	High	Low	Cash Dividends
March 31, 2006	$10.45	$ 9.00	$ 0.20615
Fiscal Year ended March 31, 2007:			
June 30, 2006	$10.55	$ 8.97	$ 0.20615
September 30, 2006	$10.27	$ 9.50	$ 0.20615
December 31, 2006	$12.15	$ 9.70	$ 0.20615
March 31, 2007	$12.00	$10.02	$ 0.20615

As of June 1, 2007, Cede & Co. (nominee of DTC) holds our outstanding shares of Class A Common Stock on behalf of several participants in the DTC system, which in turn hold on behalf of beneficial owners, except for certain of our Class A shares granted pursuant to the Coinmach Service Corp. 2004 Long Term Incentive Plan (the 2004 LTIP), which are held directly by 32 owners of record.

Dividends

Pursuant to a dividend policy that was adopted by our board of directors in connection with the public offering of our Class A Common Stock in February 2006, we intend to declare and pay regular quarterly dividends on the Class A Common Stock and dividends no more frequently than annually on the Class B Common Stock, as described below. Cash generated by us in excess of operating needs, interest and principal payments on

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indebtedness, and capital expenditures sufficient to maintain our properties and other assets would under this policy generally be available for distribution as regular cash dividends. This policy reflects our judgment that our stockholders would be better served if we distributed our available cash to them instead of retaining it in our business. Dividends, however, are payable at the discretion of our board of directors. Even though we adopted a dividend policy, nothing requires us to pay dividends. Holders of the Class A Common Stock and Class B Common Stock may not receive any dividends for a number of reasons, including but not limited to those noted below:

- although the dividend policy we adopted contemplates the distribution of our excess cash, this policy can be modified or revoked at any time;
- even if our dividend policy is not modified or revoked, the actual amount of dividends distributed under the policy and the decision to make any distribution is entirely at the discretion of our board of directors;
- the amount of dividends distributed is subject to state law restrictions;
- there is no legal, contractual or other requirement that we pay dividends in the amounts stated, or at all, and the dividends are neither mandatory nor guaranteed;
- we may not have enough cash to pay dividends due to changes in our operating income, working capital requirements, anticipated cash needs, and borrowing capacity (including as a result of borrowings to fund prior dividend payments); and
- the payment of dividends is subject to covenant restrictions in documents or agreements governing our indebtedness, including (i) the indenture governing the 11% Senior Secured Notes, which contains a restricted payments covenant that limits our ability to pay dividends; and (ii) the Amended and Restated Credit Facility, which requires us to, among other things, meet quarterly financial maintenance tests.

The covenant described above in the indenture governing the 11% Senior Secured Notes relating to restrictions on our ability to pay dividends permits quarterly dividend payments for the life of the notes in an amount equal to the difference between our distributable cash flow and our consolidated interest expense, so long as we satisfy an interest coverage test for the preceding fiscal quarter and no default is continuing. The interest coverage test has the following elements:

- our consolidated interest expense must be less than 90% of our distributable cash flow;
- we and our restricted subsidiaries must also have cash or borrowings available in excess of reasonably anticipated consolidated interest expense on outstanding indebtedness and on indebtedness we intend to incur for the two subsequent fiscal quarters; and
- we must have amounts available or owed to us from our restricted subsidiaries sufficient to make cash interest payments on our indebtedness, including the notes, during the two subsequent fiscal quarters and on indebtedness that we intend to incur during the two subsequent fiscal quarters.

Dividend payments on the Class A Common Stock will be payable in respect of the completed fiscal quarter immediately preceding a payment date.

On February 1, 2007, the board of directors of CSC declared a quarterly cash dividend of $0.20615 per share of Class A Common Stock (or approximately $6.0 million in the aggregate), which cash dividend was paid on March 1, 2007 to holders of record as of the close of business on February 26, 2007. On May 9, 2007, our board of directors declared a quarterly cash dividend of $0.20615 per share on the Class A Common Stock, and a cash dividend of $0.42782 per share on the Class B Common Stock for the fiscal year ended March 31, 2007, in each case payable to holders of record on May 25, 2007, which was paid on June 1, 2007.

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We intend to continue to pay dividends on the Class A Common Stock on each March 1, June 1, September 1 and December 1 to holders of record as of the preceding February 25, May 25, August 25 and November 25, respectively, in each case with respect to the immediately preceding fiscal quarter. We also intend to pay dividends on the Class B Common Stock on each June 1 to holders of record as of the preceding May 25 with respect to the immediately preceding fiscal year, subject to the limitations described below.

Prior to the IPO, we did not pay any dividends on the Class A Common Stock or the Class B Common Stock.

Subordination of Class B Common Stock Dividends

Fiscal Years Ending On or Prior to March 31, 2007

Our certificate of incorporation provides that the rights of holders of shares of Class B Common Stock to receive cash dividends for any fiscal year ending on or prior to March 31, 2007 are subordinated to the rights of holders of shares of Class A Common Stock to receive cash dividends for the same period.

We paid on June 1, 2007 cash dividends on each share of Class B Common Stock for the fiscal year ending March 31, 2007 equal to the cash dividends paid contemporaneously on each share of Class A Common Stock for such fiscal year up to an aggregate amount not exceeding $10.0 million, as set forth in our dividend policy.

Fiscal Years Ending After March 31, 2007

Under our certificate of incorporation, the rights of holders of shares of Class B Common Stock to receive cash dividends with respect to the fiscal years ending March 31, 2008 and 2009 will, under the conditions described below, be subordinated to the rights of holders of shares of Class A Common Stock to receive cash dividends. In no event will the subordination requirement apply to any fiscal year thereafter. However, subject to the limitations described below, shares of Class B Common Stock will not be entitled to receive dividends for any such fiscal year unless dividends are also declared and paid on shares of Class A Common Stock for such fiscal year.

If we pay cash dividends on the Class A Common Stock with respect to any fiscal year ending after March 31, 2007, we are required to pay on June 1 immediately following such fiscal year cash dividends on each share of Class B Common Stock for such fiscal year equal to the cash dividends paid or to be contemporaneously paid on each share of Class A Common Stock for such fiscal year, provided that if the Subordination Termination Conditions (as defined below) are not met for such fiscal year, no such cash dividends may be paid on the Class B Common Stock with respect to such fiscal year unless (i) cash dividends for such fiscal year will contemporaneously be paid to holders of shares of Class A Common Stock in an aggregate amount at least equal to the dividend rate set forth in our initial dividend policy and (ii) the aggregate amount of cash dividends paid on all the outstanding shares of Class B Common Stock for such fiscal year does not exceed $10.0 million.

Notwithstanding anything to the contrary in the immediately preceding paragraph, following the satisfaction of the Subordination Termination Conditions for any fiscal year to which such Subordination Termination Provisions apply, the cash dividends payable on each share of the Class B Common Stock shall be equal to 105% of the aggregate amount of dividends payable on each share of Class A Common Stock for such fiscal year and the Subordination Termination Conditions shall be deemed to have been satisfied for such fiscal year and each fiscal year thereafter.

The Subordination Termination Conditions are only applicable to the fiscal years ending March 31, 2008 and March 31, 2009, and will not be satisfied with respect to such fiscal year if either (i) our consolidated EBITDA (generally defined as earnings from continuing operations before deductions for interest, income taxes and depreciation and amortization) for such fiscal year was less than $165.0 million or (ii) the ratio of (x) our consolidated indebtedness on the last day of such fiscal year minus the amount, as of such day, of cash and cash equivalents held by us and our consolidated subsidiaries in excess of $25.0 million to (y) our consolidated EBITDA for such fiscal year was greater than 4.5 to 1.0, provided, that if the Subordination Termination Conditions is satisfied with respect to the fiscal year ending March 31, 2008, then the Subordination Termination Conditions shall

be deemed to have been satisfied for the fiscal year ending March 31, 2009 regardless of whether we would satisfy the Subordination Termination Conditions for such year without giving effect to this proviso.

Holders of a majority of our outstanding shares of Class B Common Stock may at any time, voting as a single class, waive the rights of all holders of shares of Class B Common Stock to all or any portion of cash dividends to which they are entitled.

Restrictions on Dividend Payments

There can be no assurance that we will continue to pay dividends at the levels set forth in our dividend policy, or at all. Dividend payments are not mandatory or guaranteed, are within the absolute discretion of our board of directors and will be dependent upon many factors and future developments that could differ materially from our expectations. See Item 1 Business Risk Factors Risks Relating to Our Securities The holders of IDSs and common stock may not receive the level of dividends provided for in the dividend policy that our board of directors adopted or any dividends at all.

Our ability to pay dividends on shares of our capital stock depends on, among other things, our results of operations, cash requirements, financial condition and contractual restrictions, including but not limited to the terms of the indenture governing the 11% Senior Secured Notes. Our ability to generate cash from our operations, which in turn is dependent on our ability to attract and retain customers and our ability to service our debt obligations and capital expenditures requirements, is a significant factor affecting the amount of cash available for dividends. Other factors, including the pursuit of new business strategies or opportunities, increased regulatory compliance costs or lease renewal costs, changes in our competitive environment and changes in tax treatment of our debt, may also reduce cash available for dividends.

Capital expenditures related to the maintenance of our operations are intended to sustain the current service capacity and efficiency of our operations and primarily consist of machine expenditures (including machine replacements), advance location payments and laundry room improvements. Our customer contracts typically mature each year at a consistent rate. Therefore, our capital expenditures for maintenance of our machine base have generally been predictable and recurring in nature and without significant fluctuation. On an annual basis, we do not expect capital expenditure requirements to vary significantly.

Nevertheless, our anticipated capital expenditures, as well as other currently contemplated uses of available cash, could change based on competitive or other developments (which could, for example, increase our need for capital expenditures or working capital), new growth opportunities or other factors. Our board of directors is free to depart from or change our dividend policy at any time and could reduce dividends, for example, if it were to determine that we had insufficient cash (including borrowing capacity under the Amended and Restated Credit Facility) to both pay dividends at the initial dividend rate and take advantage of growth opportunities. In such a situation, our board could alternatively choose to continue to pay dividends at the initial dividend rate and forego such opportunities. See Item 1 Business Risk Factors Risks Relating to Our Business Our dividend policy may negatively impact our ability to finance our working capital requirements, capital expenditures or operations.

If the IRS were successfully to challenge our position that the 11% Senior Secured Notes are debt for U.S. federal income tax purposes, the cumulative interest expense associated with the 11% Senior Secured Notes would no longer be deductible from taxable income, and we would be required to recognize additional tax expense and establish a related income tax liability. Any disallowance of our ability to deduct interest expense could reduce our after-tax cash flow and materially adversely affect our ability to make cash dividend payments on our common stock. Based on our anticipated level of cash requirements, including capital expenditures, scheduled interest payments and existing contractual obligations, we estimate that for the fiscal year ended March 31, 2008 cash flow from operations, along with available cash and cash equivalents and borrowing capacity under the Amended and Restated Credit Facility, will be sufficient to fund our operating needs and also to make our intended dividend payments even if the interest expense deduction is disallowed. However, if in the future we cannot generate sufficient cash flow to meet our needs, we may be required to reduce or eliminate dividends on our common stock. See Item 1 Business Risk Factors Risks Relating To Our Securities We will not be able to deduct interest on the 11% Senior Secured Notes if the 11% Senior Secured Notes are not respected as debt for U.S. federal

income tax purposes and Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies: Use of Estimates Accounting Treatment for IDSs. As of March 31, 2007, we had approximately $148.0 million in net operating loss carryforwards. Such net operating loss carryforwards expire between the fiscal years ending March 31, 2008 and March 31, 2026. Application of such net operating losses in determining our taxable net income is subject to annual limitations regarding changes in ownership that are contained in the Internal Revenue Code.

We may not generate sufficient EBITDA to enable us to pay dividends on our common stock. If our EBITDA is not sufficient, we may be required to do one or more of the following in order to enable us to pay dividends on our common stock: (i) reduce our capital expenditures, (ii) fund capital expenditures or other costs and expenses with borrowings under the Amended and Restated Credit Facility, (iii) evaluate other funding alternatives, such as capital markets transactions, refinancing or restructuring our consolidated indebtedness, asset sales, or financing from third parties, or (iv) seek an amendment, waiver or other modification from requisite lenders under the Amended and Restated Credit Facility, in each case to the extent Coinmach failed to satisfy the applicable restrictions contained in the Amended and Restated Credit Facility and was limited from making dividends or distribution to us. Additional sources of funds may not be available on commercially reasonable terms or at all or may not be permitted pursuant to the terms of our existing indebtedness. If we were to use working capital or permanent borrowings to fund dividends, we would have less cash and/or borrowing capacity available for future dividends and other purposes, which could negatively impact our future liquidity, our ability to adapt to changes in our industry and our ability to expand our business. In addition to any of the foregoing options that may be available to us, our board of directors may at any time and in its absolute discretion reduce the level of dividends provided for in our dividend policy or eliminate such dividends entirely.

Our payment of dividends also depends on provisions of applicable law and other factors that our board of directors may deem relevant. Under Delaware law, our board of directors may declare dividends only to the extent of our surplus (which is total assets at current value minus total liabilities at current value (as each may be determined in good faith by our board of directors), minus statutory capital), or if there is no surplus, out of our net profits, if any, for the then current and/or immediately preceding fiscal years. Dividend payments are not required or guaranteed, and holders of our capital stock do not have any legal right to receive or require the payment of dividends.

Subject to certain limitations, we may redeem all or part of the then outstanding Class B Common Stock on a pro rata basis. Any exercise by us of such redemption rights will reduce cash available for Class A Common Stock dividends. In the fourth quarter of the 2006 Fiscal Year we repurchased 2,199,413 shares of Class A Common Stock and 1,605,995 shares of Class B Common Stock with proceeds from the Class A Offering. See Item 5 Market Price of and Dividends on Our Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Issuer Purchases of Equity Securities. Due to our currently contemplated cash uses, including dividend payments, we do not expect to retain enough cash from operations to be able to pay the 11% Senior Secured Notes, or the Amended and Restated Credit Facility when such indebtedness matures or when principal payments (other than regularly scheduled amortization payments under the Amended and Restated Credit Facility) on such indebtedness otherwise becomes due. Therefore, cash available for dividends will be reduced when such payments are required, unless such indebtedness is refinanced prior to such time. There can be no assurance, however, that we will be able to refinance such indebtedness on commercially reasonable terms, on terms as favorable as the refinanced indebtedness or at all. A failure to refinance such indebtedness or pay it when it becomes due would cause a default under the Amended and Restated Credit Facility, and the indenture governing the 11% Senior Secured Notes. See Item 1 Business Risk Factors Risks Relating to Our Securities We have substantial indebtedness which could restrict our ability to pay interest and principal on the 11% Senior Secured Notes and to pay dividends with respect to the shares of the Class A Common Stock and the shares of Class B Common Stock and could adversely affect our financing options and liquidity position.

Securities Authorized for Issuance under Equity Compensation Plans

In connection with the IDS Transactions, we adopted the 2004 LTIP. As of March 31, 2007, the following equity securities were issued under our 2004 LTIP:

Plan Category	Number of Securities to Be Issued Upon Exercise of Rights	Weighted-Average Exercise Price of Outstanding Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by stockholders	235,278(1)	$9.67(2)	2,601,451(3)
Equity compensation plans not approved by stockholders	N/A	N/A	N/A
Total	235,278	$9.67	2,601,451

(1) Represents shares of Class A Common Stock awarded under the 2004 LTIP as of March 31, 2007.

(2) Represents the weighted average price of the closing price per share of Class A Common Stock as quoted on AMEX on the date of grant of all shares of Class A Common Stock awarded under the 2004 LTIP.

(3) As of March 31, 2007, our board of directors authorized up to 2,836,729

shares of Class A Common Stock for issuance under the 2004 LTIP. The maximum number of shares of Class A Common Stock available for awards under the 2004 LTIP is 6,583,796 shares (equal to 15% of the aggregate number of outstanding shares of Class A Common Stock and Class B Common Stock immediately following consummation of the IPO).

On January 4, 2006, the compensation committee of our board of directors awarded restricted shares of Class A Common Stock to certain executive officers and recommended to the board of directors the award of restricted shares of Class A Common Stock to certain board members (the 2006 Restricted Stock Awards), which recommendation was approved by the board of directors on January 26, 2006.

The following awards were granted in February 2006: (i) with respect to executive officers, $460,000 (or 51,111 shares in the aggregate); (ii) with respect to our independent directors, $45,000 (or 5,001 shares in the aggregate); and (iii) with respect to a non-independent director, $100,000 (or 11,111 shares). In addition, $200,000 worth of restricted shares of Class A Common Stock (or 22,222 shares) were designated for an employee pool and (with the exception of 556 shares) were awarded to employees other than executive officers by our chief executive officer.

The restricted stock awards to the independent directors were fully vested on the date of grant, and those to the non-independent director, the executive officers and the employees will vest 20% on the date of grant and the balance at 20% per year over a consecutive four-year period thereafter. In addition, the restricted stock grants to the executive officers and the non-independent director vest upon our change of control or upon the death or disability of the award recipient and contain all of the rights and are subject to all of the restrictions of Class A Common Stock prior to becoming fully vested, including voting and dividend rights. The fair value of the vested restricted stock issued was recorded as compensation expense and will be recorded as compensation expense over the vesting period of such stock.

On November 3, 2006, the compensation committee of our board of directors awarded performance contingent and time-based vesting restricted shares of Class A Common Stock with a grant date of November 3, 2006 as follows: (i) an aggregate of 100,000 shares to certain executive officers; (ii) an aggregate of 7,500 shares to our three independent directors; and (iii) 25,000 shares to one of our non-independent directors (collectively, the 2007 Restricted Stock Awards).

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On March 6, 2007, approximately $158,000 worth of restricted stock of Class A Common Stock (or 15,000 shares) were awarded by our Chief Executive Officer from the employee pool to certain employees which includes performance contingent and time-based vesting restricted shares of Class A Common Stock with a grant date of March 6, 2007 (collectively, the March 2007 Restricted Stock Awards).

The 2007 Restricted Stock Awards to our independent directors were fully vested on the date of grant. The 2007 Restricted Stock Awards to our executive officers and the March 2007 Restricted Stock Awards consisted of time-based shares (the Time Vesting Shares) as well as performance-based shares (the Performance Vesting Shares). Pursuant to the award agreements for the executive officers and the recipients of the March 2007 Restricted Stock Awards, 25% of all of the shares awarded are Time Vesting Shares and 75% of all of the shares awarded are Performance Vesting Shares. The 2007 Restricted Stock Award to our non-independent director consisted solely of Time Vesting Shares.

The Performance Vesting Shares vest upon the attainment of certain earnings and cash flow growth performance criteria established by the compensation committee during the performance period ending March 31, 2009. The Time Vesting Shares vest in three equal annual installments commencing on the first anniversary of the date of grant.

The 2007 Restricted Stock Awards to each of the executive officers and the non-independent director fully vest upon a change of control of CSC or upon the death or disability of the award recipient. In addition, the executive officers, the non-independent director and the independent directors shall be entitled to vote the restricted shares underlying their awards during the restricted period, but will not be entitled to receive dividends prior to the vesting of such shares.

The fair value of the Time Vesting Shares issued as part of the 2007 Restricted Stock Award of $10.00 per share and issued as part of the March 2007 Restricted Stock Awards of $10.55 will be recorded as compensation expense over the vesting periods. In addition, since the Performance Vesting Shares vest upon the attainment of certain performance criteria, the Company will record compensation expense only for those Performance Vesting Shares of which the attainment of applicable performance conditions is probable.

Issuer Purchases of Equity Securities

The following table summarizes information about certain shares of Class A Common Stock we repurchased during the fourth quarter of the 2007 Fiscal Year.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
January 1, 2007 to January 31, 2007	222	$ 10.45	N/A	N/A
February 1, 2007 to February 28, 2007			N/A	N/A
March 1, 2007 to March 31, 2007			N/A	N/A
Total	222	$ 10.45	N/A	N/A

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Item 6. SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA
(In thousands of dollars, except ratios and per share data)

The following tables present our selected consolidated historical financial data, as of the dates indicated. We derived certain of the historical data as of and for the 2007 Fiscal Year, 2006 Fiscal Year, 2005 Fiscal Year, the fiscal years ended March 31, 2004 (2004 Fiscal Year), and March 31, 2003 (2003 Fiscal Year), from our audited consolidated financial statements. The financial data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated historical financial statements and the related notes thereto and with the information presented in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations.

	Fiscal Year Ended March 31,				
	2007	2006	2005	2004	2003
Operations Data:					
Revenues	$555,298	$543,485	$538,604	$ 531,088	$ 535,179
Operating income	58,092	51,118	49,641	47,112	55,348
Transaction costs (1)	(845)	(31,486)	(17,389)		
Net income (loss) (2)	153	(24,582)	(35,325)	(31,331)	(3,200)
Basic and diluted net income (loss) attributable to common stockholders per Class A Common Share (3)	0.13	(0.11)	(1.13)		
Basic and diluted net loss attributable to common stockholders per Class B Common Share (3)	(0.16)	(0.93)	(1.18)	(1.25)	(0.96)
Balance Sheet Data (at end of period):					
Cash and cash equivalents	$ 39,030	$ 62,008	$ 57,271	$ 31,620	$ 27,428
Property and equipment, net	239,740	252,398	264,264	283,688	286,686
Contract rights, net	294,800	296,912	309,698	323,152	335,327
Advance location payments	64,371	67,242	72,222	73,253	70,911
Goodwill	208,590	206,196	204,780	204,780	203,860
Total assets	883,843	922,466	956,676	959,508	976,163
Total long-term debt	657,295	664,253	708,391	717,631	718,112
Preferred stock				265,914	241,200
Stockholders equity (deficit)	100,726	138,666	109,215	(169,619)	(138,460)
Financial Information and Other Data:					
Cash flow provided by operating activities	$113,655	$ 96,138	$104,998	$ 97,052	$ 103,900
Cash flow used in investing activities	(87,561)	(72,728)	(70,927)	(88,449)	(81,330)
Cash flow used in financing activities	(49,072)	(18,673)	(8,420)	(4,411)	(22,962)
EBITDA (4)(5)	166,479	128,525	142,692	155,689	159,526
EBITDA margin (6)	30.0%	23.6%	26.5%	29.3%	29.8%
EBITDA without transaction costs (7)	$167,324	$160,011	$160,081	$ 155,689	$ 159,526

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	Fiscal Year Ended March 31,				
	2007	2006	2005	2004	2003
Operating margin (8)	10.5%	9.4%	9.2%	8.9%	10.3%
Capital expenditures (9):					
Capital expenditures	$71,253	$72,176	$71,495	$86,732	$86,685
Acquisition capital expenditures	17,914	3,436	628	3,615	1,976

(1) Transaction costs in the 2007 Fiscal Year consist of the following costs incurred in connection with the redemption of debt: (i) the premium paid to purchase certain 11% Senior Secured Notes of approximately $0.4 million and (ii) the write-off of a proportionate amount of unamortized deferred financing costs of approximately $0.4 million.

Transaction costs in the 2006 Fiscal Year consist of the following costs incurred in connection with the redemption of debt and the refinancing of the Coinmach credit facility (as defined below):
(i) approximately $14.6 million of redemption premium on the 9% senior notes due 2010 of

Coinmach (the 9% Senior Notes) redeemed; (ii) write-off of deferred financing costs related to the redemption of the 9% Senior Notes, the refinancing of the Amended and Restated Credit Facility and the repurchase of a portion of the 11% Senior Secured Notes pursuant to the Tender Offer aggregating approximately $9.6 million; (iii) costs and expenses related to the retirement of the 9% Senior Notes, the refinancing of the Coinmach credit facility and the repurchase of a portion of the 11% Senior Secured Notes pursuant to the Tender Offer aggregating approximately $6.4 million; (iv) special bonuses of approximately $0.5 million related to the Tender Offer; and (v) approximately $0.4 million of non-recurring transaction fees and expenses.

Transaction costs in the 2005 Fiscal Year consist of the

following costs incurred in connection with the IDS Transactions: (a) approximately $11.3 million of redemption premium on the portion of the 9% Senior Notes redeemed; (b) write-off of deferred financing costs related to the redemption of the 9% Senior Notes and the term loans repaid aggregating approximately $3.5 million; (c) expenses related to the refinancing of the Coinmach credit facility aggregating approximately $1.8 million; and (d) special bonuses related to the IDS Transactions aggregating approximately $0.8 million.

(2) For the 2005 Fiscal Year and for the 2004 Fiscal Year, net loss includes approximately $18.2 million and $24.7 million, respectively of preferred stock dividend recorded as interest expense. As required by SFAS

No. 150, accrued and unpaid dividends prior to adoption of SFAS No. 150 have not been reclassified to interest expense. Preferred stock dividends for the 2003 Fiscal Year were approximately $20.8 million.

(3) Net income (loss) attributable to common stockholders per share of Class A Common Stock and Class B Common Stock for the 2007, 2006 and 2005 Fiscal Years was calculated by dividing the net income (loss) attributable to Class A Common Stock and Class B Common Stock by the respective weighted average number of shares outstanding. For these periods, the calculation of net loss attributable to common stockholders per share of Class B Common Stock assumed that 24,980,445 shares of Class B Common Stock were outstanding. For the 2004 and 2003 Fiscal Years,

there was no Class A Common Stock outstanding.

(4) EBITDA represents earnings from continuing operations before deductions for interest, income taxes and depreciation and amortization. Management believes that EBITDA is useful as a means to evaluate our ability to service existing debt, to sustain potential future increases in debt and to satisfy capital requirements. EBITDA is also used by management as a measure of evaluating the performance of our three operating segments. Management further believes that EBITDA is useful to investors as a measure of comparative operating performance as it is less susceptible to variances in actual performance resulting from depreciation, amortization and other non-cash

charges and more reflective of changes in pricing decisions, cost controls and other factors that affect operating performance. Management uses EBITDA to develop compensation plans, to measure sales force performance and to allocate capital assets. Additionally, because we have historically provided EBITDA to investors, we believe that presenting this non-GAAP financial measure provides consistency in our financial reporting. Management s use of EBITDA, however, is not intended to represent cash flows for the period, nor has it been presented as an alternative to either (a) operating income (as determined by U.S. generally accepted accounting principles (GAAP)) as an indicator of operating performance or

(b) cash flows from operating, investing and financing activities (as determined by U.S. generally accepted accounting principles) as a measure of liquidity. Given that EBITDA is not a measurement

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determined in accordance with U.S. generally accepted accounting principles and is thus susceptible to varying calculations, EBITDA may not be comparable to other similarly titled measures of other companies. The following tables reconcile our net income (loss) and cash flow provided by operating activities to EBITDA for each period presented (in thousands).

	Fiscal Year Ended March 31,				
	2007	**2006**	**2005**	**2004**	**2003**
Net income (loss)	$ 153	$ (24,582)	$ (35,325)	$ (31,331)	$ (3,200)
Provision (benefit) for income taxes	2,080	(15,885)	(10,166)	(3,648)	381
Interest expense	55,014	60,099	58,572	57,377	58,167
Interest expense non cash preferred stock dividends			18,230	24,714	
Interest expense escrow interest			941		
Depreciation and amortization	109,232	108,893	110,440	108,577	104,178
EBITDA	$ 166,479	$ 128,525	$ 142,692	$ 155,689	$ 159,526

	Fiscal Year Ended March 31,				
	2007	**2006**	**2005**	**2004**	**2003**
Cash flow provided by operating activities	$ 113,655	$ 96,138	$ 104,998	$ 97,052	$ 103,900
Interest expense	55,014	60,099	58,572	57,377	58,167
Interest expense-escrow interest			941		
Gain on sale of investment and equipment	469	327	557	1,232	3,532

Loss on redemption of 9% Senior Notes		(19,082)	(14,770)		
Loss on redemption of 11% Senior Secured Notes	(831)	(8,221)			
Loss on repayment of the Credit Facility		(1,699)			
Stock based compensation	(253)	(210)	(74)	(176)	(338)
Change in operating assets and liabilities	(1,851)	2,678	(5,206)	2,513	(3,693)
Deferred taxes	(1,012)	16,285	10,166	3,753	16
Amortization of debt discount and deferred issue costs	(792)	(1,905)	(2,326)	(2,414)	(2,439)
Provision (benefit) for income taxes	2,080	(15,885)	(10,166)	(3,648)	381
EBITDA	$ 166,479	$ 128,525	$ 142,692	$ 155,689	$ 159,526

(5) The computation of EBITDA for the 2007 Fiscal Year has not been adjusted to exclude transaction costs aggregating approximately $0.8 million consisting of: (i) the premium paid to purchase certain 11% Senior Secured Notes of approximately $0.4 million and (ii) the write-off of a proportionate amount of unamortized deferred financing costs of approximately $0.4 million.

The computation of EBITDA for the 2006 Fiscal Year has not been adjusted to exclude transaction costs aggregating

approximately $31.5 million consisting of: (i) approximately $14.6 million of redemption premium related to the redemption of the 9% Senior Notes; (ii) the write-off of deferred financing costs related to the redemption of the 9% Senior Notes, the refinancing of the Coinmach credit facility and the repurchase of a portion of the 11% Senior Secured Notes pursuant to the Tender Offer aggregating approximately $9.6 million;

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(iii) costs and expenses related to the redemption of the 9% Senior Notes, the refinancing of the Coinmach credit facility and the repurchase of a portion of 11% Senior Secured Notes pursuant to the Tender Offer aggregating approximately $6.4 million; (iv) special bonuses of approximately $0.5 million related to the Tender Offer; and (v) approximately $0.4 million of non-recurring transaction fees and expenses relating to the foregoing.

The computation of EBITDA for the 2005 Fiscal Year has not been adjusted to exclude transaction costs aggregating approximately $17.4 million in connection with the IDS Transactions consisting of (a) approximately $11.3 million of redemption premium on the portion of the 9%

Senior Notes redeemed, (b) write-off of deferred financing costs related to the redemption of the 9% Senior Notes and the term loans repaid aggregating approximately $3.5 million, (c) expenses related to the Coinmach credit facility amendment aggregating approximately $1.8 million, and (d) special bonuses related to the IDS Transactions aggregating approximately $0.8 million.

(6) EBITDA margin represents EBITDA as a percentage of revenues. Management believes that EBITDA margin is a useful measure to evaluate our performance over various sales levels. EBITDA margin should not be considered as an alternative for measurements determined in accordance with U.S. generally accepted accounting principles.

(7) EBITDA without transaction costs, with respect to the 2007, 2006 and 2005 Fiscal Years, represents EBITDA (earnings from continuing operations before deductions for interest, income taxes and depreciation and amortization) plus certain transactions costs described in footnote (1) above. Since management believes that substantially all of these costs for such periods are comparable to interest expense, these costs have been deducted from EBITDA to provide a more useful representation of EBITDA for such periods. For a reconciliation of EBITDA to net income (loss) and cash flow provided by operating activities for such periods, see footnote (4) above.

(8) Operating margin represents operating income as a percentage of

revenues.

(9) Capital expenditures represent amounts expended for property, equipment and leasehold improvements, as well as for advance location payments to location owners. Acquisition capital expenditures represent the amounts expended to acquire local, regional and multi-regional route operators.

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis pertains to our results of operations and financial position for the years indicated and should be read in conjunction with the consolidated financial statements and related notes thereto referred to in Item 8 Financial Statements and Supplementary Data. Except for the historical information contained herein, certain matters discussed in this document are forward-looking statements based on the beliefs of our management and are subject to certain risks and uncertainties, including the risks and uncertainties discussed below under Item 1 Business Special Note Regarding Forward Looking Statements, and the other risks set forth in Item 1 Business Risk Factors. Should any of these risks or uncertainties materialize or should underlying assumptions prove incorrect, our future performance and actual results of operations may differ materially from those expected or intended.

Introduction

Our primary financial objective is to increase our cash flow from operations. Cash flow from operations represents a source of funds available to service indebtedness, pay dividends and for investment in both organic growth and growth through acquisitions. Prior to the 2007 Fiscal Year we had experienced net losses in each fiscal year. Such net losses were attributable in part to significant non-cash charges associated with our acquisitions and the related amortization of contract rights accounted for under the purchase method of accounting. We incur significant depreciation and amortization expense relating to annual capital expenditures, which also reduces our net income. The continued incurrence of significant depreciation and amortization expenses may cause us to continue to incur net losses.

Overview

We are principally engaged in the business of supplying laundry equipment services to multi-family housing properties. Our most significant revenue source is our route business, which over the last three fiscal years has accounted for approximately 88% of our revenue. Through our route operations, we provide laundry equipment services to locations by leasing laundry rooms from building owners and property management companies, typically on a long-term, renewable basis. In return for the exclusive right to provide these services, most of our contracts provide for commission payments to the location owners. Commission expense (also referred to as rent expense), our single largest expense item, is included in laundry operating expenses and represents payments to location owners. Commissions may be fixed amounts or percentages of revenues and are generally paid monthly. In addition to commission payments, many of our leases require us to make advance location payments to location owners, which are capitalized and amortized over the life of the applicable leases. Advance location payments to location owners are paid, as required by the applicable lease, at the inception or renewal of a lease for the right to operate applicable laundry rooms during the contract period, which generally ranges from 5 to 10 years. The amount of advance location payments varies depending on the size of the location and the term of the lease.

In addition to our route business, we also operate an equipment rental business through AWA. AWA leases laundry equipment and other household appliances and electronic items to corporate relocation entities, property owners, managers of multi-family housing properties and individuals.

We also operate an equipment distribution business through Super Laundry. Super Laundry s business consists of constructing and designing complete turnkey retail laundromats, retrofitting existing retail laundromats, distributing exclusive lines of commercial coin and non-coin operated machines and parts, and selling service contracts.

Laundry operating expenses include, in addition to commission payments, (i) the cost of machine maintenance and revenue collection in the route and retail laundromat business, including payroll, parts, insurance and other related expenses, (ii) costs and expenses incurred in maintaining our retail laundromats, including utilities and related expenses, (iii) the cost of sales associated with the equipment distribution business and (iv) certain expenses related to the operation of our rental business.

Critical Accounting Policies: Use of Estimates

Our financial statements are based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions. We believe that the following are some of the more critical judgment areas in the application of our accounting policies that currently affect our financial condition and results of operations.

Revenue

Revenue and cash and cash equivalents include an estimate of cash and coin not yet collected at the end of a reporting period, which remain at laundry room locations. We calculate the estimated amount of cash and coin not yet collected at the end of a reporting period, which remain at laundry room locations by multiplying the average daily collection amount applicable to the location with the number of days the location had not been collected. We analytically review the estimated amount of cash and coin not yet collected at the end of a reporting period by comparing such amount with collections subsequent to the reporting period.

We are required to estimate the collectibility of our receivables. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current credit-worthiness of each customer. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Allowance for doubtful accounts at March 31, 2007 was approximately $3.4 million.

Income Taxes

We currently have significant deferred tax assets, which are subject to periodic recoverability assessments. Realization of our deferred tax assets is principally dependent upon our achievement of projected future taxable income. Management s judgments regarding future profitability may change due to future market conditions and other factors. These changes, if any, may require possible material adjustments to these deferred tax asset balances.

In July 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109.* FIN No. 48 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including the decision whether to file or not file in a particular jurisdiction. FIN No. 48 must be applied to all existing tax positions upon initial adoption. The cumulative effect of applying FIN No. 48 at adoption, if any, is to be reported as an adjustment to opening retained earnings for the year of adoption. FIN No. 48 is effective for fiscal years beginning after December 15, 2006, which is the Company s 2008 fiscal year, although early adoption is permitted. The Company is currently evaluating the potential effects of FIN No. 48 on our consolidated financial statements and is not yet in a position to determine what, if any, effects FIN No. 48 will have on our consolidated financial statements.

Impairment of Goodwill and Other Long-Lived Assets

We have significant costs in excess of net assets acquired (goodwill), contract rights and long-lived assets. Goodwill is tested for impairment on an annual basis. Additionally, goodwill is tested between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. We have determined that our reporting units with goodwill consist of our route business, AWA and Super Laundry. Goodwill attributed to the route business, AWA and Super Laundry at March 31, 2007 was approximately $197.2 million, $8.5 million and $2.9 million, respectively. In performing the annual goodwill assessment, the fair value of the reporting unit is compared to its net asset-carrying amount, including goodwill. If the fair value exceeds the carrying amount, then it is determined that goodwill is not impaired. Should the carrying amount exceed the fair value, the second step in the impairment test would be required to be performed to determine the amount of goodwill write-off. The fair value for these tests is based upon a discounted cash flow model. Factors that generally impact cash flows include commission rates paid to property owners, occupancy rates at properties, sensitivity to price increases, loss of existing machine base and the prevailing general economic and market

conditions. An annual assessment of goodwill as of January 1, 2007 was performed and it was determined that no impairment exists.

Contract rights represent amounts expended for location contracts arising from the acquisition of laundry machines on location. These amounts arose solely from purchase price allocations pursuant to acquisitions made by us over a number of years based on an analysis of future cash flows. We do not record contract rights relating to new locations signed in the ordinary course of business. We estimate that approximately 90% of our contracts are long-term whereby the average term is approximately 8.0 years with staggered maturities. Of the remaining locations not subject to long-term agreements, we believe that we have retained a majority of such customers through long-standing relationships and continue to service such customers. Although the contracts have a legal life, there are other factors such as renewals, customer relationships and extensions that contribute to a value greater than the initial contract term. Over 90% of our contracts renew automatically and we have a right of first refusal upon termination in approximately 60% of our contracts. The automatic renewal clause typically provides that, if the property owner fails to take any action prior to the end of the lease term or any renewal term, the lease will automatically renew on substantially similar terms. In addition, over 85% of our contracts allow for unilateral price increases. Historically, we have demonstrated an ability to renew contracts, retain our customers and build upon those relationships. Since April 1997, we have posted net machine gains, exclusive of acquisitions, and our losses have averaged approximately 4% annually of our machine base. Therefore, we believe that the cash flows from these contracts continue to be generated beyond the initial legal contract term and subsequent renewal periods. As a result, we believe that the useful lives of contract rights are related to the expected cash flows that are associated with those rights and the amortization periods for contract rights should generally reflect those useful lives and, by extension, the cash flow streams associated with them. The useful lives being used to amortize contract rights ranges from approximately 30 to 35 years.

We have twenty-eight geographic regions to which contract rights have been allocated, which regions represent the lowest level of identifiable cash flows in grouping contract rights. Each region consists of approximately 1,000 to 8,000 contracts for the various locations/properties that comprise that region. We do not analyze impairment of contract rights on a contract-by-contract basis. Although we have contracts at every location/ property and analyze revenue and certain direct costs on a contract-by-contract basis, we do not allocate common region costs and servicing costs to each contract.

We assess the recoverability of location contract rights and long-lived assets on a region-by-region basis. We evaluate the financial performance/cash flows for each region. This evaluation includes analytically comparing the financial results/cash flows and certain statistical performance measures for each region to prior period/year actuals and budgeted amounts. Factors that generally impact cash flows include commission rates paid to property owners, occupancy rates at properties, sensitivity to price increases and the regions general economic conditions. In addition, each year we lose a certain amount of our existing machine base, which essentially equates to loss of contract rights. Such loss has historically averaged approximately 4% annually. The accelerated amortization of contract rights is designed to capture and expense this shrinking machine base. An increase in the historical loss rate would also be a strong indicator of possible impairment of location contract rights and long-lived assets. If based on our initial evaluation there are indicators of impairment that result in losses to the machine base, or an event occurs that would indicate that the carrying amounts may not be recoverable, we reevaluate the carrying value of contract rights and long-lived assets based on future undiscounted cash flows attributed to that region and record an impairment loss based on discounted cash flows if the carrying amount of the contract rights are not recoverable from undiscounted cash flows. Based on present operations and strategic plans, we believe that there have not been any indicators of impairment of location contract rights or long-lived assets.

Share Based Compensation

We adopted SFAS No. 123R as of January 1, 2006 as discussed in Note 14 of our consolidated financial statements. SFAS 123R requires us to recognize compensation expense for all share-based payments made to employees based on fair value of the share-based payment on the date of grant.

The fair value of all restricted shares is based on the price of our Class A Common Stock on the date of grant.

SFAS 123R also requires that we recognize compensation expense for only the portion of restricted shares that are expected to vest. Therefore, we apply estimated forfeiture rates that are derived from historical employee termination behavior using a stratified model based on the employee s position within the company and the vesting period of the respective restricted shares. If the actual number of forfeitures differs from those estimated by management, additional adjustments to compensation expense may be required in future periods.

Software

We have developed software to be utilized internally by our customer service representatives. Expenditures related to such qualifying computer software costs incurred during the application development stage, have been capitalized by us since the activities performed during this stage will create probable future economic benefits. In order for computer software costs to be considered internal-use software, the costs must have the following characteristics: (i) the software must be internally developed, acquired, or modified solely to meet our internal needs and (ii) no plan exists or is being developed to market the software externally during the development or modification of the software. Once we determined that such expenditures were available for actual application, these expenditures were expensed as incurred, similar to maintenance.

Accounting Treatment for IDSs

A portion of the aggregate IDSs outstanding represents 11% Senior Secured Notes recorded as long-term debt. We have concluded that it is appropriate to annually deduct interest expense on the 11% Senior Secured Notes from taxable income for U.S. federal and state and local income tax purposes. There can be no assurances that the IRS will not seek to challenge the treatment of these notes as debt or the amount of interest expense deducted, although to date we have not been notified that the 11% Senior Secured Notes should be treated as equity rather than debt for U.S. federal and state and local income tax purposes. If the 11% Senior Secured Notes would be required to be treated as equity for income tax purposes, the cumulative interest expense totaling approximately $26.0 million, through March 31, 2007, would not be deductible from taxable income, and we would be required to recognize additional tax expense and establish a related income tax liability. The additional tax due to federal, state and local authorities would be based on our taxable income or loss for each of the respective years that we take the interest expense deduction. We have not and do not currently intend to record a liability for a potential disallowance of this interest expense deduction.

Based on U.S. generally accepted accounting principles, the proceeds of the IDS offering and the proceeds from the offering of the separate 11% Senior Secured Notes were allocated to the shares of Class A Common Stock and the underlying 11% Senior Secured Notes based on their respective relative fair values. The initial public offering price for the IDSs was equivalent to the fair value of $7.50 per share of Class A Common Stock and $6.14 in principal amount of an 11% Senior Secured Notes underlying the IDS and the fair value of the separate 11% Senior Secured Notes was equivalent to their face value.

