

COINMACH SERVICE CORP

Form DEF 14A

July 03, 2006

Table of Contents

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934**

Filed by the Registrant ☒ x

Filed by a Party other than the Registrant ☐ o

Check the appropriate box:

- 1) ☐ o Preliminary Proxy Statement
- 2) ☐ o Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))
- 3) ☒ x Definitive Proxy Statement
- 4) ☐ o Definitive Additional Materials
- 5) ☐ o Soliciting Material under Rule 14a-12

Coinmach Service Corp.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statements, if other than
Registrants)

Payment of Filing Fee (Check the appropriate box):

- 6) ☒ x No fee required.
- 7) ☐ o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(i) Title of each class of securities to which transaction applies:

(ii) Aggregate number of securities to which transaction applies:

(iii) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(iv) Proposed maximum aggregate value of transaction:

(v) Total fee paid:

- 8) o Fee paid previously with preliminary materials.
- 9) o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(i) Amount Previously Paid:

(ii) Form, Schedule or Registration Statement No.:

(iii) Filing Party:

(iv) Date Filed:

Table of Contents

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on July 27, 2006**

The Annual Meeting of Stockholders of Coinmach Service Corp. (the Company) will be held at the Holiday Inn, 215 Sunnyside Boulevard in Plainview, New York on Thursday, July 27, 2006, at 10:00 a.m., Eastern Time, for the following purposes:

- 1) To elect seven directors to the Board of Directors;
- 2) To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2007; and
- 3) To transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on June 12, 2006 are entitled to notice of and to vote at the Annual Meeting.

All stockholders that were our stockholders on June 12, 2006, or their authorized representatives, may attend the Annual Meeting. Admission to the meeting will be on a first-come, first-served basis. If your shares are held in the name of a bank, broker or other holder of record and you plan to attend the Annual Meeting, you should bring proof of ownership, such as a bank or brokerage account statement, as well as a form of personal identification to the Annual Meeting to ensure your admission.

YOUR VOTE IS IMPORTANT!

WHETHER OR NOT YOU EXPECT TO ATTEND IN PERSON, WE URGE YOU TO VOTE YOUR SHARES BY SIGNING, DATING, AND RETURNING THE ENCLOSED PROXY, WHICH IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS, AND RETURN IT PROMPTLY IN THE ENVELOPE PROVIDED. ANY PERSON GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME PRIOR TO THE ANNUAL MEETING, AND STOCKHOLDERS WHO ARE PRESENT AT THE MEETING MAY WITHDRAW THEIR PROXIES AND VOTE BY BALLOT IN PERSON.

By Order of the Board of Directors

Robert M. Doyle, Corporate Secretary

Plainview, New York
July 3, 2006

<u>2006 PROXY STATEMENT</u>	1
<u>Voting of Proxies</u>	1
<u>Stockholders Entitled to Vote and Voting Rights</u>	2
<u>Stockholders with the Same Last Name and Address</u>	3
<u>Proposals of Stockholders for the 2007 Annual Meeting</u>	3
<u>Other Business</u>	3
<u>CORPORATE GOVERNANCE</u>	4
<u>Information about the Board of Directors and its Committees</u>	4
<u>Meetings of the Board of Directors; Director Attendance at Meetings</u>	5
<u>Report of the Audit Committee</u>	6
<u>Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of the Independent Registered Public Accounting Firm</u>	6
<u>Report of the Compensation Committee</u>	7
<u>Compensation of Directors</u>	9
<u>Director Nominations</u>	10
<u>Stockholder Communications Policy</u>	10
<u>Codes of Ethics</u>	11
<u>PROPOSAL 1: ELECTION OF DIRECTORS</u>	11
<u>Board of Directors</u>	11
<u>Director Nominees</u>	11
<u>PROPOSAL 2: RATIFICATION OF APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	13
<u>Independent Public Accountants</u>	13
<u>Audit and Non-Audit Fees</u>	14
<u>OUR MANAGEMENT</u>	15
<u>Executive Officers</u>	15
<u>Executive Compensation</u>	16
<u>Employment Agreements</u>	18
<u>CLC Equity Participation Purchase Program</u>	19
<u>401(k) Savings Plan</u>	20
<u>Equity-Based Incentive Plans</u>	20
<u>PERFORMANCE GRAPHS</u>	23
<u>STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS</u>	25
<u>Coinmach Service Corp</u>	25
<u>Holdings</u>	26
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	27
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	28
<u>Transactions with Holdings Equity Investors and Management</u>	28
<u>Redemption of Class B Common Stock</u>	28
<u>The Intercompany Loan</u>	29
<u>Certain Loans to Members of Management</u>	29
<u>Securityholders Agreement</u>	30
<u>Management Contribution Agreements</u>	31
<u>Holdings Units Registration Rights Agreement</u>	31
<u>Management and Consulting Services</u>	31

Table of Contents

2006 PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Coinmach Service Corp. will be held at

**Holiday Inn
215 Sunnyside Boulevard
Plainview, New York 11803**

on July 27, 2006, at 10:00 A.M.

**Coinmach Service Corp.
303 Sunnyside Blvd, Suite 70
Plainview, New York 11803**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Coinmach Service Corp. (the Board of Directors) for use at the Annual Meeting of Stockholders to be held on Thursday, July 27, 2006 at 10:00 a.m., Eastern Time, at the Holiday Inn, 215 Sunnyside Boulevard in Plainview, New York, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. Only stockholders of record at the close of business on June 12, 2006 will be entitled to notice and to vote at the meeting.