In addition, we have concluded that there are no embedded derivative features in the IDSs or within the Class B Common Stock which requires separate accounting. The make-whole redemption provision allows us to redeem all or a portion of the 11% Senior Secured Notes prior to the date that is 60 months after November 24, 2004, the closing date of the IPO, at a redemption price that could result in a premium, therefore resulting in an embedded derivative requiring bifurcation. However, the terms of the embedded derivative permit us to redeem the 11% Senior Secured Notes at an amount that will always exceed the fair value of the 11% Senior Secured Notes. As a result, this option will always be out of the money, and, therefore, the value ascribed to the embedded derivative is minimal. Accordingly, we have initially recorded it at a value of zero. The optional redemption provision at scheduled prices allows us to redeem all or part of the 11% Senior Secured Notes at scheduled premium prices. Although the 11% Senior Secured Notes are redeemable at a premium, further analysis under SFAS 133 has led us to conclude that the option is clearly and closely related to the economic characteristics of the 11% Senior Secured Notes and should not be bifurcated. The tax redemption provision allows us to redeem all of the 11% Senior Secured Notes at par if the interest on the 11% Senior Secured Notes is not tax deductible. As a result of the redemption price being at par and the 11% Senior Secured Notes initially recorded without a substantial premium or discount, we have concluded that this option is clearly and closely related to the economic characteristics of the 11% Senior Secured Notes and should not be bifurcated. The change of control put option allows the 11% Senior Secured Notes holders to put the 11% Senior

Secured Notes to us at a price equal to 101% of par. Although the

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11% Senior Secured Notes are callable at a premium, further analysis under SFAS 133 has led us to conclude that the option is clearly and closely related to the economic characteristics of the 11% Senior Secured Notes and should not be bifurcated, principally because such premium does not cause the investor to double the initial contractual rate of return.

The entire proceeds of the IPO were allocated to the Class A Common Stock and 11% Senior Secured Notes underlying IDSs and the separate 11% Senior Secured Notes, and the allocation of the IDS portion of such proceeds to the Class A Common Stock and the 11% Senior Secured Notes did not result in a substantial premium or discount. Upon subsequent issuances of 11% Senior Secured Notes or IDSs, we will evaluate whether there is a substantial discount or premium. We expect that if there is a substantial discount or premium upon a subsequent issuance of notes, certain redemption features of the 11% Senior Secured Notes may be considered not clearly and closely related, and we would separately account for these features as embedded derivates. If the embedded derivates are required to be bifurcated, we will (a) value the derivative, (b) record such value as a reduction of the 11% Senior Secured Notes (discount) with a corresponding derivative liability, (c) accrete the discount on the 11% Senior Secured Notes up to their par value using the effective interest method with a corresponding charge to interest expense, and (d) revalue the derivative liability quarterly with the difference (increase or decrease) recorded to interest expense.

The Class A Common Stock portion of each IDS issued in the IPO and the Class B Common Stock are included in stockholders equity, net of related transaction costs, and dividends paid on the Class A Common Stock and the Class B Common Stock are recorded as a decrease to stockholders equity when declared. The 11% Senior Secured Notes portion of each IDS and the separate 11% Senior Secured Notes are presented as long-term obligations, and the related transaction costs were capitalized as deferred financing fees and amortized to interest expense over the term of these notes. Interest on these notes is charged to interest expense as it is accrued.

Recently Issued Accounting Standards

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principals and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We plan to adopt SFAS No. 157 beginning April 1, 2009. We have not determined the impact, if any, the adoption of SFAS No. 157 will have on our financial statements.

On February 15, 2007, the Financial Accounting Standards Board, or FASB, issued FAS No. 159, *The Fair Value Option for Financial Assets and Liabilities-Including an Amendment of FAS 115*. This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. This option is available to all entities. Most of the provisions in FAS 159 are elective; however, an amendment to FAS 115, *Accounting for Certain Investments in Debt and Equity Securities* applies to all entities with available for sale or trading securities. Some requirements apply differently to entities that do not report net income. FAS 159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of FAS 157. We will adopt FAS 159 beginning April 1, 2008 and we are currently evaluating the potential impact the adoption of this pronouncement will have on our financial statements.

In July 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*. FIN No. 48 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including the decision whether to file or not file in a particular jurisdiction. FIN No. 48 must be applied to all existing tax positions upon initial adoption. The cumulative effect of applying FIN at adoption, if any, is to be reported as an adjustment to opening retained earnings for the year of adoption. FIN No. 48 is effective for fiscal years beginning after December 15, 2006, which is the Company s 2008 fiscal year, although early adoption is permitted. The Company is currently evaluating the

potential effects of FIN No. 48 on the consolidated financial statements and is not yet in a position to determine what, if any, effects FIN No. 48 will have on the consolidated financial statements.

Results of Operations

The following table sets forth for the periods indicated selected statement of operations data and EBITDA, as percentages of revenue:

	Year Ended March 31,		
	2007	**2006**	**2005**
Revenues	100.0%	100.0%	100.0%
Laundry operating expenses	67.5	68.3	68.3
General and administrative expenses	2.3	2.3	1.8
Depreciation and amortization	13.4	13.9	14.2
Amortization of advance location payments	3.7	3.5	3.6
Amortization of intangibles	2.6	2.6	2.7
Other items, net			0.2
Operating income	10.5	9.4	9.2
Interest expense	9.9	11.1	10.9
Interest expense non cash preferred stock dividends			3.4
Interest expense escrow interest			0.2
Transaction costs	0.2	5.8	3.2
Net income (loss) (1)		(4.5)	(6.6)
EBITDA margin	30.0	23.6	26.5

(1) For the 2005 Fiscal Year, net loss included approximately $18.2 million of preferred stock dividend recorded as interest expense.

We have experienced net losses in each fiscal year since March 31, 2000 through March 31, 2006. Such net losses were attributable in part to significant non-cash charges associated with our acquisitions and the related amortization of contract rights accounted for under the purchase method of accounting. We incur significant depreciation and amortization expense relating to annual capital expenditures, which also reduces our net income. However, even though we generated net income of approximately $0.2 million for the 2007 Fiscal Year, we may not generate net income from operations in the future. Continuing net losses limit our ability to service our debt and fund our operations.

The continued incurrence of significant depreciation and amortization expenses may cause us to incur a net loss.

EBITDA represents earnings from continuing operations before deductions for interest, income taxes and depreciation and amortization. Management believes that EBITDA is useful as a means to evaluate our ability to service existing debt, to sustain potential future increases in debt and to satisfy capital requirements. EBITDA is also used by management as a measure of evaluating the performance of our three operating segments. Management further believes that EBITDA is useful to investors as a measure of comparative operating performance as it is less susceptible to variances in actual performance resulting from depreciation, amortization and other non-cash charges and more reflective of changes in pricing decisions, cost controls and other factors that affect operating performance. Management uses EBITDA to develop compensation plans, to measure sales force performance and to allocate capital assets. Additionally, because we have historically provided EBITDA to investors, we believe that presenting this

non-GAAP financial measure provides consistency in financial reporting. Our use of EBITDA, however, is not intended to represent cash flows for the period, nor has it been presented as an alternative to either (a) operating income (as determined by GAAP) as an indicator of operating performance or (b) cash flows from operating, investing and financing activities (as determined by GAAP) as a measure of liquidity. Given that EBITDA is not a measurement determined in accordance with GAAP and is thus susceptible to varying calculations, EBITDA may not be comparable to other similarly titled measures of other companies. See footnote (4) of the table contained under Item 6 Selected Financial Data Selected Historical Financial Data for a

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reconciliation of net income (loss) and cash flow provided by operating activities to EBITDA for the periods indicated in the table immediately above.

EBITDA margin represents EBITDA as a percentage of revenues. Management believes that EBITDA margin is a useful measure to evaluate our performance over various sales levels. EBITDA margin should not be considered as an alternative to measurements determined in accordance with U.S. generally accepted accounting principles.

Fiscal Year Ended March 31, 2007 Compared to the Fiscal Year Ended March 31, 2006

The following table sets forth our revenues for the years indicated (in millions of dollars):

	Year Ended March 31,		
	2007	**2006**	**Change**
Route	$ 492.1	$ 481.7	$ 10.4
Rental	38.4	36.1	2.3
Distribution	24.8	25.7	(0.9)
	$ 555.3	$ 543.5	$ 11.8

Revenue increased by approximately $11.8 million or approximately 2% for the 2007 Fiscal Year, as compared to the 2006 Fiscal Year.

Route revenue for the 2007 Fiscal Year increased by approximately $10.4 million or 2% from the 2006 Fiscal Year. The increase was primarily due to an improvement in same store sales driven by the Company s pricing strategies and the general recovery in occupancy rates throughout our operating regions, as well as additional revenue generated from the ASI acquisition. On April 3, 2006, we completed the acquisition of substantially all of the assets of ASI for a purchase price of $15.0 million, subject to the outcome of certain purchase price adjustments. ASI was a leading laundry service provider to colleges and universities in the mid-west, with 40 years of experience and more than 45 partner schools.

Rental revenue for the 2007 Fiscal Year increased by approximately $2.3 million or 6% over the 2006 Fiscal Year. This increase was the result of our internal growth of machine base in existing areas of operations during the current and prior years, an increase in average revenue per machine, as well as the result of several tuck-in acquisitions during the current and prior years.

Distribution revenue for the 2007 Fiscal Year decreased by approximately $0.9 million or 3% from the 2006 Fiscal Year. The decrease was primarily due to decreased equipment sales. Sales from the distribution business unit are sensitive to general market conditions and economic conditions.

Laundry operating expenses, exclusive of depreciation and amortization, increased by approximately $4.5 million or 1% for the 2007 Fiscal Year, as compared to the 2006 Fiscal Year. This increase in laundry operating expenses was due primarily to (i) an increase in commissions paid of $4.3 million, due to an increase in route revenue, (ii) various laundry operating expenses incurred as a result of the ASI acquisition in the route business of approximately $2.1 million, (iii) an increase in salaries of approximately $1.5 million and (iv) other miscellaneous operating costs and expenses that are not material individually, or in the aggregate. This increase in laundry operating expenses was offset primarily by (i) a decrease in taxes of approximately $2.1 million relating to miscellaneous tax items, consisting primarily of state franchise taxes recorded in March 31, 2006, (ii) decreased cost of sales of approximately $1.7 million due to decreased equipment sales in the distribution business and (iii) a decrease in fuel and utility costs of approximately $0.5 million. As a percentage of revenues, laundry operating expenses, exclusive of depreciation and amortization, were approximately 67.5% for the 2007 Fiscal Year as compared to 68.3% for the 2006 Fiscal Year.

General and administrative expenses increased by approximately $0.3 million or 3% for the 2007 Fiscal Year, as compared to the 2006 Fiscal Year. The increase in general and administrative expenses was primarily due to an increase in employee benefit costs, professional fees, accounting and legal fees and stock compensation expenses related to the issuance of restricted stock awards by us, as well as miscellaneous costs and additional expenses associated with being a public company, partially offset by a decrease in expenses related to Section 404 of the Sarbanes-Oxley Act of 2002. As a percentage of revenues, general and administrative expenses were approximately 2.3% for both the 2007 Fiscal Year and the 2006 Fiscal Year.

We adopted SFAS 123R as of January 1, 2006. SFAS 123R requires us to recognize compensation expense for all share-based payments made to employees based on their fair value of the share-based payment at the date of

grant. For share-based payments relating to the Time Vesting Shares granted subsequent to January 1, 2006, compensation expense, based on their fair value on the date of grant, is recognized in the Consolidated Statements of Operations from the date of grant. For share-based payments relating to the Performance Vesting Shares granted subsequent to January 1, 2006, compensation expense will be recorded to the Consolidated Statements of Operations only for those shares of which the attainment of the applicable performance conditions is probable, based on their fair value on the date of grant. For the 2007 Fiscal Year and the 2006 Fiscal Year, we recognized approximately $0.3 million and $0.2 million, respectively, to compensation expense in the Consolidated Statements of Operations for share-based payments to employees, which is discussed further in Note 14 to our consolidated financial statements.

Depreciation and amortization expense decreased by approximately $1.2 million or 2% for the 2007 Fiscal Year, as compared to the 2006 Fiscal Year. The decrease in depreciation and amortization expense was primarily due to a reduction in depreciation expense relating to reduced capital expenditures made in prior years.

Amortization of advance location payments increased by approximately $1.3 million or 7% for the 2007 Fiscal Year, as compared to the 2006 Fiscal Year. The increase was primarily due to the timing of leases signed or renewed, as such related advance location payments are capitalized and amortized over the life of the applicable leases.

Amortization of intangibles increased by approximately $0.3 million or 2% for the 2007 Fiscal Year, as compared to the 2006 Fiscal Year. The increase was primarily the result of additional amortization expense relating to the current year acquisitions.

Other items, net, for the 2006 Fiscal Year of approximately $0.3 million was primarily due to a write-down of the asset value of approximately $0.2 million, relating to the sale of one of the laundromats in October 2005.

Operating income margin was approximately 10.5% for the 2007 Fiscal Year, as compared to approximately 9.4% for the 2006 Fiscal Year. The increase in operating income margin was primarily due to an increase in revenue partially offset by an increase in laundry operating expenses.

Transaction costs for the 2007 Fiscal Year of approximately $0.8 million consisted of (i) the premium paid to purchase certain 11% Senior Secured Notes of approximately $0.4 million and (ii) the write-off of a proportionate amount of unamortized deferred financing costs of approximately $0.4 million.

Transaction costs for the 2006 Fiscal Year of approximately $31.5 million consisted of (i) approximately $14.6 million of redemption premium on the 9% Senior Notes redeemed, (ii) write-off of deferred financing costs related to the redemption of the 9% Senior Notes, the refinancing of the Coinmach credit facility and the repurchase of a portion of the 11% Senior Secured Notes pursuant to the Tender Offer aggregating approximately $9.6 million, (iii) costs and expenses related to the retirement of the 9% Senior Notes, the refinancing of the Coinmach credit facility and the repurchase of a portion of the 11% Senior Secured Notes pursuant to the Tender Offer aggregating approximately $6.4 million, (iv) special bonuses of approximately $0.5 million related to the Tender Offer and (v) approximately $0.4 million of non-recurring transaction fees and expenses.

Interest expense decreased by approximately $5.1 million or 9% for the 2007 Fiscal Year, as compared to the 2006 Fiscal Year. The decrease in interest expense was due primarily to the redemption of the 9% Senior Notes in February 2006, which were financed with additional borrowings under our credit facility at a lower rate and the redemption of a portion of the 11% Senior Secured Notes in February 2006. This decrease was partially offset by additional interest expense due to an increase in variable interest rates on such credit facility.

The provision for income taxes for the 2007 Fiscal Year was approximately $2.1 million as compared to a benefit for income taxes of approximately $15.9 million for the 2006 Fiscal Year. The effective tax rate for the 2007 Fiscal Year was approximately 93% as compared to approximately 39% for the 2006 Fiscal Year. The changes for the year are primarily due to changes in the state of Texas franchise tax statute pursuant to the Texas Franchise Tax Reform Bill (HB 3) which is effective for the 2007 Fiscal Year and other permanent items.

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Net income was approximately $0.2 million for the 2007 Fiscal Year, as compared to net loss of approximately $24.6 million for the 2006 Fiscal Year. This change was primarily due to increased revenue, decreased transaction costs, and a decrease in interest expense, partially offset by increased laundry operating expenses and income taxes. We have experienced net losses in each fiscal year since March 31, 2000 through March 31, 2006. Such net losses were attributable in part to significant non cash charges associated with our acquisitions and the related amortization of contract rights accounted for under the purchase method of accounting. We incur significant depreciation and amortization expense relating to annual capital expenditures, which also reduces our net income.

The following table sets forth our EBITDA for each of the route, distribution and rental businesses for the years indicated (in millions of dollars):

	Year Ended March 31,		
	2007	**2006**	**Change**
Route	$ 161.0	$ 156.7	$ 4.3
Rental	17.3	15.4	1.9
Distribution	1.8	0.7	1.1
Other items, net		(0.3)	0.3
Corporate expenses	(12.8)	(12.5)	(0.3)
Transaction costs	(0.8)	(31.5)	30.7
Total EBITDA (1)	$ 166.5	$ 128.5	$ 38.0

(1) The computation of EBITDA for the 2007 Fiscal Year has not been adjusted to exclude certain transaction costs aggregating approximately $0.8 million consisting of (i) the premium paid to purchase certain 11% Senior Secured Notes of approximately $0.4 million and (ii) the write-off of a proportionate amount of unamortized deferred financing costs of approximately $0.4 million.

The computation of EBITDA for the 2006 Fiscal Year has not been adjusted to exclude certain transaction costs aggregating approximately $31.5 million consisting of (i) approximately $14.6 million of redemption premium related to the redemption of the 9% Senior Notes, (ii) the write-off of deferred financing costs related to the redemption of the 9% Senior Notes, the refinancing of the Coinmach credit facility and the repurchase of a portion of 11% Senior Secured Notes pursuant to the Tender Offer aggregating approximately $9.6 million, (iii) costs and expenses related to the redemption of the 9% Senior Notes, the refinancing of the Coinmach credit facility and the repurchase of a portion of the 11% Senior Secured Notes pursuant to the Tender Offer aggregating approximately $6.4 million, (iv) special

bonuses of approximately $0.5 million related to the Tender Offer, and (v) approximately $0.4 million of non-recurring transaction fees and expenses relating to the foregoing.

EBITDA was approximately $166.5 million for the 2007 Fiscal Year, as compared to approximately $128.5 million for the 2006 Fiscal Year. EBITDA margins increased to approximately 30.0% for the 2007 Fiscal Year, as compared to approximately 23.6% for the 2006 Fiscal Year. The increase in EBITDA and EBITDA margin is primarily attributable to (i) certain transaction costs of approximately $31.5 million relating to the redemption of debt and the refinancing of the Coinmach credit facility recorded in the 2006 Fiscal Year which did not recur in the 2007 Fiscal Year, and (ii) the increase in revenue offset partially by an increase in laundry operating expense. See footnote 4 of the table contained under Item 6 Selected Financial Data for a reconciliation of net income (loss) and cash flow provided by operating activities to EBITDA for the years indicated in the table immediately above.

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Fiscal Year Ended March 31, 2006 Compared to the Fiscal Year Ended March 31, 2005

The following table sets forth our revenues for the years indicated (in millions of dollars):

	Year Ended March 31,		
	2006	**2005**	**Change**
Route	$ 481.7	$ 472.5	$ 9.2
Rental	36.1	34.4	1.7
Distribution	25.7	31.7	(6.0)
	$ 543.5	$ 538.6	$ 4.9

Revenue increased by approximately $4.9 million or approximately 1% for the 2006 Fiscal Year, as compared to the 2005 Fiscal Year.

Route revenue for the 2006 Fiscal Year increased by approximately $9.2 million or 2% from the 2005 Fiscal Year. We believe that this increase was due to price increases and an increase in third party service income.

Rental revenue for the 2006 Fiscal Year increased by approximately $1.7 million or 5% over the 2005 Fiscal Year. This increase was primarily the result of our continuing internal growth of the machine base in existing areas of operations during the current and prior years as well as the result of a minor tuck-in acquisition during the current year.

Distribution revenue for the 2006 Fiscal Year decreased by approximately $6.0 million or 19% from the 2005 Fiscal Year. The decrease was primarily due to decreased equipment sales. Sales from the distribution business unit are sensitive to general market conditions and economic conditions.

Laundry operating expenses, exclusive of depreciation and amortization, increased by approximately $2.7 million or less than 1% for the 2006 Fiscal Year, as compared to the 2005 Fiscal Year. This increase in laundry operating expenses was due primarily to (i) an increase in commissions paid of $3.0 million, due to an increase in route revenue, (ii) an increase in taxes of approximately $2.0 million relating to miscellaneous tax items, consisting primarily of state franchise taxes, (iii) an increase in fuel costs of approximately $1.1 million primarily due to increased fuel prices, (iv) an increase in utilities of approximately $0.9 million primarily due to increased utility prices in our laundromats, (v) an increase in salaries of $0.4 and (vi) other miscellaneous operating costs and expenses that are not material individually, or in the aggregate. This increase in laundry operating expenses was offset primarily by decreased cost of sales of approximately $5.1 million due to decreased equipment sales. As a percentage of revenues, laundry operating expenses, exclusive of depreciation and amortization, were approximately 68.3% for both the 2006 Fiscal Year and the 2005 Fiscal Year.

General and administrative expenses increased by approximately $2.8 million or 29% for the 2006 Fiscal Year, as compared to the 2005 Fiscal Year. The increase in general and administrative expenses was primarily due to (i) certain first year costs associated with the initial implementation of compliance procedures related to Section 404 of the Sarbanes-Oxley Act of 2002, (ii) incremental public company administrative fees and expenses including but not limited to incremental director and officer liability insurance, additional directors fees, investor and public relations expenses, and (iii) other miscellaneous costs and additional expenses associated with being a public company, as well as stock compensation expense related to the issuance of restricted stock awards by us in February 2006. As a percentage of revenues, general and administrative expenses were approximately 2.3% for the 2006 Fiscal Year and as compared to approximately 1.8% for the 2005 Fiscal Year.

We adopted SFAS 123R as of January 1, 2006. SFAS 123R requires us to recognize compensation expense for all share-based payments made to employees based on their fair value of the share-based payment at the date of grant. For share-based payments granted subsequent to January 1, 2006, compensation expense, based on their fair value on the date of grant, will be recognized in the Consolidated

Statements of Operations from the date of grant. For the 2006 Fiscal Year we recognized approximately $0.2 million to compensation expense in the Consolidated Statements of Operations for share-based payments to employees, which is discussed further in Note 14 to our consolidated financial statements.

Depreciation and amortization expense decreased by approximately $0.9 million or 1% for the 2006 Fiscal Year, as compared to the 2005 Fiscal Year. The decrease in depreciation and amortization expense was primarily due to a reduction in depreciation expense relating to reduced capital expenditures made in prior years.

Amortization of advance location payments decreased by approximately $0.4 million or 2% for the 2006 Fiscal Year, as compared to the 2005 Fiscal Year. The decrease was primarily due to the reduction in the amount of advance location payments made in the prior years.

Amortization of intangibles decreased by approximately $0.3 million or 2% for the 2006 Fiscal Year, as compared to the 2005 Fiscal Year. The decrease was primarily the result of amortization expense being recorded on an accelerated basis.

Other items, net, for the 2006 Fiscal Year of approximately $0.3 million was primarily due to a write-down of the asset value of approximately $0.2 million, relating to the sale of one of the laundromats in October 2005.

Other items, net, for the 2005 Fiscal Year of approximately $0.9 million primarily relates to additional expenses associated with the closing of California operations in the distribution business.

Operating income margin was approximately 9.4% for the 2006 Fiscal Year, as compared to approximately 9.2% for the 2005 Fiscal Year. The increase in operating income margin was primarily due to an increase in revenue partially offset by an increase in general and administrative expenses.

Transaction costs for the 2006 Fiscal Year of approximately $31.5 million consisted of (i) approximately $14.6 million of redemption premium on the 9% Senior Notes redeemed, (ii) write-off of deferred financing costs related to the redemption of the 9% Senior Notes, the refinancing of the Coinmach credit facility and the repurchase of a portion of the 11% Senior Secured Notes pursuant to the Tender Offer aggregating approximately $9.6 million, (iii) costs and expenses related to the retirement of the 9% Senior Notes, the refinancing of the Coinmach credit facility and the repurchase of a portion of the 11% Senior Secured Notes pursuant to the Tender Offer aggregating approximately $6.4 million, (iv) special bonuses of approximately $0.5 million related to the Tender Offer and (v) approximately $0.4 million of non-recurring transaction fees and expenses.

Transaction costs for the 2005 Fiscal Year of approximately $17.4 million consisted of (1) approximately $11.3 million redemption premium on the portion of 9% Senior Notes redeemed, (2) write-off of deferred financing costs related to the 9% Senior Notes redeemed and term loans repaid aggregating approximately $3.5 million, (3) expenses related to the Coinmach credit facility amendment aggregating approximately $1.8 million, and (4) special bonuses related to the IDS Transactions aggregating approximately $0.8 million.

Interest expense increased by approximately $1.5 million or 3% for the 2006 Fiscal Year, as compared to the 2005 Fiscal Year. In the Class A Offering, we completed the purchase of approximately $48.4 million aggregate principal amount outstanding of 11% Senior Secured Notes pursuant to the Tender Offer. Additionally, on December 19, 2005, Coinmach entered into the Amended and Restated Credit Facility comprised of a $570.0 million term loan facility, of which $230.0 million was borrowed by Coinmach on December 19, 2005 to refinance approximately $229.3 million aggregate principal amount of then outstanding term debt under its senior secured credit facility and pay related expenses (the Credit Facility Refinancing). On February 1, 2006, Coinmach used $340.0 million of delayed draw term loans to retire all of the then outstanding $324.5 million aggregate principal amount of 9% Senior Notes (plus approximately $14.6 million of related redemption premium) and to pay related fees and expenses. In addition, the increase in interest expense was due to an increase in variable interest rates payable under the Amended and Restated Credit Facility resulting from a market increase in interest rates.

Interest expense-non cash preferred stock dividends were approximately $18.2 million for the 2005 Fiscal Year. As a result of the IPO in November 2004, a portion of the net proceeds thereof was used to redeem approximately $91.8 million of CLC s outstanding

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Class A preferred stock and approximately $7.4 million of CLC s outstanding Class B preferred stock. In connection with the IDS Transactions, Holdings exchanged all of the outstanding CLC Class A preferred stock owned by it and all of the outstanding shares of common stock of AWA to us for 24,980,445 shares of Class B Common Stock, representing all of the outstanding Class B Common Stock.

Interest expense-escrow interest for the 2005 Fiscal Year of approximately $0.9 million relates to interest expense on the portion of the 9% Senior Notes that were redeemed on December 24, 2004. A portion of the net proceeds from the IPO was used to redeem 9% Senior Notes in an aggregate principal amount of $125.5 million. There was no such amount for the 2006 Fiscal Year.

The benefit for income taxes for the 2006 Fiscal Year was approximately $15.9 million as compared to a benefit for income taxes of approximately $10.2 million for the 2005 Fiscal Year. The effective tax rate for the 2006 Fiscal Year was approximately 39% as compared to approximately 22% for the 2005 Fiscal Year. The changes for the year are primarily due to deductible transaction costs incurred during the current year and non cash interest expense on the preferred stock recorded in the prior year that did not occur in the current year.

Net loss was approximately $24.6 million for the 2006 Fiscal Year, as compared to net loss of approximately $35.3 million for the 2005 Fiscal Year. The decrease in net loss was primarily the result of the non cash interest expense on the preferred stock recorded in the prior year, offset by the transaction costs relating to the redemption of debt and the refinancing of the Coinmach credit facility in the 2006 Fiscal Year that were greater than the transaction costs relating to the IDS Transactions in the prior year, as discussed above. We have experienced net losses in each fiscal year since March 31, 2000. Such net losses are attributable in part to significant non cash charges associated with our acquisitions and the related amortization of contract rights accounted for under the purchase method of accounting. We incur significant depreciation and amortization expense relating to annual capital expenditures, which also reduces our net income.

The following table sets forth our EBITDA for each of the route, distribution and rental businesses for the years indicated (in millions of dollars):

	Year Ended March 31,		
	2006	**2005**	**Change**
Route	$ 156.7	$ 155.4	$ 1.3
Rental	15.4	13.8	1.6
Distribution	0.7	1.4	(0.7)
Other items, net	(0.3)	(0.8)	0.5
Corporate expenses	(12.5)	(9.7)	(2.8)
Transaction costs	(31.5)	(17.4)	(14.1)
Total EBITDA (1)	$ 128.5	$ 142.7	$ (14.2)

(1) The computation of EBITDA for the 2006 Fiscal Year has not been adjusted to exclude certain transaction costs aggregating approximately $31.5 million consisting of (i) approximately

$14.6 million of redemption premium related to the redemption of the 9% Senior Notes, (ii) the write-off of deferred financing costs related to the redemption of the 9% Senior Notes, the refinancing of the Coinmach credit facility and the repurchase of a portion of 11% Senior Secured Notes pursuant to the Tender Offer aggregating approximately $9.6 million, (iii) costs and expenses related to the redemption of the 9% Senior Notes, the refinancing of the Coinmach credit facility and the repurchase of a portion of the 11% Senior Secured Notes pursuant to the Tender Offer aggregating approximately $6.4 million, (iv) special bonuses of approximately $0.5 million related to the Tender Offer, and (v) approximately $0.4 million of non-recurring transaction fees and expenses relating to the foregoing. The

computation of EBITDA for the 2005 Fiscal Year has not been adjusted to exclude costs related to the IDS Transactions aggregating approximately $17.4 million consisting of (a) approximately $11.3 million of redemption premium on the portion of the 9% Senior Notes redeemed, (b) write-off of deferred financing costs related to the 9% Senior Notes redeemed and term loans repaid aggregating approximately $3.5 million, (c) expenses related to the Coinmach credit facility amendment aggregating approximately $1.8 million and (d) special bonuses aggregating approximately $0.8 million.

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EBITDA was approximately $128.5 million for the 2006 Fiscal Year, as compared to approximately $142.7 million for the 2005 Fiscal Year. EBITDA margins declined to approximately 23.6% for the 2006 Fiscal Year, as compared to approximately 26.5% for the 2005 Fiscal Year. The decrease in EBITDA and EBITDA margin is primarily attributable to certain transaction costs of approximately $31.5 million relating to the redemption of debt and the refinancing of the Coinmach credit facility in the 2006 Fiscal Year, offset partially by certain transaction costs of approximately $17.4 million related to the IDS Transactions in the 2005 Fiscal Year. See footnote 4 of the table contained under Item 6 Selected Financial Data for a reconciliation of net income (loss) and cash flow provided by operating activities to EBITDA for the years indicated in the table immediately above.

Liquidity and Capital Resources

We are a holding company with no material assets other than the capital stock of our subsidiaries, an intercompany note of Coinmach and the guarantee of such intercompany note by certain subsidiaries of Coinmach. Our operating income is generated by our subsidiaries. The intercompany note and related guarantees are described below under Financing Activities The Intercompany Loan. Our liquidity requirements, on a consolidated basis, primarily consist of (i) interest payments on the 11% Senior Secured Notes, (ii) interest and regularly scheduled amortization payments with respect to borrowings under the Amended and Restated Credit Facility, (iii) dividend payments, if any, on our common stock and (iv) and capital expenditures and other working capital requirements.

We have met these requirements for the past three fiscal years. Our ability to make such payments and expenditures will depend on the earnings and cash flows of our subsidiaries and the ability of our subsidiaries to distribute amounts to us, including by way of payments on the intercompany note. Our principal sources of liquidity are cash flows from operating activities and borrowings available under the revolver portion of Amended and Restated Credit Facility. As of March 31, 2007, we had cash and cash equivalents of approximately $39.0 million and available borrowings under the revolver portion of the Amended and Restated Credit Facility of approximately $68.2 million. Letters of credit under the revolver portion of the Amended and Restated Credit Facility outstanding at March 31, 2007 were approximately $6.8 million.

Our stockholders equity was approximately $100.7 million as of March 31, 2007.

As we have focused on increasing our cash flow from operating activities, we have made significant capital investments, primarily consisting of capital expenditures related to acquisitions, renewals and growth. We anticipate that we will continue to utilize cash flows from operations to finance our capital expenditures and working capital needs, including interest and principal payments on our outstanding indebtedness, and to pay dividends on our common stock.

Dividend Policy

Our dividend policy contemplates the payment of a quarterly cash dividend of approximately $0.20615 per share of Class A Common Stock and, subject to certain subordination provisions and other limitations, an annual dividend on shares of our Class B Common Stock. Our dividend policy reflects a basic judgment that our stockholders would be better served if we distributed our available cash to them instead of retaining it in our business. Pursuant to this policy, we expect that cash generated by us in excess of operating needs, interest and principal payments on indebtedness, and capital expenditures sufficient to maintain our properties and other assets would generally be available for distribution as regular cash dividends.

However, there can be no assurance that we will continue to pay dividends at the levels set forth in our dividend policy, or at all. Dividend payments are not mandatory or guaranteed and holders of our common stock do not have any legal right to receive, or require us to declare, dividends. Our board of directors may, in its sole discretion, amend or repeal our dividend policy at any time and decrease or eliminate dividend payments. If we had insufficient cash to pay dividends in the amounts set forth in our dividend policy, we would need either to reduce or eliminate dividends or, to the extent permitted under the indenture governing the 11% Senior Secured Notes and the Amended and Restated Credit Facility, fund a portion of our dividends with borrowings or from other sources.

As a result of our dividend policy, we may not retain a sufficient amount of cash to finance growth opportunities or unanticipated capital expenditure needs or to fund our operations in the event of a significant business downturn. We may have to forego growth opportunities or capital expenditures that would otherwise be necessary or desirable if we do not find alternative sources of financing. If we do not have sufficient cash for these purposes, our financial condition and our business will suffer.

On February 1, 2007, the board of directors of CSC declared a quarterly cash dividend of $0.20615 per share of Class A Common Stock (or approximately $6.0 million in the aggregate), which cash dividend was paid on March 1, 2007 to holders of record as of the close of business on February 26, 2007.

On May 9, 2007, our board of directors declared a quarterly cash dividend of $0.20615 per share of Class A Common Stock (or approximately $6.0 million in the aggregate), and a cash dividend of $0.42781 per share of Class B Common Stock (or $10.0 million in the aggregate) for the fiscal year ended March 31, 2007, which was paid on June 1, 2007 to holders of record as of the close of business on May 25, 2007.

See Item 5 Market Price of and Dividends on Our Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Dividends and Item 1 Business Risk Factors Risks Relating to Our Securities The holders of IDSs and common stock may not receive the level of dividends provided for in the dividend policy that our board of directors adopted or any dividends at all for a more detailed discussion of our dividend policy.

Financing Activities

We have from time to time used external financings to meet cash needs for operating expenses, the payment of interest, retirement of debt and acquisitions and capital expenditures. We may use external financings in the future to refinance or fund the retirement or repurchase of our and our subsidiaries existing indebtedness. The timing and amount of external financings depend primarily upon economic and financial market conditions, our consolidated cash needs and our future capital structure objectives, as well as contractual limitations on additional financings. Additionally, the availability and cost of external financings will depend upon the financial condition of the entities seeking those funds.

11% Senior Secured Notes

The 11% Senior Secured Notes, which are scheduled to mature on December 1, 2024, are our senior secured obligations and are redeemable, at our option, in whole or in part, at any time or from time to time, upon not less than 30 nor more than 60 days notice (i) prior to December 1, 2009, upon payment of a make-whole premium and (ii) on or after December 1, 2009, at the redemption prices set forth in the indenture governing the 11% Senior Secured Notes plus accrued and unpaid interest thereon.

On February 8, 2006, we completed the Tender Offer, purchasing approximately $48.4 million aggregate principal amount of our outstanding 11% Senior Secured Notes. The total consideration offered for each $6.14 principal amount of 11% Senior Secured Notes tendered was $6.754 plus accrued and unpaid interest thereon, which amount included an early tender payment for notes tendered on or prior to the early tender payment date. The total aggregate amount paid by us in order to purchase 11% Senior Secured Notes tendered in the Tender Offer was approximately $55.1 million including accrued and unpaid interest thereon.

On April 28, 2006, we purchased approximately $5.6 million aggregate principal amount of our outstanding 11% Senior Secured Notes in open market purchases, for an aggregate purchase price of approximately $6.3 million including accrued and unpaid interest therein.

As of March 31, 2007, there were approximately $82.1 million aggregate principal amount of 11% Senior Secured Notes outstanding.

Interest on the 11% Senior Secured Notes is payable quarterly, in arrears, on each March 1, June 1, September 1 and December 1 to the holders of record at the close of business on the February 25, May 25, August 25 and November 25, respectively, immediately preceding the applicable interest payment date.

The 11% Senior Secured Notes are secured by a first-priority perfected lien, subject to certain permitted liens, on substantially all of our existing and future assets, including the common stock of AWA, the capital stock of CLC, the Intercompany Note and the related guaranty. The 11% Senior Secured Notes are guaranteed on a senior secured basis by CLC. If we were to consummate the Merger Event (defined below), the only lien providing security for the 11% Senior Secured Notes would be a second priority perfected lien (subject to the Intercreditor Agreement that was entered into by the trustee under the indenture governing the 11% Senior Secured Notes with the collateral agent under the Amended and Restated Credit Facility) on the capital stock of our direct domestic subsidiaries and 65% of each class of capital stock of our direct foreign subsidiaries, which lien will be contractually subordinated to the liens of the collateral agent under the Amended and Restated Credit Facility pursuant to the Intercreditor Agreement. Consequently, a second priority perfected lien on such capital stock would constitute the only security for the 11% Senior Secured Notes, and the 11% Senior Secured Notes would be effectively subordinated to the obligations outstanding under the Amended and Restated Credit Facility to the extent of the value of such capital stock.

The indenture governing the 11% Senior Secured Notes contains a number of restrictive covenants and agreements applicable to us and our restricted subsidiaries, including covenants with respect to the following matters: (i) limitation on additional indebtedness; (ii) limitation on certain payments (in the form of the declaration or payment of certain dividends or distributions on our capital stock, the purchase, redemption or other acquisition of any of our capital stock, the voluntary prepayment of subordinated indebtedness, and certain investments); (iii) limitation on transactions with affiliates; (iv) limitation on liens; (v) limitation on sales of assets; (vi) limitation on the issuance of preferred stock by non-guarantor subsidiaries; (vii) limitation on conduct of business; (viii) limitation on dividends and other payment restrictions affecting subsidiaries; (ix) limitations on exercising Class B Common Stock redemption rights and consummating purchases of Class B Common Stock upon exercise of sales rights by holders; and (x) limitation on consolidations, mergers and sales of substantially all of our assets.

Subject to the satisfaction of certain conditions, the indenture governing the 11% Senior Secured Notes permits us to merge with CLC and Coinmach. We refer to such potential mergers collectively as the Merger Event. If we were to consummate the Merger Event in the future, CSC would become an operating company as well as the direct borrower under our amended and restated credit facility and sole owner of the capital stock of Coinmach s subsidiaries. We are not currently contemplating completion of the Merger Event.

At March 31, 2007, we were in compliance with the covenants under the indenture governing the 11% Senior Secured Notes and were not aware of any events of default pursuant to the terms of such indebtedness.

Amended and Restated Credit Facility

The Amended and Restated Credit Facility is comprised of a $570.0 million term loan facility and a $75.0 million revolving credit facility (subject to outstanding letters of credit). The term loans are scheduled to be fully repaid by December 19, 2012, and the revolving credit facility is scheduled to expire on December 19, 2010.

On December 19, 2005, Coinmach borrowed $230.0 million under the term loan facility to refinance approximately $229.3 million aggregate principal amount of then outstanding term debt under the Coinmach credit facility and pay related expenses. On February 1, 2006, Coinmach used approximately $340.0 million of delayed draw term loans to retire all of the then outstanding $324.5 million aggregate principal amount of 9% Senior Notes (plus approximately $14.6 million of related redemption premium) and to pay related fees and any expenses.

The revolving loans accrue interest, at the borrower s option, at a rate per annum equal to the base rate plus a margin of 2.00% or the Eurodollar rate plus 3.00%, subject in each case to performance based adjustments. The term loans accrue interest, at the borrower s option, at a rate per annum equal to the base rate plus a margin of 1.50% or the Eurodollar rate plus 2.50%, subject in each case to performance based adjustments. At March 31, 2007, the monthly variable Eurodollar rate was 5.3750%.

The Amended and Restated Credit Facility requires Coinmach to make certain mandatory repayments, including from (a) 100% of net proceeds from asset sales by Coinmach and its subsidiaries, (b) 100% of the net proceeds from the issuance of debt (with an exception for proceeds from intercompany loans made by Coinmach to us), (c) 50% of annual excess cash flow of Coinmach and its subsidiaries, and (d) 100% of the net proceeds from insurance recovery and condemnation events of Coinmach and its subsidiaries, in each case subject to reinvestment rights, as applicable, and other exceptions generally consistent with the Coinmach credit facility.

The Amended and Restated Credit Facility contains a number of restrictive covenants and agreements applicable to Coinmach which, if the Merger Event were completed, would apply directly to us as borrower under such credit facility, including covenants with respect to limitations on: (i) indebtedness; (ii) certain payments (in the form of the declaration or payment of certain dividends or distributions on Coinmach s capital stock or its subsidiaries or the purchase, redemption or other acquisition of any of its or its subsidiaries capital stock); (iii) voluntary prepayments of previously existing indebtedness; (iv) Investments (as defined in the Amended and Restated Credit Facility); (v) transactions with affiliates; (vi) liens; (vii) sales or purchases of assets; (viii) conduct of business; (ix) dividends and other payment restrictions affecting subsidiaries; (x) consolidations and mergers; (xi) capital expenditures; (xii) issuances of certain of Coinmach s equity securities; and (xiii) creation of subsidiaries. The Amended and Restated Credit Facility also requires that Coinmach satisfy certain financial ratios, including a maximum leverage ratio and a minimum consolidated interest coverage ratio.

The Amended and Restated Credit Facility is secured by a first priority security interest in all of Coinmach s real and personal property and is guaranteed by each of Coinmach s domestic subsidiaries. CLC has pledged the capital stock of Coinmach as collateral under the Amended and Restated Credit Facility for the benefit of the lenders thereunder.

The Amended and Restated Credit Facility permits, subject to certain conditions, the Merger Event. In particular, the Merger Event is permitted at any time, provided that either (i) after giving effect to the merger event, we had a ratio of consolidated indebtedness less cash and cash equivalents to consolidated EBITDA of no more than 3.9 to 1.0, or (ii) our total consolidated indebtedness at the time of the merger event is at least $50.0 million less than our total consolidated indebtedness on the date the Amended and Restated Credit agreement was entered into, after giving effect to the refinancing of approximately $229.3 million of term debt under the Coinmach credit facility (which for such purpose reductions in outstanding revolver loans are disregarded unless accompanied by corresponding permanent commitment reductions). While we presently do not intend to effect the Merger Event, if we were to consummate the Merger Event, we would become the direct borrower under the Amended and Restated Credit Facility and sole owner of the capital stock of Coinmach s subsidiaries. As a result, the Amended and Restated Credit Facility would be secured by a first priority security interest in all of our real and personal property and would be guaranteed by each of our domestic subsidiaries.

At March 31, 2007, the $567.1 million of term loan borrowings under the Amended and Restated Credit Facility had an interest rate of approximately 7.875% and the amount available under the revolving credit portion of the Amended and Restated Credit Facility was approximately $68.2 million. Letters of credit under the revolver portion of the Amended and Restated Credit Facility outstanding at March 31, 2007 were approximately $6.8 million.

At March 31, 2007, Coinmach was in compliance with the covenants under the Amended and Restated Credit Facility and was not aware of any events of default pursuant to the terms of such indebtedness.

The Intercompany Loan

Pursuant to the IDS Transactions, we made an intercompany loan of approximately $81.7 million to Coinmach. Pursuant to the Class A Offering, we made additional intercompany loans in February 2006 of approximately $88.2 million and $13.7 million, respectively (such loans together, the Intercompany Loan). The Intercompany Loan, which is represented by an intercompany note from Coinmach for the benefit of CSC (the Intercompany Note), is eliminated in consolidation in our financial statements.

Interest under the Intercompany Loan accrues at an annual rate of 10.95% and is payable quarterly on March 1, June 1, September 1 and December 1 of each year, and the Intercompany Loan is due and payable in full on December 1, 2024. The Intercompany Loan is a senior unsecured obligation of Coinmach, ranks equally in right of

payment with all existing and future senior indebtedness of Coinmach (including indebtedness under the Amended and Restated Credit Facility) and ranks senior in right of payment to all existing and future subordinated indebtedness of Coinmach. Certain of Coinmach s domestic restricted subsidiaries guarantee the Intercompany Loan on a senior unsecured basis. The Intercompany Loan contains covenants that are substantially the same as those provided in the Amended and Restated Credit Facility. The Intercompany Loan and the guaranty of the Intercompany Loan by certain subsidiaries of the Company were pledged by us to secure the repayment of the 11% Senior Secured Notes.

If at any time Coinmach is not prohibited from doing so under the terms of its then outstanding indebtedness, in the event that we undertake an offering of IDSs or Class A Common Stock, a portion of the net proceeds of such offering, subject to certain limitations, will be loaned to Coinmach and increase the principal amount of the Intercompany Loan and the guaranty of the Intercompany Loan.

At March 31, 2007, Coinmach was in compliance with the covenants under the Intercompany Loan and was not aware of any events of default pursuant to the terms of such indebtedness. As of March 31, 2007, there was $183.6 million outstanding under the Intercompany Note.

Operating and Investing Activities

We use cash from operating activities to maintain and expand our business. As we have focused on increasing our cash flow from operating activities, we have made significant capital investments, primarily consisting of capital expenditures related to acquisitions, renewals and growth. We anticipate that we will continue to utilize cash flows from operations to finance our capital expenditures and working capital needs.

Capital Expenditures

Capital expenditures excluding approximately $17.9 million relating to acquisition capital expenditures (net of proceeds from the sale of equipment) for the 2007 Fiscal Year were approximately $69.6 million. The primary components of our capital expenditures are (i) machine expenditures, (ii) advance location payments, and (iii) laundry room improvements. Additionally, capital expenditures for the 2007 Fiscal Year included approximately $3.9 million attributable to technology upgrades. The full impact on revenues and cash flow generated from capital expended on the net increase in the installed base of machines is not expected to be reflected in our financial results until subsequent reporting periods, depending on certain factors, including the timing of the capital expended. While we estimate that we will generate sufficient cash flows from operations to finance anticipated capital expenditures, there can be no assurances that we will be able to do so.

The following table sets forth our capital expenditures (excluding payments for capital business acquisitions) for the years indicated (in millions of dollars):

	Year Ended March 31,		
	2007	**2006**	**Change**
Route	$ 62.4	$ 57.3	$ 5.1
Rental	3.3	5.0	(1.7)
Distribution		0.4	(0.4)
Corporate	3.9	6.6	(2.7)
	$ 69.6	$ 69.3	$ 0.3

Management of our working capital, including timing of collections and payments and levels of inventory, affects operating results indirectly. However, our working capital requirements are, and are expected to continue to be, minimal since a significant portion of our operating expenses are commission payments based on a percentage of collections, and are not paid until after cash is collected from the installed machines.

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Summary of Contractual Obligations

The following table sets forth information with regard to disclosures about our contractual obligations and commitments as of March 31, 2007 (in millions of dollars):

		Payment Due in Fiscal Year					
	Total	**2008**	**2009**	**2010**	**2011**	**2012**	**After**
Long-Term Debt Obligations	$ 649.4	$ 2.4	$ 3.2	$ 5.8	$ 5.7	$ 5.7	$ 626.6
Interest on Long-Term Debt (1)	402.4	53.6	53.4	53.1	52.7	52.2	137.4
Capital Lease Obligations (2)	9.1	3.8	2.7	1.5	0.9	0.2	
Operating Lease Obligations	34.1	8.3	7.0	5.9	4.1	2.5	6.3
	$ 1,095.0	$ 68.1	$ 66.3	$ 66.3	$ 63.4	$ 60.6	$ 770.3

(1) As of March 31, 2007, $567.1 million of our long-term debt outstanding under the Amended and Restated Credit Facility term loans was subject to variable rates of interest. Interest expense on these variable rate borrowings for future years was calculated using a weighted average interest rate of approximately 7.875% based on the Eurodollar rate in effect at March 31, 2007. In addition, approximately $82.1 million of

our long-term debt outstanding was subject to a fixed interest rate of 11.0%. In connection with the Amended and Restated Credit Facility, Coinmach is a party to two separate interest rate swap agreements totaling $230.0 million in aggregate notional amount that effectively convert a portion of its floating-rate term loans pursuant to the Amended and Restated Credit Facility to a fixed interest rate of approximately 7.40%, thereby reducing the impact of interest rate changes on future interest expense.

(2) Includes both principal and interest.

Off-balance Sheet Arrangements

At March 31, 2007, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Future Capital Needs and Resources

Our near-term cash requirements are primarily related to payment of interest on our existing consolidated indebtedness, capital expenditures, working capital and, if and when declared by our board of directors, dividend payments on our common stock. Substantially all of our consolidated long-term debt is scheduled to mature on or after December 19, 2012, the date on which the remaining balances under the Amended and Restated Credit Facility s term loans become due. However, our consolidated level of indebtedness will have several important effects on our future

operations including, but not limited to, the following: (i) a significant portion of our cash flow from operations will be required to pay interest on our indebtedness and the indebtedness of our subsidiaries, (ii) the financial covenants contained in certain of the agreements governing such indebtedness will require us and/or our subsidiaries to meet certain financial tests and may limit our respective abilities to borrow additional funds, (iii) our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired and (iv) our ability to adapt to changes in the laundry equipment services industry could be limited.

We continuously evaluate our capital structure objectives and the most efficient uses of our capital, including investment in our lines of business, potential acquisitions, and purchasing, refinancing, exchanging or retiring certain of our and our subsidiaries outstanding debt securities and other instruments in privately negotiated or open market transactions or by other means, to the extent permitted by our existing covenant restrictions. To pursue such transactions we may use external financings, cash flow from operations, or any combination thereof, which in turn will depend on our consolidated cash needs, liquidity, leverage and prevailing economic and financial market conditions. However, should we determine to pursue any one or more of such transactions, there can be no assurance that any such transaction would not adversely affect our liquidity or our ability to satisfy our capital requirements in the near term.

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The most significant factors affecting our near-term cash flow requirements are our ability to generate cash from operations, which is dependent on our ability to attract new and retain existing customers, and our ability to satisfy our debt service and capital expenditure requirements. Considering our anticipated level of capital expenditures, our scheduled interest payments on our consolidated indebtedness, existing contractual obligations, our anticipated dividend payments on our capital stock and subject to the factors described below, we estimate that over the next twelve months cash flow from operations, along with available cash and cash equivalents and borrowings under the Amended and Restated Credit Facility, will be sufficient to fund our operating needs, to service our outstanding consolidated indebtedness, and to pay dividends anticipated to be declared by our board of directors.

Other factors, including but not limited to any significant acquisition transactions, the pursuit of any significant new business opportunities, potential material increases in the cost of compliance with regulatory mandates (including state laws imposing heightened energy and water efficiency standards on clothes washers), tax treatment of our debt, unforeseen reductions in occupancy levels, changes in our competitive environment, or unexpected costs associated with lease renewals, may affect our ability to fund our liquidity needs in the future. In addition, subject to certain limitations contained in the indenture governing the 11% Senior Secured Notes, we may redeem all or part of the then outstanding Class B Common Stock on a pro rata basis. Any exercise by us of such redemption rights will further reduce cash available to fund our liquidity needs.

We intend to annually deduct interest expense on the 11% Senior Secured Notes from taxable income for U.S. federal and state and local income tax purposes. However, if the IRS were successfully to challenge our position that the 11% Senior Secured Notes are debt for U.S. federal income tax purposes, the cumulative interest expense associated with the 11% Senior Secured Notes would not be deductible from taxable income, and we would be required to recognize additional tax expense and establish a related income tax liability. To the extent that any portion of the interest expense is determined not to be deductible, we would be required to recognize additional tax expense and establish a related income tax liability. The additional tax due to federal, state and local authorities would be based on our taxable income or loss for each of the respective years that we take the interest expense deduction and would reduce our after-tax cash flow.

Any disallowance of our ability to deduct interest expense could adversely affect our ability to make interest payments on the 11% Senior Secured Notes and dividend payments on the shares of Class A Common Stock represented by the IDSs as well as dividend payments on the Class B Common Stock. Based on our anticipated level of cash requirements, including capital expenditures, scheduled interest and dividend payments, and existing contractual obligations, we estimate that over the next twelve months cash flow from operations, along with the available cash and cash equivalents and borrowing capacity under the Amended and Restated Credit Facility, will be sufficient to fund our operating needs and to service our indebtedness even if the interest expense deduction is not allowed.

Pursuant to recently enacted federal law, commercial clothes washers manufactured after January 1, 2007 is subject to certain federal energy and water efficiency standards. While we have been informed by certain manufacturers that washers not compliant with said standards will be able to be modified without a material increase in cost in order to meet such standards, there can be no assurance that any such affected washers in our installed base will be able to be modified without a material increase in cost or that the costs of purchasing compliant washers will not increase by a material amount. In addition, new federal standards could be enacted in the future which could result in a significant increase in our capital expenditures and consequently reduce our profit margin. Implementing machines compliant with new laws could result in increased capital costs (including material and equipment costs), labor and installation costs, and in some cases, operation and maintenance costs. Our capital expenditures, as well as those of other industry participants, may significantly increase in order to comply with such new standards.

We continuously monitor our debt position and coordinate our capital expenditure program with expected cash flows and projected interest and dividend payments. However, our actual cash requirements may exceed our current expectations. In the event cash flow is lower than anticipated, we expect to either: (i) reduce capital expenditures, (ii) supplement cash flow from operations with borrowings under the Amended and Restated Credit Facility, or (iii) evaluate other cost-effective funding alternatives. We expect that substantially all of the cash generated by our business in excess of operating needs, debt service obligations and reserves will be distributed to the holders of our

common stock. As a result, we may not retain a sufficient amount of cash to finance growth opportunities or unanticipated capital expenditure needs or to fund our operations in the event of a significant business downturn. In addition, we may have to forego growth opportunities or capital expenditures that would otherwise be necessary or

desirable if we do not find alternative sources of financing. If sources of liquidity are not available or if we cannot generate sufficient cash flow from operations, we might also be required to reduce or eliminate dividends to the extent previously paid or obtain additional sources of funds through capital market transactions, reducing or delaying capital expenditures, refinancing or restructuring our indebtedness, asset sales or financing from third parties, or a combination thereof. Additional sources of funds may not be available or allowed under the terms of our outstanding indebtedness or that of our subsidiaries or, if available, may not have commercially reasonable terms.

Certain Accounting Treatment

Our depreciation and amortization expense, amortization of advance location payments and amortization of intangibles which aggregated approximately $109.2 million for the 2007 Fiscal Year and approximately $108.9 million for the 2006 Fiscal Year reduces our net income, but not our cash flow from operations. In accordance with GAAP, a significant amount of the purchase price representing the value of location contracts arising from businesses acquired by us is allocated to contract rights. Management evaluates the realizability of contract rights balances (if there are indicators of impairment) based upon our forecasted undiscounted cash flows and operating income. Based upon present operations and strategic plans, we believe that no impairment of contract rights has occurred.

Inflation and Seasonality

In general, our laundry operating expenses and general and administrative expenses are affected by inflation and the effects of inflation that may be experienced by us in future periods. We believe that such effects will not be material. Our business generally is not seasonal.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our principal exposure to market risk relates to changes in interest rates on our long term borrowings. Our operating results and cash flow would be adversely affected by an increase in interest rates. As of March 31, 2007, we had approximately $337.1 million outstanding relating to our variable rate debt portfolio.

Our future earnings, cash flow and fair values relevant to financial instruments are dependent upon prevalent market rates. Market risk is the risk of loss from adverse changes in market prices and interest rates. If market rates of interest on our variable interest rate debt increased by 2.0% (or 200 basis points), our annual interest expense on such variable interest rate debt would increase by approximately $6.7 million, assuming the total amount of variable interest rate debt outstanding was $337.1 million, the balance as of March 31, 2007.

On November 17, 2005, Coinmach entered into two separate interest rate swap agreements totaling $230.0 million in aggregate notional amount that effectively convert a portion of its floating-rate term loans pursuant to the Amended and Restated Credit Facility to a fixed rate basis, thereby reducing the impact of interest rate changes on future interest expense. The two swap agreements consist of: (i) a $115.0 million notional amount interest rate swap transaction with a financial institution effectively fixing the three-month LIBOR interest rate (as determined therein) at 4.90% and expiring on November 1, 2010, and (ii) a $115.0 million notional amount interest rate swap transaction with a financial institution effectively fixing the three-month LIBOR interest rate (as determined therein) at 4.89% and expiring on November 1, 2010. These interest rate swaps used to hedge the variability of forecasted cash flows attributable to interest rate risk were designated as cash flow hedges.

Our fixed debt instruments are not generally affected by a change in the market rates of interest, and therefore, such instruments generally do not have an impact on future earnings. However, as fixed rate debt matures, future earnings and cash flows may be impacted by changes in interest rates related to debt acquired to fund repayments under maturing facilities.

We do not use derivative financial instruments for trading purposes and are not exposed to foreign currency.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our audited consolidated financial statements and the notes thereto are contained in pages F-1 through F-40 hereto.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Management s Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934 (the Exchange Act), as amended, our management, including our chief executive officer and our chief financial officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2007. As defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, disclosure controls and procedures are controls and other procedures that we use that are designed to ensure that (i) information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms, and (ii) information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, we evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2007. Based specifically on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2007.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

Our internal control system is designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published consolidated financial statements for external purposes and in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of the assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management performed an assessment of the effectiveness of our internal controls over financial reporting as of March 31, 2007 using the specific criteria set forth in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The objective of this assessment is to determine whether our internal control over financial reporting was effective as of March 31, 2007.

Based on this assessment, management concluded that our internal control over financial reporting was effective as of March 31, 2007. Management has not identified any material weaknesses in our internal control over financial reporting as of March 31, 2007.

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Our management s assessment of the effectiveness of our internal control over financial reporting as of March 31, 2007 was audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which expresses an unqualified opinion on management s assessment of the effectiveness of our internal control over financial reporting as of March 31, 2007.

Changes in Internal Control over Financial Reporting

As required by Rule 13a-15(d) under the Exchange Act, our management, including our chief executive officer and our chief financial officer, also conducted an evaluation of our internal control over financial reporting to determine whether any change occurred during the quarter ended March 31, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, our chief executive officer and our chief financial officer concluded that there has been no change during the 2007 Fiscal Year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including the chief executive officer and chief financial officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

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**Report of Independent Registered Public Accounting Firm
on Internal Control Over Financial Reporting**

To the Board of Directors and Shareholders of Coinmach Service Corp.

We have audited management s assessment, included in the accompanying Management s Report on Internal Control Over Financial Reporting, that Coinmach Service Corp. and Subsidiaries (the Company) maintained effective internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed 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. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management s assessment that the Company maintained effective internal control over financial reporting as of March 31, 2007, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2007, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2007 consolidated financial statements of the Company and our report dated June 1, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
New York, New York
June 1, 2007

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Item 9B. OTHER INFORMATION

There was no information required to be disclosed in a Current Report on Form 8-K during the fourth quarter of the fiscal year covered by this Annual Report on Form 10-K that was not reported.

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PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

With the exception of the information relating to our Code of Business Conduct and Ethics that is presented in Part I, Item 1 of this report under the heading Available Information , the information required by this item will appear in the sections entitled Proposal 1 Election of Directors, Executive Compensation and Corporate Governance , included in our definitive proxy statement relating to our 2007 annual meeting of stockholders, which information is incorporated herein by reference.

Item 11. EXECUTIVE COMPENSATION

The information required by this item will appear in the section entitled Executive Compensation included in our definitive proxy statement relating to our 2007 annual meeting of stockholders, which information is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item will appear in the sections entitled Stock Ownership of Certain Beneficial Owners and Executive Compensation included in our definitive proxy statement relating to our 2007 annual meeting of stockholders, which information is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item will appear in the section entitled Certain Relationships and Related Transactions and Corporate Governance included in our definitive proxy statement relating to our 2007 annual meeting of stockholders, which information is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item will appear in the section entitled Proposal 2 Ratification of Appointment of the Independent Registered Public Accounting Firm included in our definitive proxy statement relating to our 2007 annual meeting of stockholders, which information is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this report:

(1)(2) Financial Statements and Schedules required to be filed in satisfaction of Item 8 see Index to Consolidated Financial Statements and Schedule appearing on Page F-1. Schedules not required have been omitted.

(3) Exhibits: Those exhibits required to be filed by Item 601 of Regulation S-K under the Securities Act are listed in the Exhibit Index, and such listing is incorporated by reference herein.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Coinmach Service Corp. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Town of Plainview, State of New York on June 5, 2007.

COINMACH SERVICE CORP.

By: /s/ STEPHEN R. KERRIGAN
Stephen R. Kerrigan
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated.

Date: June 5, 2007	By: /s/ STEPHEN R. KERRIGAN Stephen R. Kerrigan *Chairman of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer)*
Date: June 5, 2007	By: /s/ ROBERT M. DOYLE Robert M. Doyle *Chief Financial Officer, Senior Vice President Secretary and Treasurer (Principal Financial and Accounting Officer)*
Date: June 5, 2007	By: /s/ BRUCE V. RAUNER Bruce V. Rauner *Director*
Date: June 5, 2007	By: /s/ DAVID A. DONNINI David A. Donnini *Director*
Date: June 5, 2007	By: /s/ JAMES N. CHAPMAN James N. Chapman *Director*
Date: June 5, 2007	By: /s/ WOODY M. McGEE Woody M. McGee *Director*

Date: June 5, 2007	By: /s/ JOHN R. SCHEESSELE John R. Scheessele *Director*
Date: June 5, 2007	By: /s/ WILLIAM M. KELLY William M. Kelly *Director*

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(All other financial schedules have been omitted because they are not applicable, or not required, or because the required information is included in the consolidated financial statements or notes thereto.)

Report of Independent Registered Public Accounting Firm

To the Board of Directors of Coinmach Service Corp.

We have audited the accompanying consolidated balance sheets of Coinmach Service Corp. and Subsidiaries (the Company) as of March 31, 2007 and 2006, and the related consolidated statements of operations, stockholders equity (deficit), and cash flows for each of the three years in the period ended March 31, 2007. Our audits also included the financial statement schedule listed in the Index. These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Coinmach Service Corp. and Subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company s internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated June 1, 2007, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
New York, New York
June 1, 2007

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Coinmach Service Corp. and Subsidiaries
Consolidated Balance Sheets

	March 31,	
	2007	2006
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 39,030	$ 62,008
Receivables, less allowance of $3,372 and $4,326	6,755	5,935
Inventories	14,575	11,458
Prepaid expenses	4,997	4,375
Interest rate swap asset		2,615
Other current assets	2,377	1,796
Total current assets	67,734	88,187
Advance location payments	64,371	67,242
Property, equipment and leasehold improvements:		
Laundry equipment and fixtures	629,394	578,700
Land, building and improvements	43,126	39,098
Trucks and other vehicles	43,146	37,624
	715,666	655,422
Less accumulated depreciation and amortization	(475,926)	(403,024)
Net property, equipment and leasehold improvements	239,740	252,398
Contract rights, net of accumulated amortization of $128,466 and $114,535	294,800	296,912
Goodwill	208,590	206,196
Other assets	8,608	11,531
Total assets	$ 883,843	$ 922,466
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 21,592	$ 17,828
Accrued expenses	14,204	15,128
Accrued rental payments	33,019	33,044
Accrued interest	6,847	3,563
Interest rate swap liability	155	
Current portion of long-term debt	5,527	11,151
Total current liabilities	81,344	80,714
Deferred income taxes	50,005	49,984
Long-term debt, less current portion	651,768	653,102

Total liabilities	783,117	783,800
Stockholders equity:		
Class A Common Stock $0.01 par value; 100,000,000 shares authorized; 29,260,030 shares issued and outstanding at March 31, 2007 and 29,113,641 shares issued and outstanding at March 31, 2006	292	291
Class B Common Stock $0.01 par value; 100,000,000 shares authorized; 23,374,450 shares issued and outstanding at March 31, 2007 and March 31, 2006	234	234
Capital in excess of par value	389,862	389,616
Carryover basis adjustment	(7,988)	(7,988)
Accumulated other comprehensive (loss) income, net of tax	(231)	1,547
Accumulated deficit	(281,443)	(245,034)
Total stockholders equity	100,726	138,666
Total liabilities and stockholders equity	$ 883,843	$ 922,466

See accompanying notes.

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Coinmach Service Corp. and Subsidiaries
Consolidated Statements of Operations

	Year Ended March 31,		
	2007	2006	2005
	(In thousands, except share data)		
Revenues	$ 555,298	$ 543,485	$ 538,604
Cost and expenses:			
Laundry operating expenses (exclusive of depreciation and amortization and amortization of advance location payments)	375,137	370,647	367,974
General and administrative (including stock-based compensation expense of $253, $210 and $74, respectively)	12,837	12,517	9,694
Depreciation and amortization	74,378	75,556	76,431
Amortization of advance location payments	20,482	19,219	19,578
Amortization of intangibles	14,372	14,118	14,431
Other items, net		310	855
	497,206	492,367	488,963
Operating income	58,092	51,118	49,641
Interest expense	55,014	60,099	58,572
Interest expense non cash preferred stock dividends			18,230
Interest expense escrow interest			941
Transaction costs	845	31,486	17,389
Income (loss) before income taxes	2,233	(40,467)	(45,491)
Provision (benefit) for income taxes:			
Current	1,068	400	
Deferred	1,012	(16,285)	(10,166)
	2,080	(15,885)	(10,166)
Net income (loss)	$ 153	$ (24,582)	$ (35,325)
Distributed earnings per share:			
Class A Common Stock	$ 0.82	$ 0.82	$ 0.09
Class B Common Stock	$ 0.53	$	$ 0.04
Basic and diluted net income (loss) per share:			
Class A Common Stock	$ 0.13	$ (0.11)	$ (1.13)
Class B Common Stock	$ (0.16)	$ (0.93)	$ (1.18)
Weighted average common stock outstanding:			
Class A Common Stock	29,056,063	20,465,051	6,255,661
Class B Common Stock	23,374,450	24,846,612	24,980,445
Cash dividends per share			
Class A Common Stock	$ 0.82	$ 0.82	$ 0.09
Class B Common Stock	$ 0.53	$	$ 0.04

See accompanying notes.

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Coinmach Service Corp. and Subsidiaries
Consolidated Statements of Stockholders (Deficit) Equity

	Class A Common Stock	Class B Common Stock	Common Stock	Capital in Excess of Par	Carryover Basis Adjustment	Accumulated Other Comprehensive (Loss) Income Net of Tax	Accumulated Deficit	Deferred Compensation	Total Stockholders (Deficit) Equity
	(in thousands)								
Balance, March 31, 2004	$	$	$ 167	$ 5,022	$ (7,988)	$ (2,006)	$ (164,728)	$ (86)	$ (169,619)
Issuance of common stock (net of issuance costs of $12,479)	189			129,169					129,358
Exchange of preferred and common stock for Class B Common Stock		250	(167)	184,847					184,930
Comprehensive loss:									
Net loss							(35,325)		(35,325)
Gain on derivative instruments, net of income tax of $1,931						2,498			2,498
Total comprehensive loss									(32,827)
Dividends							(2,701)		(2,701)
Stock-based compensation								74	74
Balance, March 31, 2005	189	250		319,038	(7,988)	492	(202,754)	(12)	109,215
Issuance of common stock (net of issuance costs of $8,155)	123			102,536					102,659
Purchase and retirement of Class A and	(22)	(16)		(32,327)					(32,365)

Class B common stock									
Comprehensive loss:									
Net loss							(24,582)		(24,582)
Gain on derivative instruments, net of income tax of $723						1,055			1,055
Total comprehensive loss									(23,527)
Adjustment to IDS transaction costs				172					172
Dividends							(17,698)		(17,698)
Stock-based compensation	1			197				12	210
Balance, March 31, 2006	291	234		389,616	(7,988)	1,547	(245,034)		138,666
Issuance costs				(6)					(6)
Comprehensive loss:									
Net income							153		153
Loss on derivative instruments, net of income tax of $1,131						(1,778)			(1,778)
Total comprehensive loss									(1,625)
Dividends							(36,562)		(36,562)
Stock-based compensation	1			252					253
Balance, March 31, 2007	$ 292	$ 234	$	$ 389,862	$ (7,988)	$ (231)	$ (281,443)	$	$ 100,726

See accompanying notes.

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Coinmach Service Corp. and Subsidiaries
Consolidated Statements of Cash Flows

	Year Ended March 31		
	2007	2006	2005
	(In thousands)		
Operating activities			
Net income (loss)	$ 153	$ (24,582)	$ (35,325)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	74,378	75,556	76,431
Amortization of advance location payments	20,482	19,219	19,578
Amortization of intangibles	14,372	14,118	14,431
Interest expense non cash preferred stock dividend			18,230
Deferred income taxes	1,012	(16,285)	(10,166)
Amortization of deferred issue costs	792	1,905	2,326
Premium on redemption of 9% senior notes due 2010		14,603	11,295
Premium on redemption of 11% senior secured notes due 2024	417	4,833	
Write-off of deferred issue costs	414	9,566	3,475
Gain on sale of investment and equipment	(469)	(327)	(557)
Stock based compensation	253	210	74
Change in operating assets and liabilities, net of businesses acquired:			
Other assets	438	(805)	968
Receivables, net	(379)	880	(279)
Inventories and prepaid expenses	(3,312)	1,593	(702)
Accounts payable and accrued expenses, net	1,820	1,603	3,256
Accrued interest	3,284	(5,949)	1,963
Net cash provided by operating activities	113,655	96,138	104,998
Investing activities			
Additions to property, equipment and leasehold improvements	(54,854)	(57,937)	(53,444)
Advance location payments to location owners	(16,399)	(14,239)	(18,051)
Additions to net assets related to acquisitions of businesses, net of cash acquired	(17,914)	(3,436)	(628)
Proceeds from sale of investment			277
Proceeds from sale of property and equipment	1,606	2,884	919
Net cash used in investing activities	(87,561)	(72,728)	(70,927)

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Coinmach Service Corp. and Subsidiaries
Consolidated Statements of Cash Flows (continued)

	Year Ended March 31		
	2007	2006	2005
		(In thousands)	
Financing activities			
Proceeds from issuance of Class A Common Stock	$	$ 102,659	$
Common stock repurchases		(32,365)	
Redemption of preferred stock			(99,208)
Cash dividends paid	(36,562)	(17,698)	(2,701)
Proceeds from credit facility		570,000	
Repayments under credit facility	(2,300)	(241,082)	(19,830)
Redemption of 11% senior secured notes due 2024	(5,649)	(48,401)	
Payment of premium on 11% senior secured notes due 2024	(417)	(4,833)	
Issuance costs	(6)	(3,108)	
Principal payments on capitalized lease obligations	(3,985)	(4,668)	(4,331)
(Repayments to) borrowings from bank and other borrowings	(153)	(246)	105
IDS and third party senior secured notes issuance costs		172	(23,643)
Proceeds from issuance of IDSs			257,983
Redemption of 9% senior notes due 2010		(324,500)	(125,500)
Payment of premium on 9% senior notes due 2010		(14,603)	(11,295)
Proceeds from issuance of third party senior secured notes			20,000
Net cash used in financing activities	(49,072)	(18,673)	(8,420)
Net (decrease) increase in cash and cash equivalents	(22,978)	4,737	25,651
Cash and cash equivalents, beginning of year	62,008	57,271	31,620
Cash and cash equivalents, end of year	$ 39,030	$ 62,008	$ 57,271
Supplemental disclosure of cash flow information			
Interest paid	$ 50,938	$ 64,143	$ 55,224
Income taxes paid	$ 658	$ 254	$ 301
Non cash investing and financing activities			
Acquisition of fixed assets through capital leases	$ 5,128	$ 4,759	$ 4,199
Transfer of assets held for sale to fixed assets	$	$ 1,936	$

See accompanying notes.

Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements include the accounts of Coinmach Service Corp., a Delaware corporation (CSC), and all of its subsidiaries, including Coinmach Corporation, a Delaware corporation (Coinmach). All significant intercompany profits, transactions and balances have been eliminated in consolidation. CSC was incorporated on December 23, 2003 as a wholly-owned subsidiary of Coinmach Holdings, LLC, a Delaware limited liability company, (Holdings). Holdings, was formed on November 15, 2002. Unless otherwise specified herein, references to the Company , we , us and our shall mean CSC and its subsidiaries.

CSC and its wholly owned subsidiaries are providers of outsourced laundry equipment services for multi-family housing properties in North America. The Company s core business (which the Company refers to as the route business) involves leasing laundry rooms from building owners and property management companies, installing and servicing laundry equipment, and collecting revenues generated from laundry machines. Through Appliance Warehouse of America, Inc., a Delaware corporation jointly-owned by CSC and Coinmach, (AWA) the Company rents laundry machines and other household appliances to property owners, managers of multi-family housing properties, and to a lesser extent, individuals and corporate relocation entities. Super Laundry Equipment Corp. a Delaware corporation and a wholly-owned subsidiary of Coinmach, (Super Laundry), constructs, designs and retrofits laundromats and distributes laundromat equipment.

The IDS Transactions

CSC had no operating activity from the date of its incorporation through November 24, 2004. On November 24, 2004, CSC completed its initial public offerings (collectively, the IPO) of (i) 18,911,532 Income Deposit Securities (IDSs) at a price to the public of $13.64 per IDS (each IDS consisting of one share of Class A common stock, par value $0.01 per share (the Class A Common Stock) and an 11% senior secured note due 2024 in a principal amount of $6.14), and (ii) $20.0 million aggregate principal amount of 11% senior secured notes due 2024 separate and apart from the IDSs (such notes, together with the 11% senior secured notes underlying IDSs, the 11% Senior Secured Notes).

In connection with the IPO and certain related corporate reorganization transactions, (i) Holdings exchanged its capital stock of Coinmach Laundry Corporation, a Delaware corporation (CLC) and all of its shares of common stock of AWA for 24,980,445 shares of the Company s Class B common stock, par value $0.01 per share (the Class B Common Stock), representing all of the Class B Common Stock outstanding, and (ii) CLC, at the time a direct wholly-owned subsidiary of Holdings, became a direct wholly-owned subsidiary of CSC. As a result, the Class B Common Stock of CSC became owned by Holdings.

The IPO and related transactions and use of proceeds therefrom are referred to herein collectively as the IDS Transactions. The corporate reorganization transactions were recorded by CSC at carryover basis. Accordingly, the accompanying financial statements include the accounts of CLC and its subsidiaries as if they had been wholly-owned by CSC as of the beginning of the earliest period reported. All significant intercompany accounts and transactions have been eliminated.

The proceeds of the IPO were allocated to the Class A Common Stock and the underlying 11% Senior Secured Notes based on their respective relative fair values. The price paid for the IDSs was equivalent to the fair value of $7.50 per share of Class A Common Stock and $6.14 in a principal amount of an 11% Senior Secured Note underlying the IDS, and the fair value of the separate notes was equivalent to their face value.

Net proceeds from the IPO were approximately $254.5 million after expenses including underwriting discounts and commissions. CSC used a portion of the proceeds from the IPO to make an intercompany loan (the Intercompany Loan) to Coinmach in the aggregate principal amount of approximately $81.7 million and a capital contribution to CLC aggregating approximately $170.8 million, of which approximately $165.6 million was contributed by CLC to Coinmach. The Intercompany Loan is represented by an intercompany note from Coinmach for the benefit of CSC (the Intercompany Note). Coinmach used the net proceeds along with available cash to (i) redeem a portion of Coinmach s 9% senior notes due 2010 (the 9% Senior Notes) in an aggregate principal amount of $125.5 million (plus approximately $4.5 million of accrued interest and approximately $11.3 million of related redemption premium),

which notes were redeemed on December 24, 2004, (ii) repay approximately $15.5

Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

million of outstanding term loans under Coinmach s senior secured credit facility (the Senior Secured Credit Facility) and (iii) redeem approximately $91.8 million of CLC s outstanding Class A Preferred Stock (as defined below) (representing all of its then outstanding Class A Preferred Stock) and approximately $7.4 million of CLC s outstanding Class B Preferred Stock (representing a portion of its then outstanding Class B Preferred Stock).

As a result of the IDS Transactions, the Company incurred approximately $23.5 million in issuance costs, including underwriting discounts and commissions, of which approximately $12.4 million was recorded as a reduction of the proceeds from the sale of the equity component of the IDS equity and approximately $11.1 million related to the 11% Senior Secured Notes was capitalized as deferred financing costs to be amortized using the effective interest method through November 24, 2024. The issuance costs were allocated between equity and debt based on the ratio of the respective relative fair values of the components of the IDSs issued. In addition to the issuance costs, CSC incurred certain expenses that were classified as transaction costs on the Consolidated Statements of Operations for the fiscal year ended March 31, 2005, which included (1) the $11.3 million redemption premium on the portion of 9% Senior Notes redeemed, (2) the write-off of the unamortized deferred financing costs related to the redemption of the 9% Senior Notes and the repayment of the term loans aggregating approximately $3.5 million, (3) expenses aggregating approximately $1.8 million relating to an amendment to the Senior Secured Credit Facility effected on November 15, 2004 to, among other things, permit the IDS Transactions, and (4) special bonuses to senior management related to the IDS Transactions aggregating approximately $0.8 million. CSC incurred additional expenses that were classified as transaction costs on the Consolidated Statements of Operations for the fiscal year ended March 31, 2006 of approximately $0.3 million, relating to the IDS Transactions.

The Class A Common Stock Offering

On February 8, 2006, CSC completed a public offering of 12,312,633 shares of Class A Common Stock (including an overallotment exercise by the underwriters on February 17, 2006) at a price to the public of $9.00 per share (the Class A Offering). Net proceeds from the Class A Offering, including net proceeds from the exercise of the overallotment option, were approximately $102.7 million after deducting underwriting discounts, commissions and other estimated expenses. To the extent required by the indenture governing the 11% Senior Secured Notes, approximately $101.9 million of the net proceeds from the Class A Offering were loaned to Coinmach in the form of additional indebtedness under the Intercompany Loan (such additional indebtedness is referred to as the Additional Intercompany Loan). Coinmach distributed the net proceeds from the Class A Offering to CLC who in turn distributed them to the Company. As a result of the Class A Offering, the Company incurred approximately $8.2 million in issuance costs, including underwriting discounts and commissions, which was recorded as a reduction of the proceeds from its sale of the Class A Common Stock. In addition to the issuance costs, CSC incurred certain expenses that were classified as transaction costs on the Consolidated Statements of Operation for the fiscal year ended March 31, 2006, which included (i) the premium (including an early tender payment of approximately $0.5 million) paid to redeem the 11% Senior Secured Notes of approximately $4.8 million, (ii) the write-off of a proportionate amount of unamortized deferred financing costs of approximately $3.4 million and (iii) certain direct expenses related to the Tender Offer of approximately $1.0 million which included approximately $0.5 million relating to special bonuses.

The net proceeds of the Class A Offering, upon their distribution to CSC, were used (i) to purchase approximately $48.4 million aggregate principal amount outstanding of 11% Senior Secured Notes pursuant to the Tender Offer described in Note 3, and related fees and expenses, (ii) to repurchase 2,199,413 shares of Class A Common Stock owned by an affiliate of GTCR CLC, LLC (the controlling equity investor in Holdings) at a repurchase price of $8.505 per share or aggregating approximately $18.7 million, (iii) to repurchase 1,605,995 shares of Class B Common Stock at a repurchase price of $8.505 per share or aggregating approximately $13.7 million in the aggregate and (iv) for general corporate purposes.

Subject to the satisfaction of certain conditions, the indenture governing the 11% Senior Secured Notes permits us to merge CLC and Coinmach into CSC. We refer to such potential mergers collectively as the Merger Event. If we were to consummate the Merger Event in the future, CSC would become an operating company as well as the direct borrower under the Senior Credit Facility (as defined below) and sole owner of the capital stock of Coinmach s

subsidiaries. We are not currently contemplating completion of the Merger Event.

Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Voting Rights of Common Stock

Pursuant to CSC s amended and restated certificate of incorporation, (i) on all matters for which a vote of CSC stockholders is required, each holder of shares of Class A Common Stock is entitled to one vote per share and (ii) only Class A common stockholders may vote, as a single class, to amend provisions of the certificate of incorporation relating to any change that materially adversely affects voting and dividend rights or restrictions solely to which shares of Class A Common Stock are entitled or subject and does not materially adversely affect the voting, dividend or redemption rights or restrictions solely to which shares of Class B Common Stock are entitled or subject, and any such amendment will require the affirmative vote of the holders of a majority of such class.

In addition, on all matters for which a vote of CSC stockholders is required, each holder of Class B Common Stock is initially entitled to two votes per share. However, if at any time Holdings and certain permitted transferees collectively own less than 25% in the aggregate of our then outstanding shares of Class A Common Stock and Class B Common Stock (subject to adjustment in the event of any split, reclassification, combination or similar adjustments in shares of CSC common stock), at such time, and at all times thereafter, all holders of Class B Common Stock shall only be entitled to one vote per share on all matters for which a vote of CSC common stockholders is required. The dividend and redemption rights of Class B common stockholders and their exclusive right to vote on the amendment of certain provisions of CSC s certificate of incorporation would not be affected by such event. Only the Class B common stockholders may vote, as a single class, to amend provisions of the certificate of incorporation relating to (i) an increase or decrease in the number of authorized shares of Class B Common Stock or (ii) changes that affect voting, dividend or redemption rights or restrictions solely to which shares of Class B Common Stock are entitled or subject and do not materially adversely affect the dividend or voting rights or restrictions to which the shares of Class A Common Stock are entitled or subject. Any such amendment will require the affirmative vote of the holders of a majority of all the outstanding shares of Class B Common Stock.

On all matters on which all holders of the Company s common stock are entitled to vote, such holders will vote together as a single class, and the a majority of the votes of such class will be required for the approval of any such matter.

Dividends

Pursuant to CSC s current dividend policy, CSC intends to pay dividends on its Class A Common Stock on each March 1, June 1, September 1 and December 1 to holders of record as of the preceding February 25, May 25, August 25 and November 25, respectively, in each case with respect to the immediately preceding fiscal quarter. CSC also currently intends to pay annual dividends on its Class B Common Stock on each June 1 to holders of record as of the preceding May 25 with respect to the immediately preceding fiscal year, subject to certain limitations and exceptions with respect to such dividends, if any. The payment of dividends by CSC on its common stock is subject to the sole discretion of the board of directors of CSC, various limitations imposed by the certificate of incorporation of CSC, the terms of outstanding indebtedness of CSC and Coinmach, and applicable law. Payment of dividends on all classes of CSC common stock will not be cumulative.

2. Summary of Significant Accounting Policies

Recognition of Revenues

The Company has agreements with various property owners that provide for the Company s installation and operation of laundry machines at various locations in return for a commission. These agreements provide for both contingent (percentage of revenues) and fixed commission payments.

The Company reports revenues from laundry machines on the accrual basis and has accrued the cash estimated to be in the machines at the end of each fiscal year. The Company calculates the estimated amount of cash and coin not yet collected at the end of a reporting period, which remain at laundry room locations by multiplying the average daily collection amount applicable to the location with the number of days the location had not been collected. The Company analytically reviews the estimated amount of cash and coin not yet collected at the end of a reporting period by comparing such amount with collections subsequent to the reporting period.

Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

AWA has short-term contracts under which it leases laundry machines and other household appliances to its customers. These contracts require a fixed charge that is billed and recorded as revenue on a monthly basis as per the terms of such contracts.

Super Laundry s customers generally sign sales contracts pursuant to which Super Laundry constructs and equips complete laundromat operations. Revenue is recognized on the completed contract method. A contract is considered complete when all costs have been incurred and either the installation is operating according to specifications or has been accepted by the customer. The duration of such contracts is normally less than six months. Construction-in-progress, the amount of which is not material, is classified as a component of inventory on the accompanying balance sheets. Sales of laundromats amounted to approximately $19.4 million for the fiscal year ended March 31, 2007, $20.0 million for the fiscal year ended March 31, 2006 and $24.1 million for the fiscal year ended March 31, 2005.

No single customer represents more than 2% of the Company s total revenues. In addition, the Company s ten largest customers taken together account for less than 10% of the Company s total revenues.

Use of Estimates

Preparing financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications were made to the prior years consolidated financial statements to conform to the current year presentation.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Inventories

Inventory costs for the route business and AWA are determined principally by using the average cost method and are stated at the lower of cost or net realizable value. Inventory costs for Super Laundry are valued at the lower of cost (first-in, first-out) or market. Machine repair parts inventory is valued using a formula based on total purchases and the annual inventory turnover. Inventory consists of the following (in thousands):

	March 31,	
	2007	2006
Laundry equipment	$ 10,825	$ 7,884
Machine repair parts	3,750	3,574
	$ 14,575	$ 11,458

Long-Lived Assets

Long-lived assets held for use are subject to an impairment assessment if the carrying value is no longer recoverable based upon the undiscounted cash flows of the assets. The amount of the impairment is the difference between the carrying amount and the fair value of the asset. Management does not believe there is any impairment of long-lived assets at March 31, 2007.