This Proxy Statement and enclosed form of proxy were first sent to stockholders on or about July 3, 2006. References in this Proxy Statement to the Company, we, us, and our refer to Coinmach Service Corp. Throughout this proxy statement we sometimes use the term Class A Common Stock to refer to our Class A common stock, par value \$0.01 per share, and the term Class B Common Stock to refer to our Class B common stock, par value \$0.01 per share. When we use the term Common Stock we are referring to both our Class A Common Stock and our Class B Common Stock. When we use the term IDS we are referring to our Income Deposit Securities, which are comprised of one share of our Class A Common Stock and an 11% senior secured note due 2024 in a principal amount of \$6.14.

Voting of Proxies

Since many of the Company's stockholders may be unable to attend the Annual Meeting, the Board of Directors solicits proxies to give each stockholder an opportunity to vote on all matters scheduled to come before the meeting and set forth in this Proxy Statement. Stockholders are urged to read carefully the material in this Proxy Statement, specify their choice on each matter by marking the appropriate boxes in the enclosed proxy card, then sign, date and return the card in the enclosed, stamped envelope. Stockholder proxies are received by Bank of New York, the Company's independent proxy processing agent, and the vote is certified by the inspector(s) of election.

If no choice is specified and the proxy card is properly signed and returned, the shares will be voted as recommended by the Board of Directors by the proxyholders selected by the Board. Robert M. Doyle and Raymond Loser, both officers of the Company, have been selected as proxyholders.

The proxyholders will vote all proxies, or record an abstention or withholding, in accordance with the directions on the proxy. If no contrary direction is given, the shares will be voted as follows:

FOR the election of directors nominated by the Board of Directors; and

FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2007.

Table of Contents

To the extent permitted by the Federal securities laws, proxy cards, unless otherwise indicated by the stockholder, also confer upon the proxyholders discretionary authority to vote all shares of stock represented by the proxies on certain other matters properly brought before the meeting or any postponement or adjournment thereof. With respect to such matters, the proxyholders have been instructed by the Board of Directors to vote as they deem advisable, and if any of the nominees for director named in Proposal 1: Election of Directors should be unavailable for election, the proxies will be voted for the election of such other person as may be recommended by the Board of Directors in place of such nominee.

We will pay all expenses in connection with the solicitation of the enclosed proxy, including the reasonable charges of brokerage houses and other custodians, nominees or fiduciaries for forwarding documents to security owners. In addition to solicitation by mail, certain of our officers, directors and employees (who will receive no extra compensation for their services) may solicit proxies by telephone, fax or in person.

You may revoke your proxy at any time before its exercise by writing to our Corporate Secretary at our principal executive offices as follows:

Corporate Secretary
Coinmach Service Corp.
303 Sunnyside Blvd., Suite 70
Plainview, New York 11803

You may also revoke your proxy at any time before it is exercised by timely delivery of a properly executed, later-dated proxy or by voting by ballot in person at the Annual Meeting.

Voting by proxy will in no way limit your right to vote at the Annual Meeting if you later decide to attend in person. Attendance at the Annual Meeting will not by itself constitute a revocation of proxy. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record, to be able to vote at the Annual Meeting.

Stockholders Entitled to Vote and Voting Rights

Each stockholder of record at the close of business on June 12, 2006 (the record date), is entitled to notice of and vote at the Annual Meeting. As of the close of business on the record date, we had 52,488,091 shares of Common Stock outstanding, comprised of 29,113,641 shares of Class A Common Stock and 23,374,450 shares of Class B Common Stock. Our Amended and Restated Certificate of Incorporation (the Certificate of Incorporation) provides that each share of Class A Common Stock outstanding on the record date entitles the holder thereof to one vote, and each share of Class B Common Stock outstanding on the record date entitles the holder thereof to two votes. The independent election inspector(s) appointed for the Annual Meeting will determine whether or not a quorum is present and will tabulate votes cast by proxy or in person at the Annual Meeting. The holders of a majority of the outstanding shares of our Common Stock entitled to vote, present in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. Election of directors by stockholders will be determined by a plurality of the votes of the shares present at the Annual Meeting, in person or by proxy, and entitled to vote on the election of directors. The other matters submitted for stockholder approval at the Annual Meeting will be decided by the affirmative vote of a majority of the shares present, in person or by proxy, at the Annual Meeting and entitled to vote on the subject matter. Abstentions are included in the determination of shares present for quorum purposes. However, abstentions will have no effect on the election of directors.

If you hold shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to certain matters to be acted upon. If you do not give your broker or nominee

specific instructions, your shares may not be voted on those matters, and will not be considered as present and entitled to vote with respect to those matters. Shares represented by such broker non-votes are, however, counted in determining whether there is a quorum. We encourage you to provide voting instructions to your brokerage firm by returning your completed proxy. Returning your completed proxy ensures your shares will be voted at the Annual Meeting according to your instructions.

Table of Contents

Stockholders with the Same Last Name and Address

In accordance with notices we sent to certain stockholders, we are sending only one copy of our annual report and proxy statement to stockholders who share the same last name and address unless they have notified us that they wish to continue receiving multiple copies. This practice, known as householding, is designed to reduce duplicate mailings and save printing, postage and administrative expenses as well as natural resources.

If you received a household mailing this year and you would like to have additional copies mailed to you, please submit your request in writing to our principal executive offices as follows: Corporate Secretary, Coinmach Service Corp., 303 Sunnyside Blvd., Suite 70, Plainview, New York 11803.

If you hold your stock in street name (your shares are held in the name of your broker or bank), you may revoke your consent to householding at any time by sending your name, the name of your brokerage firm, and your account number to ADP, Household Department, 51 Mercedes Way, Edgewood, New York 11717.

Proposals of Stockholders for the 2007 Annual Meeting

If a stockholder would like us to consider including a proposal or recommend a nominee for election to the Board of Directors in our Proxy Statement for our Annual Meeting in 2007, the stockholder must deliver it to the Company's Corporate Secretary no later than March 5, 2007. Proposals must be addressed to our Corporate Secretary at our principal executive offices as follows: Corporate Secretary, Coinmach Service Corp., 303 Sunnyside Blvd., Suite 70, Plainview, New York 11803.

Our Amended and Restated Bylaws provide that in order for a stockholder to bring business before an Annual Meeting (other than a proposal submitted for inclusion in the Company's proxy materials), the stockholder must give written notice to our Corporate Secretary by no later than the close of business on March 5, 2007, and no earlier than February 3, 2007 (i.e., not less than 120 days nor more than 150 days prior to the first anniversary of the date on which we first mailed this Proxy Statement to stockholders). The notice must contain information required by our Bylaws, including a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the Annual Meeting, the name and address of the stockholder proposing the business, the number of shares of the Company's stock beneficially owned by the stockholder, any material interest of the stockholder in the business proposed, and other information required to be provided by the stockholder pursuant to the proxy rules of the Securities and Exchange Commission (the "SEC"). If a stockholder fails to submit the notice by March 5, 2007, then the proposed business would not be considered at our Annual Meeting in 2007, due to the stockholder's failure to comply with our Amended and Restated Bylaws. Additionally, in accordance with Rule 14a-4(c)(1) of the Securities Exchange Act of 1934, as amended, management proxyholders intend to use their discretionary voting authority with respect to any stockholder proposal raised at our Annual Meeting in 2007 as to which the proponent fails to notify us on or before March 5, 2007. Notifications must be addressed to our Corporate Secretary at our principal executive offices as follows: Corporate Secretary, Coinmach Service Corp., 303 Sunnyside Blvd., Suite 70, Plainview, New York 11803. A copy of the full text of the bylaw provisions relating to our advance notice procedures may be obtained by writing to our Corporate Secretary at that address.

Other Business

If any matter not mentioned in this Proxy Statement is properly brought before the Annual Meeting, the proxyholders will vote upon such matters as they deem advisable pursuant to the discretionary authority granted by the proxy. As of the date of the printing of this Proxy Statement, our management is not aware, nor has it been notified, of any other

matters that may be presented for consideration at the Annual Meeting.

Table of Contents

CORPORATE GOVERNANCE

Information about the Board of Directors and its Committees

Since the majority of the Company's voting power is held by Coinmach Holdings, LLC, a Delaware limited liability company (Holdings) as a result of its ownership of all of the outstanding Class B Common Stock, the Company qualifies as a controlled company in accordance with the corporate governance and listing rules of the American Stock Exchange (the AMEX Listing Rules). A controlled company is defined as a company in which over 50% of the voting power is held by an individual, a group or another company. The Company has availed itself of the exception for controlled companies in the AMEX Listing Rules to the requirement that at least a majority of the Board of Directors be independent.

The Board of Directors has established an Audit Committee, a Compensation Committee and a Nominating Committee.

None of the Company's directors serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of the Board of Directors or the Compensation Committee.

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities by reviewing and overseeing (i) the preparation, quality and integrity of the Company's financial statements and other financial information, (ii) the Company's system of internal controls, accounting and financial reporting processes and legal and regulatory compliance, (iii) the qualifications, independence and performance of the Company's independent registered public accounting firm, and (iv) the performance of the Company's internal audit function. The Audit Committee also appoints the independent registered public accounting firm to be retained to audit the Company's financial statements, and once retained, the independent registered public accounting firm reports directly to the Audit Committee. The Audit Committee is responsible for pre-approving both audit and non-audit services to be provided by the independent registered public accounting firm.

The Audit Committee has the power to investigate any matter brought to its attention within the scope of its responsibilities, with full access to all books, records, facilities and personnel of the Company. To the extent it deems appropriate, it also has the authority to retain independent counsel and advisors in order to carry out its duties.

The Audit Committee is currently composed of three independent members of our board of directors, John R. Scheessele, Woody M. McGee and William M. Kelly. William M. Kelly replaced David A. Donnini, a member of the Board of Directors who served on the Audit Committee until August 8, 2005. Each Audit Committee member qualifies as financially literate and Mr. Scheessele, the chairperson of the Audit Committee, qualifies as financially sophisticated, all as determined by the Board of Directors in accordance with the AMEX Listing Rules. Messrs. Scheessele, McGee and Kelly are independent under the AMEX listing rules, the Sarbanes-Oxley Act of 2002 and Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act).