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Assets Held for Sale

During the year ended March 31, 2004, the Company constructed five laundromats that were expected to be sold no later than the end of fiscal 2005. Although the laundromats were not sold, the Company continued to market them through September 30, 2005. The Company had determined that the plan of sale criteria in FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, had been met. At September 30, 2005, the Company had accepted an offer to sell one of the laundromats for a purchase price of approximately $0.4 million, which closed on October 19, 2005, and which resulted in a write down of the related asset value by approximately $0.2 million. This write down is reflected in Other Items, net, on the Statement of Operations for the fiscal year ended March 31, 2006. In addition, the Company reclassified the balance of the remaining laundromats from Assets Held for Sale to Fixed Assets because the Company had ceased all marketing efforts and had decided to operate these facilities as part of its retail operations. The amount transferred was approximately $1.9 million as of December 31, 2005, which represented their historical costs. The Company believed the fair value of these laundromats exceeded the historical cost on the date of transfer.

Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are carried at cost and are depreciated or amortized on a straight-line basis over the lesser of the estimated useful lives or lease life, whichever is shorter:

Laundry equipment, installation costs and fixtures	5 to 8 years
Leasehold improvements and decorating costs	5 to 8 years
Trucks and other vehicles	3 to 4 years

The cost of installing laundry machines is capitalized and included with laundry equipment. Decorating costs, which represent the costs of refurbishing and decorating laundry rooms in property-owner facilities, are capitalized and included with leasehold improvements.

Upon the sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in income. Maintenance and repairs are charged to operations currently, and replacements of laundry machines and significant improvements are capitalized.

Capitalized Software Development Costs

We have developed software to be utilized internally by our customer service representatives. Expenditures related to such qualifying computer software costs incurred during the application development stage, have been capitalized by us since the activities performed during this stage will create probable future economic benefits. In order for computer software costs to be considered internal-use software, the costs must have the following characteristics: (i) the software must be internally developed, acquired, or modified solely to meet our internal needs and (ii) no plan exists or is being developed to market the software externally during the development or modification of the software. Once we determined that such expenditures were available for actual application, these expenditures were expensed as incurred, similar to maintenance.

Capitalized software costs are amortized on a straight-line basis over three years which is the estimated useful life of the software product. Unamortized software development costs were approximately $9.3 million and $8.4 million at March 31, 2007 and 2006, respectively, and are included in other assets. Amortization expense was approximately $3.1 million, $1.9 million and $1.8 million for the fiscal years ended March 31, 2007, 2006 and 2005, respectively.

Goodwill

The Company accounts for goodwill in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 142 (SFAS 142) Goodwill and Other Intangible Assets. SFAS 142 requires an annual impairment test of goodwill. Goodwill is further tested between annual tests if an event occurs or circumstances

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. SFAS 142 requires a two-step process in evaluating goodwill. In performing the annual goodwill assessment, the first step requires comparing the fair value of the reporting unit to its carrying value. To the extent that the carrying value of the reporting unit exceeds the fair value, the Company would need to perform the second step in the impairment test to measure the amount of goodwill write-off. The fair value of the reporting units for these tests is based upon a discounted cash flow model. In step two, the fair value of the reporting unit is allocated to the reporting units assets and liabilities (a hypothetical purchase price allocation as if the reporting unit had been acquired on that date). The implied fair value of goodwill is calculated by deducting the allocated fair value of all tangible and intangible net assets of the reporting unit from the fair value of the reporting unit as determined in step one. The remaining fair value, after assigning fair value to all of the reporting units assets and liabilities, represents the implied fair value of goodwill for the reporting unit. If the implied fair value is less than the carrying value of goodwill, an impairment loss equal to the difference would be recognized. The Company has determined that its reporting units with goodwill consist of the route business, AWA and Super Laundry. Goodwill attributed to the route business, AWA and Super Laundry at March 31, 2007 and 2006 is as follows (in thousands):

	March 31,	
	2007	**2006**
Route	$ 197,158	$ 195,026
Rental	8,515	8,253
Distribution	2,917	2,917
	$ 208,590	$ 206,196

The Company performed its annual assessment of goodwill as of January 1, 2007 and determined that no impairment exists. There can be no assurances that future goodwill impairment tests will not result in a charge to income. Goodwill rollforward for the years ended March 31, 2007 and 2006 consists of the following (in thousands):

	March 31,	
	2007	**2006**
Goodwill beginning of year	$ 206,196	$ 204,780
Acquisitions	2,394	1,416
Goodwill end of year	$ 208,590	$ 206,196

Contract Rights

Contract rights represent the value of location contracts arising from the acquisition of laundry machines on location. These amounts, which arose primarily from purchase price allocations pursuant to acquisitions, are amortized using accelerated methods over periods ranging from 30 to 35 years. The Company does not record contract rights relating to new locations signed in the ordinary course of business.

Amortization expense for contract rights for each of the next five years is estimated to be as follows (in millions of dollars):

Years ending March 31,	
2008	$ 13.6
2009	13.3
2010	12.9
2011	12.6

2012	12.3

The Company assesses the recoverability of contract rights in accordance with the provisions of SFAS No. 144 (SFAS 144), Accounting for the Impairment and Disposal of Long-Lived Assets. The Company has twenty-eight geographic regions to which contract rights have been allocated. The Company has contracts at every

Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

location/property, and analyzes revenue and certain direct costs on a contract-by-contract basis, however, the Company does not allocate common region costs and servicing costs to contracts, therefore regions represent the lowest level of identifiable cash flows in grouping contract rights. The assessment includes evaluating the financial results/cash flows and certain statistical performance measures for each region in which the Company operates. Factors that generally impact cash flows include commission rates paid to property owners, occupancy rates at properties, sensitivity to price increases, loss of existing machine base, and the regions general economic conditions. If as a result of this evaluation there are indicators of impairment that result in losses to the machine base, or an event occurs that would indicate that the carrying amounts may not be recoverable, the Company reevaluates the carrying value of contract rights based on future undiscounted cash flows attributed to that region and records an impairment loss based on discounted cash flows if the carrying amount of the contract rights are not recoverable from undiscounted cash flows. Based on present operations and strategic plans, management believes that there have not been any indicators of impairment of contract rights or long lived assets.

On April 3, 2006, the Company completed the acquisition of substantially all of the assets of American Sales, Inc. (ASI) for a purchase of $15.0 million, subject to the outcome of certain purchase price adjustments. The Company allocated approximately $1.9 million to goodwill, approximately $9.7 million to contract rights and approximately $3.4 million to working capital assets.

During the fiscal year ended March 31, 2007, the Company completed other acquisitions included in the route and rental businesses for a purchase price aggregating approximately $3.7 million of which the Company allocated approximately $0.5 million to goodwill, approximately $2.1 million to contract rights and approximately $1.1 million to working capital assets.

Advance Location Payments

Advance location payments to location owners are paid at the inception or renewal of a lease for the right to operate applicable laundry rooms during the contract period, in addition to commission to be paid during the lease term, and are amortized on a straight-line basis over the contract term, which generally ranges from 5 to 10 years. Prepaid rent is included on the balance sheet as a component of prepaid expenses.

Comprehensive (Loss) Income

Comprehensive (loss) income is defined as the aggregate change in stockholders equity excluding changes in ownership interests. Comprehensive (loss) income consists of gains on derivative instruments (interest rate swap agreements).

Other Assets

At March 31, 2007, other assets include deferred financing costs related to the 11% Senior Secured Notes and the Amended and Restated Credit Facility of approximately $8.7 million, net of accumulated amortization of approximately $3.4 million.

Income Taxes

The Company accounts for income taxes pursuant to the liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Any deferred tax assets recognized for net operating loss carryforwards and other items are reduced by a valuation allowance when it is more likely than not that the benefits may not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Derivatives

The Company accounts for derivatives pursuant to SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. The derivatives used by the Company are interest rate swaps designated as cash flow hedges.

The effective portion of the derivatives gain or loss is initially reported in stockholder s equity as a component of comprehensive income and upon settlement subsequently reclassified into earnings.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with the expense recognition provisions of SFAS No. 123 (revised 2004), Share-Based Payments (SFAS 123R), which requires us to recognize compensation expense for all share-based payments made to employees based on the fair value of the share-based payment at the date of grant. See Note 14 2004 Long-Term Incentive Plan for further discussion on stock-based compensation.

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements.* SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We plan to adopt SFAS No. 157 beginning April 1, 2009. We have not determined the impact, if any, the adoption of SFAS No. 157 will have on our financial statements.

On February 15, 2007, the Financial Accounting Standards Board, or FASB, issued FAS No. 159, *The Fair Value Option for Financial Assets and Liabilities-Including an Amendment of FAS 115*. This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. This option is available to all entities. Most of the provisions in FAS 159 are elective; however, an amendment to FAS 115 *Accounting for Certain Investments in Debt and Equity Securities* applies to all entities with available for sale or trading securities. Some requirements apply differently to entities that do not report net income. FAS 159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of FAS 157. We will adopt FAS 159 beginning April 1, 2008 and we are currently evaluating the potential impact the adoption of this pronouncement will have on our financial statements.

In July 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109.* FIN No. 48 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including the decision whether to file or not file in a particular jurisdiction. FIN No. 48 must be applied to all existing tax positions upon initial adoption. The cumulative effect of applying FIN No. 48 at adoption, if any, is to be reported as an adjustment to opening retained earnings for the year of adoption. FIN No. 48 is effective for fiscal years beginning after December 15, 2006, which is the Company s 2008 fiscal year, although early adoption is permitted. The Company is currently evaluating the potential effects of FIN No. 48 on the consolidated financial statements and is not yet in a position to determine what, if any, effects FIN No. 48 will have on the consolidated financial statements.

Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

3. Long-Term Debt

	March 31,	
	2007	**2006**
Credit facility indebtedness	$ 567,125	$ 569,425
IDS 11% Senior Secured Notes	82,067	87,716
Obligations under capital leases	7,865	6,721
Other long-term debt with varying terms and maturities	238	391
	657,295	664,253
Less current portion	5,527	11,151
	$ 651,768	$ 653,102

a. 11% Senior Secured Notes

The 11% Senior Secured Notes were issued on November 24, 2004 and December 21, 2004 as part of the IPO. The 11% Senior Secured Notes, which are scheduled to mature on December 1, 2024, are senior secured obligations of the Company and are redeemable, at the Company s option, in whole or in part, at any time or from time to time, upon not less than 30 nor more than 60 days notice (i) prior to December 1, 2009, upon payment of a make-whole premium and (ii) on or after December 1, 2009, at the redemption prices set forth in the indenture governing the 11% Senior Secured Notes plus accrued and unpaid interest thereon.

Interest on the 11% Senior Secured Notes is payable quarterly, in arrears, in cash on each March 1, June 1, September 1 and December 1, to the holders of record at the close of business on the February 25, May 25, August 25 and November 25, respectively, immediately preceding the applicable interest payment date.

The 11% Senior Secured Notes are secured by a first-priority perfected lien, subject to certain permitted liens, on substantially all of the Company s existing and future assets, including the common stock of AWA, the capital stock of CLC and the Intercompany Note and the related guaranty. The 11% Senior Secured Notes are guaranteed on a senior secured basis by CLC. While we presently do not intend to effect the Merger Event, if we were to consummate the Merger Event, the only lien providing security for the 11% Senior Secured Notes would be a second priority perfected lien (subject to an intercreditor agreement (the Intercreditor Agreement) that was entered into by the trustee under the indenture governing the 11% Senior Secured Notes with the collateral agent under the Amended and Restated Credit Facility) on the capital stock of CSC s direct domestic subsidiaries and 65% of each class of capital stock of CSC s direct foreign subsidiaries, which lien will be contractually subordinated to the liens of the collateral agent under the Amended and Restated Credit Facility pursuant to the Intercreditor Agreement. Consequently, a second priority perfected lien on such capital stock would constitute the only security for the 11% Senior Secured Notes, and the 11% Senior Secured Notes would be effectively subordinated to the obligations outstanding under the Amended and Restated Credit Facility to the extent of the value of such capital stock. If we were to consummate the Merger Event, the subsidiaries of CSC would guarantee the 11% Senior Secured Notes on a senior unsecured basis.

The indenture governing the 11% Senior Secured Notes contains a number of restrictive covenants and agreements applicable to the Company and its restricted subsidiaries, including covenants with respect to the following matters: (i) limitation on additional indebtedness; (ii) limitation on certain payments (in the form of the declaration or payment of certain dividends or distributions on the Company s capital stock, the purchase, redemption or other acquisition of any of the Company s capital stock, the voluntary prepayment of subordinated indebtedness, and certain investments); (iii) limitation on transactions with affiliates; (iv) limitation on liens; (v) limitation on sales of assets; (vi) limitation on the issuance of preferred stock by non-guarantor subsidiaries; (vii) limitation on conduct of business; (viii) limitation on dividends and other payment restrictions affecting subsidiaries; (ix) limitations on exercising Class B Common Stock redemption rights and consummating purchases of Class B Common Stock upon exercise of sales rights by

holders; and (x) limitation on consolidations, mergers and sales of substantially all of the Company s assets.

On February 8, 2006, the Company completed an offer to purchase for cash (the Tender Offer) approximately $48.4 million aggregate principal amount of its outstanding 11% Senior Secured Notes. The total aggregate amount

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

paid by the Company for the 11% Senior Secured Notes tendered in the Tender Offer was approximately $55.1 million, including a premium of approximately $4.8 million and accrued and unpaid interest thereon of approximately $1.8 million.

The Company recorded a charge to operations of approximately $9.3 million in fiscal quarter ended March 31, 2006, consisting of (i) the premium (including an early tender payment of approximately $0.5 million) paid to redeem such 11% Senior Secured Notes of approximately $4.8 million, (ii) the write-off of a proportionate amount of unamortized deferred financing costs of approximately $3.4 million and (iii) certain direct expenses related to the Tender Offer of approximately $1.0 million which includes approximately $0.5 million relating to special bonuses.

On April 28, 2006, the Company purchased approximately $5.6 million aggregate principal amount of its outstanding 11% Senior Secured Notes in open market purchases. The total aggregate amount paid by the Company in order to purchase the 11% Senior Secured Notes was approximately $6.3 million, including accrued and unpaid interest thereon. The Company recorded a charge classified as transaction costs on the Consolidated Statements of Operations of approximately $0.8 million in the quarter ended June 30, 2006, which represents the premium paid to purchase such 11% Senior Secured Notes of approximately $0.4 million and the write-off of a proportionate amount of unamortized deferred financing costs of approximately $0.4 million.

At March 31, 2007, there was approximately $82.1 million aggregate principal amount of 11% Senior Secured Notes outstanding.

At March 31, 2007, the Company was in compliance with the covenants under the indenture governing the 11% Senior Secured Notes and was not aware of any events of default pursuant to the terms of such indebtedness.

b. Amended and Restated Credit Facility

On December 19, 2005, Coinmach, CLC and certain subsidiary guarantors entered into an amendment and restatement of the Senior Secured Credit Facility (such amendment and restatement, the Amended and Restated Credit Facility). The Amended and Restated Credit Facility is comprised of a $570.0 million term loan facility and a $75.0 million revolving credit facility (subject to outstanding letters of credit). The revolver portion of the Amended and Restated Credit Facility also provides a $15.0 million letter of credit facility and short-term borrowings under a swing line facility of up to $7.5 million. The Amended and Restated Credit Facility is secured by a first priority security interest in all of Coinmach s real and personal property and is guaranteed by each of Coinmach s domestic subsidiaries. CLC has pledged the capital stock of Coinmach as collateral under the Amended and Restated Credit Facility for the benefit of the lenders thereunder.

On December 19, 2005, Coinmach borrowed $230.0 million under the term loan facility to refinance approximately $229.3 million aggregate principal amount of then outstanding term debt under the Senior Secured Credit Facility and pay related expenses (the Credit Facility Refinancing). On February 1, 2006, Coinmach used $340.0 million of delayed draw term loans to retire all of the then outstanding $324.5 million aggregate principal amount of 9% Senior Notes (plus approximately $14.6 million of related redemption premium) and to pay related fees and expenses.

As a result of the Credit Facility Refinancing, Coinmach incurred approximately $3.1 million in issuance costs related to the Amended and Restated Credit Facility, which were capitalized as deferred financing costs to be amortized using the effective interest method through December 19, 2012. In addition to the issuance costs, Coinmach incurred certain expenses that were classified as transaction costs on the Consolidated Statement of Operations for the fiscal year ended March 31, 2006, which included (1) the write-off of the unamortized deferred financing costs related to the Senior Secured Credit Facility term loans repaid aggregating approximately $1.7 million and (2) expenses aggregating approximately $1.0 million related to the Senior Secured Credit Facility that was amended.

The revolving loans accrue interest, at Coinmach s option, at a rate per annum equal to the base rate plus a margin of 2.00% or the Eurodollar rate plus 3.00%, subject in each case to performance based adjustments. The term loans accrue interest, at Coinmach s option, at a rate per annum equal to the base rate plus a margin of 1.50%

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

or the Eurodollar rate plus 2.50%, subject in each case to performance based adjustments. The term loans are scheduled to be fully repaid by December 19, 2012, and the revolving credit facility is scheduled to expire on December 19, 2010. At March 31, 2007, the monthly variable Eurodollar rate was 5.375%.

The Amended and Restated Credit Facility requires Coinmach to make certain mandatory repayments, including from (a) 100% of net proceeds from asset sales by Coinmach and its subsidiaries, (b) 100% of the net proceeds from the issuance of debt (with an exception for proceeds from intercompany loans made by Coinmach to us), (c) 50% of annual excess cash flow of Coinmach and its subsidiaries, and (d) 100% of the net proceeds from insurance recovery and condemnation events of Coinmach and its subsidiaries, in each case subject to reinvestment rights, as applicable, and other exceptions generally consistent with the Senior Secured Credit Facility. For the fiscal year ended March 31, 2007, there is no required amount that is payable relating to the annual excess cash flow of the Company.

The Amended and Restated Credit Facility contains a number of restrictive covenants and agreements applicable to Coinmach which, if the Merger Event were completed, would apply directly to us as borrower under such credit facility, including covenants with respect to limitations on (i) indebtedness; (ii) certain payments (in the form of the declaration or payment of certain dividends or distributions on Coinmach s capital stock or its subsidiaries or the purchase, redemption or other acquisition of any of its or its subsidiaries capital stock); (iii) voluntary prepayments of previously existing indebtedness; (iv) Investments (as defined in the Amended and Restated Credit Facility); (v) transactions with affiliates; (vi) liens; (vii) sales or purchases of assets; (viii) conduct of business; (ix) dividends and other payment restrictions affecting subsidiaries; (x) consolidations and mergers; (xi) capital expenditures; (xii) issuances of certain of Coinmach s equity securities; and (xiii) creation of subsidiaries. The Amended and Restated Credit Facility also requires that Coinmach satisfy certain financial ratios, including a maximum leverage ratio and a minimum consolidated interest coverage ratio.

At March 31, 2007, the $567.1 million of term loan borrowings under the Amended and Restated Credit Facility had an interest rate of approximately 7.875% and the amount available under the revolving credit portion of the Amended and Restated Credit Facility was approximately $68.2 million. Letters of credit under the revolver portion of the Amended and Restated Credit Facility outstanding at March 31, 2007 were approximately $6.8 million.

At March 31, 2007, Coinmach was in compliance with the covenants under the Amended and Restated Credit Facility and was not aware of any events of default pursuant to the terms of such indebtedness.

Debt outstanding under the Amended and Restated Credit Facility consists of the following (in thousands):

	March 31,	
	2007	2006
Tranche term loan B, quarterly payments of approximately $575, increasing to approximately $1,425 on March 31, 2009 with the final payment of approximately $541,725 on December 19, 2012 (Interest rate of 7.875% at March 31, 2007)	$ 567,125	$ 569,425
Revolving line of credit		
	$ 567,125	$ 569,425

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The aggregate maturities of long-term debt during the next five years and thereafter as of March 31, 2007 are as follows (in thousands):

Years Ending March 31,	Principal Amount
2008	$ 5,527
2009	5,570
2010	7,099
2011	6,603
2012	5,854
Thereafter	626,642
Total debt	$ 657,295

Interest Rate Swaps

On November 17, 2005, Coinmach entered into two separate interest rate swap agreements, effective February 1, 2006, totaling $230.0 million in aggregate notional amount that effectively convert a portion of its floating-rate term loans pursuant to the Amended and Restated Credit Facility to a fixed rate basis, thereby reducing the impact of interest rate changes on future interest expense. The two swap agreements consist of: (i) a $115.0 million notional amount interest rate swap transaction with a financial institution effectively fixing the three-month LIBOR interest rate (as determined therein) at 4.90% and expiring on November 1, 2010, and (ii) a $115.0 million notional amount interest rate swap transaction with a financial institution effectively fixing the three-month LIBOR interest rate (as determined therein) at 4.89% and expiring on November 1, 2010. These interest rate swaps used to hedge the variability of forecasted cash flows attributable to interest rate risk were designated as cash flow hedges. The Company recognized accumulated other comprehensive loss of approximately $1.8 million, net of tax, in the stockholders equity section for the fiscal year ended March 31, 2007, relating to the interest rate swaps that qualify as cash flow hedges.

4. Intercompany Loan

In connection with the IDS Transactions, CSC made the Intercompany Loan to Coinmach in an initial principal amount of approximately $81.7 million which is eliminated in consolidation of our financial statements. The Intercompany Loan is represented by the Intercompany Note. As a result of the Additional Intercompany Loan in February 2006, the principal amount of indebtedness represented by the Intercompany Note increased to $183.6 million. Interest under the Intercompany Loan accrues at an annual rate of 10.95% and is payable quarterly on March 1, June 1, September 1 and December 1 of each year and the Intercompany Loan is due and payable in full on December 1, 2024. The Intercompany Loan is a senior unsecured obligation of Coinmach, ranks equally in right of payment with all existing and future senior indebtedness of Coinmach (including indebtedness under the Amended and Restated Credit Facility) and ranks senior in right of payment to all existing and future subordinated indebtedness of Coinmach. Certain of Coinmach s domestic restricted subsidiaries guarantee the Intercompany Loan on a senior unsecured basis. The Intercompany Loan contains covenants that are substantially the same as those provided in the terms of the Amended and Restated Credit Facility. The Intercompany Loan and the guaranty of the Intercompany Loan by certain subsidiaries of the Company were pledged by CSC to secure the repayment of the 11% Senior Secured Notes.

If at any time Coinmach is not prohibited from doing so under the terms of its then outstanding indebtedness, in the event that CSC undertakes an offering of IDSs or Class A Common Stock, a portion of the net proceeds of such offering, subject to certain limitations, will be loaned to Coinmach and increase the principal amount of the Intercompany Loan and the guaranty of the Intercompany Loan.

As of March 31, 2007, the principal amount of indebtedness represented by the Intercompany Note was $183.6 million which was eliminated in the consolidation of our financial statements.

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

At March 31, 2007, Coinmach was in compliance with the covenants under the Intercompany Loan and was not aware of any events of default pursuant to the terms of such indebtedness.

5. Retirement Savings Plan

Coinmach maintains a defined contribution plan meeting the guidelines of Section 401(k) of the Internal Revenue Code. Such plan requires employees to meet certain age, employment status and minimum entry requirements as allowed by law.

Contributions to such plan amounted to approximately $772,000 for the fiscal year ended March 31, 2007, $500,000 for the fiscal year ended March 31, 2006 and $502,000 for the fiscal year ended March 31, 2005. The Company does not provide any other post-retirement benefits.

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

6. Income Taxes

The components of the Company s deferred tax liabilities and assets are as follows (in thousands):

	March 31, 2007	March 31, 2006
Deferred tax liabilities:		
Accelerated tax depreciation and contract rights	$ 99,222	$ 97,084
Interest rate swap		1,063
Other	2,419	2,123
Total deferred tax liabilities	101,641	100,270
Deferred tax assets:		
Net operating loss carryforwards	60,426	55,430
Covenant not to compete	1,124	1,267
Transaction costs		2,726
Interest rate swap	63	
Other	753	1,593
Total deferred tax assets	62,366	61,016
Valuation allowance	(10,730)	(10,730)
Net deferred tax assets	51,636	50,286
Net deferred tax liability	$ 50,005	$ 49,984

The net operating loss carryforwards of approximately $148.0 million expire between fiscal years 2008 through 2026. In addition, the net operating losses are subject to annual limitations imposed under the provisions of the Internal Revenue Code regarding changes in ownership. For the fiscal year ended March 31, 2007, the Company generated taxable income of approximately $6.9 million primarily due to the reversal of temporary differences related to depreciation. The Company utilized $6.9 million of its net operating loss carry-forwards to offset the entire amount of its taxable income.

The provision (benefit) for income taxes consists of (in thousands):

	Year Ended March 31, 2007	2006	2005
Federal	$ 858	$ (13,720)	$ (7,926)
State	1,222	(2,165)	(2,240)
	$ 2,080	$ (15,885)	$ (10,166)

The effective income tax rate differs from the amount computed by applying the U.S. federal statutory rate to income (loss) before taxes as a result of state taxes and permanent book/tax differences as follows (in thousands):

Year Ended March 31,

	2007	2006	2005
Expected tax provision (benefit)	$ 782	$ (14,164)	$ (15,921)
State tax provision (benefit), net of federal taxes	794	(2,135)	(1,456)
Non deductible interest non cash Preferred Stock dividends			6,381
Valuation allowance		440	
Provision to return adjustment	318	(116)	514
Permanent book/tax differences	186	90	316
Tax provision (benefit)	$ 2,080	$ (15,885)	$ (10,166)

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

7. Income (Loss) per Common Share

Basic income (loss) per share for the two classes of common stock is calculated by dividing net income (loss), by the weighted average number of shares of Class A Common Stock and Class B Common Stock outstanding. Diluted loss per share is computed using the weighted average number of shares of Class A Common Stock and Class B Common Stock plus the potentially dilutive effect of common stock equivalents. Diluted loss per share for the Company s two classes of common stock will be the same as basic loss per share because the Company does not have any dilutive securities outstanding.

Undistributed net loss is allocated to the Company s two classes of common stock based on the weighted average number of shares outstanding since both classes have the same participation rights. In computing the weighted average number of shares of Class B Common Stock outstanding for the fiscal year ended March 31, 2005, the calculation assumes that the Class B Common Stock was outstanding for the entire fiscal year. Loss per share for each class of common stock under the two class method is presented below (dollars in thousands, except share and per share data):

	Year Ended March 31,		
	2007	**2006**	**2005**
Net income (loss) attributable to common stockholders	$ 153	$ (24,582)	$ (35,325)
Add: Dividends paid on common stock	(36,562)	(17,698)	(2,701)
Undistributed loss available to Class A and Class B common stock	$ (36,409)	$ (42,280)	$ (38,026)
Basic and diluted allocation of undistributed loss:			
Class A Common Stock	$ (20,177)	$ (19,096)	$ (7,615)
Class B Common Stock	(16,232)	(23,184)	(30,411)
Total	$ (36,409)	$ (42,280)	$ (38,026)
Weighted average common stock outstanding:			
Class A Common Stock	29,056,063	20,465,051	6,255,661
Class B Common Stock	23,374,450	24,846,612	24,980,445
Total	52,430,513	45,311,663	31,236,106
Distributed earnings per share:			
Class A Common Stock	$ 0.82	$ 0.82	$ 0.09
Class B Common Stock	$ 0.53	$	$ 0.04
Undistributed loss per share:			
Class A Common Stock	$ (0.69)	$ (0.93)	$ (1.22)
Class B Common Stock	$ (0.69)	$ (0.93)	$ (1.22)
Basic and diluted net income (loss) per share:			
Class A Common Stock	$ 0.13	$ (0.11)	$ (1.13)
Class B Common Stock	$ (0.16)	$ (0.93)	$ (1.18)

On February 1, 2007, the board of directors of CSC declared a quarterly cash dividend of $0.20615 per share of Class A Common Stock (or approximately $6.0 million in the aggregate), which cash dividend was paid on March 1,

2007 to holders of record as of the close of business on February 26, 2007.

On May 9, 2007, the board of directors of CSC declared a quarterly cash dividend of $0.20615 per share of Class A Common Stock (or approximately $6.0 million in aggregate) and a cash dividend of $0.42782 per share of Class B Common Stock for the fiscal year ended March 31, 2007 (or $10.0 million in aggregate), which cash dividend was paid on June 1, 2007 to holders of record as of the close of business on May 25, 2007.

Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

8. Redeemable Preferred Stock and Stockholders Equity

In July 2000, CLC issued (i) 20.77 shares of Class A preferred stock accruing cash dividends on a quarterly basis at an annual rate of 12.5% (which increased to 14% on November 15, 2002) on the sum of the liquidation value thereof plus accumulated and unpaid dividends thereon (the Class A Preferred Stock), (ii) 53.84 shares of Class B preferred stock accruing cash dividends on a quarterly basis at an annual rate of 8% on the sum of the liquidation value thereof plus accumulated and unpaid dividends thereon (the Class B Preferred Stock and, together with the Class A Preferred Stock, (the Preferred Stock) and (iii) 59,823.30 shares of common stock, par value $2.50 per share (the Common Stock). The Preferred Stock did not have voting rights, had a liquidation value of $2.5 million per share and was mandatory redeemable on July 5, 2010.

In November 2004 and December 2004, in connection with the IDS Transaction, a portion of the net proceeds from the initial public offering were used to redeem approximately $91.8 million of the Class A Preferred Stock (representing all of its outstanding Class A Preferred Stock) and approximately $7.4 million of the Class B Preferred Stock. All unredeemed preferred stock of CLC was exchanged by Holdings with CSC for additional shares of Class B Common Stock.

Under CLC s equity participation plan (the Equity Participation Plan), in July 2000, loans were extended by CLC (the EPP Loans) to certain employees for the purchase of Common Stock at a fixed price per share equal to the fair market value of such Common Stock at the time of issuance as determined by the board of directors of CLC. Additionally, certain members of senior management of the Company also acquired Class B Preferred Stock at such time. Pursuant to the terms of the Equity Participation Plan, the Preferred Stock was fully vested at the time of purchase, and the Common Stock vested over a specified period, typically over four years.

In March 2003, through a series of transactions, all of the outstanding capital stock of CLC was contributed to Holdings in exchange for substantially equivalent equity interests in the form of common membership units (the Common Units) and preferred membership units (the Preferred Units) in Holdings. Accordingly, CLC became a wholly owned subsidiary of Holdings.

The EPP Loans are payable in installments over ten years and accrue interest at a rate of 7% per annum. There are no shares reserved for future issuance. The Equity Participation Plan contains certain restrictions on the transfer of the Common and Preferred Units.

At March 31, 2007, there were 26,213,682 Common Units and 604 Preferred Units outstanding and all were vested under the Equity Participation Plan.

Previously due installments on the EPP Loans have been forgiven by the Company on or prior to their respective due dates. As a result, such loans are considered non-recourse and therefore treated as an award of stock requiring the recognition of compensation expense. Such expense is measured at fair value as of the time the stock award vests and is subsequently remeasured for changes in fair value until such time as the measurement date is established (upon forgiveness or repayment of the entire loan). CLC had recorded compensation expense of approximately $12,000 and $74,000 for the fiscal years ended March 31, 2006 and 2005, respectively.

9. Guarantor Subsidiaries

CLC has guaranteed the 11% Senior Secured Notes referred to in Note 3 on a full and unconditional basis. The 11% Senior Secured Notes are not currently guaranteed by any other subsidiary. Other subsidiaries, including Coinmach, are required to guarantee the 11% Senior Secured Notes on a senior unsecured basis upon the occurrence of certain events. The condensed consolidating balance sheets as of March 31, 2007 and March 31, 2006, the condensed consolidating statement of operations for the fiscal years ended March 31, 2007 and March 31, 2006, and the condensed consolidating statement of cash flows for the fiscal years ended March 31, 2007, March 31, 2006 and March 31, 2005 include the condensed consolidating financial information for CSC, CLC and CSC s other indirect subsidiaries.

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Condensed consolidating financial information for the Company and CLC is as follows (in thousands):

Condensed Consolidating Balance Sheets

	March 31, 2007				
	Coinmach Service Corp.	Coinmach Laundry Corporation	Coinmach Corporation and Subsidiaries	Adjustments and Eliminations	Consolidated
Assets					
Current assets, consisting of cash, receivables, inventories, prepaid expenses and other current assets	$ 1,003	$	$ 66,810	$ (79)	$ 67,734
Advance location payments			64,371		64,371
Property, equipment and leasehold improvements, net			239,740		239,740
Intangible assets, net			503,390		503,390
Deferred income taxes	6,634	888		(7,522)	
Due from parent		48,808		(48,808)	
Investment in preferred stock	164,794			(164,794)	
Other assets	194,823		2,436	(188,651)	8,608
Total assets	$ 367,254	$ 49,696	$ 876,747	$ (409,854)	$ 883,843
Liabilities and Stockholders Equity (Deficit)					
Current liabilities:					
Accounts payable, accrued expenses and accrued rental payments	$ 2,976	$ 78	$ 77,929	$ (5,166)	$ 75,817
Current portion of long-term debt			5,527		5,527
Total current liabilities	2,976	78	83,456	(5,166)	81,344
Deferred income taxes			57,527	(7,522)	50,005
Intercompany loans and advances	9,566			(9,566)	
Long-term debt, less current portion	82,067		569,701		651,768
Loan payable to parent			183,564	(183,564)	
Investment in subsidiaries	172,310	56,743		(229,053)	
Due to parent/subsidiary			39,242	(39,242)	
Preferred stock and dividends payable		164,794		(164,794)	
Total stockholders equity (deficit)	100,335	(171,919)	(56,743)	229,053	100,726
	$ 367,254	$ 49,696	$ 876,747	$ (409,854)	$ 883,843

Total liabilities and stockholders
equity (deficit)

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Balance Sheets (continued)

	March 31, 2006				
	Coinmach Service Corp.	Coinmach Laundry Corporation	Coinmach Corporation and Subsidiaries	Adjustments and Eliminations	Consolidated
Assets					
Current assets, consisting of cash, receivables, inventories, prepaid expenses and other current assets	$ 940	$	$ 87,302	$ (55)	$ 88,187
Advance location payments			67,242		67,242
Property, equipment and leasehold improvements, net			252,398		252,398
Intangible assets, net			503,108		503,108
Deferred income taxes	9,471	689		(10,160)	
Due from parent		49,253		(49,253)	
Investment in preferred stock	178,216			(178,216)	
Other assets	194,334		4,602	(187,405)	11,531
Total assets	$ 382,961	$ 49,942	$ 914,652	$ (425,089)	$ 922,466
Liabilities and Stockholders Equity (Deficit)					
Current liabilities:					
Accounts payable, accrued expenses and accrued rental payments	$ 4,196	$ 36	$ 69,227	$ (3,896)	$ 69,563
Current portion of long-term debt	5,649		5,502		11,151
Total current liabilities	9,845	36	74,729	(3,896)	80,714
Deferred income taxes			60,144	(10,160)	49,984
Intercompany loans and advances	311			(311)	
Long-term debt, less current portion	82,067		571,035		653,102
Loan payable to parent			183,564	(183,564)	
Investment in subsidiaries	152,462	23,762		(176,224)	
Due to parent/subsidiary			48,942	(48,942)	
Preferred stock and dividends payable		178,216		(178,216)	
Total stockholders equity (deficit)	138,276	(152,072)	(23,762)	176,224	138,666

Total liabilities and stockholders equity (deficit)	$ 382,961	$ 49,942	$ 914,652	$ (425,089)	$ 922,466

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statements of Operations

	Year Ended March 31, 2007				
	Coinmach Service Corp.	Coinmach Laundry Corporation	Coinmach Corporation and Subsidiaries	Eliminations	Consolidated
Revenues	$	$	$ 555,298	$	$ 555,298
Costs and expenses	2,021	489	494,696		497,206
Operating (loss) income	(2,021)	(489)	60,602		58,092
Interest (income) expense, net	(10,678)		65,692		55,014
Interest (income) expense non cash preferred stock dividend	(13,336)	13,336			
Transaction costs	845				845
Income (loss) before income taxes	21,148	(13,825)	(5,090)		2,233
Income tax provision (benefit)	2,925	(199)	(646)		2,080
	18,223	(13,626)	(4,444)		153
Equity in loss (income) of subsidiaries	18,070	4,444		(22,514)	
Net income (loss)	$ 153	$ (18,070)	$ (4,444)	$ 22,514	$ 153

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statements of Operations (continued)

	Year Ended March 31, 2006				
	Coinmach Service Corp.	Coinmach Laundry Corporation	Coinmach Corporation and Subsidiaries	Eliminations	Consolidated
Revenues	$	$	$ 543,485	$	$ 543,485
Costs and expenses	2,508	430	489,429		492,367
Operating (loss) income	(2,508)	(430)	54,056		51,118
Interest expense, net	4,149		55,950		60,099
Interest (income) expense non cash preferred stock dividend	(14,596)	14,596			
Transaction costs	9,637		21,849		31,486
Loss before income taxes	(1,698)	(15,026)	(23,743)		(40,467)
Income tax benefit	(8,384)	1,618	(9,119)		(15,885)
	6,686	(16,644)	(14,624)		(24,582)
Equity in loss (income) of subsidiaries	31,268	14,624		(45,892)	
Net loss	$ (24,582)	$ (31,268)	$ (14,624)	$ 45,892	$ (24,582)

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statements of Operations (continued)

	Year Ended March 31, 2005				
	Coinmach Service Corp.	Coinmach Laundry Corporation	Coinmach Corporation and Subsidiaries	Eliminations	Consolidated
Revenues	$	$	$ 538,604	$	$ 538,604
Costs and expenses	342	509	488,112		488,963
Operating (loss) income	(342)	(509)	50,492		49,641
Interest expense, net	2,319		56,253		58,572
Interest (income)expense non cash preferred stock dividend	(4,436)	22,666			18,230
Interest expense escrow interest			941		941
Transaction costs			17,389		17,389
Income (loss) before income taxes	1,775	(23,175)	(24,091)		(45,491)
Income tax benefit	(1,087)	(334)	(8,745)		(10,166)
	2,862	(22,841)	(15,346)		(35,325)
Equity in loss (income) of subsidiaries	38,187	15,346		(53,533)	
Net loss	$ (35,325)	$ (38,187)	$ (15,346)	$ 53,533	$ (35,325)

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statements of Cash Flows

	Year Ended March 31, 2007				
	Coinmach Service Corp.	**Coinmach Laundry Corporation**	**Coinmach Corporation and Subsidiaries**	**Eliminations**	**Consolidated**
Operating Activities					
Net income (loss)	$ 18,223	$ (13,626)	$ (4,444)	$	$ 153
Noncash adjustments	(9,223)	13,137	107,737		111,651
Change in operating assets and liabilities	(2,493)	44	4,300		1,851
Net cash provided by (used in) operating activities	6,507	(445)	107,593		113,655
Investing Activities					
Capital expenditures and advance location payments			(71,253)		(71,253)
Acquisition of assets			(17,914)		(17,914)
Proceeds from sale of property and equipment			1,606		1,606
Net cash used in investing activities			(87,561)		(87,561)
Financing Activities					
Repayment of debt	(5,649)		(2,300)		(7,949)
Other financing items	(813)	445	(40,755)		(41,123)
Net cash (used in) provided by financing activities	(6,462)	445	(43,055)		(49,072)
Net increase (decrease) in cash and cash equivalents	45		(23,022)		(22,978)
Cash and cash equivalents, beginning of year	880		61,128		62,008
Cash and cash equivalents, end of year	$ 925	$	$ 38,105	$	$ 39,030

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statements of Cash Flows (continued)

	Year Ended March 31, 2006				
	Coinmach Service Corp.	Coinmach Laundry Corporation	Coinmach Corporation and Subsidiaries	Eliminations	Consolidated
Operating Activities					
Net income (loss)	$ 6,686	$ (16,644)	$ (14,624)	$	$ (24,582)
Noncash adjustments	(14,249)	16,226	121,421		123,398
Change in operating assets and liabilities	(2,086)	196	(788)		(2,678)
Net cash (used in) provided by operating activities	(9,649)	(222)	106,009		96,138
Investing Activities					
Capital expenditures and advance location payments			(72,176)		(72,176)
Acquisition of assets			(3,436)		(3,436)
Proceeds from sale of property and equipment			2,884		2,884
Net cash used in investing activities			(72,728)		(72,728)
Financing Activities					
Repayment of debt	(48,401)		(565,582)		(613,983)
Other financing items	58,499	222	434,695	101,894	595,310
Loan from parent			101,894	(101,894)	
Net cash provided by (used in) financing activities	10,098	222	(28,993)		(18,673)
Net increase in cash and cash equivalents	449		4,288		4,737
Cash and cash equivalents, beginning of year	431		56,840		57,271
	$ 880	$	$ 61,128	$	$ 62,008

Cash and cash equivalents, end of year

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statements of Cash Flows (continued)

	Year Ended March 31, 2005				
	Coinmach Service Corp.	Coinmach Laundry Corporation	Coinmach Corporation and Subsidiaries	Eliminations	Consolidated
Operating Activities					
Net income (loss)	$ 2,862	$ (22,841)	$ (15,346)	$	$ (35,325)
Noncash adjustments	(5,336)	22,406	118,047		135,117
Change in operating assets and liabilities	2,830	36	2,340		5,206
Net cash provided by (used in) operating activities	356	(399)	105,041		104,998
Investing Activities					
Capital expenditures and advance location payments			(71,495)		(71,495)
Acquisition of assets			(628)		(628)
Proceeds from sale of investment			277		277
Proceeds from sale of property and equipment			919		919
Net cash used in investing activities			(70,927)		(70,927)
Financing Activities					
Repayment of debt			(145,330)		(145,330)
Other financing items	75	399	54,766	81,670	136,910
Loan from parent			81,670	(81,670)	
Net cash provided by (used in) financing activities	75	399	(8,894)		(8,420)
Net increase in cash and cash equivalents	431		25,220		25,651
Cash and cash equivalents, beginning of year			31,620		31,620

Cash and cash equivalents, end of year	$	431	$		$	56,840	$		$	57,271

10. Commitments and Contingencies

Rental expense for all operating leases, which principally cover offices and warehouse facilities, laundromats and vehicles, was approximately $10.5 million for the fiscal year ended March 31, 2007, $10.0 million for the fiscal year ended March 31, 2006 and $9.7 million for the fiscal year ended March 31, 2005.

Certain leases entered into by the Company are classified as capital leases. Amortization expense related to equipment under capital leases is included with depreciation expense for the fiscal years ended March 31, 2007, 2006 and 2005.