The Audit Committee met eight times during the fiscal year ended March 31, 2006 (the 2006 Fiscal Year) and approved various other matters by unanimous written consent. The written charter of the Audit Committee was adopted by the Board of Directors on November 19, 2004 in connection with the Company's initial public offering and was amended and re-adopted by the Board of Directors on May 10, 2006 at the Audit Committee's recommendation.

The audit committee charter complies with the AMEX Listing Rules and the rules and regulations of the SEC and includes a description of the duties and responsibilities required by such rules and regulations to be detailed therein. A copy of the audit committee charter as currently in effect is attached as Annex A to this Proxy Statement and is also available on the Company's website at <http://www.coinmachservicecorp.com>. The report of the Audit Committee begins on page 6 of this Proxy Statement.

Table of Contents

Compensation Committee

The Compensation Committee determines the compensation and benefits of all executive officers of the Company and establishes general policies relating to compensation and benefits of employees. The Compensation Committee is also responsible for administering incentive-compensation plans and equity-based plans of the Company in accordance with the terms set forth therein. The members of the Compensation Committee are David A. Donnini, James N. Chapman, John R. Scheessele and Woody M. McGee. The Board of Directors appointed Mr. McGee as an additional member to the Compensation Committee in May 2006. Mr. Donnini serves as chairperson of the Compensation Committee.

Currently Mr. Scheessele and Mr. McGee are the only independent directors serving on the Compensation Committee. The Company has availed itself of the exception for controlled companies in the AMEX Listing Rules to the requirement that the Compensation Committee be comprised entirely of independent directors.

The Compensation Committee met five times during the 2006 Fiscal Year and approved various other matters by unanimous written consent. The charter of the Compensation Committee was adopted by the Board of Directors on November 19, 2004 in connection with the Company's initial public offering. A copy of the compensation committee charter is available on the Company's website at <http://www.coinmachservicecorp.com>. The report of the Compensation Committee begins on page 7 of this Proxy Statement.

Nominating Committee

The Nominating Committee oversees matters regarding the composition and effectiveness of the Board of Directors. The Nominating Committee, among other things, (i) identifies individuals qualified to become directors and recommends to the Board of Directors director nominees for election, (ii) identifies and recommends to the Board of Directors nominees to fill any vacancy on the Board of Directors, including vacancies created by the approval of new directorships, and (iii) recommends to the Board of Directors candidates for each committee for appointment by the Board of Directors. The Nominating Committee also considers qualifications of nominees recommended by the Company's stockholders. See the caption in this Proxy Statement entitled "Director Nominations" beginning on page 10. The members of the Nominating Committee are David A. Donnini, James N. Chapman and John R. Scheessele. Mr. Donnini serves as chairperson of the Nominating Committee.

Currently, Mr. Scheessele is the only independent director serving on the Nominating Committee. The Company has availed itself of the exception for controlled companies in the AMEX Listing Rules to the requirement that the Nominating Committee be comprised entirely of independent directors.

The Nominating Committee met one time during the 2006 Fiscal Year. The charter of the Nominating Committee was adopted by the Board of Directors on November 19, 2004 in connection with the Company's initial public offering. A copy of the nominating committee charter is available on the Company's website at <http://www.coinmachservicecorp.com>.

Meetings of the Board of Directors; Director Attendance at Meetings

The Board of Directors conducts its business through meetings of the Board, actions taken by unanimous written consent in lieu of meetings and by the actions of its committees. Pursuant to the AMEX Listing Rules, the Board of Directors meets each year on at least a quarterly basis. The Company also expects that the independent members of the Board of Directors will meet as often as necessary to fulfill their responsibilities as described in the AMEX Listing Rules, including meeting at least once annually in executive session outside of the presence of the non-independent directors and management.

During the 2006 Fiscal Year, the Board of Directors held six meetings and approved various matters by unanimous written consent. During the 2006 Fiscal Year, all members of the Board of Directors attended more than 75% of the board meetings, except Mr. Rauner, who did not attend four meetings. During the 2006 Fiscal Year, all directors attended more than 75% of the meetings of the committees of which they were members, except Mr. Donnini, who did not attend one out of three meetings that occurred while he was a member of the Audit Committee, two meetings of the Compensation Committee and the one meeting of the Nominating

Table of Contents

Committee. The Company does not have a formal policy regarding director attendance. One board member attended last year's Annual Meeting.

Report of the Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its general oversight responsibilities relating to the Company's accounting and financial reporting processes and the audits of the Company's financial statements. The Audit Committee also appoints the independent registered public accounting firm to be retained to audit the Company's financial statements, and once retained, the independent registered public accounting firm reports directly to the Audit Committee. The Audit Committee is responsible for pre-approving both audit and non-audit services to be provided by the independent registered public accounting firm.

As set forth in the Audit Committee charter, the Audit Committee's role is one of review and oversight. Management is responsible for the Company's financial and accounting reporting process, including establishing and maintaining the system of internal controls, preparing the financial statements and for the public reporting process. Ernst & Young LLP (E&Y), the Company's independent registered public accounting firm for the 2006 Fiscal Year, is responsible for performing an independent audit of the financial statements and expressing an opinion on the conformity of those financial statements with U.S. generally accepted accounting principles. The Audit Committee's responsibility is to monitor and review these processes. It is not the Audit Committee's duty or responsibility to conduct auditing or accounting reviews.

In fulfilling its oversight responsibilities during the 2006 Fiscal Year, the Audit Committee, among other matters:

Reviewed and discussed with management and E&Y the Company's audited financial statements for the 2006 Fiscal Year, management's assessment of the effectiveness of the Company's internal control over financial reporting and E&Y's evaluation of the Company's internal control over financial reporting;

Discussed with E&Y matters relating to the conduct of its audit of the Company's financial statements, including such matters as are required to be discussed with audit committees by Statement on Auditing Standards No. 61, *Communication with Audit Committees*; and

Received the written disclosures and the letter from E&Y required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and discussed with E&Y their independence from the Company and management.

Based on its review and discussions, the Audit Committee recommended to the Board of Directors (and the Board of Directors approved) that the audited financial statements be included in the Company's Annual Report on Form 10-K for the 2006 Fiscal Year for filing with the Securities and Exchange Commission. The Audit Committee and the Board of Directors have also recommended, subject to ratification by the Company's stockholders, the selection of E&Y as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2007.

John R. Scheessele, Chairman
Woody M. McGee
William M. Kelly

Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of the Independent Registered Public Accounting Firm

The Audit Committee has established a policy regarding pre-approval of all audit and non-audit services provided by the independent registered public accounting firm. For audit services, the independent registered public accounting firm will submit an engagement letter to the Audit Committee for its approval outlining the scope of the audit services proposed to be performed during the fiscal year, along with an audit services fee proposal which must be approved by the Audit Committee.

Table of Contents

For non-audit services, management will submit to the Audit Committee for approval the non-audit services that it recommends the independent registered public accounting firm to provide for the fiscal year. Management and the independent registered public accounting firm will each confirm to the Audit Committee that each non-audit service on the list is permissible under all applicable legal requirements. In addition to the list of planned non-audit services, a budget estimating non-audit service spending for the fiscal year will be provided. The Audit Committee will be informed routinely as to the non-audit services actually provided by the independent registered public accounting firm pursuant to this process.

Report of the Compensation Committee

General

As set forth in the Compensation Committee charter, the Compensation Committee discharges the Board of Directors responsibilities relating to compensation of executive officers of the Company. The Compensation Committee is responsible for evaluating the performance of the Company's executive officers and for determining and approving the compensation level of each executive officer based on its evaluation, including salary, bonus, incentive and equity compensation. The Compensation Committee also administers incentive-compensation plans and equity-based plans of the Company and reviews and recommends to the Board of Directors compensation for Board members, such as retainer, committee chairman fees, stock options and other similar items.

The Compensation Committee met five times during the 2006 Fiscal Year and approved various other matters by unanimous written consent. All compensation determinations for our executive officers with respect to the 2006 Fiscal Year were made by the Compensation Committee. In making its determinations, the Compensation Committee considered certain recommendations made in a benchmark compensation study prepared by an executive compensation consulting firm retained by the Compensation Committee. Such study compared the compensation of the Company's executive officers to the compensation of executive officers at comparable companies based on specific criteria set forth in the report. Mr. McGee was appointed as a member of the Compensation Committee on May 10, 2006 and therefore did not participate in compensation determinations for the 2006 Fiscal Year.

Components of Executive Compensation

Executive compensation is based on a performance and rewards system that compensates executives for the achievement of levels of performance, consisting of base salaries, annual bonuses, incentives (annual and long-term) and discretionary forgiveness of periodic loan payments. The Company's executive compensation policies are intended to enable the Company to hire, retain and motivate high-quality executives who meet the immediate business challenges and improve performance and are designed to pay base salaries and provide total compensation opportunities which reward each executive for contributions to the Company's successes. The compensation arrangements of the Company reflect the philosophy that the Company and its security holders are best served by running the business with a long-term perspective, while striving to deliver consistently strong annual results. See the captions in this Proxy Statement entitled "Our Management" and "Certain Relationships and Related Transactions" for more information with respect to executive compensation.

Base Salaries

While the Compensation Committee may rely upon quantitative measures or other measurable objective criteria, such as earnings or other indicia of financial performance, in reaching total compensation determinations, the Compensation Committee evaluates executive performance and reaches compensation decisions based upon a subjective and careful analysis of each executive's specific contributions as well as the recommendations of the Company's chief executive officer. In determining the base salaries of executive officers, the Compensation

Committee takes into consideration the level of responsibility and experience of each executive officer and the knowledge and skill required. Executive performance is evaluated and any base salary adjustment is based on an evaluation of the individual's performance and contribution. Each year, the

Table of Contents

chief executive officer makes recommendations with respect to salary adjustments for all executive officers, which recommendations are reviewed, modified where appropriate and approved or rejected by the Compensation Committee. During the 2006 Fiscal Year, the Compensation Committee approved annual base salaries for each of Messrs. Kerrigan, Blatt, Doyle, Stanky and Norniella of \$500,000, \$375,000, \$340,000, \$250,000 and \$200,000, respectively.

Bonuses

In addition to base salaries, the Compensation Committee grants annual bonuses to executive officers in recognition of their efforts to position us to achieve future growth. After reviewing individual performances, the chief executive officer makes recommendations with respect to bonuses and other incentive awards, which recommendations are reviewed and, to the extent determined appropriate, approved by the Compensation Committee. During the 2006 Fiscal Year, the Compensation Committee granted annual performance bonuses (which took into consideration the Company's financial performance with regard to revenues and cash flow, along with the successful completion of the Company's various capital market transactions during such fiscal year) to each of Messrs. Kerrigan, Blatt, Doyle, Stanky and Norniella of \$500,000, \$187,500, \$170,000, \$75,000 and \$72,975, respectively.