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The following summarizes property under capital leases at March 31, 2007 and 2006:

	Year Ended March 31, 2007	2006
	(In thousands)	
Laundry equipment and fixtures	$ 1,547	$ 1,300
Trucks and other vehicles	32,350	27,469
	33,897	28,769
Less accumulated amortization	24,459	20,137
	$ 9,438	$ 8,632

Future minimum rental commitments under all capital leases and noncancelable operating leases as of March 31, 2007 are as follows (in thousands):

	Capital	Operating
2008	$ 3,804	$ 8,284
2009	2,713	6,981
2010	1,498	5,927
2011	897	4,120
2012	146	2,430
Thereafter		6,318
Total minimum lease payments	9,058	$ 34,060
Less amounts representing interest	1,193	
Present value of net minimum lease payments (including current portion of $3,163)	$ 7,865	

The Company utilizes third party letters of credit to guarantee certain business transactions, primarily certain insurance activities. The total amount of the letters of credit at March 31, 2007 were approximately $6.8 million.

The Company is a party to various legal proceedings arising in the ordinary course of business. Although the ultimate disposition of such proceedings is not presently determinable, management does not believe that adverse determinations in any or all such proceedings would have a material adverse effect upon the financial condition, results of operations or cash flows of the Company.

In connection with insurance coverages, which include workers compensation, general liability and other coverages, annual premiums are subject to limited retroactive adjustment based on actual loss experience.

11. Related Party Transactions

In February 1997, the Company extended a loan to an executive officer of the Company in the principal amount of $500,000 payable in ten equal annual installments ending in July 2006 (each payment date, a Payment Date), with interest accruing at a rate of 7.5% per annum. The loan provided that payment of principal and interest will be forgiven on each Payment Date based on certain conditions. The amounts forgiven are charged to general and

administrative expenses. The remaining balance at March 31, 2006 of $50,000 was forgiven during the year ended March 31, 2007.

On May 5, 1999, the Company extended a loan to an executive officer of the Company in a principal amount of $250,000 to be repaid in a single payment on the third anniversary of such loan with interest accruing at a rate of 8% per annum. On March 15, 2002, the Company and the executive officer entered into a replacement promissory note in exchange for the original note evidencing the loan. The replacement note was in an original principal amount of $282,752, the outstanding loan balance under the replacement note was payable in equal annual installments of $56,550 commencing on March 15, 2003 and the obligations under the replacement note were secured, pursuant to

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

an amendment to the replacement note dated March 6, 2003, by a pledge of certain preferred and common units of Holdings held by such executive officer. The remaining balance at March 31, 2006 of $56,550 was forgiven during the year ended March 31, 2007.

During the fiscal years ended March 31, 2007, March 31, 2006 and March 31, 2005, Coinmach paid a non-independent director, a member of each of the Company s board of directors, the Coinmach board of directors, the Holdings board of managers and the CLC board of directors, $210,000, $193,000 and $180,000 respectively, for general financial advisory and investment banking services which are recorded in general and administrative expenses. The Company paid a one-time fee of $500,000 to the director in connection with the IDS Transactions in November 2004 and a one-time fee of $125,000 to the director in connection with the Credit Facility Refinancing in January 2006.

In addition, in February 2006, the Company awarded 11,111 restricted shares of Class A Common Stock to a non-independent director of the Company, 51,111 restricted shares to executive officers and 5,001 restricted shares to our independent directors, and in November 2006 the Company awarded an aggregate of 100,000 shares to executive officers, 7,500 shares to our independent directors and 25,000 shares to a non-independent directors (collectively, the 2007 Restricted Stock Awards), as noted in Note 14, 2004 Long-Term Incentive Plan.

The Company s independent directors were paid a total of approximately $216,000 for their annual retainers, as well as for attendance fees for the fiscal year ended March 31, 2007.

12. Fair Value of Financial Instruments

The Company is required to disclose fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate the value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques.

The carrying amounts of cash and cash equivalents, receivables, the Amended and Restated Credit Facility, and other long-term debt approximate their fair value at March 31, 2007.

The carrying amount and related estimated fair value for the 11% Senior Secured Notes are as follows (in thousands):

	Carrying Amount	Estimated Fair Value
IDS 11% Senior Secured Notes at March 31, 2007	$82,067	$ 118,690
IDS 11% Senior Secured Notes at March 31, 2006	$87,716	$ 98,859

The fair value of the 11% Senior Secured Notes are based on quoted market prices.

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

13. Segment Information

The Company reports segment information for the route segment, its only reportable operating segment, and provides information for its two other operating segments reported as All other. The route segment, which comprises the Company s core business, involves leasing laundry rooms from building owners and property management companies typically on a long-term, renewal basis, installing and servicing the laundry equipment and collecting revenues generated from laundry machines. The other business operations reported in All other include the aggregation of the rental and distribution businesses. The rental business involves the leasing of laundry machines and other household appliances to property owners, managers of multi-family housing properties and to a lesser extent, individuals and corporate relocation entities through the Company s jointly-owned subsidiary, AWA. The distribution business involves constructing complete turnkey retail laundromats, retrofitting existing retail laundromats, distributing exclusive lines of coin and non-coin machines and parts, and selling service contracts through the Company s wholly-owned subsidiary, Super Laundry. The Company evaluates performance and allocates resources based on EBITDA (earnings from continuing operations before interest, taxes and depreciation and amortization), cash flow and growth opportunity. The accounting policies of the segments are the same as those described in Note 2, *Summary of Significant Accounting Policies*.

The table below presents information about the Company s segments (in thousands):

	Year Ended March 31,		
	2007	**2006**	**2005**
Revenue:			
Route	$ 492,070	$ 481,671	$ 472,484
All other:			
Rental	38,383	36,130	34,372
Distribution	24,845	25,684	31,748
Subtotal	63,228	61,814	66,120
Total revenue	$ 555,298	$ 543,485	$ 538,604
EBITDA (1):			
Route	$ 161,047	$ 156,729	$ 155,378
All other			
Rental	17,320	15,388	13,840
Distribution	1,794	721	1,412
Subtotal	19,114	16,109	15,252
Other items, net		(310)	(855)
Transaction costs (2)	(845)	(31,486)	(17,389)
Corporate expenses	(12,837)	(12,517)	(9,694)
Total EBITDA (unaudited)	166,479	128,525	142,692
Reconciling items:			

Depreciation and amortization expense, amortization of advance location payments and amortization of intangibles:			
Route	(96,610)	(97,293)	(98,921)
All other	(7,875)	(8,160)	(8,242)
Corporate	(4,747)	(3,440)	(3,277)
Total depreciation	(109,232)	(108,893)	(110,440)
Interest expense	(55,014)	(60,099)	(58,572)
Interest expense non cash preferred stock dividend			(18,230)
Interest expense escrow			(941)
Consolidated income (loss) before income taxes	$ 2,233	$ (40,467)	$ (45,491)

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(1) See description of Non-GAAP Financial Measures immediately following this table for a reconciliation of net income (loss) to EBITDA for the periods indicated above.

(2) The computation of EBITDA for the 2007 Fiscal Year has not been adjusted to exclude certain transaction costs aggregating approximately \$0.8 million consisting of: (i) the premium paid to purchase certain 11% Senior Secured Notes of approximately \$0.4 million and (ii) the write-off of a proportionate amount of unamortized deferred financing costs of approximately \$0.4 million.

The computation of EBITDA for the 2006 Fiscal Year has not been adjusted to exclude certain transaction costs aggregating approximately \$31.5 million consisting of: (i) approximately \$14.6 million of redemption premium related to the redemption of the 9% Senior Notes, (ii) the write-off of deferred financing costs related to the

redemption of the 9% Senior Notes, the refinancing of the Senior Secured Credit Facility and the repurchase of a portion of the 11% Senior Secured Notes pursuant to the Tender Offer aggregating approximately $9.6 million, (iii) costs and expenses related to the redemption of the 9% Senior Notes, the refinancing of the Senior Secured Credit Facility and the repurchase of a portion of 11% Senior Secured Notes pursuant to the Tender Offer aggregating approximately $6.4 million, (iv) special bonuses related to the Tender Offer of approximately $0.5 million and (v) approximately $0.4 million of non-recurring transaction fees and expenses relating to the foregoing.

The computation of EBITDA for the 2005 Fiscal Year has not been adjusted to exclude transaction costs consisting of (i) approximately $11.3 million redemption premium on the 9% Senior Notes redeemed, (ii) the write-off of the deferred financing costs relating to the 9% Senior Notes redeemed and term loans repaid aggregating approximately $3.5 million, (iii) expenses related to an amendment to the Senior Secured Credit Facility aggregating approximately $1.8 million to, among other things, permit the IDS Transactions and (iv) special bonuses related to the IDS Transactions aggregating approximately $0.8 million.

	Year Ended March 31,		
	2007	**2006**	**2005**
Expenditures for acquisitions and additions of long-lived assets:			
Route	$ 80,300	$ 60,151	$ 64,844
All other	8,867	15,461	7,279
Total	$ 89,167	$ 75,612	$ 72,123
Segment assets:			
Route	$ 837,479	$ 886,043	$ 910,980
All other	38,703	27,762	28,209
Corporate assets	7,661	8,661	17,487
Total	$ 883,843	$ 922,466	$ 956,676

Non-GAAP Financial Measures

EBITDA represents earnings from continuing operations before deductions for interest, income taxes and depreciation and amortization. Management believes that EBITDA is useful as a means to evaluate the Company s ability to service existing debt, to sustain potential future increases in debt and to satisfy capital requirements. EBITDA is also used by management as a measure of evaluating the performance of the Company s three operating segments. Management further believes that EBITDA is useful to investors as a measure of comparative operating performance as it is less susceptible to variances in actual performance resulting from depreciation, amortization and other non-cash charges and more reflective of changes in pricing decisions, cost controls and other factors that affect operating performance. Management uses EBITDA to develop compensation plans, to measure sales force performance and to allocate capital assets. Additionally, because we have historically provided EBITDA to investors, we believe that presenting this non-GAAP financial measure provides consistency in financial reporting. Management s use of EBITDA, however, is not intended to represent cash flows for the period, nor has it been presented as an alternative to either (a) operating income (as determined by U.S. generally accepted accounting

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

principles) as an indicator of operating performance or (b) cash flows from operating, investing and financing activities (as determined by U.S. generally accepted accounting principles) as a measure of liquidity. Given that EBITDA is not a measurement determined in accordance with U.S. generally accepted accounting principles and is thus susceptible to varying calculations, EBITDA may not be comparable to other similarly titled measures of other companies. The following table reconciles the Company s net income (loss) to EBITDA for each period presented (in millions):

	Year Ended March 31,		
	2007	**2006**	**2005**
Net income (loss)	$ 0.2	$ (24.6)	$ (35.3)
Provision (benefit) for income taxes	2.1	(15.9)	(10.1)
Interest expense	55.0	60.1	58.6
Interest expense non cash preferred stock dividend			18.2
Interest expense escrow interest			0.9
Depreciation and amortization	109.2	108.9	110.4
EBITDA (unaudited)*	$ 166.5	$ 128.5	$ 142.7

* The computation of EBITDA for the 2007 Fiscal Year has not been adjusted to exclude certain transaction costs aggregating approximately $0.8 million consisting of: (i) the premium paid to purchase certain 11% Senior Secured Notes of approximately $0.4 million and (ii) the write-off of a proportionate amount of unamortized deferred financing costs of approximately $0.4 million.

The computation of EBITDA for the 2006 Fiscal Year has not been adjusted to exclude certain transaction costs aggregating approximately $31.5 million consisting of: (i) approximately $14.6 million of redemption premium related to the redemption of the 9% Senior Notes, (ii) the write-off of deferred financing costs related to the redemption of the 9% Senior Notes, the refinancing of the Senior Secured Credit Facility and the repurchase of a portion of the 11% Senior Secured Notes pursuant to the Tender Offer aggregating approximately $9.6 million, (iii) costs and expenses related to the redemption of the 9% Senior Notes, the refinancing of the Senior Secured Credit Facility and the repurchase of a portion of the 11% Senior Secured Notes pursuant to the Tender Offer aggregating approximately

$6.4 million, (iv) special bonus related to the Tender Offer of approximately $0.5 million and (v) approximately $0.4 million of non-recurring transaction fees and expenses relating to the foregoing.

The computation of EBITDA for the fiscal year ended March 31, 2005 has not been adjusted to exclude transaction costs consisting of (1) approximately $11.3 million redemption premium on the portion of the 9% Senior Notes redeemed, (2) the write-off of the deferred financing costs relating to the 9% Senior Notes redeemed and term loans repaid aggregating approximately $3.5 million, (iii) expenses related to an amendment to the Senior Secured Credit Facility aggregating approximately $1.8 million to, among other things, permit the IDS Transactions and (iv) special

bonuses related to the IDS Transactions aggregating approximately $0.8 million.

14. 2004 Long-Term Incentive Plan

The Company s Long-Term Incentive Plan (the 2004 LTIP) provides for the grant of non-qualified options, incentive stock options, stock appreciation rights, full value awards and cash incentive awards. The maximum number of securities available for awards under the 2004 LTIP is 15% of the aggregate number of outstanding shares of Class A Common Stock and Class B Common Stock immediately following consummation of the IDS Transactions, which equals 6,583,796 shares. As of March 31, 2007, the board of directors of CSC had authorized up to 2,836,729 shares of Class A Common Stock for issuance under the 2004 LTIP.

During the 2006 fiscal year, Company awarded restricted shares of Class A Common Stock as follows: (i) with respect to executive officers, $460,000 (or 51,111 shares in the aggregate) (ii) with respect to our independent directors, $45,000 (or 5,001 shares in the aggregate) and (iii) with respect to a director, $100,000 (or 11,111 shares). In addition, $200,000 worth of restricted shares of Class A Common Stock (or 21,666 shares) were designated for an employee pool, awarded to employees (such award together with the restricted stock awards approved by the board

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

of directors of CSC, the 2006 Restricted Stock Awards) other than executive officers at the discretion of the Company s chief executive officer.

The 2006 Restricted Stock Awards to the independent directors were fully vested on the date of grant, and those to the non-independent director, the executive officers and the employees vested 20% on the date of grant and the balance at 20% per year over a consecutive four-year period thereafter. In addition, the 2006 Restricted Stock Awards to the executive officers and the director vest upon a change of control of CSC or upon the death or disability of the award recipient and contain all of the rights and are subject to all of the restrictions of Class A Common Stock prior to becoming fully vested, including voting and dividend rights. The fair value of the restricted stock issued of $9.01 per share will be recorded as compensation expense over the vesting periods.

On November 3, 2006, the compensation committee of the board of directors of CSC awarded performance contingent and time-based vesting restricted shares of Class A Common Stock with a grant date of November 3, 2006 as follows: (i) an aggregate of 100,000 shares to certain executive officers, (ii) an aggregate of 7,500 shares to our three independent directors and (iii) 25,000 shares to one of our non-independent directors (collectively, the 2007 Restricted Stock Awards).

On March 6, 2007, approximately $158,000 worth of restricted stock of Class A Common Stock (or 15,000 shares) were awarded by our Chief Executive Officer from the employee pool to certain employees which includes performance contingent and time-based vesting restricted shares of Class A Common Stock with a grant date of March 6, 2007 (collectively, the March 2007 Restricted Stock Awards).

The 2007 Restricted Stock Awards to our independent directors were fully vested on the date of grant. The 2007 Restricted Stock Awards to our executive officers and the March 2007 Restricted Stock Awards consisted of time-based shares (the Time Vesting Shares) as well as performance-based shares (the Performance Vesting Shares). Pursuant to the award agreements for the executive officers and the recipients of the March 2007 Restricted Stock Awards, 25% of all of the shares awarded are Time Vesting Shares and 75% of all of the shares awarded are Performance Vesting Shares. The 2007 Restricted Stock Award to our non-independent director consisted solely of Time Vesting Shares.

The Performance Vesting Shares vest upon the attainment of certain earnings and cash flow growth performance criteria established by the compensation committee during the performance period ending March 31, 2009. The Time Vesting Shares vest in three equal annual installments commencing on the first anniversary of the date of grant.

The 2007 Restricted Stock Awards to each of the executive officers and the non-independent director fully vest upon a change of control of CSC or upon the death or disability of the award recipient. In addition, the executive officers, the non-independent director and the independent directors shall be entitled to vote the restricted shares underlying their awards during the restricted period, but will not be entitled to receive dividends prior to the vesting of such shares.

The fair value of the Time Vesting Shares issued as part of the 2007 Restricted Stock Award of $10.00 per share and the fair value of the March 2007 Restricted Stock Awards of $10.55 will be recorded as compensation expense over the vesting periods. In addition, since the Performance Vesting Shares vest upon the attainment of certain performance criteria, the Company will record compensation expense only for those Performance Vesting Shares of which the attainment of applicable performance conditions is probable.

Compensation expense of approximately $0.3 million and $0.2 million has been recorded to the statement of operations for the fiscal years ended March 31, 2007 and March 31, 2006, respectively. The Company has estimated the forfeiture rate to be zero.

A summary of the status of the Company s restricted shares and restricted units as of March 31, 2007 are presented below.

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

	Shares Outstanding	Weighted Average Fair Value at Date of Contract
Restricted shares unvested at April 1, 2005		$
Restricted shares granted	88,889	9.01
Vested	21,776	9.01
Restricted shares unvested at March 31, 2006	67,113	9.01
Restricted shares granted	147,500	10.06
Shares forfeitured	1,111	9.01
Vested	39,055	9.58
Restricted shares unvested at March 31, 2007	174,447	$ 9.77

As of March 31, 2007, there was approximately $1.1 million of unrecognized compensation costs in the aggregate related to restricted share compensation arrangements pertaining to the 2006 Restricted Stock Awards and the Time Vesting Shares from the 2007 Restricted Stock Awards. That cost is expected to be recognized over a weighted average period of 3.0 years. In addition, as of March 31, 2007, there was approximately $0.1 million of unrecognized compensation costs related to restricted share compensation arrangements pertaining only to those Performance Vesting Shares that the Company has determined will relate to the probable outcome for the attainment of certain performance conditions. Such costs are expected to be recognized over a weighted average period of 2.25 years. At March 31, 2007, there was also approximately $0.2 million of unrecognized compensation costs related to restricted share compensation arrangements pertaining only to those Performance Vesting Shares that the Company has determined are not probable for the attainment of certain performance conditions.

15. Quarterly Financial Information (Unaudited)

The following is a summary of the quarterly results of operations for the years ended March 31, 2007 and 2006 (in thousands, except share data):

	Three Months Ended			
	June 30, 2006	September 30, 2006	December 31, 2006	March 31, 2007
Revenues	$ 139,285	$ 136,310	$ 140,971	$ 138,732
Operating income	14,768	13,555	15,805	13,966
Income (loss) before income taxes	493	(376)	1,806	310
Net income (loss)	192	(401)	860	(498)
Basic and diluted (loss) income per share:				
Class A Common Stock	(0.14)	0.09	0.11	0.09
Class B Common Stock	0.18	(0.12)	(0.10)	(0.12)
Dividends per Class A Common Stock	0.21	0.21	0.21	0.21
Dividends per Class B Common Stock	0.53			
Weighted average Common Stock outstanding:				

Class A Common Stock	29,046,528	29,050,722	29,060,305	29,067,193
Class B Common Stock	23,374,450	23,374,450	23,374,450	23,374,450

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Coinmach Service Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

	Three Months Ended			
	June 30, 2005	**September 30, 2005**	**December 31, 2005**	**March 31, 2006**
Revenues	$ 133,830	$ 132,320	$ 138,744	$ 138,591
Operating income	13,840	11,394	13,850	12,034
Loss before income taxes	(1,491)	(3,921)	(4,340)	(30,715)
Net loss	(975)	(2,288)	(2,666)	(18,653)
Basic and diluted income (loss) per share:				
Class A Common Stock	0.10	0.07	0.06	(0.29)
Class B Common Stock	(0.11)	(0.14)	(0.15)	(0.50)
Dividends per Class A Common Stock	0.21	0.21	0.21	0.21
Dividends per Class B Common Stock				
Weighted average Common Stock outstanding:				
Class A Common Stock	18,911,532	18,911,532	18,911,532	25,125,607
Class B Common Stock	24,980,445	24,980,445	24,980,445	24,445,113

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Coinmach Service Corp. and Subsidiaries
Schedule II Valuation and Qualifying Accounts

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions(1)	Balance at End of Period
Year ended March 31, 2007 Reserves and allowances deducted from asset accounts: Allowances for uncollected accounts	$4,326,000	$1,255,000	$	$(2,209,000)	$3,372,000
Year ended March 31, 2006 Reserves and allowances deducted from asset accounts: Allowances for uncollected accounts	$3,794,000	$1,574,000	$	$(1,042,000)	$4,326,000
Year ended March 31, 2005 Reserves and allowances deducted from asset accounts: Allowances for uncollected accounts	$2,892,000	$1,617,000	$	$ (715,000)	$3,794,000

(1) Write-off to accounts receivable.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors of
Coinmach Laundry Corporation

We have audited the accompanying consolidated balance sheets of Coinmach Laundry Corporation and Subsidiaries (the Company) as of March 31, 2007 and 2006, and the related consolidated statements of operations, stockholders deficit, and cash flows for each of the three years in the period ended March 31, 2007. Our audits also included the financial statement schedules listed in the Index. These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Coinmach Laundry Corporation and Subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP
New York, New York
June 1, 2007

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Coinmach Laundry Corporation and Subsidiaries
Consolidated Balance Sheets

	March 31, 2007	March 31, 2006
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 38,105	$ 61,128
Receivables, less allowance of $3,372 and $4,326	6,755	5,935
Inventories	14,575	11,458
Prepaid expenses	4,997	4,375
Interest rate swap asset		2,615
Other current assets	2,299	1,736
Total current assets	66,731	87,247
Advance location payments	64,371	67,242
Property, equipment and leasehold improvements:		
Laundry equipment and fixtures	629,394	578,700
Land, building and improvements	43,126	39,098
Trucks and other vehicles	43,146	37,624
	715,666	655,422
Less accumulated depreciation and amortization	(475,926)	(403,024)
Net property, equipment and leasehold improvements	239,740	252,398
Contract rights, net of accumulated amortization of $128,466 and $114,535	294,800	296,912
Goodwill	208,590	206,196
Other assets	2,438	4,913
Total assets	$ 876,670	$ 914,908
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	$ 21,592	$ 17,827
Accrued expenses	13,485	13,345
Accrued rental payments	33,019	33,044
Accrued interest	9,678	4,992
Interest rate swap liability	155	
Current portion of long-term debt	5,527	5,502
Total current liabilities	83,456	74,710
Deferred income taxes	56,640	59,455
Long-term debt, less current portion	569,701	571,035
Intercompany loan	183,564	183,564
Due to parent	(9,566)	

Redeemable preferred stock $2.5 million par value; 82 shares authorized; 54.12 shares issued and outstanding liquidation preference of $164,794 at March 31, 2007) owned by Parent	164,794	178,216
Total liabilities	1,048,589	1,066,980
Stockholders deficit:		
Common stock $2.50 par value; 76,000 shares authorized; 66,790.27 shares issued and outstanding	167	167
Capital in excess of par value	175,864	175,864
Carryover basis adjustment	(7,988)	(7,988)
Accumulated other comprehensive (loss) income, net of tax	(231)	1,547
Accumulated deficit	(339,731)	(321,662)
Total stockholders deficit	(171,919)	(152,072)
Total liabilities and stockholders deficit	$ 876,670	$ 914,908

See accompanying notes.

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Coinmach Laundry Corporation and Subsidiaries
Consolidated Statements of Operations

	Year Ended March 31,		
	2007	2006	2005
		(In thousands)	
Revenues	$ 555,298	$ 543,485	$ 538,604
Costs and expenses:			
Laundry operating expenses (exclusive of depreciation and amortization and amortization of advance location payments)	375,137	370,647	367,974
General and administrative (including stock-based compensation expense of $158, $210 and $74, respectively)	10,814	10,009	9,352
Depreciation and amortization	74,378	75,556	76,431
Amortization of advance location payments	20,482	19,219	19,578
Amortization of intangibles	14,372	14,118	14,431
Other items, net		310	855
	495,183	489,859	488,621
Operating income	60,115	53,626	49,983
Interest expense	65,692	55,950	56,253
Interest expense non cash preferred stock dividends	13,336	14,596	22,666
Interest expense escrow interest			941
Transaction costs		21,849	17,389
Loss before income taxes	(18,913)	(38,769)	(47,266)
Provision (benefit) for income taxes:			
Current	980	400	
Deferred	(1,824)	(7,901)	(9,079)
	(844)	(7,501)	(9,079)
Net loss	$ (18,069)	$ (31,268)	$ (38,187)

See accompanying notes.

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Coinmach Laundry Corporation and Subsidiaries
Consolidated Statements of Stockholders Deficit

	Common Stock	Capital in Excess of Par	Carryover Basis Adjustment	Accumulated Other Comprehensive (Loss) Income, net of tax (In thousands)	Accumulated Deficit	Deferred Compensation	Total Stockholders Deficit
Balance, March 31, 2004	$ 167	$ 5,022	$ (7,988)	$ (2,006)	$ (164,728)	$ (86)	$ (169,619)
Common stock retired		170,842					170,842
Comprehensive loss:							
Net loss					(38,187)		(38,187)
Gain on derivative instruments, net of income tax of $1,931				2,498			2,498
Total comprehensive loss							(35,689)
Stock-based compensation						74	74
Balance, March 31, 2005	167	175,864	(7,988)	492	(202,915)	(12)	(34,392)
Capital contributions					(87,479)		(87,479)
Comprehensive loss:							
Net loss					(31,268)		(31,268)
Gain on derivative instruments, net of income tax of $723				1,055			1,055
Total comprehensive loss							(30,213)
Stock-based compensation						12	12
Balance, March 31, 2006	167	175,864	(7,988)	1,547	(321,662)		(152,072)
Comprehensive loss:							

Net loss					(18,069)		(18,069)
Loss on derivative instruments, net of income tax of 1,131				(1,778)			(1,778)
Total comprehensive loss							(19,847)
Balance, March 31, 2007	$ 167	$ 175,864	$ (7,988)	$ (231)	$ (339,731)	$	$ (171,919)

See accompanying notes.

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Coinmach Laundry Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	Year Ended March 31,		
	2007	2006	2005
	(In thousands)		
Operating activities			
Net loss	$ (18,069)	$ (31,268)	$ (38,187)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	74,378	75,556	76,431
Amortization of advance location payments	20,482	19,219	19,578
Amortization of intangibles	14,372	14,118	14,431
Interest expense non cash preferred stock dividend	13,336	14,596	22,666
Deferred income taxes	(1,824)	(7,901)	(9,079)
Amortization of deferred issue costs	444	1,396	2,139
Premium on redemption of 9% Senior Notes due 2010		14,603	11,295
Write-off of deferred issue costs		6,178	3,475
Gain on sale of investment and equipment	(469)	(327)	(557)
Stock based compensation	158	210	74
Change in operating assets and liabilities, net of businesses acquired:			
Other assets	460	(943)	1,017
Receivables, net	(379)	880	(279)
Inventories and prepaid expenses	(3,312)	1,593	(702)
Accounts payable and accrued expenses, net	2,885	873	2,232
Accrued interest	4,686	(2,995)	438
Net cash provided by operating activities	107,148	105,788	104,972
Investing activities			
Additions to property, equipment and leasehold improvements	(54,854)	(57,937)	(53,444)
Advance location payments to location owners	(16,399)	(14,239)	(18,051)
Additions to net assets related to acquisitions of businesses, net of cash acquired	(17,914)	(3,436)	(628)
Proceeds from sale of investment			277
Proceeds from sale of property and equipment	1,606	2,884	919
Net cash used in investing activities	(87,561)	(72,728)	(70,927)
Financing activities			
Proceeds from credit facility		570,000	
Repayments under credit facility	(2,300)	(241,082)	(19,830)
Credit facility issuance costs		(3,108)	
Principal payments on capitalized lease obligations	(3,985)	(4,668)	(4,331)
(Repayments to) borrowings from bank and other borrowings	(153)	(246)	105

Proceeds from Intercompany Loan		101,894	81,670
Redemption on 9% Senior Notes due 2010		(324,500)	(125,500)
Payment of premium on 9% Senior Notes due 2010		(14,603)	(11,295)
Net advances from Parent	(9,413)	(2,568)	2,060
Capital contributions			170,842
Cash dividends paid	(26,759)	(109,891)	(3,338)
Redemption of preferred stock			(99,208)
Net cash used in by financing activities	(42,610)	(28,772)	(8,825)
Net (decrease) increase in cash and cash equivalents	(23,023)	4,288	25,220
Cash and cash equivalents, beginning of year	61,128	56,840	31,620
Cash and Cash equivalents, end of year	$ 38,105	$ 61,128	$ 56,840
Supplemental disclosure of cash flow information			
Interest paid	$ 60,562	$ 57,549	$ 53,674
Income taxes paid	$ 658	$ 254	$ 301
Noncash investing and financing activities			
Acquisition of fixed assets through capital leases	$ 5,128	$ 4,759	$ 4,199
Transfer of assets held for sale to fixed assets	$	$ 1,936	$

See accompanying notes.

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Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements include the accounts of Coinmach Laundry Corporation, a Delaware corporation (CLC), and all of its wholly owned subsidiaries, including Coinmach Corporation (Coinmach). All significant intercompany profits, transactions and balances have been eliminated in consolidation. Coinmach Laundry Corporation is a wholly-owned subsidiary of Coinmach Service Corp., a Delaware corporation (CSC). Unless otherwise specified herein, references to the Company, we , us and our shall mean CLC and its subsidiaries.

The Company is a provider of outsourced laundry equipment services for multi-family housing properties in North America. The Company s core business (which the Company refers to as the route business) involves leasing laundry rooms from building owners and property management companies, installing and servicing laundry equipment, and collecting revenues generated from laundry machines. Through Appliance Warehouse of America Inc. a Delaware corporation jointly owned by CSC and Coinmach (AWA), the Company leases laundry machines and other household appliances to property owners, managers of multi-family housing properties, and to a lesser extent, individuals and corporate relocation entities. Super Laundry Equipment Corp., a Delaware corporation and a wholly-owned subsidiary of Coinmach (Super Laundry), constructs, designs and retrofits laundromats and distributes laundromat equipment.

On November 24, 2004, CSC completed its initial public offering (the IPO) of Income Deposit Securities (IDSs) and a concurrent offering of 11% senior secured notes due 2024 sold separate and apart from the IDSs. In connection with the offering and certain related corporate reorganization transactions, Coinmach Holdings, LLC (Holdings), the former parent of the Company, exchanged its CLC capital stock and all of its shares of common stock of AWA, for CSC Class B common stock. Pursuant to these transactions, CSC became controlled by Holdings. The offerings and related transactions and the use of proceeds therefrom are referred to herein collectively as the IDS Transactions.

CSC used a portion of the net proceeds from the IPO to make an intercompany loan (the Intercompany Loan) to Coinmach in the aggregate principal amount of approximately $81.7 million and a capital contribution (the Capital Contribution) to CLC aggregating approximately $170.8 million. CLC then contributed approximately $165.6 million to Coinmach. Coinmach then made a dividend payment to CLC of approximately $93.5 million.

Coinmach used the net proceeds from the IPO along with available cash to (i) redeem a portion of the 9% senior notes due 2010 of Coinmach (the 9% Senior Notes) in an aggregate principal amount of $125.5 million (plus approximately $4.5 million of accrued interest and approximately $11.3 million of related redemption premium), which notes were redeemed on December 24, 2004, (ii) repay approximately $15.5 million of outstanding term loans under Coinmach s senior secured credit facility (the Senior Secured Credit Facility) and (iii) redeem approximately $91.8 million of its outstanding Class A preferred stock (representing all of CLC s outstanding Class A preferred stock) and approximately $7.4 million of its outstanding Class B preferred stock (representing a portion of the then outstanding Class B preferred stock).

On February 8, 2006, CSC completed a public offering of 12,312,633 shares of CSC Class A common stock (including an overallotment exercise by the indentures on February 17, 2006) at a price to the public of $9.00 per share (the Class A Offering). Net proceeds from the Class A Offering, including the exercise of the overallotment option, were approximately $102.7 million after deducting underwriting discounts, commissions and other estimated expenses. To the extent required by the indenture governing the 11% senior secured notes, due 2024, approximately $101.9 million of the net proceeds from the Class A Offering were loaned to Coinmach in the form of additional indebtedness under the Intercompany Loan (such additional indebtedness is referred to as the Additional Intercompany Loan). Coinmach distributed the net proceeds from the Class A Offering to CLC who in turn distributed them to CSC.

The net proceeds of the Class A Offering, upon their distribution to CSC, were used (i) to purchase approximately $48.4 million aggregate principal amount outstanding of the 11% senior secured notes due 2024 pursuant to a tender offer and related fees and expenses, (ii) to repurchase 2,199,413 shares of CSC Class A common stock owned by an affiliate of GTCR CLC, LLC at a repurchase price of $8.505 per share, (iii) to

Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

repurchase 1,605,995 shares of CSC Class B common stock at a repurchase price of $8.505 per share and (iv) for general corporate purposes.

Subject to the satisfaction of certain conditions, the indenture governing the 11% Senior Secured Notes permits us to merge CLC and Coinmach into CSC. We refer to such potential mergers collectively as the Merger Event. If we were to consummate the Merger Event in the future, CSC would become an operating company as well as the direct borrower under the Senior Credit Facility (as defined below) and sole owner of the capital stock of Coinmach s subsidiaries. We are not currently contemplating completion of the Merger Event.

2. Summary of Significant Accounting Policies

Recognition of Revenues

The Company has agreements with various property owners that provide for the Company s installation and operation of laundry machines at various locations in return for a commission. These agreements provide for both contingent (percentage of revenues) and fixed commission payments.

The Company reports revenues from laundry machines on the accrual basis and has accrued the cash estimated to be in the machines at the end of each fiscal year. The Company calculates the estimated amount of cash and coin not yet collected at the end of a reporting period, which remain at laundry room locations by multiplying the average daily collection amount applicable to the location with the number of days the location had not been collected. The Company analytically reviews the estimated amount of cash and coin not yet collected at the end of a reporting period by comparing such amount with collections subsequent to the reporting period.

AWA has short-term contracts under which it leases laundry machines and other household appliances to its customers. These contracts require a fixed charge that is billed and recorded as revenue on a monthly basis as per the terms of such contracts.

Super Laundry s customers generally sign sales contracts pursuant to which Super Laundry constructs and equips complete laundromat operations. Revenue is recognized on the completed contract method. A contract is considered complete when all costs have been incurred and either the installation is operating according to specifications or has been accepted by the customer. The duration of such contracts is normally less than six months. Construction-in-progress, the amount of which is not material, is classified as a component of inventory on the accompanying balance sheets. Sales of laundromats amounted to approximately $19.4 million for the fiscal year ended March 31, 2006, $20.0 million for the fiscal year ended March 31, 2006 and $24.1 million for the fiscal year ended March 31, 2005.

No single customer represents more than 2% of the Company s total revenues. In addition, the Company s ten largest customers taken together, account for less than 10% of the Company s total revenues in the aggregate.

Use of Estimates

Preparing financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications were made to the prior years consolidated financial statements to conform to the current year presentation.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Inventories

Inventory costs for the route business and AWA are determined principally by using the average cost method and are stated at the lower of cost or net realizable value. Inventory costs for Super Laundry are valued at the lower of cost (first-in, first-out) or market. Machine repair parts inventory is valued using a formula based on total purchases and the annual inventory turnover. Inventory consists of the following (in thousands):

	March 31,	
	2007	**2006**
Laundry equipment	$ 10,825	$ 7,884
Machine repair parts	3,750	3,574
	$ 14,575	$ 11,458

Long-Lived Assets

Long-lived assets held for use are subject to an impairment assessment if the carrying value is no longer recoverable based upon the undiscounted cash flows of the assets. The amount of the impairment is the difference between the carrying amount and the fair value of the asset. Management does not believe there is any impairment of long-lived assets at March 31, 2007.

Assets Held for Sale

During the year ended March 31, 2004, the Company constructed five laundromats that were expected to be sold no later than the end of fiscal 2005. Although the laundromats were not sold, the Company continued to market them through September 30, 2005. The Company had determined that the plan of sale criteria in FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, had been met. At September 30, 2005, the Company had accepted an offer to sell one of the laundromats for a purchase price of approximately $0.4 million, which closed on October 19, 2005, and which resulted in a write down of the related asset value by approximately $0.2 million. This write down is reflected in Other Items, net, on the Statement of Operations for the fiscal year ended March 31, 2006. In addition, the Company reclassified the balance of the remaining laundromats from Assets Held for Sale to Fixed Assets because the Company had ceased all marketing efforts and had decided to operate these facilities as part of its retail operations. The amount transferred was approximately $1.9 million as of December 31, 2005, which represented their historical costs. The Company believed the fair valued of these laundromats exceeded the historical cost on the date of transfer.

Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are carried at cost and are depreciated or amortized on a straight-line basis over the lesser of the estimated useful lives or lease life, whichever is shorter:

Laundry equipment, installation costs and fixtures	5 to 8 years
Leasehold improvements and decorating costs	5 to 8 years
Trucks and other vehicles	3 to 4 years

The cost of installing laundry machines is capitalized and included with laundry equipment. Decorating costs, which represent the costs of refurbishing and decorating laundry rooms in property-owner facilities, are capitalized and included with leasehold improvements.

Upon the sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in income. Maintenance and repairs are charged to operations currently, and replacements of laundry machines and significant improvements are capitalized.

Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Capitalized Software Development Costs

We have developed software to be utilized internally by our customer service representatives. Expenditures related to such qualifying computer software costs incurred during the application development stage, have been capitalized by us since the activities performed during this stage will create probable future economic benefits. In order for computer software costs to be considered internal-use software, the costs must have the following characteristics: (i) the software must be internally developed, acquired, or modified solely to meet our internal needs and (ii) no plan exists or is being developed to market the software externally during the development or modification of the software. Once we determined that such expenditures were available for actual application, these expenditures were expensed as incurred, similar to maintenance.

Capitalized software costs are amortized on a straight-line basis over three years which is the estimated useful life of the software product. Unamortized software development costs were approximately $9.3 million and $8.4 million at March 31, 2007 and 2006, respectively, and are included in other assets. Amortization expense was approximately $3.1 million, $1.9 million and $1.8 million for the fiscal years ended March 31, 2007, 2006 and 2005, respectively.

Goodwill

The Company accounts for goodwill in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 142 (SFAS 142) *Goodwill and Other Intangible Assets* . SFAS 142 requires an annual impairment test of goodwill. Goodwill is further tested between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. SFAS 142 requires a two-step process in evaluating goodwill. In performing the annual goodwill assessment, the first step requires comparing the fair value of the reporting unit to its carrying value. To the extent that the carrying value of the reporting unit exceeds the fair value, the Company would need to perform the second step in the impairment test to measure the amount of goodwill write-off. The fair value of the reporting units for these tests is based upon a discounted cash flow model. In step two, the fair value of the reporting unit is allocated to the reporting units assets and liabilities (a hypothetical purchase price allocation as if the reporting unit had been acquired on that date). The implied fair value of goodwill is calculated by deducting the allocated fair value of all tangible and intangible net assets of the reporting unit from the fair value of the reporting unit as determined in step one. The remaining fair value, after assigning fair value to all of the reporting units assets and liabilities, represents the implied fair value of goodwill for the reporting unit. If the implied fair value is less than the carrying value of goodwill, an impairment loss equal to the difference would be recognized.

The Company has determined that its reporting units with goodwill consist of the route business, AWA and Super Laundry. Goodwill attributed to the route business, AWA and Super Laundry at March 31, 2007 and 2006 is as follows (in thousands):

	March 31,	
	2007	**2006**
Route	$ 197,158	$ 195,026
Rental	8,515	8,253
Distribution	2,917	2,917
	$ 208,590	$ 206,196

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Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The Company performed its annual assessment of goodwill as of January 1, 2007 and determined that no impairment exists. There can be no assurances that future goodwill impairment tests will not result in a charge to income. Goodwill rollforward for the years ended March 31, 2007 and 2006 consists of the following (in thousands):

	March 31,	
	2007	2006
Goodwill beginning of year	$ 206,196	$ 204,780
Acquisitions	2,394	1,416
Goodwill end of year	$ 208,590	$ 206,196

Contract Rights

Contract rights represent the value of location contracts arising from the acquisition of laundry machines on location. These amounts, which arose primarily from purchase price allocations pursuant to acquisitions, are amortized using accelerated methods over periods ranging from 30 to 35 years. The Company does not record contract rights relating to new locations signed in the ordinary course of business.

Amortization expense for contract rights for each of the next five years is estimated to be as follows (in millions of dollars):

Years Ending March 31,	
2008	$ 13.6
2009	13.3
2010	12.9
2011	12.6
2012	12.3

The Company assesses the recoverability of contract rights in accordance with the provisions of SFAS No. 144 (SFAS 144), *Accounting for the Impairment and Disposal of Long-Lived Assets*. The Company has twenty-eight geographic regions to which contract rights have been allocated. The Company has contracts at every location/property, and analyzes revenue and certain direct costs on a contract-by-contract basis, however, the Company does not allocate common region costs and servicing costs to contracts, therefore, regions represent the lowest level of identifiable cash flows in grouping contract rights. The assessment includes evaluating the financial results/cash flows and certain statistical performance measures for each region in which the Company operates. Factors that generally impact cash flows include commission rates paid to property owners, occupancy rates at properties, sensitivity to price increases, loss of existing machine base, and the regions general economic conditions. If as a result of this evaluation there are indicators of impairment that result in losses to the machine base, or an event occurs that would indicate that the carrying amounts may not be recoverable, the Company reevaluates the carrying value of contract rights based on future undiscounted cash flows attributed to that region and records an impairment loss based on discounted cash flows if the carrying amount of the contract rights are not recoverable from undiscounted cash flows. Based on present operations and strategic plans, management believes that there have not been any indicators of impairment of contract rights or long lived assets.

On April 3, 2006, the Company completed the acquisition of substantially all of the assets of American Sales, Inc. (ASI) for a purchase of $15.0 million, subject to the outcome of certain purchase price adjustments. The Company allocated approximately $1.9 million to goodwill, approximately $9.7 million to contract rights and approximately $3.4 million to working capital assets.

During the fiscal year ended March 31, 2007, the Company completed other acquisitions included in the route and rental businesses for a purchase price aggregating approximately $3.7 million of which the Company allocated

approximately $0.5 million to goodwill, approximately $2.1 million to contract rights and approximately $1.1 million to working capital assets.

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Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Advance location payments to location owners are paid at the inception or renewal of a lease for the right to operate applicable laundry rooms during the contract period, in addition to commission to be paid during the lease term, and are amortized on a straight-line basis over the contract term, which generally ranges from 5 to 10 years. Prepaid rent is included on the balance sheet as a component of prepaid expenses.

Comprehensive (Loss) Income

Comprehensive (loss) income is defined as the aggregate change in stockholders deficit excluding changes in ownership interests. Comprehensive (loss) income consists of gains on derivative instruments (interest rate swap agreements).

Other Assets

At March 31, 2007, other assets include deferred financing costs related to the Amended and Restated Credit Facility of approximately $2.5 million, net of accumulated amortization of approximately $2.4 million.

Income Taxes

The Company accounts for income taxes pursuant to the liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Any deferred tax assets recognized for net operating loss carryforwards and other items are reduced by a valuation allowance when it is more likely than not that the benefits may not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

Derivatives

The Company accounts for derivatives pursuant to SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. The derivatives used by the Company are interest rate swaps designated as cash flow hedges.

The effective portion of the derivatives gain or loss is initially reported in stockholders deficit as a component of comprehensive income and upon settlement subsequently reclassified into earnings.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with the expense recognition provisions of SFAS No.123 (revised 2004), Share-Based Payments (SFAS 123R), which requires us to recognize compensation expense for all share-based payments made to employees based on the fair value of the share-based payment at the date of grant. See Note 13 2004 Long-Term Incentive Plan for further discussion on stock-based compensation.

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements.* SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We plan to adopt SFAS No. 157 beginning April 1, 2009. We have not determined the impact, if any, the adoption of SFAS No. 157 will have on our financial statements.

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Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

On February 15, 2007, the Financial Accounting Standards Board, or FASB, issued FAS No. 159, *The Fair Value Option for Financial Assets and Liabilities-Including an Amendment of FAS 115*. This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. This option is available to all entities. Most of the provisions in FAS 159 are elective; however, an amendment to FAS 115, *Accounting for Certain Investments in Debt and Equity Securities* applies to all entities with available for sale or trading securities. Some requirements apply differently to entities that do not report net income. FAS 159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of FAS 157. We will adopt FAS 159 beginning April 1, 2008 and we are currently evaluating the potential impact the adoption of this pronouncement will have on our financial statements.

In July 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109.* FIN No. 48 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including the decision whether to file or not file in a particular jurisdiction. FIN No. 48 must be applied to all existing tax positions upon initial adoption. The cumulative effect of applying FIN No. 48 at adoption, if any, is to be reported as an adjustment to opening retained earnings for the year of adoption. FIN No. 48 is effective for fiscal years beginning after December 15, 2006, which is the Company s 2008 fiscal year, although early adoption is permitted. The Company is currently evaluating the potential effects of FIN No. 48 on the consolidated financial statements and is not yet in a position to determine what, if any, effects FIN No. 48 will have on the consolidated financial statements.

3. Long-Term Debt

Long-term debt consists of the following (in thousands):

	March 31,	
	2007	**2006**
Credit facility indebtedness	$ 567,125	$ 569,425
Obligations under capital leases	7,865	6,721
Other long-term debt with varying terms and maturities	238	391
	575,228	576,537
Less current portion	5,527	5,502
	$ 569,701	$ 571,035

a. Amended and Restated Credit Facility

On December 19, 2005, Coinmach, CLC and certain subsidiary guarantors entered into an amendment and restatement of the Series Secured Credit Facility (such amendment and restatement, the Amended and Restated Credit Facility), which is comprised of a $570.0 million term loan facility and a $75.0 million revolving credit facility (subject to outstanding letters of credit). Such credit facility amended and restated the credit facility originally entered into on January 25, 2002. The term loans are scheduled to be fully repaid by December 19, 2012, and the revolving credit facility is scheduled to expire on December 19, 2010. The Amended and Restated Credit Facility is secured by a first priority security interest in all of Coinmach s real and personal property and is guaranteed by each of Coinmach s domestic subsidiaries. CLC has pledged the capital stock of Coinmach as collateral under the Amended and Restated Credit Facility for the benefit of the lenders thereunder.

On December 19, 2005, Coinmach borrowed $230.0 million under the term loan facility to refinance approximately $229.3 million aggregate principal amount of then outstanding term debt under the Senior Secured Credit Facility and pay related expenses (The Credit Facility Refinancing). On February 1, 2006, Coinmach used

$340.0 million of delayed draw term loans to retire all of the then outstanding $324.5 million aggregate principal amount of 9% Senior Notes (plus approximately $14.6 million of related redemption premium) and to pay related fees and any expenses.

Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

As a result of the Credit Facility Refinancing, Coinmach incurred approximately $3.1 in issuance costs related to the Amended and Restated Credit Facility, which was capitalized as deferred financing costs to be amortized using the effective interest method through December 19, 2012. In addition to the issuance costs, Coinmach incurred certain expenses that were classified as transaction costs on the Consolidated Statement of Operations for the fiscal year ended March 31, 2006, which included (1) the write-off of the unamortized deferred financing costs related to the Senior Secured Credit Facility term loans repaid aggregating approximately $1.7 million and (2) expenses aggregating approximately $1.0 million related to the Senior Secured Credit Facility that was amended.

The revolving loans accrue interest, at the borrower s option, at a rate per annum equal to the base rate plus a margin of 2.00% or the Eurodollar rate plus 3.00%, subject in each case to performance based adjustments. The term loans accrue interest, at the borrower s option, at a rate per annum equal to the base rate plus a margin of 1.50% or the Eurodollar rate plus 2.50%, subject in each case to performance based adjustments. At March 31, 2007, the monthly variable Eurodollar rate was 5.375%.

The Amended and Restated Credit Facility requires Coinmach to make certain mandatory repayments, including from (a) 100% of net proceeds from asset sales by Coinmach and its subsidiaries, (b) 100% of the net proceeds from the issuance of debt (with an exception for proceeds from intercompany loans made by Coinmach to CSC), (c) 50% of annual excess cash flow of Coinmach and its subsidiaries, and (d) 100% of the net proceeds from insurance recovery and condemnation events of Coinmach and its subsidiaries, in each case subject to reinvestment rights, as applicable, and other exceptions generally consistent with the Senior Secured Credit Facility. For the fiscal year ended March 31, 2006, there is no required amount that is payable relating to the annual excess cash flow of the Company.

The Amended and Restated Credit Facility contains a number of restrictive covenants and agreements applicable to Coinmach which, if we were to consummate the Merger Event, would apply directly to us as borrower under such credit facility, including covenants with respect to limitations on (i) indebtedness; (ii) certain payments (in the form of the declaration or payment of certain dividends or distributions on Coinmach capital stock or its subsidiaries or the purchase, redemption or other acquisition of any of its or its subsidiaries capital stock); (iii) voluntary prepayments of previously existing indebtedness; (iv) Investments (as defined in the Amended and Restated Credit Facility); (v) transactions with affiliates; (vi) liens; (vii) sales or purchases of assets; (viii) conduct of business; (ix) dividends and other payment restrictions affecting subsidiaries; (x) consolidations and mergers; (xi) capital expenditures; (xii) issuances of certain of Coinmach s equity securities; and (xiii) creation of subsidiaries. The Amended and Restated Credit Facility also requires that Coinmach satisfy certain financial ratios, including a maximum leverage ratio and a minimum consolidated interest coverage ratio.

At March 31, 2007, the $567.1 million of term loan borrowings under the Amended and Restated Credit Facility had an interest rate of approximately 7.875% and the amount available under the revolving credit portion of the Amended and Restated Credit Facility was approximately $68.2 million. Letters of credit under the revolver portion of the Amended and Restated Credit Facility outstanding at March 31, 2007 were approximately $6.8 million.

At March 31, 2007, Coinmach was in compliance with the covenants under the Amended and Restated Credit Facility and was not aware of any events of default pursuant to the terms of such indebtedness.

Debt outstanding under the Amended and Restated Credit Facility consists of the following (in thousands):

	March 31,	
	2007	**2006**
Tranche term loan B, quarterly payments of approximately $575, increasing to approximately $1,425 on March 31, 2009 with the final payment of approximately $541,725 on December 19, 2012 (Interest rate of 7.875% at March 31, 2007)	$ 567,125	$ 569,425
Revolving line of credit		
	$ 567,125	$ 569,425

CLC is not a guarantor under the indenture governing the Amended and Restated Credit Facility.

Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The aggregate maturities of long-term debt during the next five years and thereafter as of March 31, 2007 are as follows (in thousands):

Years Ending March 31,	Principal Amount
2008	$ 5,527
2009	5,570
2010	7,099
2011	6,603
2012	5,854
Thereafter	544,575
Total debt	$ 575,228

b. Interest Rate Swaps

On November 17, 2005, Coinmach entered into two separate interest rate swap agreements, effective February 1, 2006, totaling $230.0 million in aggregate notional amount that effectively convert a portion of its floating-rate term loans pursuant to the Amended and Restated Credit Facility to a fixed rate basis, thereby reducing the impact of interest rate changes on future interest expense. The two swap agreements consist of: (i) a $115.0 million notional amount interest rate swap transaction with a financial institution effectively fixing the three-month LIBOR interest rate (as determined therein) at 4.90% and expiring on November 1, 2010, and (ii) a $115.0 million notional amount interest rate swap transaction with a financial institution effectively fixing the three-month LIBOR interest rate (as determined therein) at 4.89% and expiring on November 1, 2010. These interest rate swaps used to hedge the variability of forecasted cash flows attributable to interest rate risk were designated as cash flow hedges. The Company recognized accumulated other comprehensive income of approximately $1.8 million, net of tax, in the stockholders equity section for the fiscal year ended March 31, 2006, relating to the interest rate swaps that qualify as cash flow hedges.

4. Intercompany Loan

In connection with the IDS Transactions, CSC made the Intercompany Loan to Coinmach in an initial principal amount of approximately $81.7 million which is eliminated in consolidation of our financial statements. The Intercompany Loan is represented by the Intercompany Note. As a result of the Additional Intercompany Loan in February 2006, the principal amount of indebtedness represented by the Intercompany Note increased to $183.6 million. Interest under the Intercompany Loan accrues at an annual rate of 10.95% and is payable quarterly on March 1, June 1, September 1 and December 1 of each year and the Intercompany Loan is due and payable in full on December 1, 2024. The Intercompany Loan is a senior unsecured obligation of Coinmach, ranks equally in right of payment with all existing and future senior indebtedness of Coinmach (including indebtedness under the Amended and Restated Credit Facility) and ranks senior in right of payment to all existing and future subordinated indebtedness of Coinmach. Certain of Coinmach s domestic restricted subsidiaries guarantee the Intercompany Loan on a senior unsecured basis. The Intercompany Loan contains covenants that are substantially the same as those provided in the terms of the Amended and Restated Credit Facility. The Intercompany Loan and the guaranty of the Intercompany Loan by certain subsidiaries of the Company were pledged by CSC to secure the repayment of the 11% Senior Secured Notes.

If at any time Coinmach is not prohibited from doing so under the terms of its then outstanding indebtedness, in the event that CSC undertakes an offering of IDSs or CSC Class A common stock, a portion of the net proceeds of such offering, subject to certain limitations, will be loaned to Coinmach and increase the principal amount of the Intercompany Loan and the guaranty of the Intercompany Loan.

As of March 31, 2007, the principal amount of indebtedness represented by the Intercompany Note was $183.6 million.

Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

At March 31, 2007, Coinmach was in compliance with the covenants under the Intercompany Loan and was not aware of any events of default pursuant to the terms of such indebtedness.

5. Retirement Savings Plan

Coinmach maintains a defined contribution plan meeting the guidelines of Section 401(k) of the Internal Revenue Code. Such plan requires employees to meet certain age, employment status and minimum entry requirements as allowed by law.

Contributions to such plan amounted to approximately $772,000 for the fiscal year ended March 31, 2007, $500,000 for the year ended March 31, 2006 and $502,000 for the year ended March 31, 2005. The Company does not provide any other post-retirement benefits.

6. Income Taxes

The components of the Company s deferred tax liabilities and assets are as follows (in thousands):

	March 31,	
	2007	**2006**
Deferred tax liabilities:		
Accelerated tax depreciation and contract rights	$ 99,522	$ 97,083
Interest rate swap		1,063
Other	2,339	2,345
Total deferred tax liabilities	101,861	100,491
Deferred tax assets:		
Net operating loss carry forwards	54,225	48,529
Covenant not to compete	1,109	1,178
Transaction costs		438
Interest rate swap	63	
Other	611	1,678
Total deferred tax assets	56,008	51,823
Valuation allowance	(10,787)	(10,787)
Net deferred tax assets	45,221	41,036
Net deferred tax liability	$ 56,640	$ 59,455

The net operating loss carryforwards of approximately $133.0 million expire between fiscal years 2008 through 2026. In addition, the net operating losses are subject to annual limitations imposed under the provisions of the Internal Revenue Code regarding changes in ownership. For the fiscal year ended March 31, 2007, the Company generated a taxable loss of approximately $1.0 million primarily due to a loss from operations.

The (benefit) provision for income taxes consists of (in thousands):

	Year Ended March 31,		
	2007	**2006**	**2005**
Federal	$ (1,422)	$ (7,025)	$ (7,079)
State	578	(476)	(2,000)
	$ (844)	$ (7,501)	$ (9,079)

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Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The effective income tax rate differs from the amount computed by applying the U.S. federal statutory rate to loss before taxes as a result of state taxes and permanent book/tax differences as follows (in thousands):

	Year Ended March 31,		
	2007	**2006**	**2005**
Expected tax benefit	$ (6,619)	$ (13,569)	$ (16,543)
State tax provision (benefit), net of federal taxes	376	(906)	(1,300)
Non deductible interest non cash Preferred Stock dividends	4,668	5,108	7,933
Valuation allowance		237	
Provision to return adjustment	546	1,534	514
Permanent book/tax differences	185	95	317
Tax benefit	$ (844)	$ (7,501)	$ (9,079)

7. Redeemable Preferred Stock and Stockholders Deficit

In July 2000, CLC issued (i) 20.77 shares of Class A preferred stock accruing cash dividends on a quarterly basis at an annual rate of 12.5% (which increased to 14% on November 15, 2002) on the sum of the liquidation value thereof plus accumulated and unpaid dividends thereon (the Class A Preferred Stock), (ii) 53.84 shares of Class B preferred stock accruing cash dividends on a quarterly basis at an annual rate of 8% on the sum of the liquidation value thereof plus accumulated and unpaid dividends thereon (the Class B Preferred Stock and, together with the Class A Preferred Stock, (the Preferred Stock) and (iii) 59,823.30 shares of common stock, par value $2.50 per share (the Common Stock). The Preferred Stock does not have voting rights, had a liquidation value of $2.5 million per share and is mandatorily redeemable on July 5, 2010.

On May 15, 2003, the FASB issued SFAS No. 150 (SFAS 150), Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equities. This standard requires, among other things, that any of various financial instruments that are issued in the form of shares that are mandatorily redeemable on a fixed or determinable date be classified as liabilities, any dividends paid on the underlying shares be treated as interest expense, and issuance costs should be deferred and amortized using the interest method. SFAS 150 is effective for all financial instruments created or modified after May 31, 2003, and otherwise effective at the beginning of the first interim period beginning after June 15, 2003 (July 1, 2003 for CLC). For the fiscal years ended March 31, 2007, 2006 and 2005, the Company has recorded approximately $13.3 million, $14.6 million and $22.7 million, respectively, of Preferred Stock dividends as interest expense. The Preferred Stock is carried at the amount of cash that would be paid under their terms if the shares were repurchased or redeemed at the reporting date. The cumulative and unpaid dividends as of March 31, 2007 were approximately $48.1 million.

In November 2004 and December 2004, in connection with the IDS Transactions, a portion of the net proceeds from the initial public offering were used to redeem approximately $91.8 million of the Class A Preferred Stock (representing all of the outstanding Class A Preferred Stock) and approximately $7.4 million of the Class B Preferred Stock. All unredeemed Preferred Stock was exchanged by Holdings with CSC for additional shares of CSC Class B common stock. Therefore, all of the Class B Preferred Stock outstanding is now held by CSC.

Under CLC s equity participation plan (the Equity Participation Plan), in July 2000, loans were extended by CLC (the EPP Loans) to certain employees for the purchase of Common Stock at a fixed price per share equal to the fair market value of such Common Stock at the time of issuance as determined by the board of directors of CLC Additionally, certain members of senior management of the Company also acquired Class B Preferred Stock at such time. Pursuant to the terms of the Equity Participation Plan, the Preferred Stock was fully vested at the time of purchase, and the Common Stock vested over a specified period, typically over four years.

In March 2003, through a series of transactions, all of the outstanding capital stock of CLC was contributed to Holdings in exchange for substantially equivalent equity interests (in the form of common membership units (the

Common Units) and preferred membership units (the Preferred Units)) in Holdings. Accordingly, CLC became a wholly owned subsidiary of Holdings.

Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The EPP Loans are payable in installments over ten years and accrue interest at a rate of 7% per annum. There are no shares reserved for future issuance. The Equity Participation Plan contains certain restrictions on the transfer of the Common Units and the Preferred Units.

At March 31, 2007, there were 26,213,682 Common Units and 604 Preferred Units outstanding and all were vested under the Equity Participation Plan.

Previously due installments on the EPP Loans have been forgiven by the Company on or prior to their respective due dates. As a result, such loans are considered non-recourse and therefore treated as an award of stock requiring the recognition of compensation expense. Such expense is measured at fair value as of the time the stock award vests and is subsequently remeasured for changes in fair value until such time as the measurement date is established (upon forgiveness or repayment of the entire loan). The Company had recorded compensation expense of approximately $12,000 and $74,000 for the fiscal years ended March 31, 2006 and 2005, respectively.

8. Commitments and Contingencies

Rental expense for all operating leases, which principally cover offices and warehouse facilities, laundromats and vehicles, was approximately $10.5 million for the fiscal year ended March 31, 2007, $10.0 million for the fiscal year ended March 31, 2006 and $9.7 million for the fiscal year ended March 31, 2005.

Certain leases entered into by the Company are classified as capital leases. Amortization expense related to equipment under capital leases is included with depreciation expense for the fiscal years ended March 31, 2007, 2006 and 2005.

The following summarizes property under capital leases at March 31, 2007 and 2006:

	Year Ended March 31,	
	2007	2006
	(In thousands)	
Laundry equipment and fixtures	$ 1,547	$ 1,300
Trucks and other vehicles	32,350	27,469
	33,897	28,769
Less accumulated amortization	24,459	20,137
	$ 9,438	$ 8,632

Future minimum rental commitments under all capital leases and noncancelable operating leases as of March 31, 2007 are as follows (in thousands):

	Capital	Operating
2008	$ 3,804	$ 8,284
2009	2,713	6,981
2010	1,498	5,927
2011	897	4,120
2012	146	2,430
Thereafter		6,318
Total minimum lease payments	9,058	$ 34,060
Less amounts representing interest	1,193	

Present value of net minimum lease payments (including current portion of $3,163)	$ 7,865

The Company utilizes third party letters of credit to guarantee certain business transactions, primarily certain insurance activities. The total amount of the letters of credit at March 31, 2007 were approximately $6.8 million.

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Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The Company is a party to various legal proceedings arising in the ordinary course of business. Although the ultimate disposition of such proceedings is not presently determinable, management does not believe that adverse determinations in any or all such proceedings would have a material adverse effect upon the financial condition, results of operations or cash flows of the Company.

In connection with insurance coverages, which include workers compensation, general liability and other coverages, annual premiums are subject to limited retroactive adjustment based on actual loss experience.

9. Related Party Transactions

In February 1997, the Company extended a loan to an executive officer of the Company in the principal amount of $500,000 payable in ten equal annual installments ending in July 2006 (each payment date, a Payment Date), with interest accruing at a rate of 7.5% per annum. The loan provided that payment of principal and interest will be forgiven on each payment date based on certain conditions. The amounts forgiven are charged to general and administrative expenses. The remaining balance at March 31, 2006 of $50,000 was forgiven during the year ended March 31, 2007.

On May 5, 1999, the Company extended a loan to an executive officer of the Company in a principal amount of $250,000 to be repaid in a single payment on the third anniversary of such loan with interest accruing at a rate of 8% per annum. On March 15, 2002, the Company and the executive officer entered into a replacement promissory note in exchange for the original note evidencing the loan. The replacement note was in an original principal amount of $282,752, the outstanding loan balance under the replacement note was payable in equal annual installments of $56,550 commencing on March 15, 2003 and the obligations under the replacement note were secured, pursuant to an amendment to the replacement note dated March 6, 2003, by a pledge of certain preferred and common units of Holdings held by such executive officer. The remaining balance at March 31, 2006 of $56,550 was forgiven during the year ended March 31, 2007.

During the fiscal years ended March 31, 2007, March 31, 2006 and March 31, 2005, Coinmach paid a non-independent director, a member of each of the Company s board of directors, the Coinmach board of directors, the Holdings board of managers and the CLC board of directors, $210,000, $193,000 and $180,000 respectively, for general financial advisory and investment banking services which are recorded in general and administrative expenses. The Company paid a one-time fee of $500,000 to the director in connection with the IDS Transactions in November 2004 and a one-time fee of $125,000 to the director in connection with the Credit Facility Refinancing in January 2006.

In addition, in February 2006, the Company awarded 11,111 restricted shares of Class A Common Stock to a non-independent director of the Company, 51,111 restricted shares to executive officers and 5,001 restricted shares to our independent directors, and in November 2006 the Company awarded an aggregate of 100,000 shares to executive officers, 7,500 shares to our independent directors and 25,000 shares to a non-independent directors (collectively, the 2007 Restricted Stock Awards), as noted in Note 13, 2004 Long-Term Incentive Plan.

The Company s independent directors were paid a total of approximately $216,000 for their annual retainers, as well as for attendance fees for the fiscal year ended March 31, 2007.

10. Fair Value of Financial Instruments

The Company is required to disclose fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate the value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques.

The carrying amounts of cash and cash equivalents, receivables, the Amended and Restated Credit Facility, and other long-term debt approximate their fair value at March 31, 2007.

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Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

11. Segment Information

The Company reports segment information for the route segment, its only reportable operating segment, and provides information for its two other operating segments reported as All other . The route segment, which comprises the Company s core business, involves leasing laundry rooms from building owners and property management companies typically on a long-term, renewal basis, installing and servicing the laundry equipment, and collecting revenues generated from laundry machines. The other business operations reported in All other include the aggregation of the rental and distribution businesses. The rental business involves the leasing of laundry machines and other household appliances to property owners, managers of multi-family housing properties and to a lesser extent, individuals and corporate relocation entities through the Company s jointly-owned subsidiary, AWA. The distribution business involves constructing complete turnkey retail laundromats, retrofitting existing retail laundromats, distributing exclusive lines of coin and non-coin machines and parts, and selling service contracts through the Company s wholly-owned subsidiary, Super Laundry. The Company evaluates performance and allocates resources based on EBITDA (earnings from continuing operations before interest, taxes and depreciation and amortization), cash flow and growth opportunity. The accounting policies of the segments are the same as those described in Note 2, Summary of Significant Accounting Policies.

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Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The table below presents information about the Company s segments (in thousands):

	Year Ended March 31,		
	2007	2006	2005
Revenue:			
Route	$ 492,070	$ 481,671	$ 472,484
All other:			
Rental	38,383	36,130	34,372
Distribution	24,845	25,684	31,748
Subtotal	63,228	61,814	66,120
Total revenue	$ 555,298	$ 543,485	$ 538,604
EBITDA (1):			
Route	$ 161,047	$ 156,729	$ 155,378
All other:			
Rental	17,320	15,388	13,840
Distribution	1,794	721	1,412
Subtotal	19,114	16,109	15,252
Other items, net		(310)	(855)
Transaction costs (2)		(21,849)	(17,389)
Corporate expenses	(10,814)	(10,009)	(9,352)
Total EBITDA (unaudited)	169,347	140,670	143,034
Reconciling items:			
Depreciation and amortization expense, amortization of advance location payments and amortization of intangibles:			
Route	(96,610)	(97,293)	(98,921)
All other	(7,875)	(8,160)	(8,242)
Corporate	(4,747)	(3,440)	(3,277)
Total depreciation	(109,232)	(108,893)	(110,440)
Interest expense	(65,692)	(55,950)	(56,253)
Interest expense non-cash preferred stock dividend	(13,336)	(14,596)	(22,666)
Interest expense escrow			(941)
Consolidated loss before income taxes	$ (18,913)	$ (38,769)	$ (47,266)

(1) See description of Non-GAAP Financial Measures

immediately following this table for a reconciliation of net loss to for the periods indicated above.

(2) The computation of EBITDA for the Fiscal Year ended March 31, 2007 has not been adjusted to exclude certain transaction costs consisting of: (i) the premium paid to purchase certain 11% Senior Secured Notes of approximately $0.4 million and (ii) the write-off of a proportionate amount of unamortized deferred financing costs of approximately $0.4 million.

The computation of EBITDA for the Fiscal Year ended March 31, 2006 has not been adjusted to exclude certain transaction costs consisting of: (i) approximately $14.6 million of redemption premium related to the redemption of the 9% Senior Notes, (ii) approximately $4.5 million of write-off of deferred financial costs related to the redemption of the 9% Senior Notes, (iii) approximately $1.7 million of write-off of unamortized deferred financing costs related to the refinancing of the Senior Secured Credit Facility, and (iv) approximately $1.0 million of non-recurring transaction fees and expenses relating to the foregoing.

The computation of EBITDA for the Fiscal Year ended March 31, 2005 has not been adjusted to exclude transaction costs consisting of: (i) approximately $11.3 million redemption premium related to the redemption of the 9% Senior Notes, (ii) the write-off of the deferred financing EBITDA costs relating to the 9% Senior Notes redeemed and term loans repaid aggregating approximately $3.5 million, (iii) expenses aggregating approximately $1.8 million related to an amendment to the Senior Secured Credit Facility effected on November 15, 2004 to, among other things, permit the IDS Transactions and (iv) special bonuses related to the IDS Transactions aggregating approximately $0.8 million.

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Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

	Year Ended March 31,		
	2007	2006	2005
Expenditures for acquisitions and additions of long-lived assets:			
Route	$ 80,300	$ 60,151	$ 64,844
All other	8,867	15,461	7,279
Total	$ 89,167	$ 75,612	$ 72,123
Segment assets:			
Route	$ 837,481	$ 886,043	$ 910,980
All other	38,703	27,762	28,209
Corporate assets	486	1,103	6,035
Total	$ 876,670	$ 914,908	$ 945,224

Non-GAAP Financial Measures

EBITDA represents earnings from continuing operations before deductions for interest, income taxes and depreciation and amortization. Management believes that EBITDA is useful as a means to evaluate the Company s ability to service existing debt, to sustain potential future increases in debt and to satisfy capital requirements. EBITDA is also used by management as a measure of evaluating the performance of the Company s three operating segments. Management further believes that EBITDA is useful to investors as a measure of comparative operating performance as it is less susceptible to variances in actual performance resulting from depreciation, amortization and other non-cash charges and more reflective of changes in pricing decisions, cost controls and other factors that affect operating performance. Management uses EBITDA to develop compensation plans, to measure sales force performance and to allocate capital assets. Additionally, because Coinmach has historically provided EBITDA to investors, management believes that presenting this non-GAAP financial measure provides consistency in financial reporting. Management s use of EBITDA, however, is not intended to represent cash flows for the period, nor has it been presented as an alternative to either (a) operating income (as determined by GAAP) as an indicator of operating performance or (b) cash flows from operating, investing and financing activities (as determined by GAAP) as a measure of liquidity. Given that EBITDA is not a measurement determined in accordance with GAAP and is thus susceptible to varying calculations, EBITDA may not be comparable to other similarly titled measures of other companies. The following table reconciles the Company s net loss to EBITDA for each period presented (in millions):

	Year Ended March 31,		
	2007	2006	2005
Net loss	$ (18.1)	$ (31.3)	$ (38.2)
Benefit for income taxes	(0.8)	(7.5)	(9.1)
Interest expense	65.7	56.0	56.3
Interest expense preferred stock	13.3	14.6	22.7
Interest expense escrow interest			0.9
Depreciation and amortization	109.2	108.9	110.4
EBITDA (unaudited)*	$ 169.3	$ 140.7	$ 143.0

*

The computation of EBITDA for the fiscal year ended March 31, 2007 has not been adjusted to exclude certain transaction costs consisting of: (i) the premium paid to purchase certain 11% Senior Secured Notes of approximately $0.4 million and (ii) the write-off of a proportionate amount of unamortized deferred financing costs of approximately $0.4 million.

The computation of EBITDA for the fiscal year ended March 31, 2006 has not been adjusted to exclude certain transaction costs consisting of: (i) approximately $14.6 million of redemption premium related to the redemption of the 9% Senior Notes, (ii) approximately $4.5 million of write-off of deferred financial costs related to the redemption of the 9% Senior Notes, (iii) approximately $1.7 million of write-off of unamortized deferred financing costs related to the refinancing of the Senior Secured Credit Facility, and (iv) approximately $1.0 million of non-recurring transaction fees and expenses relating to the foregoing.

Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The computation of EBITDA for the fiscal year ended March 31, 2005 has not been adjusted to exclude transaction costs consisting of: (1) approximately $11.3 million redemption premium related to the redemption of the portion of the 9% Senior Notes, (2) the write-off of the deferred financing costs related to the 9% Senior Notes redeemed and term loans repaid aggregating approximately $3.5 million, (3) expenses aggregating approximately $1.8 million related to an amendment to the Senior Secured Credit Facility effected on November 15, 2004 to, among other things, permit the IDS Transactions and (4) special bonuses related to the IDS Transactions aggregating approximately $0.8 million.

12. Dividends

On May 10, 2006, the board of directors of CLC approved an aggregate cash dividend of approximately $17.0 million on its Class B Preferred Stock, which was paid on June 1, 2006 to CSC.

On August 1, 2006, the board of directors of CLC approved an aggregate cash dividend of approximately $3.2 million on its Class B Preferred Stock, which was paid on September 1, 2006 to CSC.

On November 3, 2006, the board of directors of CLC approved an aggregate cash dividend of approximately $3.3 million on its Class B Preferred Stock, which was paid on December 1, 2006 to CSC.

On February 1, 2007, the board of directors of CLC approved an aggregate cash dividend of approximately $3.3 million on its Class B Preferred Stock, which was paid on March 1, 2007 to CSC.

On May 9, 2007, the board of directors of CLC approved an aggregate cash dividend of approximately $13.3 million on its Class B Preferred Stock, which was paid on June 1, 2007 to CSC.

13. 2004 Long-Term Incentive Plan

The Company s Long-Term Incentive Plan (the 2004 LTIP) provides for the grant of non-qualified options, incentive stock options, stock appreciation rights, full value awards and cash incentive awards. The maximum number of securities available for awards under the 2004 LTIP is 15% of the aggregate number of outstanding shares of Class A Common Stock and Class B Common Stock immediately following consummation of the IDS Transactions, which equals 6,583,796 shares. As of March 31, 2007, the board of directors of CSC had authorized up to 2,836,729 shares of Class A Common Stock for issuance under the 2004 LTIP.

During the 2006 fiscal year, Company awarded restricted shares of Class A Common Stock as follows: (i) with respect to executive officers, $460,000 (or 51,111 shares in the aggregate) (ii) with respect to our independent directors, $45,000 (or 5,001 shares in the aggregate) and (iii) with respect to a director, $100,000 (or 11,111 shares). In addition, $200,000 worth of restricted shares of Class A Common Stock (or 21,666 shares) were designated for an employee pool, awarded to employees (such award together with the restricted stock awards approved by the board of directors of CSC, the 2006 Restricted Stock Awards) other than executive officers at the discretion of the Company s chief executive officer.

The 2006 Restricted Stock Awards to the independent directors were fully vested on the date of grant, and those to the non-independent director, the executive officers and the employees vested 20% on the date of grant and the balance at 20% per year over a consecutive four-year period thereafter. In addition, the 2006 Restricted Stock Awards to the executive officers and the director vest upon a change of control of CSC or upon the death or disability of the award recipient and contain all of the rights and are subject to all of the restrictions of Class A Common Stock prior to becoming fully vested, including voting and dividend rights. The fair value of the restricted stock issued of $9.01 per share will be recorded as compensation expense over the vesting periods.

On November 3, 2006, the compensation committee of the board of directors of CSC awarded performance contingent and time-based vesting restricted shares of Class A Common Stock with a grant date of November 3, 2006 as follows: (i) an aggregate of 100,000 shares to certain executive officers, (ii) an aggregate of 7,500 shares to our three independent directors and (iii) 25,000 shares to one of our non-independent directors (collectively, the 2007 Restricted Stock Awards).

Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

On March 6, 2007, approximately $158,000 worth of restricted stock of Class A Common Stock (or 15,000 shares) were awarded by our Chief Executive Officer from the employee pool to certain employees which includes performance contingent and time-based vesting restricted shares of Class A Common Stock with a grant date of March 6, 2007 (collectively, the March 2007 Restricted Stock Awards).

The 2007 Restricted Stock Awards to our independent directors were fully vested on the date of grant. The 2007 Restricted Stock Awards to our executive officers and the March 2007 Restricted Stock Awards consisted of time-based shares (the Time Vesting Shares) as well as performance-based shares (the Performance Vesting Shares). Pursuant to the award agreements for the executive officers and the recipients of the March 2007 Restricted Stock Awards, 25% of all of the shares awarded are Time Vesting Shares and 75% of all of the shares awarded are Performance Vesting Shares. The 2007 Restricted Stock Award to our non-independent director consisted solely of Time Vesting Shares.

The Performance Vesting Shares vest upon the attainment of certain earnings and cash flow growth performance criteria established by the compensation committee during the performance period ending March 31, 2009. The Time Vesting Shares vest in three equal annual installments commencing on the first anniversary of the date of grant.

The 2007 Restricted Stock Awards to each of the executive officers and the non-independent director fully vest upon a change of control of CSC or upon the death or disability of the award recipient. In addition, the executive officers, the non-independent director and the independent directors shall be entitled to vote the restricted shares underlying their awards during the restricted period, but will not be entitled to receive dividends prior to the vesting of such shares.

The fair value of the Time Vesting Shares issued as part of the 2007 Restricted Stock Award of $10.00 per share and the fair value of the March 2007 Restricted Stock Awards of $10.55 will be recorded as compensation expense over the vesting periods. In addition, since the Performance Vesting Shares vest upon the attainment of certain performance criteria, the Company will record compensation expense only for those Performance Vesting Shares of which the attainment of applicable performance conditions is probable.

Compensation expense of approximately $0.2 million has been recorded to the statement of operations for the fiscal years ended March 31, 2007 and March 31, 2006. The Company has estimated the forfeiture rate to be zero.

A summary of the status of the Company s restricted shares and restricted units as of March 31, 2007 are presented below.

	Shares Outstanding	Weighted Average Fair Value at Date of Contract
Restricted unvested shares at April 1, 2005		$
Restricted shares granted	88,889	9.01
Vested	21,776	9.01
Restricted shares unvested at March 31, 2006	67,113	9.01
Restricted shares granted	147,500	10.06
Shares forfeitured	1,111	9.01
Vested	39,055	9.58
Restricted shares unvested at March 31, 2007	174,447	$ 9.77

As of March 31, 2007, there was approximately $1.1 million of unrecognized compensation costs in the aggregate related to restricted share compensation arrangements pertaining to the 2006 Restricted Stock Awards and the Time Vesting Shares from the 2007 Restricted Stock Awards. That cost is expected to be recognized over a weighted average period of 3.0 years. In addition, as of March 31, 2007, there was approximately $0.1 million of unrecognized compensation costs related to restricted share compensation arrangements pertaining only to those Performance Vesting Shares that the Company has determined will relate to the probable outcome for the attainment

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Coinmach Laundry Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

of certain performance conditions. Such costs are expected to be recognized over a weighted average period of 2.25 years. At March 31, 2007, there was also approximately $0.2 million of unrecognized compensation costs related to restricted share compensation arrangements pertaining only to those Performance Vesting Shares that the Company has determined are not probable for the attainment of certain performance conditions.

14. Quarterly Financial Information (Unaudited)

The following is a summary of the quarterly results of operations for the years ended March 31, 2007 and 2006 (in thousands):

	Three Months Ended			
	June 30, 2006	September 30, 2006	December 31, 2006	March 31, 2007
Revenues	$139,285	$136,310	$140,971	$138,732
Operating income	15,159	14,333	16,336	14,287
Loss before income taxes	(4,365)	(5,594)	(3,660)	(5,294)
Net loss	(4,095)	(4,842)	(3,727)	(5,405)

	Three Months Ended			
	June 30, 2005	September 30, 2005	December 31, 2005	March 31, 2006
Revenues	$133,830	$132,320	$138,744	$138,591
Operating income	14,127	12,012	14,709	12,778
Loss before income taxes	(3,255)	(5,361)	(5,297)	(24,856)
Net loss	(2,016)	(3,141)	(3,192)	(22,919)

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Coinmach Laundry Corporation and Subsidiaries
Schedule I Condensed Financial Statements
Condensed Balance Sheets

	March 31, 2007	March 31, 2006
	(In thousands of dollars, except per share data)	
ASSETS		
Deferred income tax	$ 888	$ 689
Other assets (principally amounts due from wholly owned subsidiaries)	48,808	49,253
Total assets	$ 49,696	$ 49,942
LIABILITIES AND STOCKHOLDERS DEFICIT		
Accrued expenses	$ 78	$ 36
Redeemable preferred stock $2.5 million par value; 82 shares authorized; 54.12 shares issued and outstanding (liquidation preference of $164,794 at March 31, 2007) owned by Parent	164,794	178,216
Investment in Subsidiaries	56,743	23,762
Total liabilities	221,615	202,014
Commitments and contingencies		
Stockholders deficit:		
Common stock $2.50 par value; 76,000 shares authorized; 66,790.27 shares issued and outstanding	167	167
Capital in excess of par value	175,864	175,864
Carryover basis adjustment	(7,988)	(7,988)
Accumulated other comprehensive income, net of tax	(231)	1,547
Accumulated deficit	(339,731)	(321,662)
Total stockholders deficit	(171,919)	(152,072)
Total liabilities and stockholders deficit	$ 49,696	$ 49,942

See accompanying notes.

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Coinmach Laundry Corporation and Subsidiaries
Schedule I Condensed Financial Statements
Condensed Statements of Operations

	Year Ended March 31,		
	2007	**2006**	**2005**
	(In thousands of dollars)		
Costs and expenses:			
General and administrative	$ 489	$ 430	$ 509
	489	430	509
Operating loss	(489)	(430)	(509)
Interest expense non cash Preferred Stock dividend	13,336	14,596	22,666
Loss before income taxes and equity in net loss of subsidiaries	(13,825)	(15,026)	(23,175)
(Benefit) provision for income taxes:			
Current			
Deferred	(199)	1,618	(334)
	(199)	1,618	(334)
Loss before equity in net loss of subsidiaries	(13,626)	(16,644)	(22,841)
Equity in net loss of subsidiaries	(4,444)	(14,624)	(15,346)
Net loss	$ (18,070)	$ (31,268)	$ (38,187)

See accompanying notes.

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Coinmach Laundry Corporation and Subsidiaries
Schedule I Condensed Financial Statements
Condensed Statements of Cash Flows

	Year Ended March 31,		
	2007	**2006**	**2005**
		(In thousands of dollars)	
Operating activities			
Net loss	$ (18,070)	$ (31,268)	$ (38,187)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Equity in net loss of subsidiaries	4,444	14,624	15,346
Deferred income taxes	(199)	1,618	(334)
Interest expense non cash Preferred Stock dividend	13,336	14,596	22,666
Stock based compensation		12	74
Change in operating assets and liabilities, net of businesses acquired:			
Accrued expenses	48	36	
Other assets	(4)	160	36
Net cash used in operating activities	(445)	(222)	(399)
Financing activities			
Net repayments to subsidiary			(489)
Due to Parent	445	222	888
Net cash provided by financing activities	445	222	399
Net increase in cash and cash equivalents			
Cash and cash equivalents, beginning of year			
Cash and cash equivalents, end of year	$	$	$

See accompanying notes.

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Coinmach Laundry Corporation and Subsidiaries
Schedule I Condensed Financial Statements
Notes to Condensed Financial Statements

1. Basis of Presentation

In Coinmach Laundry Corporation (CLC) only financial statements, CLC s investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries since date of acquisition. CLC-only financial statements should be read in conjunction with CLC s consolidated financial statements.

2. Redeemable Preferred Stock and Stockholders Deficit

In July 2000, all of the issued and outstanding capital stock of CLC was cancelled, and CLC issued (i) 20.77 shares of Class A preferred stock accruing cash dividends on a quarterly basis at an annual rate of 12.5% (which increased to 14% on November 15, 2002) on the sum of the liquidation value thereof plus accumulated and unpaid dividends thereon (the Class A Preferred Stock), (ii) 53.84 shares of Class B preferred stock accruing cash dividends on a quarterly basis at an annual rate of 8% on the sum of the liquidation value thereof plus accumulated and unpaid dividends thereon (the Class B Preferred Stock and, together with the Class A Preferred Stock, (the Preferred Stock) and (iii) 59,823.30 shares of common stock, par value $2.50 per share (the Common Stock). The Preferred Stock does not have voting rights, has a liquidation value of $2.5 million per share and is mandatorily redeemable on July 5, 2010.

On May 15, 2003, the FASB issued SFAS No. 150 (SFAS 150), Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equities. This standard requires, among other things, that any of various financial instruments that are issued in the form of shares that are mandatorily redeemable on a fixed or determinable date be classified as liabilities, any dividends paid on the underlying shares be treated as interest expense, and issuance costs should be deferred and amortized using the interest method. SFAS 150 is effective for all financial instruments created or modified after May 31, 2003, and otherwise effective at the beginning of the first interim period beginning after June 15, 2003 (July 1, 2003 for CLC). For the years ended March 31, 2007, 2006 and 2005, CLC has recorded approximately $13.3 million, $14.6 million, and $22.7 million, respectively, of Preferred Stock dividends as interest expense. The Preferred Stock is carried at the amount of cash that would be paid under their terms if the shares were repurchased or redeemed at the reporting date. The cumulative and unpaid dividends as of March 31, 2007 were approximately $48.1 million.

In November 2004 and December 2004, in connection with an initial public offering by Coinmach Service Corp., the parent of, a portion of the net proceeds from the initial public offering were used to redeem approximately $91.8 million of the Class A Preferred Stock (representing all of the outstanding Class A Preferred Stock) and approximately $7.4 million of the Class B Preferred Stock. All unredeemed Preferred Stock was exchanged by Coinmach Holdings, LLC (Holdings), the former parent of CLC with CSC for additional shares of CSC Class B common stock. Therefore, all of the Class B Preferred Stock outstanding is now held by CSC.