Long-Term Incentive Compensation

In connection with the Company's initial public offering, the Board of Directors adopted a long-term incentive plan and a unit incentive sub-plan (together, the LTIP), to (i) attract and retain qualified individuals, (ii) motivate participants to achieve long range goals, (iii) provide compensation opportunities competitive with other similar companies and (iv) further align the interests of LTIP participants and Company securityholders. The LTIP is administered by the Compensation Committee. The Compensation Committee selects the individuals to receive awards from among the eligible participants, and determines the form of those awards, the number of shares of stock or IDSs or dollar targets of the awards and all of the applicable terms and conditions of the awards. The Compensation Committee will approve and certify the level of attainment of any performance targets established in connection with awards under the plan as may be required under Section 162(m) of the Internal Revenue Code, as amended (the Code).

During the 2006 Fiscal Year, the Compensation Committee awarded restricted shares of Class A Common Stock to certain executive officers pursuant to the LTIP, which were granted on February 15, 2006. Messrs. Kerrigan, Blatt, Doyle, Stanky and Norniella received 19,444 shares, 8,333 shares, 11,111 shares, 6,667 shares, and 5,556 shares, respectively, pursuant to such awards. Such shares vested 20% on the date of grant and the balance at 20% per year over a consecutive four-year period. Such shares also vest upon the change of control of the Company 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.

Other Compensation and Benefits

Pursuant to the terms of the 401(k) savings plan of Coinmach Corporation (Coinmach), the Company's wholly-owned operating subsidiary, Coinmach made matching contributions during the 2006 Fiscal Year to Messrs. Kerrigan, Blatt, Doyle, Stanky and Norniella of \$3,587, \$3,478, \$2,465, \$2,299 and \$2,276, respectively. During the 2006 Fiscal Year, the Company forgave outstanding indebtedness in an amount of \$56,550 owed by Mr. Blatt. In addition, outstanding indebtedness in an amount of \$50,000 owed by Mr. Kerrigan was forgiven pursuant to the terms of such indebtedness.

Chief Executive Officer Compensation

With respect to the determination of total compensation of the chief executive officer, significant factors taken into account by the Compensation Committee include individual performance and contribution to the Company, effectiveness of leadership, and significant strategic accomplishments and achievement of annual business goals.

Table of Contents

In determining the terms of Mr. Kerrigan's employment for the 2006 Fiscal Year, including his compensation thereunder, the Compensation Committee was mindful of the importance of Mr. Kerrigan's leadership and contributions to the Company, including (i) growth in consolidated revenue, EBITDA and cash balance, (ii) the successful implementation of the Company's national call center, service and dispatch system (iii) the increase in the market price for IDSs and Class A Common Stock and (iv) completion of the public offering of Class A Common Stock, the partial tender offer for the Company's 11% senior secured notes and the refinancing of Coinmach's senior secured credit facility.

From time to time, the Company enters into employment contracts or other compensation arrangements with executive officers. Currently, the Company has employment agreements with Messrs. Kerrigan and Doyle, and Coinmach Corporation has agreements with Messrs. Blatt, Stanky and Norniella. The terms of the agreements with such named executive officers are summarized in this Proxy Statement under the caption entitled "Employment Agreements."

David A. Donnini, Chairman

James N. Chapman

John R. Scheessele

Woody M. McGee

Compensation of Directors

The Company's independent directors, Messrs. Scheessele, McGee and Kelly, each receive an annual retainer payable quarterly in advance, committee chair retainers, if applicable, committee retainers, if applicable, and attendance fees for their service on the boards of directors and committees of the Company and its subsidiaries. The annual retainer payable to our independent directors is \$35,000 per year, payable quarterly. The attendance fees are \$2,000 per board meeting, plus \$2,000 for each regularly scheduled committee meeting attended, payable quarterly. Mr. Scheessele, the chairperson of the Audit Committee, receives an annual committee chair retainer of \$15,000, payable quarterly. Mr. McGee and Mr. Kelly, members of the Audit Committee, receive an annual retainer of \$10,000, payable quarterly.

Mr. Chapman receives annual compensation in connection with general financial advisory and investment banking services provided to us. See "Certain Relationships and Related Transactions" Management and Consulting Services. Additionally, in January 2006, the disinterested members of the Compensation Committee approved a one-time bonus of \$125,000 to Mr. Chapman in recognition of his contributions to the refinancing of Coinmach's senior secured credit facility.

The Compensation Committee recommended to the Board of Directors (which recommendation was approved) the award of restricted shares of Class A Common Stock to certain board members. On February 15, 2006, Messrs. Chapman, Scheessele, McGee and Kelly were awarded 11,111 shares, 1,667 shares, 1,667 shares and 1,667 shares, respectively, pursuant to such awards.

The awards to Messrs. Scheessele, McGee and Kelly, as independent directors, were fully vested on the date of grant. The award to Mr. Chapman vested 20% on the date of grant and the balance at 20% per year over a consecutive four-year period thereafter. The shares awarded to Mr. Chapman also vest upon the change of control of the Company 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.

Directors are reimbursed by the Company for travel and entertainment expenses incurred while attending board or committee meetings or while on Company business, including first class airfare between their home cities and the

location of the meeting, business meals while on Company business, ground transportation and miscellaneous expenses such as tips and mileage. Hotel charges are billed directly to the Company for directors attending board or committee meetings.