Under CLC s equity participation plan (the Equity Participation Plan), in July 2000, loans were extended by CLC (the EPP Loans) to certain employees for the purchase of Common Stock at a fixed price per share equal to the fair market value of such Common Stock at the time of issuance as determined by the board of directors of CLC Additionally, certain members of senior management of the Company also acquired Class B Preferred Stock at such time. Pursuant to the terms of the Equity Participation Plan, the Preferred Stock was fully vested at the time of purchase, and the Common Stock vested over a specified period, typically over four years.

In March 2003, through a series of transactions, all of the outstanding capital stock of CLC was contributed to Holdings in exchange for substantially equivalent equity interests (in the form of common membership units (the Common Units) and preferred membership units (the Preferred Units)) in Holdings. Accordingly, CLC became a wholly owned subsidiary of Holdings.

The EPP Loans are payable in installments over ten years and accrue interest at a rate of 7% per annum. There are no shares reserved for future issuance. The Equity Participation Plan contains certain restrictions on the transfer of the Common Units and the Preferred Units.

At March 31, 2007, there were 26,213,682 Common Units and 604 Preferred Units outstanding and all were vested under the Equity Participation Plan.

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Coinmach Laundry Corporation and Subsidiaries
Schedule I Condensed Financial Statements
Notes to Condensed Financial Statements (continued)

Previously due installments on the EPP Loans have been forgiven by CLC, on or prior to their respective due dates. As a result, such loans are considered non-recourse and therefore treated as an award of stock requiring the recognition of compensation expense. Such expense is measured at fair value as of the time the stock award vests and is subsequently remeasured for changes in fair value until such time as the measurement date is established (upon forgiveness or repayment of the entire loan). CLC had recorded compensation expense of approximately $12,000 and $74,000 for the years ended March 31, 2006 and 2005, respectively.

3. Commitments and Contingencies

CLC is a party to various legal proceedings arising in the ordinary course of business. Although the ultimate disposition of such proceedings is not presently determinable, management does not believe that adverse determinations in any or all such proceedings would have a material adverse effect upon the consolidated financial position, results of operations or cash flows of CLC.

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Coinmach Laundry Corporation and Subsidiaries
Schedule II Valuation and Qualifying Accounts

		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions(1)	Balance at End of Period
Year ended March 31, 2007					
Reserves and allowances deducted from asset accounts:					
Allowances for uncollected accounts	$4,326,000	$1,255,000	$	$(2,209,000)	$3,372,000
Year ended March 31, 2006					
Reserves and allowances deducted from asset accounts:					
Allowances for uncollected accounts	$3,794,000	$1,574,000	$	$(1,042,000)	$4,326,000
Year ended March 31, 2005					
Reserves and allowances deducted from asset accounts:					
Allowances for uncollected accounts	$2,892,000	$1,617,000	$	$ (715,000)	$3,794,000

(1) Write-off to accounts receivable.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors of Coinmach Corporation

We have audited the accompanying consolidated balance sheets of Coinmach Corporation and Subsidiaries (the Company) as of March 31, 2007 and 2006, and the related consolidated statements of operations, stockholder s equity (deficit), and cash flows for each of the three years in the period ended March 31, 2007. Our audits also included the financial statement schedule listed in the Index. These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Coinmach Corporation and Subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP
New York, New York
June 1, 2007

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Coinmach Corporation and Subsidiaries
Consolidated Balance Sheets

	March 31, 2007	March 31, 2006
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 38,105	$ 61,128
Receivables, less allowance of $3,372 and $4,326	6,755	5,935
Inventories	14,575	11,458
Prepaid expenses	5,076	4,430
Interest rate swap asset		2,615
Other current assets	2,299	1,736
Total current assets	66,810	87,302
Advance location payments	64,371	67,242
Property, equipment and leasehold improvements		
Laundry equipment and fixtures	629,394	578,700
Land, building and improvements	43,126	39,098
Trucks and other vehicles	43,146	37,624
	715,666	655,422
Less accumulated depreciation and amortization	(475,926)	(403,024)
Net property, equipment and leasehold improvements	239,740	252,398
Contract rights, net of accumulated amortization of $128,466 and $114,535	294,800	296,912
Goodwill	208,590	206,196
Other assets	2,436	4,602
Total assets	$ 876,747	$ 914,652
LIABILITIES AND STOCKHOLDER S DEFICIT		
Current liabilities:		
Accounts payable	$ 21,591	$ 17,845
Accrued expenses	13,486	13,346
Accrued rental payments	33,019	33,044
Accrued interest	9,678	4,992
Interest rate swap liability	155	
Current portion of long-term debt	5,527	5,502
Total current liabilities	83,456	74,729
Deferred income taxes	57,527	60,144
Long-term debt, less current portion	569,701	571,035

Intercompany loan	183,564	183,564
Due to Parent	39,242	48,942
Total liabilities	933,490	938,414
Stockholder s deficit:		
Common stock, par value $.01:		
1,000 shares authorized, 100 shares issued and outstanding		
Capital in excess of par value	286,629	286,629
Accumulated other comprehensive (loss) income, net of tax	(231)	1,547
Accumulated deficit	(343,141)	(311,938)
Total stockholder s deficit	(56,743)	(23,762)
Total liabilities and stockholder s deficit	$ 876,747	$ 914,652

See accompanying notes.

Coinmach Corporation and Subsidiaries
Consolidated Statements of Operations

	Year Ended March 31,		
	2007	2006	2005
		(In thousands)	
Revenues	$ 555,298	$ 543,485	$ 538,604
Costs and expenses:			
Laundry operating expenses (exclusive of depreciation and amortization and amortization of advance location payments)	375,137	370,647	367,974
General and administrative (including stock-based compensation expense of $158 and $197 for the fiscal years ended March 31, 2007 and 2006)	10,327	9,579	8,843
Depreciation and amortization	74,378	75,556	76,431
Amortization of advance location payments	20,482	19,219	19,578
Amortization of intangibles	14,372	14,118	14,431
Other items, net		310	855
	494,696	489,429	488,112
Operating income	60,602	54,056	50,492
Interest expense	65,692	55,950	56,253
Interest expense escrow interest			941
Transaction costs		21,849	17,389
Loss before income taxes	(5,090)	(23,743)	(24,091)
Provision (benefit) for income taxes:			
Current	980	400	
Deferred	(1,626)	(9,519)	(8,745)
	(646)	(9,119)	(8,745)
Net loss	$ (4,444)	$ (14,624)	$ (15,346)

See accompanying notes.

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Coinmach Corporation and Subsidiaries
Consolidated Statements of Stockholder s Equity (Deficit)

	Common Stock Shares	Common Stock Amount	Capital In Excess of Par Value	Accumulated Other Comprehensive (Loss) Income, net of tax	Accumulated Deficit	Total Stockholder s Equity (Deficit)
			(In thousands, except share data)			
Balance, March 31, 2004	100	$	$ 121,065	$ (2,006)	$ (75,302)	$ 43,757
Capital contribution			165,564			165,564
Dividends					(96,775)	(96,775)
Net loss					(15,346)	(15,346)
Gain on derivative instruments, net of income tax of $1,931				2,498		2,498
Total comprehensive loss						(12,848)
Balance, March 31, 2005	100		286,629	492	(187,423)	99,698
Dividends					(109,891)	(109,891)
Net loss					(14,624)	(14,624)
Gain on derivative instruments, net of income tax of $723				1,055		1,055
Total comprehensive loss						(13,569)
Balance, March 31, 2006	100		286,629	1,547	(311,938)	(23,762)
Dividends					(26,759)	(26,759)
Net loss					(4,444)	(4,444)
Loss on derivative instruments, net of income tax of $1,131				(1,778)		(1,778)
Total comprehensive loss						(6,222)
Balance, March 31, 2007	100	$	$ 286,629	$ (231)	$ (343,141)	$ (56,743)

See accompanying notes.

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Coinmach Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	Year Ended March 31,		
	2007	2006	2005
		(In thousands)	
Operating activities			
Net loss	$ (4,444)	$ (14,624)	$ (15,346)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	74,378	75,556	76,431
Amortization of advance location payments	20,482	19,219	19,578
Amortization of intangibles	14,372	14,118	14,431
Deferred income taxes	(1,626)	(9,519)	(8,745)
Amortization of deferred issue costs	444	1,396	2,139
Premium on redemption of 9% Senior Notes due 2010		14,603	11,295
Write-off of deferred issue costs		6,178	3,475
Gain on sale of investment and equipment	(469)	(327)	(557)
Stock based compensation	158	197	
Change in operating assets and liabilities, net of businesses acquired:			
Other assets	461	(943)	1,013
Receivables, net	(379)	880	(279)
Inventories and prepaid expenses	(3,336)	1,575	(738)
Accounts payable and accrued expenses, net	2,866	695	1,906
Accrued interest	4,686	(2,995)	438
Net cash provided by operating activities	107,593	106,009	105,041
Investing activities			
Additions to property, equipment and leasehold improvements	(54,854)	(57,937)	(53,444)
Advance location payments to location owners	(16,399)	(14,239)	(18,051)
Additions to net assets related to acquisitions of businesses, net of cash acquired	(17,914)	(3,436)	(628)
Proceeds from sale of investment			277
Proceeds from sale of property and equipment	1,606	2,884	919
Net cash used in investing activities	(87,561)	(72,728)	(70,927)
Financing activities			
Proceeds from credit facility		570,000	
Repayments under credit facility	(2,300)	(241,082)	(19,830)
Credit facility issuance costs		(3,108)	
Redemption of 9% Senior Notes due 2010		(324,500)	(125,500)
Payment of premium on 9% Senior Notes due 2010		(14,603)	(11,295)
Principal payments on capitalized lease obligations	(3,985)	(4,668)	(4,331)
(Repayments to) borrowings from bank and other borrowings	(153)	(246)	105

Net (repayment to) borrowings from Parent	(9,858)	(2,789)	1,498
Proceeds from intercompany loan		101,894	81,670
Capital contribution from Parent			165,564
Dividends paid to Parent	(26,759)	(109,891)	(96,775)
Net cash used in financing activities	(43,055)	(28,993)	(8,894)
Net (decrease) increase in cash and cash equivalents	(23,023)	4,288	25,220
Cash and cash equivalents, beginning of year	61,128	56,840	31,620
Cash and cash equivalents, end of year	$ 38,105	$ 61,128	$ 56,840
Supplemental disclosure of cash flow information			
Interest paid	$ 60,562	$ 57,549	$ 53,674
Income taxes paid	$ 658	$ 254	$ 301
Non cash investing and financing activities			
Acquisition of fixed assets through capital leases	$ 5,128	$ 4,759	$ 4,199
Transfer of assets held for sale to fixed assets	$	$ 1,936	$

See accompanying notes.

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements of Coinmach Corporation, a Delaware corporation (Coinmach), includes the accounts of all of its wholly-owned subsidiaries. All significant intercompany profits, transactions and balances have been eliminated in consolidation. Coinmach is a wholly-owned subsidiary of Coinmach Laundry Corporation, a Delaware corporation (CLC or the Parent), which in turn is a wholly-owned subsidiary of Coinmach Service Corp., a Delaware corporation (CSC). Unless otherwise specified herein, references to the Company , we , us , and our sha mean Coinmach and its subsidiaries.

The Company is a provider of outsourced laundry equipment services for multi-family housing properties in North America. The Company s core business (which the Company refers to as the route business) involves leasing laundry rooms from building owners and property management companies, installing and servicing laundry equipment, and collecting revenues generated from laundry machines. Through Appliance Warehouse of America Inc. a Delaware corporation jointly owned by CSC and us, (AWA), the Company leases laundry machines and other household appliances to property owners, managers of multi-family housing properties, and to a lesser extent, individuals and corporate relocation entities. Super Laundry Equipment Corp., a Delaware corporation and our own wholly-owned subsidiary, (Super Laundry), constructs, designs and retrofits laundromats and distributes laundromat equipment.

On November 24, 2004, CSC completed its initial public offering (the IPO) of Income Deposit Securities (IDSs) and a concurrent offering of 11% senior secured notes due 2024 sold separate and apart from the IDSs. In connection with the offering and certain related corporate reorganization transactions, Coinmach Holdings, LLC (Holdings), the former parent of the Company, exchanged its CLC capital stock and all of its shares of common stock for CSC Class B common stock. Pursuant to these transactions, CSC became controlled by Holdings. The offerings and related transactions and the use of proceeds therefrom are referred to herein collectively as the IDS Transactions.

CSC used a portion of the proceeds from the IPO to make an intercompany loan (the Intercompany Loan) to us in the aggregate principal amount of approximately $81.7 million and a capital contribution (the Capital Contribution) to CLC aggregating approximately $170.8 million. CLC then contributed approximately $165.6 million to us. We then made a dividend payment to CLC of approximately $93.5 million.

Coinmach used the net proceeds from the IPO along with available cash to (i) redeem a portion of the 9% senior notes due 2010 of Coinmach (the 9% Senior Notes) in an aggregate principal amount of $125.5 million (plus approximately $4.5 million of accrued interest and approximately $11.3 million of related redemption premium), which notes were redeemed on December 24, 2004, (ii) repay approximately $15.5 million of outstanding term loans under Coinmach s senior secured credit facility (the Senior Secured Credit Facility) and (iii) make a $93.5 million dividend payment to CLC.

On February 8, 2006, CSC completed a public offering of 12,312,633 shares of CSC Class A common stock (including an overallotment exercised by the underwriter on February 17, 2006) at a price to the public of $9.00 per share (the Class A Offering). Net proceeds from the Class A Offering, including the exercise of the overallotment option, were approximately $102.7 million after deducting underwriting discounts, commissions and other estimated expenses. To the extent required by the indenture governing the CSC 11% senior secured notes due 2024, approximately $101.9 million of the net proceeds from the Class A Offering were loaned to Coinmach in the form of additional indebtedness under the Intercompany Loan (such additional indebtedness is referred to as the Additional Intercompany Loan). Coinmach distributed the net proceeds from the Class A Offering to CLC who in turn distributed them to CSC.

Subject to the satisfaction of certain conditions, the indenture governing the 11% Senior Secured Notes permits us to merge CLC and Coinmach into CSC. We refer to such potential mergers collectively as the Merger Event. If we were to consummate the Merger Event in the future, CSC would become an operating company as well as the direct borrower under the Senior Credit Facility (as defined below) and sole owner of the capital stock of Coinmach s subsidiaries. We are not currently contemplating completion of the Merger Event.

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies

Recognition of Revenues

The Company has agreements with various property owners that provide for the Company s installation and operation of laundry machines at various locations in return for a commission. These agreements provide for both contingent (percentage of revenues) and fixed commission payments.

The Company reports revenues from laundry machines on the accrual basis and has accrued the cash estimated to be in the machines at the end of each fiscal year. The Company calculates the estimated amount of cash and coin not yet collected at the end of a reporting period, which remain at laundry room locations by multiplying the average daily collection amount applicable to the location with the number of days the location had not been collected. The Company analytically reviews the estimated amount of cash and coin not yet collected at the end of a reporting period by comparing such amount with collections subsequent to the reporting period.

AWA has short-term contracts under which it leases laundry machines and other household appliances to its customers. These contracts require a fixed charge that is billed and recorded as revenue on a monthly basis as per the terms of such contracts.

Super Laundry s customers generally sign sales contracts pursuant to which Super Laundry constructs and equips complete laundromat operations. Revenue is recognized on the completed contract method. A contract is considered complete when all costs have been incurred and either the installation is operating according to specifications or has been accepted by the customer. The duration of such contracts is normally less than six months. Construction-in-progress, the amount of which is not material, is classified as a component of inventory on the accompanying balance sheets. Sales of laundromats amounted to approximately $19.4 million for the fiscal year ended March 31, 2007, $20.0 million for the fiscal year ended March 31, 2006 and $24.1 million for the fiscal year ended March 31, 2005.

No single customer represents more than 2% of the Company s total revenues. In addition, the Company s ten largest customers taken together account for less than 10% of the Company s total revenues in the aggregate.

Use of Estimates

Preparing financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications were made to the prior years consolidated financial statements to conform to the current year presentation.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Inventories

Inventory costs for Super Laundry are valued at the lower of cost (first-in, first-out) or market. Inventory costs for AWA and the route business are determined principally by using the average cost method and are stated at the lower of cost or net realizable value. Machine repair parts inventory is valued using a formula based on total purchases and the annual inventory turnover. Inventory consists of the following (in thousands):

	March 31,	
	2007	**2006**
Laundry equipment	$ 10,825	$ 7,884
Machine repair parts	3,750	3,574
	$ 14,575	$ 11,458

Long-Lived Assets

Long-lived assets held for use are subject to an impairment assessment if the carrying value is no longer recoverable based upon the undiscounted cash flows of the assets. The amount of the impairment is the difference between the carrying amount and the fair value of the asset. Management does not believe there is any impairment of long-lived assets at March 31, 2007.

Assets Held for Sale

During the year ended March 31, 2004, the Company constructed five laundromats that were expected to be sold no later than the end of fiscal 2005. Although the laundromats were not sold, the Company continued to market them through September 30, 2005. The Company had determined that the plan of sale criteria in FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, had been met. At September 30, 2005, the Company had accepted an offer to sell one of the laundromats for a purchase price of approximately $0.4 million, which closed on October 19, 2005, and which resulted in a write down of the related asset value by approximately $0.2 million. This write down is reflected in Other Items, net, on the Statement of Operations for the fiscal year ended March 31, 2006. In addition, the Company reclassified the balance of the remaining laundromats from Assets Held for Sale to Fixed Assets because the Company had ceased all marketing efforts and had decided to operate these facilities as part of its retail operations. The amount transferred was approximately $1.9 million as of December 31, 2005, which represented their historical costs. The Company believed the fair valued of these laundromats exceeded the historical cost on the date of transfer.

Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are carried at cost and are depreciated or amortized on a straight-line basis over the lesser of the estimated useful lives or lease life, whichever is shorter:

Laundry equipment, installation costs and fixtures	5 to 8 years
Leasehold improvements and decorating costs	5 to 8 years
Trucks and other vehicles	3 to 4 years

The cost of installing laundry machines is capitalized and included with laundry equipment. Decorating costs, which represent the costs of refurbishing and decorating laundry rooms in property-owner facilities, are capitalized and included with leasehold improvements.

Upon the sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in income. Maintenance and repairs are charged to operations currently, and replacements of laundry machines and significant improvements are capitalized.

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Capitalized Software Development Costs

We have developed software to be utilized internally by our customer service representatives. Expenditures related to such qualifying computer software costs incurred during the application development stage, have been capitalized by us since the activities performed during this stage will create probable future economic benefits. In order for computer software costs to be considered internal-use software, the costs must have the following characteristics: (i) the software must be internally developed, acquired, or modified solely to meet our internal needs and (ii) no plan exists or is being developed to market the software externally during the development or modification of the software. Once we determined that such expenditures were available for actual application, these expenditures were expensed as incurred, similar to maintenance.

Capitalized software costs are amortized on a straight-line basis over three years which is the estimated useful life of the software product. Unamortized software development costs were approximately $9.3 million and $8.4 million at March 31, 2007 and 2006, respectively, and are included in other assets. Amortization expense was approximately $3.1 million, $1.9 million and $1.8 million for the fiscal years ended March 31, 2007, 2006 and 2005, respectively.

Goodwill

The Company accounts for goodwill in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 142 (SFAS 142) *Goodwill and Other Intangible Assets* . SFAS 142 requires an annual impairment test of goodwill. Goodwill is further tested between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. SFAS 142 requires a two-step process in evaluating goodwill. In performing the annual goodwill assessment, the first step requires comparing the fair value of the reporting unit to its carrying value. To the extent that the carrying value of the reporting unit exceeds the fair value, the Company would need to perform the second step in the impairment test to measure the amount of goodwill write-off. The fair value of the reporting units for these tests is based upon a discounted cash flow model. In step two, the fair value of the reporting unit is allocated to the reporting units assets and liabilities (a hypothetical purchase price allocation as if the reporting unit had been acquired on that date).

The implied fair value of goodwill is calculated by deducting the allocated fair value of all tangible and intangible net assets of the reporting unit from the fair value of the reporting unit as determined in step one. The remaining fair value, after assigning fair value to all of the reporting units assets and liabilities, represents the implied fair value of goodwill for the reporting unit. If the implied fair value is less than the carrying value of goodwill, an impairment loss equal to the difference would be recognized. The Company has determined that its reporting units with goodwill consist of the route business, AWA and Super Laundry. Goodwill attributed to the route business, AWA and Super Laundry at March 31, 2007 and 2006 is as follows (in thousands):

	March 31,	
	2007	**2006**
Route	$ 197,158	$ 195,026
Rental	8,515	8,253
Distribution	2,917	2,917
	$ 208,590	$ 206,196

The Company performed its annual assessment of goodwill as of January 1, 2007 and determined that no impairment exists. There can be no assurances that future goodwill impairment tests will not result in a charge to income. Goodwill rollforward for the years ended March 31, 2007 and 2006 consists of the following (in thousands):

	March 31,	
	2007	**2006**
Goodwill beginning of year	$ 206,196	$ 204,780

Acquisitions	2,394	1,416
Goodwill end of year	$ 208,590	$ 206,196

Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Contract Rights

Contract rights represent the value of location contracts arising from the acquisition of laundry machines on location. These amounts, which arose primarily from purchase price allocations pursuant to acquisitions, are amortized using accelerated methods over periods ranging from 30 to 35 years. The Company does not record contract rights relating to new locations signed in the ordinary course of business.

Amortization expense for contract rights for each of the next five years is estimated to be as follows (in millions of dollars):

Years Ending March 31,	
2008	$13.6
2009	13.3
2010	12.9
2011	12.6
2012	12.3

The Company assesses the recoverability of contract rights in accordance with the provisions of SFAS No. 144 (SFAS 144), *Accounting for the Impairment and Disposal of Long-Lived Assets*. The Company has twenty-eight geographic regions to which contract rights have been allocated. The Company has contracts at every location/property and analyzes revenue and certain direct costs on a contract-by-contract basis, however, the Company does not allocate common region costs and servicing costs to contracts, therefore regions represent the lowest level of identifiable cash flows in grouping contract rights. The assessment includes evaluating the financial results/cash flows and certain statistical performance measures for each region in which the Company operates. Factors that generally impact cash flows include commission rates paid to property owners, occupancy rates at properties, sensitivity to price increases, loss of existing machine base, and the regions general economic conditions. If as a result of this evaluation there are indicators of impairment that result in losses to the machine base, or an event occurs that would indicate that the carrying amounts may not be recoverable, the Company reevaluates the carrying value of contract rights based on future undiscounted cash flows attributed to that region and records an impairment loss based on discounted cash flows if the carrying amount of the contract rights are not recoverable from undiscounted cash flows. Based on present operations and strategic plans, management believes that there have not been any indicators of impairment of contract rights or long lived assets.

On April 3, 2006, the Company completed the acquisition of substantially all of the assets of American Sales, Inc. (ASI) for a purchase of $15.0 million, subject to the outcome of certain purchase price adjustments. The Company allocated approximately $1.9 million to goodwill, approximately $9.7 million to contract rights and approximately $3.4 million to working capital assets.

During the fiscal year ended March 31, 2007, the Company completed other acquisitions included in the route and rental businesses for a purchase price aggregating approximately $3.7 million of which the Company allocated approximately $0.5 million to goodwill, approximately $2.1 million to contract rights and approximately $1.1 million to working capital assets.

Advance Location Payments

Advance location payments to location owners are paid at the inception or renewal of a lease for the right to operate applicable laundry rooms during the contract period, in addition to commission to be paid during the lease term, and are amortized on a straight-line basis over the contract term, which generally ranges from 5 to 10 years. Prepaid rent is included on the balance sheet as a component of prepaid expenses.

Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Comprehensive (Loss) Income

Comprehensive (loss) income is defined as the aggregate change in stockholder s equity excluding changes in ownership interests. Comprehensive (loss) income consists of gains on derivative instruments (interest rate swap agreements).

Other Assets

At March 31, 2007, other assets include deferred financing costs related to the Amended and Restated Credit Facility of approximately $2.5 million, net of accumulated amortization of approximately $2.4 million.

Income Taxes

The Company accounts for income taxes pursuant to the liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Any deferred tax assets recognized for net operating loss carryforwards and other items are reduced by a valuation allowance when it is more likely than not that the benefits may not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

Derivatives

The Company accounts for derivatives pursuant to SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. The derivatives used by the Company are interest rate swaps designated as cash flow hedges.

The effective portion of the derivatives gain or loss is initially reported in stockholder s equity as a component of comprehensive income and upon settlement subsequently reclassified into earnings.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with the expense recognition provisions of SFAS No. 123 (revised 2004), *Share-Based Payments* (SFAS 123R), which requires us to recognize compensation expense for all share-based payments made to employees based on the fair value of the share-based payment at the date of grant. See Note 13 2004 Long-Term Incentive Plan for further discussion on stock-based compensation.

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements.* SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We plan to adopt SFAS No. 157 beginning April 2009. We have not determined the impact, if any, the adoption of SFAS No. 157 will have on our financial statements.

On February 15, 2007, the Financial Accounting Standards Board, or FASB, issued FAS No. 159, *The Fair Value Option for Financial Assets and Liabilities-Including an Amendment of FAS 115*. This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. This option is available to all entities. Most of the provisions in FAS 159 are elective; however, an amendment to FAS 115, *Accounting for Certain Investments in Debt and Equity Securities* applies to all entities with available for sale or trading securities. Some requirements apply differently to entities that do not report net income. FAS 159 is effective as of the

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

beginning of an entity s first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of FAS 157. We will adopt FAS 159 beginning April 1, 2008 and we are currently evaluating the potential impact the adoption of this pronouncement will have on our financial statements.

In July 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109.* FIN No. 48 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including the decision whether to file or not file in a particular jurisdiction. FIN No. 48 must be applied to all existing tax positions upon initial adoption. The cumulative effect of applying FIN No. 48 at adoption, if any, is to be reported as an adjustment to opening retained earnings for the year of adoption. FIN No. 48 is effective for fiscal years beginning after December 15, 2006, which is the Company s 2008 fiscal year, although early adoption is permitted. The Company is currently evaluating the potential effects of FIN 48 on its Consolidated Financial Statements and is not yet in a position to determine what, if any, effects FIN 48 will have on the consolidated financial statements.

3. Long-Term Debt

Long-term debt consists of the following (in thousands):

	March 31,	
	2007	**2006**
Credit facility indebtedness	$ 567,125	$ 569,425
Obligations under capital leases	7,865	6,721
Other long-term debt with varying terms and maturities	238	391
	575,228	576,537
Less current portion	5,527	5,502
	$ 569,701	$ 571,035

a. Amended and Restated Credit Facility

On December 19, 2005, Coinmach, CLC and certain subsidiary guarantors entered into an amendment and restatement of the Senior Secured Credit Facility (such amendment and restatement the Amended and Restated Credit Facility), which is comprised of a $570.0 million term loan facility and a $75.0 million revolving credit facility (subject to outstanding letters of credit). Such credit facility amended and restated the credit facility originally entered into on January 25, 2002. The term loans are scheduled to be fully repaid by December 19, 2012, and the revolving credit facility is scheduled to expire on December 19, 2010. The Amended and Restated Credit Facility is secured by a first priority security interest in all of Coinmach s real and personal property and is guaranteed by each of Coinmach s domestic subsidiaries. CLC has pledged the capital stock of Coinmach as collateral under the Amended and Restated Credit Facility for the benefit of the lenders thereunder.

On December 19, 2005, Coinmach borrowed $230.0 million under the term loan facility to refinance approximately $229.3 million aggregate principal amount of then outstanding term debt under the Senior Secured Credit Facility and pay related expenses. On February 1, 2006, Coinmach used $340.0 million of delayed draw term loans to retire all of the then outstanding $324.5 million aggregate principal amount of 9% Senior Notes (plus approximately $14.6 million of related redemption premium) and to pay related fees and any expenses.

As a result of the Credit Facility Refinancing, Coinmach incurred approximately $3.1 in issuance costs related to the Amended and Restated Credit Facility, which were capitalized as deferred financing costs to be amortized using the effective interest method through December 19, 2012. In addition to the issuance costs, Coinmach incurred certain

expenses that were classified as transaction costs on the Consolidated Statement of Operations for the fiscal year ended March 31, 2006, which included (1) the write-off of the unamortized deferred financing costs

Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

related to the Senior Secured Credit Facility term loans repaid aggregating approximately $1.7 million and (2) expenses aggregating approximately $1.0 million related to the Senior Secured Credit Facility that was amended.

The revolving loans accrue interest, at the borrower s option, at a rate per annum equal to the base rate plus a margin of 2.00% or the Eurodollar rate plus 3.00%, subject in each case to performance based adjustments. The term loans accrue interest, at the borrower s option, at a rate per annum equal to the base rate plus a margin of 1.50% or the Eurodollar rate plus 2.50%, subject in each case to performance based adjustments. At March 31, 2007, the monthly variable Eurodollar rate was 5.375%.

The Amended and Restated Credit Facility requires Coinmach to make certain mandatory repayments, including from (a) 100% of net proceeds from asset sales by Coinmach and its subsidiaries, (b) 100% of the net proceeds from the issuance of debt (with an exception for proceeds from intercompany loans made by Coinmach to CSC), (c) 50% of annual excess cash flow of Coinmach and its subsidiaries, and (d) 100% of the net proceeds from insurance recovery and condemnation events of Coinmach and its subsidiaries, in each case subject to reinvestment rights, as applicable, and other exceptions generally consistent with the Senior Secured Credit Facility. For the fiscal year ended March 31, 2007, there is no required amount that is payable relating to the annual excess cash flow of Coinmach.

The Amended and Restated Credit Facility contains a number of restrictive covenants and agreements applicable to Coinmach which, if the Merger Event were completed, would apply directly to us as borrower under such credit facility, including covenants with respect to limitations on (i) indebtedness; (ii) certain payments (in the form of the declaration or payment of certain dividends or distributions on Coinmach s capital stock or its subsidiaries or the purchase, redemption or other acquisition of any of its or its subsidiaries capital stock); (iii) voluntary prepayments of previously existing indebtedness; (iv) Investments (as defined in the Amended and Restated Credit Facility); (v) transactions with affiliates; (vi) liens; (vii) sales or purchases of assets; (viii) conduct of business; (ix) dividends and other payment restrictions affecting subsidiaries; (x) consolidations and mergers; (xi) capital expenditures; (xii) issuances of certain of Coinmach s equity securities; and (xiii) creation of subsidiaries. The Amended and Restated Credit Facility also requires that Coinmach satisfy certain financial ratios, including a maximum leverage ratio and a minimum consolidated interest coverage ratio.

At March 31, 2007, the $567.1 million of term loan borrowings under the Amended and Restated Credit Facility had an interest rate of approximately 7.875% and the amount available under the revolving credit portion of the Amended and Restated Credit Facility was approximately $68.2 million. Letters of credit under the revolver portion of the Amended and Restated Credit Facility outstanding at March 31, 2007 were approximately $6.8 million.

At March 31, 2007, Coinmach was in compliance with the covenants under the Amended and Restated Credit Facility and was not aware of any events of default pursuant to the terms of such indebtedness.

Debt outstanding under the Amended and Restated Credit Facility consists of the following (in thousands):

	2007	March 31, 2006
Tranche term loan B, quarterly payments of approximately $575, increasing to approximately $1,425 on March 31, 2009 with the final payment of approximately $541,725 on December 19, 2012 (Interest rate of 7.875% at March 31, 2007)	$ 567,125	$ 569,425
Revolving line of credit		
	$ 567,125	$ 569,425

Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The aggregate maturities of long-term debt during the next five years and thereafter as of March 31, 2007 are as follows (in thousands):

Years Ending March 31,	Principal Amount
2008	$ 5,527
2009	5,570
2010	7,099
2011	6,603
2012	5,854
Thereafter	544,575
Total debt	$ 575,228

b. Interest Rate Swaps

On November 17, 2005, Coinmach entered into two separate interest rate swap agreements, effective February 1, 2006, totaling $230.0 million in aggregate notional amount that effectively convert a portion of its floating-rate term loans pursuant to the Amended and Restated Credit Facility to a fixed rate basis, thereby reducing the impact of interest rate changes on future interest expense. The two swap agreements consist of: (i) a $115.0 million notional amount interest rate swap transaction with a financial institution effectively fixing the three-month LIBOR interest rate (as determined therein) at 4.90% and expiring on November 1, 2010, and (ii) a $115.0 million notional amount interest rate swap transaction with a financial institution effectively fixing the three-month LIBOR interest rate (as determined therein) at 4.89% and expiring on November 1, 2010. These interest rate swaps used to hedge the variability of forecasted cash flows attributable to interest rate risk were designated as cash flow hedges. The Company recognized accumulated other comprehensive income of approximately $1.8 million, net of tax, in the stockholder s equity section for the fiscal year ended March 31, 2007, relating to the interest rate swaps that qualify as cash flow hedges.

4. Intercompany Loan

In connection with the IDS Transactions, CSC made the Intercompany Loan to Coinmach in an initial principal amount of approximately $81.7 million which is eliminated in consolidation of our financial statements. The Intercompany Loan is represented by the Intercompany Note. As a result of the Additional Intercompany Loan in February 2006, the principal amount of indebtedness represented by the Intercompany Note increased to $183.6 million. Interest under the Intercompany Loan accrues at an annual rate of 10.95% and is payable quarterly on March 1, June 1, September 1 and December 1 of each year and the Intercompany Loan is due and payable in full on December 1, 2024. The Intercompany Loan is a senior unsecured obligation of Coinmach, ranks equally in right of payment with all existing and future senior indebtedness of Coinmach (including indebtedness under the Amended and Restated Credit Facility) and ranks senior in right of payment to all existing and future subordinated indebtedness of Coinmach. Certain of Coinmach s domestic restricted subsidiaries guarantee the Intercompany Loan on a senior unsecured basis. The Intercompany Loan contains covenants that are substantially the same as those provided in the terms of the Amended and Restated Credit Facility. The Intercompany Loan and the guaranty of the Intercompany Loan by certain subsidiaries of the Company were pledged by CSC to secure the repayment of the 11% Senior Secured Notes.

If at any time Coinmach is not prohibited from doing so under the terms of its then outstanding indebtedness, in the event that CSC undertakes an offering of IDSs or CSC Class A common stock, a portion of the net proceeds of such offering, subject to certain limitations, will be loaned to Coinmach and increase the principal amount of the Intercompany Loan and the guaranty of the Intercompany Loan.

As of March 31, 2007, the principal amount of indebtedness represented by the Intercompany Note was $183.6 million.

Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

At March 31, 2007, Coinmach was in compliance with the covenants under the Intercompany Loan and was not aware of any events of default pursuant to the terms of such indebtedness.

5. Retirement Savings Plan

The Company maintains a defined contribution plan meeting the guidelines of Section 401(k) of the Internal Revenue Code. Such plan requires employees to meet certain age, employment status and minimum entry requirements as allowed by law.

Contributions to such plan amounted to approximately $772,000 for the fiscal year ended March 31, 2007, $500,000 for the fiscal year ended March 31, 2006 and $502,000 for the fiscal year ended March 31, 2005. The Company does not provide any other post-retirement benefits.

6. Income Taxes

The components of the Company s deferred tax liabilities and assets are as follows (in thousands):

	March 31,	
	2007	**2006**
Deferred tax liabilities:		
Accelerated tax depreciation and contract rights	$ 99,585	$ 97,466
Interest rate swap		1,063
Other	2,421	2,124
Total deferred tax liabilities	102,006	100,653
Deferred tax assets:		
Net operating loss carry forwards	53,412	47,944
Covenant not to compete	1,111	1,177
Transaction costs		438
Interest Rate Swap	63	
Other	613	1,670
Total deferred tax assets	55,199	51,229
Valuation allowances	(10,720)	(10,720)
Net deferred tax assets	44,479	40,509
Net deferred tax liability	$ 57,527	$ 60,144

The net operating loss carryforwards of approximately $131.0 million expire between fiscal years 2008 through 2026. In addition, the net operating losses are subject to annual limitations imposed under the provisions of the Internal Revenue Code regarding changes in ownership. For the fiscal year ended March 31, 2007, the Company generated a taxable loss of approximately $0.6 million primarily due to a loss from operations.

The (benefit) provision for income taxes consists of (in thousands):

	Year Ended March 31,		
	2007	**2006**	**2005**
Federal	$ (1,267)	$ (8,234)	$ (6,818)

State	621	(885)	(1,927)
	$ (646)	$ (9,119)	$ (8,745)

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The effective income tax rate differs from the amount computed by applying the U.S. federal statutory rate to loss before taxes as a result of state taxes and permanent book/tax differences as follows (in thousands):

	Year Ended March 31,		
	2007	2006	2005
Expected tax benefit	$ (1,781)	$ (8,310)	$ (8,431)
State tax provision (benefit), net of federal taxes	404	(1,127)	(1,252)
Valuation allowance		170	
Provision to return adjustment	546	60	832
Permanent book/tax differences	185	88	106
Tax benefit	$ (646)	$ (9,119)	$ (8,745)

7. Guarantor Subsidiaries

The Company s domestic subsidiaries (collectively, the Guarantor Subsidiaries) have guaranteed the indebtedness under the Amended and Restated Credit Facility referred to in Note 3. The Company has not included separate financial statements of the guarantor Subsidiaries because they are wholly-owned by the Company, the guarantees issued are full and unconditional and the guarantees are joint and several. In addition the non-Guarantor Subsidiaries are minor since the combined operations of the non-Guarantor Subsidiaries represent less than 1% of the Company s total revenue, total assets, stockholder s equity, income from continuing operations before income taxes and cash flows from operating activities, in each case on a consolidated basis. Accordingly, the Company has not included a separate column for the non-Guarantor Subsidiaries. The condensed consolidating balance sheets as of March 31, 2007 and 2006, the consolidating statements of operations for the years ended March 31, 2007, March 31, 2006 and March 31, 2005, and the condensed consolidating statement of cash flows for the years ended March 31, 2007, March 31, 2006 and March 31, 2005, include AWA, Super Laundry, ALFC and Grand Wash & Dry Launderette., Inc., as Guarantor Subsidiaries.

Condensed consolidating financial information for the Company and its Guarantor Subsidiaries are as follows (in thousands):

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Balance Sheets

	March 31, 2007			
	Coinmach and Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Adjustments and Eliminations	Consolidated
Assets				
Current assets, consisting of cash, receivables, inventories, prepaid expenses and other current assets	$ 50,802	$ 16,008	$	$ 66,810
Advance location payments	64,371			64,371
Property, equipment and leasehold improvements, net	215,632	24,108		239,740
Intangible assets, net	491,958	11,432		503,390
Intercompany loans and advances	36,085	(8,318)	(27,767)	
Investment in preferred stock	21,662		(21,662)	
Other assets	4,051	(1,615)		2,436
Total assets	$ 884,561	$ 41,615	$ (49,429)	$ 876,747
Liabilities and Stockholder s Deficit				
Current liabilities:				
Accounts payable, accrued expenses and accrued rental payments	$ 69,042	$ 8,887	$	$ 77,929
Current portion of long-term debt	5,026	501		5,527
Total current liabilities	74,068	9,388		83,456
Deferred income taxes	52,238	5,289		57,527
Long-term debt, less current portion	568,219	29,249	(27,767)	569,701
Intercompany loan	183,564			183,564
Due to parent	39,242			39,242
Investment in subsidiaries	17,911		(17,911)	
Preferred stock and dividends payable		21,662	(21,662)	
Total stockholder s deficit	(50,681)	(23,973)	17,911	(56,743)
Total liabilities and stockholder s deficit	$ 884,561	$ 41,615	$ (49,429)	$ 876,747

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Balance Sheets (continued)

	March 31, 2006			
	Coinmach and Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Adjustments and Eliminations	Consolidated
Assets				
Current assets, consisting of cash, receivables, inventories, prepaid expenses and other current assets	$ 75,123	$ 12,179	$	$ 87,302
Advance location payments	67,230	12		67,242
Property, equipment and leasehold improvements, net	226,301	26,097		252,398
Intangible assets, net	491,939	11,169		503,108
Intercompany loans and advances	43,948	(18,324)	(25,624)	
Investment in preferred stock	20,033		(20,033)	
Other assets	6,012	(1,410)		4,602
Total assets	$ 930,586	$ 29,723	$ (45,657)	$ 914,652
Liabilities and Stockholder s Deficit				
Current liabilities:				
Accounts payable, accrued expenses and accrued rental payments	$ 63,082	$ 6,145	$	$ 69,227
Current portion of long-term debt	5,396	106		5,502
Total current liabilities	68,478	6,251		74,729
Deferred income taxes	55,173	4,971		60,144
Long-term debt, less current portion	570,857	25,802	(25,624)	571,035
Intercompany loan	183,564			183,564
Due to parent	48,942			48,942
Investment in subsidiaries	22,900		(22,900)	
Preferred stock and dividends payable		20,033	(20,033)	
Total stockholder s deficit	(19,328)	(27,334)	22,900	(23,762)
Total liabilities and stockholder s equity	$ 930,586	$ 29,723	$ (45,657)	$ 914,652

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)
Condensed Consolidating Statements of Operations

	Year Ended March 31, 2007			
	Coinmach and Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Adjustments and Eliminations	Consolidated
Revenues	$ 492,070	$ 63,228	$	$ 555,298
Costs and expenses	441,827	52,869		494,696
Operating income	50,243	10,359		60,602
Interest expense	63,448	2,244		65,692
(Loss) income before income taxes	(13,205)	8,115		(5,090)
Income tax (benefit) provision	(3,772)	3,126		(646)
	(9,433)	4,989		(4,444)
Equity in loss of subsidiaries	(4,988)		4,988	
	(4,445)	4,989	(4,988)	(4,444)
Dividend income	(1,628)		1,628	
Net (loss) income	$ (2,817)	$ 4,989	$ (6,616)	$ (4,444)

	Year Ended March 31, 2006			
	Coinmach and Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Adjustments and Eliminations	Consolidated
Revenues	$ 481,672	$ 61,813	$	$ 543,485
Costs and expenses	434,318	55,111		489,429
Operating income	47,354	6,702		54,056
Interest expense	53,936	2,014		55,950
Transaction costs	21,849			21,849
(Loss) income before income taxes	(28,431)	4,688		(23,743)
Income tax (benefit) provision	(10,955)	1,836		(9,119)
	(17,476)	2,852		(14,624)
Equity in loss of subsidiaries	(2,852)		2,852	
	(14,624)	2,852	(2,852)	(14,624)

Dividend income	(1,628)		1,628	
Net (loss) income	$ (12,996)	$ 2,852	$ (4,480)	$ (14,624)

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statements Operations (Continued)

	Year Ended March 31, 2005			
	Coinmach and Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Adjustments and Eliminations	Consolidated
Revenues	$ 472,484	$ 66,120	$	$ 538,604
Costs and expenses	426,810	61,302		488,112
Operating income	45,674	4,818		50,492
Interest expense	54,401	1,852		56,253
Interest expense escrow interest	941			941
Transaction costs	17,389			17,389
Income (loss) before income taxes	(27,057)	2,966		(24,091)
Income tax (benefit) provision	(10,004)	1,259		(8,745)
	(17,053)	1,707		(15,346)
Equity in loss of subsidiaries	(1,707)		1,707	
	(15,346)	1,707	(1,707)	(15,346)
Dividend income	(1,628)		1,628	
Net (loss) income	$ (13,718)	$ 1,707	$ (3,335)	$ (15,346)

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statements of Cash Flows

	Year Ended March 31, 2007			
	Coinmach and Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Adjustments and Eliminations	Consolidated
Operating activities				
Net (loss) income	$ (2,817)	$ 4,989	$ (6,616)	$ (4,444)
Noncash adjustments	100,281	7,456		107,737
Change in operating assets and liabilities	1,887	2,413		4,300
Net cash provided by operating activities	99,351	14,858	(6,616)	107,593
Investing activities				
Investment in and advances to subsidiaries	(6,616)		6,616	
Capital expenditures and advance location payments	(66,192)	(5,061)		(71,253)
Acquisition of assets	(17,914)			(17,914)
Proceeds from sale of property and equipment		1,606		1,606
Net cash used in operating activities	(90,722)	(3,455)	6,616	(87,561)
Financing activities				
Repayment of debt	(2,300)			(2,300)
Other financing items	(30,515)	(10,240)		(40,755)
Net cash used in operating activities	(32,815)	(10,240)		(43,055)
Net (decrease) increase in cash and cash equivalents	(24,186)	1,163		(23,023)
Cash and cash equivalents, beginning of year	60,541	587		61,128
Cash and cash equivalents, end of year	$ 36,355	$ 1,750	$	$ 38,105

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)
Condensed Consolidating Statements of Cash Flows (Continued)

	Year Ended March 31, 2006			
	Coinmach and Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Adjustments And Eliminations	Consolidated
Operating activities				
Net (loss) income	$ (12,996)	$ 2,852	$ (4,480)	$ (14,624)
Noncash adjustments	111,669	9,752		121,421
Change in operating assets and liabilities	(2,111)	1,323		(788)
Net cash provided by operating activities	96,562	13,927	(4,480)	106,009
Investing activities				
Investment in and advances to subsidiaries	(4,363)		4,363	
Capital expenditures and advance location payments	(65,844)	(6,332)		(72,176)
Acquisition of assets	(1,225)	(2,211)		(3,436)
Proceeds from sale of property and equipment	1,981	903		2,884
Net cash used in operating activities	(69,451)	(7,640)	4,363	(72,728)
Financing activities				
Repayment of debt	(565,582)			(565,582)
Other financing items	443,037	(8,342)		434,695
Loan from parent	101,894			101,894
Net cash used in operating activities	(20,651)	(8,342)		(28,993)
Net increase (decrease) in cash and cash equivalents	6,460	(2,055)	(117)	4,288
Cash and cash equivalents, beginning of year	54,198	2,642		56,840
Cash and cash equivalents, end of year	$ 60,658	$ 587	$ (117)	$ 61,128

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statements of Cash Flows (Continued)

	Year Ended March 31, 2005			
	Coinmach and Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Adjustments and Eliminations	Consolidated
Operating activities				
Net (loss) income	$ (13,718)	$ 1,707	$ (3,335)	$ (15,346)
Noncash adjustments	108,254	9,793		118,047
Change in operating assets and liabilities	(357)	2,697		2,340
Net cash provided by operating activities	94,179	14,197	(3,335)	105,041
Investing activities				
Investment in and advances to subsidiaries	(3,335)		3,335	
Capital expenditures and advance location payments	(66,204)	(5,291)		(71,495)
Acquisition of assets	(628)			(628)
Proceeds from sale of investment	277			277
Proceeds from sale of property and equipment		919		919
Net cash used in investing activities	(69,890)	(4,372)	3,335	(70,927)
Financing activities				
Repayment of debt	(145,330)			(145,330)
Other financing items	62,948	(8,182)		54,766
Loan from parent	81,670			81,670
Net cash used in operating activities	(712)	(8,182)		(8,894)
Net increase in cash and cash equivalents	23,577	1,643		25,220
Cash and cash equivalents, beginning of year	30,621	999		31,620
Cash and cash equivalents, end of year	$ 54,198	$ 2,642	$	$ 56,840

8. Commitments and Contingencies

Rental expense for all operating leases, which principally cover offices and warehouse facilities, laundromats and vehicles, was approximately $10.5 million for the fiscal year ended March 31, 2007, $10.0 million for the fiscal year ended March 31, 2006 and $9.7 million for the fiscal year ended March 31, 2005.

Certain leases entered into by the Company are classified as capital leases. Amortization expense related to equipment under capital leases is included with depreciation expense for the fiscal years ended March 31, 2007, 2006 and 2005.

The following summarizes property under capital leases at March 31, 2007 and 2006:

	Year Ended March 31,	
	2007	2006

	(In thousands)	
Laundry equipment and fixtures	$ 1,547	$ 1,300
Trucks and other vehicles	32,350	27,469
	33,897	28,769
Less accumulated amortization	24,459	20,137
	$ 9,438	$ 8,632

Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Future minimum rental commitments under all capital leases and noncancelable operating leases as of March 31, 2007 are as follows (in thousands):

	Capital	Operating
2008	$ 3,804	$ 8,284
2009	2,713	6,981
2010	1,498	5,927
2011	897	4,120
2012	146	2,430
Thereafter		6,318
Total minimum lease payments	9,058	$ 34,060
Less amounts representing interest	1,193	
Present value of net minimum lease payments (including current portion of $3,163)	$ 7,865	

The Company utilizes third party letters of credit to guarantee certain business transactions, primarily certain insurance activities. The total amount of the letters of credit at March 31, 2007 were approximately $6.8 million.

The Company is a party to various legal proceedings arising in the ordinary course of business. Although the ultimate disposition of such proceedings is not presently determinable, management does not believe that adverse determinations in any or all such proceedings would have a material adverse effect upon the financial condition, results of operations or cash flows of the Company.

In connection with insurance coverages, which include workers compensation, general liability and other coverages, annual premiums are subject to limited retroactive adjustment based on actual loss experience.

9. Related Party Transactions

In February 1997, the Company extended a loan to an executive officer of the Company in the principal amount of $500,000 payable in ten equal annual installments ending in July 2006 (each payment date, a Payment Date), with interest accruing at a rate of 7.5% per annum. The loan provided that payment of principal and interest will be forgiven on each payment date based on certain conditions. The amounts forgiven are charged to general and administrative expenses. The remaining balance at March 31, 2006 of $50,000 was forgiven during the year ended March 31, 2007.

On May 5, 1999, the Company extended a loan to an executive officer of the Company in a principal amount of $250,000 to be repaid in a single payment on the third anniversary of such loan with interest accruing at a rate of 8% per annum. On March 15, 2002, the Company and the executive officer entered into a replacement promissory note in exchange for the original note evidencing the loan. The replacement note was in an original principal amount of $282,752, the outstanding loan balance under the replacement note was payable in equal annual installments of $56,550 commencing on March 15, 2003 and the obligations under the replacement note were secured, pursuant to an amendment to the replacement note dated March 6, 2003, by a pledge of certain preferred and common units of Holdings held by such executive officer. The remaining balance at March 31, 2006 of $56,550 was forgiven during the year ended March 31, 2007.

During the fiscal years ended March 31, 2007, March 31, 2006 and March 31, 2005, Coinmach paid a non-independent director, a member of each of the Company s board of directors, the Coinmach board of directors, the Holdings board of managers and the CLC board of directors, $210,000, $193,000 and $180,000 respectively, for general financial advisory and investment banking services which are recorded in general and administrative expenses. The Company paid a one-time fee of $500,000 to the director in connection with the IDS Transactions in November 2004 and a one-time fee of $125,000 to the director in connection with the Credit Facility Refinancing in

January 2006.

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

In addition, in February 2006, the Company awarded 11,111 restricted shares of Class A Common Stock to a non-independent director of the Company, 51,111 restricted shares to executive officers and 5,001 restricted shares to our independent directors, and in November 2006 the Company awarded an aggregate of 100,000 shares to executive officers, 7,500 shares to our independent directors and 25,000 shares to a non-independent directors (collectively, the 2007 Restricted Stock Awards), as noted in Note 13, 2004 Long-Term Incentive Plan.

The Company s independent directors were paid a total of approximately $216,000 for their annual retainers, as well as for attendance fees for the fiscal year ended March 31, 2007.

10. Fair Value of Financial Instruments

The Company is required to disclose fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate the value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques.

The carrying amounts of cash and cash equivalents, receivables, the Amended and Restated Credit Facility, and other long-term debt approximate their fair value at March 31, 2007.

11. Segment Information

The Company reports segment information for the route segment, its only reportable operating segment, and provides information for its two other operating segments reported as All other . The route segment, which comprises the Company s core business, involves leasing laundry rooms from building owners and property management companies typically on a long-term, renewal basis, installing and servicing the laundry equipment, and collecting revenues generated from laundry machines. The other business operations reported in All other include the aggregation of the rental and distribution businesses. The rental business involves the leasing of laundry machines and other household appliances to property owners, managers of multi-family housing properties and to a lesser extent, individuals and corporate relocation entities through the Company s jointly-owned subsidiary, AWA. The distribution business involves constructing complete turnkey retail laundromats, retrofitting existing retail laundromats, distributing exclusive lines of coin and non-coin machines and parts, and selling service contracts. The Company evaluates performance and allocates resources based on EBITDA (earnings from continuing operations before interest, taxes and depreciation and amortization), cash flow and growth opportunity. The accounting policies of the segments are the same as those described in Note 2, *Summary of Significant Accounting Policies*.

The table below presents information about the Company s segments (in thousands):

	Year Ended March 31,		
	2007	**2006**	**2005**
Revenue:			
Route	$ 492,070	$ 481,671	$ 472,484
All other:			
Rental	38,383	36,130	34,372
Distribution	24,845	25,684	31,748
Subtotal	63,228	61,814	66,120
Total revenue	$ 555,298	$ 543,485	$ 538,604
EBITDA (1):			
Route	$ 161,047	$ 156,729	$ 155,378
All other			
Rental	17,320	15,388	13,840
Distribution	1,794	721	1,412

Subtotal	19,114	16,109	15,252
Other items, net		(310)	(855)
Transaction costs (2)		(21,849)	(17,389)
Corporate expenses	(10,327)	(9,579)	(8,843)
Total EBITDA (unaudited)	169,834	141,100	143,543

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

	Year Ended March 31,		
	2007	2006	2005
Reconciling items:			
Depreciation and amortization expense, amortization of advance location payments and amortization of intangibles:			
Route	(96,610)	(97,293)	(98,921)
All other	(7,875)	(8,160)	(8,242)
Corporate	(4,747)	(3,440)	(3,277)
Total depreciation	(109,232)	(108,893)	(110,440)
Interest expense	(65,692)	(55,950)	(56,253)
Interest expense escrow			(941)
Consolidated loss before income taxes	$ (5,090)	$ (23,743)	$ (24,091)

(1) See description of Non-GAAP Financial Measures immediately following this table for a reconciliation of net loss to EBITDA for the periods indicated above.

(2) The computation of EBITDA for the fiscal year ended March 31, 2007 has not been adjusted to exclude transaction costs consisting of: (i) the premium paid to purchase certain 11% Senior Secured Notes of approximately $0.4 million and (ii) the write-off of a proportionate amount of unamortized

deferred financing costs of approximately $0.4 million.

The computation of EBITDA for the fiscal year ended March 31, 2006 has not been adjusted to exclude transaction costs consisting of: (i) approximately $14.6 million of redemption premium related to the redemption of the 9% Senior Notes, (ii) approximately $4.5 million of write-off of deferred financial costs related to the redemption of the 9% Senior Notes, (iii) approximately $1.7 million of write-off of unamortized deferred financing costs related to the refinancing of the Senior Secured Credit Facility and (iv) approximately $1.0 million of non-recurring transaction fees and expenses relating to the foregoing.

The computation of EBITDA for the fiscal year ended March 31, 2005 has not been adjusted to exclude transaction costs

consisting of: (i) approximately $11.3 million redemption premium related to the redemption of the 9% Senior Notes, (ii) the write-off of the deferred financing costs relating to the 9% Senior Notes redeemed and term loans repaid aggregating approximately $3.5 million, (iii) expenses related to an amendment to the Senior Secured Credit Facility aggregating approximately $1.8 million to, among other things, permit the IDS Transactions and (iv) special bonuses related to the IDS Transactions aggregating approximately $0.8 million.

	Year Ended March 31,		
	2007	**2006**	**2005**
Expenditures for acquisitions and additions of long-lived assets:			
Route	$ 80,300	$ 60,151	$ 64,844
All other	8,867	15,461	7,279
Total	$ 89,167	$ 75,612	$ 72,123
Segment assets:			
Route	$ 837,479	$ 886,043	$ 910,980
All other	38,703	27,762	28,209
Corporate assets	565	847	6,072
Total	$ 876,747	$ 914,652	$ 945,261

Non-GAAP Financial Measures

EBITDA represents earnings from continuing operations before deductions for interest, income taxes and depreciation and amortization. Management believes that EBITDA is useful as a means to evaluate the Company s ability to service existing debt, to sustain potential future increases in debt and to satisfy capital requirements. EBITDA is also used by management as a measure of evaluating the performance of the Company s three operating segments. Management further believes that EBITDA is useful to investors as a measure of comparative operating

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

performance as it is less susceptible to variances in actual performance resulting from depreciation, amortization and other non-cash charges and more reflective of changes in pricing decisions, cost controls and other factors that affect operating performance. Management uses EBITDA to develop compensation plans, to measure sales force performance and to allocate capital assets. Additionally, because Coinmach has historically provided EBITDA to investors, we believe that presenting this non-GAAP financial measure provides consistency in financial reporting. Management s use of EBITDA, however, is not intended to represent cash flows for the period, nor has it been presented as an alternative to either (a) operating income (as determined by U.S. generally accepted accounting principles) as an indicator of operating performance or (b) cash flows from operating, investing and financing activities (as determined by U.S. generally accepted accounting principles as a measure of liquidity. Given that EBITDA is not a measurement determined in accordance with U.S. generally accepted accounting principles and is thus susceptible to varying calculations, EBITDA may not be comparable to other similarly titled measures of other companies. The following table reconciles the Company s net loss to EBITDA for each period presented (in millions):

	Year Ended March 31,		
	2007	2006	2005
Net loss	$ (4.4)	$ (14.6)	$ (15.3)
Provision (benefit) for income taxes	(0.7)	(9.1)	(8.8)
Interest expense	65.7	55.9	56.3
Interest expense escrow interest			0.9
Depreciation and amortization	109.2	108.9	110.4
EBITDA (unaudited)*	$ 169.8	$ 141.1	$ 143.5

The computation of EBITDA for the fiscal year ended March 31, 2007 has not been adjusted to exclude transaction costs consisting of: (i) the premium paid to purchase certain 11% Senior Secured Notes of approximately $0.4 million and (ii) the write-off of a proportionate amount of unamortized deferred financing costs of approximately $0.4 million.

The computation of EBITDA for the fiscal year ended March 31, 2006 has not been adjusted to exclude transaction costs consisting of (i) approximately $14.6 million of redemption premium related to the redemption of the 9% Senior Notes, (ii) approximately $4.5 million of write-off of deferred financial costs related to the redemption of the 9% Senior Notes, (iii) approximately $1.7 million of write-off of unamortized deferred financing costs related to the refinancing of the Senior Secured Credit Facility and (iv) approximately $1.0 million of non-recurring transaction fees and expenses relating to the foregoing.

The computation of EBITDA for the fiscal year ended March 31, 2005 has not been adjusted to exclude transaction costs consisting of: (1) approximately $11.3 million redemption premium related to the redemption of the portion of the 9% Senior Notes, (2) the write-off of the deferred financing costs related to the 9% Senior Notes redeemed and term loans repaid aggregating approximately $3.5 million, (iii) expenses related to an amendment to the Senior Secured Credit Facility aggregating approximately $1.8 million to, among other things, permit the IDS Transactions and (iv) special bonuses related to the IDS Transactions aggregating approximately $0.8 million.

12. Dividends

On May 10, 2006, the board of directors of Coinmach approved an aggregate cash dividend of approximately $17.0 million on Coinmach s outstanding common stock which cash dividend was paid by Coinmach on June 1, 2006 to CLC. to be used by CSC to satisfy in part distribution payments under its IDSs and CSC Class A Common Stock.

On August 1, 2006, the board of directors of Coinmach approved an aggregate cash dividend of approximately $3.2 million on Coinmach s outstanding common stock which cash dividend was paid by Coinmach on September 1, 2006 to CLC to be used by CSC to satisfy in part distribution payments under its IDSs and CSC Class A Common Stock.

Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

On November 3, 2006, the board of directors of Coinmach approved an aggregate cash dividend of approximately $3.3 million on Coinmach s outstanding common stock which cash dividend was paid by Coinmach on December 1, 2006 to CLC to be used by CSC to satisfy in part distribution payments under its IDSs and CSC Class A Common Stock.

On February 1, 2007, the board of directors of Coinmach approved an aggregate cash dividend of approximately $3.3 million on Coinmach s outstanding common stock which cash dividend was paid by Coinmach on March 1, 2007 to CLC to be used by CSC to satisfy in part distribution payments under its IDSs and CSC Class A Common Stock.

On May 9, 2007, the board of directors of Coinmach approved an aggregate cash dividend of approximately $13.3 million on Coinmach s outstanding common stock which cash dividend was paid by Coinmach on June 1, 2007 to CLC to be used by CSC to satisfy in part distribution payments under its IDSs and CSC Class A Common Stock.

13. 2004 Long-Term Incentive Plan

The Company s Long-Term Incentive Plan (the 2004 LTIP) provides for the grant of non-qualified options, incentive stock options, stock appreciation rights, full value awards and cash incentive awards. The maximum number of securities available for awards under the 2004 LTIP is 15% of the aggregate number of outstanding shares of Class A Common Stock and Class B Common Stock immediately following consummation of the IDS Transactions, which equals 6,583,796 shares. As of March 31, 2007, the board of directors of CSC had authorized up to 2,836,729 shares of Class A Common Stock for issuance under the 2004 LTIP.

During the 2006 fiscal year, Company awarded restricted shares of Class A Common Stock as follows: (i) with respect to executive officers, $460,000 (or 51,111 shares in the aggregate) (ii) with respect to our independent directors, $45,000 (or 5,001 shares in the aggregate) and (iii) with respect to a director, $100,000 (or 11,111 shares). In addition, $200,000 worth of restricted shares of Class A Common Stock (or 21,666 shares) were designated for an employee pool, awarded to employees (such award together with the restricted stock awards approved by the board of directors of CSC, the 2006 Restricted Stock Awards) other than executive officers at the discretion of the Company s chief executive officer.

The 2006 Restricted Stock Awards to the independent directors were fully vested on the date of grant, and those to the non-independent director, the executive officers and the employees vested 20% on the date of grant and the balance at 20% per year over a consecutive four-year period thereafter. In addition, the 2006 Restricted Stock Awards to the executive officers and the director vest upon a change of control of CSC or upon the death or disability of the award recipient and contain all of the rights and are subject to all of the restrictions of Class A Common Stock prior to becoming fully vested, including voting and dividend rights. The fair value of the restricted stock issued of $9.01 per share will be recorded as compensation expense over the vesting periods.

On November 3, 2006, the compensation committee of the board of directors of CSC awarded performance contingent and time-based vesting restricted shares of Class A Common Stock with a grant date of November 3, 2006 as follows: (i) an aggregate of 100,000 shares to certain executive officers, (ii) an aggregate of 7,500 shares to our three independent directors and (iii) 25,000 shares to one of our non-independent directors (collectively, the 2007 Restricted Stock Awards).

On March 6, 2007, approximately $158,000 worth of restricted stock of Class A Common Stock (or 15,000 shares) were awarded by our Chief Executive Officer from the employee pool to certain employees which includes performance contingent and time-based vesting restricted shares of Class A Common Stock with a grant date of March 6, 2007 (collectively, the March 2007 Restricted Stock Awards).

The 2007 Restricted Stock Awards to our independent directors were fully vested on the date of grant. The 2007 Restricted Stock Awards to our executive officers and the March 2007 Restricted Stock Awards consisted of time-based shares (the Time Vesting Shares) as well as performance-based shares (the Performance Vesting Shares). Pursuant to the award agreements for the executive officers and the recipients of the March 2007

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Restricted Stock Awards, 25% of all of the shares awarded are Time Vesting Shares and 75% of all of the shares awarded are Performance Vesting Shares. The 2007 Restricted Stock Award to our non-independent director consisted solely of Time Vesting Shares.

The Performance Vesting Shares vest upon the attainment of certain earnings and cash flow growth performance criteria established by the compensation committee during the performance period ending March 31, 2009. The Time Vesting Shares vest in three equal annual installments commencing on the first anniversary of the date of grant.

The 2007 Restricted Stock Awards to each of the executive officers and the non-independent director fully vest upon a change of control of CSC or upon the death or disability of the award recipient. In addition, the executive officers, the non-independent director and the independent directors shall be entitled to vote the restricted shares underlying their awards during the restricted period, but will not be entitled to receive dividends prior to the vesting of such shares.

The fair value of the Time Vesting Shares issued as part of the 2007 Restricted Stock Award of $10.00 per share and the fair value of the March 2007 Restricted Stock Awards of $10.55 will be recorded as compensation expense over the vesting periods. In addition, since the Performance Vesting Shares vest upon the attainment of certain performance criteria, the Company will record compensation expense only for those Performance Vesting Shares of which the attainment of applicable performance conditions is probable.

Compensation expense of approximately $0.2 million has been recorded to the statement of operations for both the fiscal years ended March 31, 2007 and March 31, 2006. The Company has estimated the forfeiture rate to be zero.

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Coinmach Corporation and Subsidiaries
Notes to Consolidated Financial Statements

A summary of the status of the Company s restricted shares and restricted units as of March 31, 2007 are presented below.

	Shares Outstanding	Weighted Average Fair Value at Date of Contract
Restricted shares unvested at April 1, 2005		$
Restricted shares granted	88,889	9.01
Vested	21,776	9.01
Restricted shares unvested at March 31, 2006	67,113	9.01
Restricted shares granted	147,500	10.06
Shares forfeitured	1,111	9.01
Vested	39,055	9.58
Restricted shares unvested at March 31, 2007	174,447	$ 9.77

As of March 31, 2007, there was approximately $1.1 million of unrecognized compensation costs in the aggregate related to restricted share compensation arrangements pertaining to the 2006 Restricted Stock Awards and the Time Vesting Shares from the 2007 Restricted Stock Awards. That cost is expected to be recognized over a weighted average period of 3.0 years. In addition, as of March 31, 2007, there was approximately $0.1 million of unrecognized compensation costs related to restricted share compensation arrangements pertaining only to those Performance Vesting Shares that the Company has determined will relate to the probable outcome for the attainment of certain performance conditions. Such costs are expected to be recognized over a weighted average period of 2.25 years. At March 31, 2007, there was also approximately $0.2 million of unrecognized compensation costs related to restricted share compensation arrangements pertaining only to those Performance Vesting Shares that the Company has determined are not probable for the attainment of certain performance conditions.

14. Quarterly Financial Information (Unaudited)

The following is a summary of the quarterly results of operations for the years ended March 31, 2007 and 2006 (in thousands):

	Three Months Ended			
	June 30, 2006	September 30, 2006	December 31, 2006	March 31, 2007
Revenues	$139,285	$136,310	$140,971	$138,732
Operating income	15,265	14,436	16,438	14,463
Loss before income taxes	(798)	(2,176)	(241)	(1,875)
Net loss	(491)	(1,546)	(350)	(2,057)

	Three Months Ended			
	June 30, 2005	September 30, 2005	December 31, 2005	March 31, 2006

Revenues	$133,830	$132,320	$138,744	$138,591
Operating income	14,242	12,115	14,814	12,885
Income (loss) before income taxes	552	(1,559)	(1,529)	(21,207)
Net income (loss)	296	(954)	(963)	(13,003)

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Coinmach Corporation and Subsidiaries
Schedule II Valuation and Qualifying Accounts

		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions(1)	Balance at End of Period
Year ended March 31, 2007 Reserves and allowances deducted from asset accounts:					
Allowance for uncollected accounts	$4,326,000	$1,255,000	$	$(2,209,000)	$3,372,000
Year ended March 31, 2006 Reserves and allowances deducted from asset accounts:					
Allowance for uncollected accounts	$3,794,000	$1,574,000	$	$(1,042,000)	$4,326,000
Year ended March 31, 2005 Reserves and allowances deducted from asset accounts:					
Allowance for uncollected accounts	$2,892,000	$1,617,000	$	$ (715,000)	$3,794,000

(1) Write-off to accounts receivable.

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EXHIBIT INDEX

Exhibit Number	Description
1.1	Form of Underwriting Agreement (incorporated by reference from exhibit 1.1 to Amendment No. 4 CSC s Form S-1 filed on February 2, 2006, file number 333-114421)
3.1	Amended and Restated Certificate of Incorporation of Coinmach Service Corp. (referred to as CSC) (incorporated by reference from exhibit 3.1 to CSC s Form 10-Q for the period ended December 31, 2004, file number 001-32359)
3.2	Amended and Restated Bylaws of CSC (incorporated by reference from exhibit 3.2 to CSC s Form 10-K for the year ended March 31, 2006, file number 001-32359)
3.3	Second Restated Certificate of Incorporation of Coinmach Laundry Corporation ((formerly SAS Acquisitions Inc.) and referred to as CLC) (incorporated by reference from exhibit 3.3 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
3.4	Bylaws of CLC Acquisition Corp. (now known as CLC) (incorporated by reference from exhibit 3.4 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
3.5	Restated Certificate of Incorporation of Coinmach Corporation (referred to as Coinmach) (incorporated by reference from exhibit 3.5 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
3.6	Amended and Restated Bylaws of Coinmach (incorporated by reference from exhibit 3.6 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
3.7	Certificate of Incorporation of Super Laundry Equipment Corp. (incorporated by reference from exhibit 3.7 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
3.8	Bylaws of Super Laundry Equipment Corp. (incorporated by reference from exhibit 3.8 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
3.9	Certificate of Incorporation of Grand Wash & Dry Launderette, Inc. (incorporated by reference from exhibit 3.9 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
3.10	Bylaws of Grand Wash & Dry Launderette, Inc. (incorporated by reference from exhibit 3.10 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
3.11	Certificate of Incorporation of Appliance Warehouse of America, Inc. (incorporated by reference from exhibit 3.11 to Amendment No. 6 to CSC s Form S-1 filed on November 17, 2004, file number 333-114421)
3.12	Amended and Restated Bylaws of Appliance Warehouse of America, Inc. (incorporated by reference from exhibit 3.12 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)

3.13	Certificate of Amendment of Certificate of Incorporation of American Laundry Franchising Corp. (incorporated by reference from exhibit 3.13 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)

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Exhibit Number	Description
3.14	Bylaws of American Laundry Franchising Corp. (incorporated by reference from exhibit 3.14 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
4.1	Indenture, dated November 24, 2004, by and between CSC, the subsidiary guarantors named therein and the Bank of New York, as Trustee (incorporated by reference from exhibit 4.1 to CSC s Form 10-Q for the period ended December 31, 2004, file number 001-32359)
4.2	Security Agreement, dated November 24, 2004, between CSC and CLC in favor of the Bank of New York, as Collateral Agent (incorporated by reference from exhibit 4.2 to CSC s Form 10-Q for the period ended December 31, 2004, file number 001-32359)
4.3	Pledge Agreement, dated November 24, 2004, between CSC and CLC in favor of the Bank of New York, as Collateral Agent (incorporated by reference from exhibit 4.3 to CSC s Form 10-Q for the period ended December 31, 2004, file number 001-32359)
4.4	Intercompany Note of Coinmach issued to CSC, dated November 24, 2004 (incorporated by reference from exhibit 4.4 to CSC s Form 10-Q for the period ended December 31, 2004, file number 001-32359)
4.5	Intercompany Note Guaranty, dated November 24, 2004 (incorporated by reference from exhibit 4.5 to CSC s Form 10-Q for the period ended December 31, 2004, file number 001-32359)
4.6	Guarantee relating to the Senior Secured notes due 2024 of CSC, dated November 24, 2004 (incorporated by reference from exhibit 4.6 to Coinmach s Form 10-Q for the period ended December 31, 2004, file number 001-32359)
4.7	CSC Senior Secured Note, dated November 24, 2004 (incorporated by reference from exhibit 4.7 to CSC s Form 10-Q for the period ended December 31, 2004, file number 001-32359)
4.8	IDS Certificate (incorporated by reference from exhibit 4.8 to CSC s Form 10-Q for the period ended December 31, 2004, file number 001-32359)
10.1	Amended and Restated Securityholders Agreement, among CSC, Coinmach Holdings LLC (referred to as Holdings) and its unit holders (incorporated by reference from exhibit 10.3 to CSC s Form 10-Q for the period ended December 31, 2004, file number 001-32359)
10.2	Intercreditor Agreement, by and among CLC, the collateral agent under the Credit Agreement and the collateral agent named therein (incorporated by reference from exhibit 10.4 to CSC s Form 10-Q for the period ended December 31, 2004, file number 001-32359)
10.3	Purchase Agreement, by and between Holdings and CSC (incorporated by reference from exhibit 10.5 to CSC s Form 10-K for the year ended March 31, 2006, file number 001-32359)
10.4	Indemnity Agreement, by and between CSC and Woody M. McGee (incorporated by reference from exhibit 10.6 to CSC s Form 10-K for the year ended March 31, 2005, file number 001-32359)

10.5	Indemnity Agreements, by and between CSC and each director and executive officer named therein (incorporated by reference from exhibit 10.6 to CSC s Form 10-Q for the period ended December 31, 2004, file number 001-32359)
10.6	Senior Management Agreement, dated March 6, 2003, by and among Coinmach, Holdings and Mitchell Blatt (incorporated by reference from exhibit 10.8 to Amendment No. 5 to CSC s Form S-

Exhibit Number	Description
	1 filed on November 3, 2004, file number 333-114421)
10.7	Employment Agreement, dated as of July 1, 1995, by and between Solon (as predecessor-in-interest to Coinmach), Michael E. Stanky and GTCR (incorporated by reference from exhibit 10.10 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
10.8	Promissory Note, dated February 11, 1997, of Stephen R. Kerrigan in favor of Coinmach (incorporated by reference from exhibit 10.11 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
10.9	Holdings Pledge Agreement, dated January 25, 2002, made by Coinmach and each of the Guarantors party thereto to DB Trust (incorporated by reference from exhibit 10.12 to Amendment No. 6 to CSC s Form S-1 filed on November 17, 2004, file number 333-114421)
10.10	Credit Party Pledge Agreement, dated January 25, 2002, made by Coinmach and each of the Guarantors party thereto to DB Trust (incorporated by reference from exhibit 10.13 to Amendment No. 6 to CSC s Form S-1 filed on November 17, 2004, file number 333-114421)
10.11	Security Agreement, dated January 25, 2002, among Coinmach, each of the Guarantors party thereto and DB Trust (incorporated by reference from exhibit 10.14 to Amendment No. 6 to CSC s Form S-1 filed on November 17, 2004, file number 333-114421)
10.12	Collateral Assignment of Leases, dated January 25, 2002, by Coinmach in favor of DB Trust (incorporated by reference from exhibit 10.15 to Amendment No. 6 to CSC s Form S-1 filed on November 17, 2004, file number 333-114421)
10.13	Collateral Assignment of Location Leases, dated January 25, 2002, by Coinmach, in favor of DB Trust (incorporated by reference from exhibit 10.16 to Amendment No. 6 to CSC s Form S-1 filed on November 17, 2004, file number 333-114421)
10.14	Purchase Agreement, dated as of January 17, 2002, by and among Coinmach, as Issuer, the Guarantors named therein, and the Initial Purchasers named therein (incorporated by reference from exhibit 10.17 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
10.15	Registration Rights Agreement, dated as of March 6, 2003, by and among Holdings, GTCR-CLC, LLC, MCS, Stephen R. Kerrigan, Mitchell Blatt, Robert M. Doyle, Michael E. Stanky, James N. Chapman, and the investors named therein (incorporated by reference from exhibit 10.18 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
10.16	Management Contribution Agreement, dated as of March 5, 2003, by and among Holdings, MCS, Stephen R. Kerrigan and CLC (incorporated by reference from exhibit 10.19 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
10.17	Management Contribution Agreement, dated as of March 5, 2003, by and between Holdings and Robert M. Doyle (incorporated by reference from exhibit 10.21 to Amendment No. 5 to CSC s Form S-1 filed on

November 3, 2004, file number 333-114421)

10.18	Management Contribution Agreement, dated as of March 5, 2003, by and between Holdings and Michael E. Stanky (incorporated by reference from exhibit 10.22 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)

Exhibit Number	Description
10.19	Management Contribution Agreement, dated as of March 5, 2003, by and between Holdings and James N. Chapman (incorporated by reference from exhibit 10.23 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
10.20	Amended and Restated Promissory Note, by and between MCS, as borrower and CLC, dated March 6, 2003 (incorporated by reference from exhibit 10.24 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
10.21	Amended and Restated Promissory Note, by and between Mitchell Blatt, as borrower, and CLC, dated March 6, 2003 (incorporated by reference from exhibit 10.25 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
10.22	Amended and Restated Promissory Note, by and between Robert M. Doyle, as borrower, and CLC, dated March 6, 2003 (incorporated by reference from exhibit 10.26 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
10.23	Amended and Restated Promissory Note, by and between Michael E. Stanky, as borrower and CLC, dated March 6, 2003 (incorporated by reference from exhibit 10.27 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
10.24	Amended and Restated Promissory Note, by and between Ramon Norniella, as borrower and CLC, dated March 6, 2003 (incorporated by reference from exhibit 10.34 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
10.25	Replacement Promissory Note, by and between Mitchell Blatt, as borrower, and Coinmach dated March 15, 2002 and amendment dated March 6, 2003 (incorporated by reference from exhibit 10.28 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
10.26	Senior Management Employment Agreement, by and between Coinmach and Ramon Norniella, dated as of December 17, 2000 (incorporated by reference from exhibit 10.29 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
10.27	Limited Liability Company Agreement of Holdings, dated March 6, 2003 (incorporated by reference from exhibit 10.35 to Amendment No. 5 to CSC s Form S-1 filed on November 3, 2004, file number 333-114421)
10.28	Amendment No. 1 to the Limited Liability Company Agreement of Holdings (incorporated by reference from exhibit 10.36 to Amendment No. 7 to CSC s Form S-1 filed on November 18, 2004, file number 333-114421)
10.29	CSC 2004 Long Term Incentive Plan (incorporated by reference from exhibit 10.35 to CSC s Form 10-Q for the period ended December 31, 2004, file number 001-32359)
10.30	CSC 2004 Unit Incentive Sub-Plan (incorporated by reference from exhibit 10.38 to Amendment No. 6 to CSC s Form S-1 filed on November 17, 2004, file number 333-114421)

10.31	Amendment No. 1 to Holdings Pledge Agreement made by CLC to DB Trust (incorporated by reference from exhibit 10.40 to CSC s Form 10-Q for the period ended December 31, 2004, file number 001-32359)
10.32	Management Contribution Agreement, dated as of March 5, 2003, by and between Holdings and Mitchell Blatt (incorporated by reference from exhibit 10.34 to CSC s Form 10-K for the fiscal year ended March 31, 2003, file number 033-49830)
10.33	Restricted Stock Award Agreement, dated February 15, 2006, by and between Stephen R. Kerrigan and CSC (incorporated by reference from exhibit 10.44 to CSC s Form 10-K for the fiscal year

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Exhibit Number	Description
	ended March 31, 2006, file number 001-32359)
10.34	Restricted Stock Award Agreement, dated February 15, 2006, by and between Robert M. Doyle and CSC (incorporated by reference from exhibit 10.45 to CSC s Form 10-K for the fiscal year ended March 31, 2006, file number 001-32359)
10.35	Restricted Stock Award Agreement, dated February 15, 2006, by and between Mitchell Blatt and CSC (incorporated by reference from exhibit 10.46 to CSC s Form 10-K for the fiscal year ended March 31, 2006, file number 001-32359)
10.36	Restricted Stock Award Agreement, dated February 15, 2006, by and between Michael E. Stanky and CSC (incorporated by reference from exhibit 10.47 to CSC s Form 10-K for the fiscal year ended March 31, 2006, file number 001-32359)
10.37	Restricted Stock Award Agreement, dated February 15, 2006, by and between Ramon Norniella and CSC (incorporated by reference from exhibit 10.48 to CSC s Form 10-K for the fiscal year ended March 31, 2006, file number 001-32359)
10.38	Restricted Stock Award Agreement, dated February 15, 2006, by and between James N. Chapman and CSC (incorporated by reference from exhibit 10.49 to CSC s Form 10-K for the fiscal year ended March 31, 2006, file number 001-32359)
10.39	Restricted Stock Award Agreement, dated November 3, 2006, by and between Stephen R. Kerrigan and CSC (incorporated by reference from exhibit 10.1 to CSC s Form 10-Q for the period ended December 31, 2006, file number 001-32359)
10.40	Restricted Stock Award Agreement, dated November 3, 2006, by and between Robert M. Doyle and CSC (incorporated by reference from exhibit 10.2 to CSC s Form 10-Q for the period ended December 31, 2006, file number 001-32359)
10.41	Restricted Stock Award Agreement, dated November 3, 2006, by and between Mitchell Blatt and CSC (incorporated by reference from exhibit 10.3 to CSC s Form 10-Q for the period ended December 31, 2006, file number 001-32359)
10.42	Restricted Stock Award Agreement, dated November 3, 2006, by and between Michael E. Stanky and CSC (incorporated by reference from exhibit 10.4 to CSC s Form 10-Q for the period ended December 31, 2006, file number 001-32359)
10.43	Restricted Stock Award Agreement, dated November 3, 2006, by and between Ramon Norniella and CSC (incorporated by reference from exhibit 10.5 to CSC s Form 10-Q for the period ended December 31, 2006, file number 001-32359)
10.44	Restricted Stock Award Agreement, dated November 3, 2006, by and between James N. Chapman and CSC (incorporated by reference from exhibit 10.6 to CSC s Form 10-Q for the period ended December 31, 2006, file number 001-32359)

10.45	Amended and Restated Credit Agreement dated December 19, 2005, among Coinmach, CLC, the Subsidiary Guarantors named therein, the lending institutions named therein, Deutsche Bank Trust Company Americas, Deutsche Bank Securities Inc., J.P. Morgan Securities Inc., JPMorgan Chase Bank N.A. First Union Securities, Inc. and Credit Lyonnais New York Branch (incorporated by reference from exhibit 10.45 to Amendment No. 3 to CSC s Form S-1 filed on January 27, 2006, file number 333-129764)

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Exhibit Number	Description
10.46	Amendment Agreement, dated December 19, 2005, among Coinmach, CLC, the subsidiary guarantors named therein, the several lenders and other persons with a Commitment (as defined therein under the Amended and Restated Credit Agreement, Deutsche Bank Securities Inc., J.P. Morgan Securities Inc., JPMorgan Chase Bank, N.A. and Deutsche Bank Trust Company Americas. (incorporated by reference from exhibit 10.46 to Amendment No. 3 to CSC s Form S-1 filed on January 27, 2006, file number 333-129764)
10.47	Amendment No. 1 to Intercreditor Agreement, dated December 22, 2005, by and among CLC, Deutsche Bank Trust Company Americas and The Bank of New York (incorporated by reference from exhibit 10.47 to Amendment No. 3 to CSC s Form S-1 filed on January 27, 2006, file number 333-129764)
10.48	Amendment No. 1 to Collateral Assignment of Leases, dated December 19, 2005, by and between Coinmach and Deutsche Bank Trust Company Americas, Inc. f/k/a Bankers Trust Company (incorporated by reference from exhibit 10.48 to Amendment No. 3 to CSC s Form S-1 filed on January 27, 2006, file number 333-129764)
10.49	Amendment No. 1 to Collateral Assignment of Location Leases, dated December 19, 2005, by and between Coinmach and Deutsche Bank Trust Company Americas, Inc. f/k/a Bankers Trust Company (incorporated by reference from exhibit 10.49 to Amendment No. 3 to CSC s Form S-1 filed on January 27, 2006, file number 333-129764)
10.50	Amendment No. 1 to Credit Party Pledge Agreement, dated December 19, 2005, by and among Coinmach and each of the guarantors named therein and Deutsche Bank Trust Company Americas (f/k/a Bankers Trust Company (incorporated by reference from exhibit 10.50 to Amendment No. 3 to CSC s Form S-1 filed on January 27, 2006, file number 333-129764)
10.51	Amendment No. 2 to Holdings Pledge Agreement, dated December 19, 2005, between CLC and Deutsche Bank Trust Company Americas (f/k/a Bankers Trust Company) (incorporated by reference from exhibit 10.51 to Amendment No. 3 to CSC s Form S-1 filed on January 27, 2006, file number 333-129764)
10.52	Amended and Restated Senior Management Agreement, dated June 7, 2005, by and among CSC, Holdings, Coinmach, MCS and Stephen R. Kerrigan (incorporated by reference from exhibit 10.1 to CSC s Form 10-Q for the period ended June 30, 2005, file number 001-32359)
10.53	Amended and Restated Senior Management Agreement, dated June 7, 2005, by and among CSC, Holdings, Coinmach, MCS and Robert M. Doyle, (incorporated by reference from exhibit 10.2 to CSC s Form 10-Q for the period ended June 30, 2005, file number 001-32359)
10.54	Indemnity Agreement, dated August 1, 2005, by and between CSC and William M. Kelly (incorporated by reference from exhibit 10.3 to CSC s Form 10-Q for the period ended June 30, 2005, file number 001-32359)
12.1*	Statement re: Computation of Earnings to Fixed Charges

21.1*	Subsidiaries of CSC
31.1*	Certificate of Chief Executive Officer pursuant to Exchange Act Rules 13a-14 and 15d-14, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certificate of Chief Financial Officer pursuant to Exchange Act Rules 13a-14 and 15d-14, as

Exhibit Number	Description
	enacted by Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certificate of Chief Executive Officer pursuant to 18 United States Code, Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certificate of Chief Financial Officer pursuant to 18 United States Code, Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002

* filed herewith