Table of Contents

Director Nominations

The Nominating Committee will consider qualifications of nominees recommended by the Company's stockholders. Written notice submitted by stockholders recommending the nomination of a person to the Board of Directors should be delivered to the Company's Corporate Secretary at our principal executive offices as follows: Corporate Secretary, Coinmach Service Corp., 303 Sunnyside Blvd., Suite 70, Plainview, New York 11803. If the notice contains the requisite information set forth in the following paragraph, such notice will be forwarded to the Nominating Committee. In order to be considered for inclusion in the proxy statement and form of proxy for the annual meeting of stockholders to be held in 2006, the stockholder's notice must be delivered to the Corporate Secretary of the Company in accordance with the procedures and no later than the deadlines set forth in the Company's Amended and Restated Bylaws and in the Proposals of Stockholders for the 2007 Annual Meeting section of this Proxy Statement beginning on page 3.

The notice shall set forth (i) as to each person whom the stockholder proposes to nominate for election as a director, (A) the name, age, business address and residential address of such person, (B) the principal occupation or employment of such person, (C) the class and number of shares of capital stock of the Company that are beneficially owned by such person, (D) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors or is otherwise required by the Exchange Act and (E) the written consent of such person to be named in the proxy statement as a nominee and to serve as a director if elected and (ii) as to the stockholder giving the notice, (A) the name, and business address and residential address, as they appear on the Company's stock transfer books, of such stockholder, (B) a representation that such stockholder is a stockholder of record and intends to appear in person or by proxy at such meeting to nominate the person or persons specified in the notice, (C) the class and number of shares of capital stock of the Company beneficially owned by such stockholder and (D) a description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such stockholder.

In assessing each potential candidate, the Nominating Committee will review the nominee's financial literacy or financial sophistication (as contemplated by applicable rules and regulations), age, career and industry experience and expertise, relevant technical skills, strength of character, ability to work collegially and such other factors the Nominating Committee determines are pertinent in light of the needs of the Board of Directors and the size and diversity of the Board and its committees.

The Nominating Committee will conduct the appropriate and necessary inquiries with respect to the backgrounds and qualifications of all director nominees. The Nominating Committee will also review the independence of each candidate and other qualifications, as well as consider questions of possible conflicts of interest between director nominees and the Company. After the Nominating Committee has completed its review of a nominee's qualifications and conducted the appropriate inquiries, it will make a determination whether to recommend the nominee for approval to the Board of Directors.

In addition to the recommendations of Company stockholders, the Nominating Committee may also consider candidates for nomination as a director recommended by current or former directors of the Company, existing management, or, in some cases, third party search firms engaged by the Company. The Nominating Committee has no obligation to recommend such candidates for nomination except as may be required by contractual obligation of the Company.

Stockholder Communications Policy

The Board of Directors maintains a process for stockholders and other interested parties to communicate with the Board and its committees. Stockholders may communicate with the Board by email, letter, or in certain circumstances, telephone, as more fully described at the investor relations section of the Company's website at <http://www.coinmachservicecorp.com>. The Company will initially receive and process communications, and communications will be forwarded to the Board, to any committee or to individual directors as appropriate, depending on the facts and circumstances outlined in the communication.

Table of Contents

Codes of Ethics

On November 19, 2004, in connection with the Company's initial public offering, the Board of Directors adopted a Code of Business Conduct and Ethics. The Code of Business Conduct and Ethics applies to all employees, officers and directors of the Company and its subsidiaries. On such date, the Board of Directors 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 the Company's web site, <http://www.coinmachservicecorp.com>. As of the date of printing of this Proxy Statement, since their adoption no amendments to or waivers from either such code have been approved by the Board of Directors. The Company intends 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 its web site.

PROPOSAL 1: ELECTION OF DIRECTORS

Board of Directors

The Company's Board of Directors currently consists of seven members, Stephen R. Kerrigan, James N. Chapman, David A. Donnini, William M. Kelly, Woody M. McGee, Bruce V. Rauner and John R. Scheessele. The Board of Directors (at the recommendation of the Nominating Committee) has nominated all members of the current Board for reelection, to serve until the next annual meeting and until their successors are elected and qualified. In the absence of instructions to the contrary, shares represented by proxy will be voted for the election of these nominees to the Board of Directors.

Each of the nominees has consented to serve as a director if elected and the Board of Directors has no reason to believe that any of the nominees will be unable to serve. However, if any nominee should for any reason be unavailable to serve, the Board of Directors may reduce the number of directors fixed by our bylaws, or the proxies may be voted by the proxyholders for the election of such other person as the Board of Directors may recommend in place of such nominee.

The Board of Directors has determined that each of Mr. Scheessele, a member of each of the Audit Committee (of which he is the chairperson), the Compensation Committee and the Nominating Committee, Mr. McGee, a member of each of the Audit Committee and the Compensation Committee, and Mr. Kelly, a member of the Audit Committee, is independent under the AMEX Listing Rules, the Sarbanes-Oxley Act of 2002 and Section 10(m)(3) of the Exchange Act, and has no material relationships with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company).

The election of a director requires the affirmative vote of a plurality of the shares of Common Stock entitled to vote and present in person or represented by proxy at the Annual Meeting and entitled to vote, provided that a quorum of at least a majority of the outstanding shares of Common Stock entitled to vote are represented at the Annual Meeting. Shares of Common Stock held by stockholders electing to abstain from voting and broker non-votes will be counted towards the presence of a quorum but will not be considered present and voting. Therefore, abstentions and broker non-votes will have no impact on the election of directors. Proxies submitted pursuant to this solicitation will be voted for the election of each of Messrs. Kerrigan, Chapman, Donnini, Kelly, McGee, Rauner and Scheessele as directors, unless specified otherwise.

Set forth below is certain information concerning the director nominees, including age and principal occupation during at least the last five years, based on data furnished by each nominee.

Director Nominees

Mr. Stephen R. Kerrigan. Mr. Kerrigan, 52, has been a director, Chairman of the Board, President and Chief Executive Officer of the Company since March 2004. Mr. Kerrigan has been Chief Executive Officer of our subsidiaries Coinmach Corporation, a Delaware corporation (Coinmach) since November 1995 and Coinmach Laundry Corporation, a Delaware corporation (CLC) since May 1996 and has been Chief Executive Officer of Holdings since March 2003. Mr. Kerrigan was President and Treasurer of Solon

Table of Contents

Automated Services, Inc. (Solon) and CLC from April 1995 until May 1996, and Chief Executive Officer of The Coinmach, a Delaware corporation and our predecessor (TCC) from January 1995 until November 1995. Mr. Kerrigan has been a director and Chairman of the CLC board of directors since April 1995, of the Coinmach board of directors since November 1995, Chairman of the board of managers of Holdings since November 2002 and a member of the board of managers of Holdings since March 2003. Mr. Kerrigan was a director of TCC from January 1995 to November 1995 and a director of Solon from April 1995 to November 1995. Mr. Kerrigan served as Vice President and Chief Financial Officer of TCC s predecessor, Coinmach Industries Co., L.P. from 1987 to 1994.

Mr. James N. Chapman. Mr. Chapman, 44, has been a director of the Company since March 2004. Mr. Chapman has been a director of Coinmach and a member of the board of managers of Holdings since March 2003 and a director of CLC since 1995. He previously was a director of Coinmach from November 1995 to November 1996 and a director of TCC from January 1995 to November 1995. Mr. Chapman is a non-executive Director of JetWorks Leasing, LLC, an aircraft management services company based in Greenwich, Connecticut which he joined in December 2004. Prior to JetWorks, Mr. Chapman was associated with Regiment Capital Advisors, LLC, a high-yield hedge fund based in Boston which he joined in January 2003. Prior to Regiment, Mr. Chapman acted as a capital markets and strategic planning consultant with private and public companies, as well as hedge funds (including Regiment), across a range of industries. From December 1996 to December 2001, Mr. Chapman worked for The Renco Group, Inc. Presently, Mr. Chapman serves as a member of the board of directors of SSA Global Technologies, Inc. as well as a number of private companies.

Mr. David A. Donnini. Mr. Donnini, 40, has been a director of the Company since March 2004. Mr. Donnini has been a director of Coinmach and a member of the board of managers of Holdings since March 2003 and a director of CLC since July 1995. He previously was a director of Coinmach from November 1995 to November 1996 and a director of TCC from January 1995 to November 1995. Mr. Donnini has been a Principal of GTCR since 1993, where he is responsible for originating and making new investments, monitoring portfolio companies and recruiting and training associates. Mr. Donnini serves as a member of the board of directors of Prestige Brands, Syniverse Technologies, Inc., Triad Financial, and a number of private companies.

Mr. William M. Kelly. Mr. Kelly, 56 has been a director of CSC, CLC and Coinmach Corp. since August 2005. Mr. Kelly is the President and Chief Operating Officer of Blue Tee Corp., an employee owned company involved in steel distribution, ferrous scrap and in the design and manufacture of equipment and replacement parts for the refining, earthmoving, waterwell, oilfield, concrete pumping and solid waste industries. From 1978 until promotion to his current position, Mr. Kelly served in various operating and financial capacities of the Blue Tee Corp, including Controller and Chief Financial Officer. From 1972 to 1978, Mr. Kelly was employed by Price Waterhouse & Co., New York, N.Y. Mr. Kelly is a Director of Blue Tee Corp., and serves on its retirement committees. Mr. Kelly is a CPA.

Mr. Woody M. McGee. Mr. McGee, 54, has been a director of the Company, CLC and Coinmach since February 2005. Mr. McGee is the President and Chief Executive Officer of McGee and Associates, LLC, an independent consulting company providing financial, operational and crisis management services to various financial institutions relating to their holdings in private and public companies. Mr. McGee is also the President and Chief Operating Officer of Global Home Products. Mr. McGee became Chief Executive Officer and Chairman of the Board of Davel Communications Inc. on September 1, 2003 and resigned his position in November of 2004 after completing the restructuring of the company from a sales, administration and operations perspective. Davel Communications Inc. was acquired on November 15, 2004. From June 1999 to December 2000, Mr. McGee served as the Vice President and Chief Financial Officer of Telxon Corporation until such time as it was merged with Symbol Technologies, Inc. Prior to joining Telxon, Mr. McGee was employed as the Senior Vice President and General Manager of H K Systems (formerly known as Western Atlas, Inc.) from 1997. During 1996 and 1997, Mr. McGee held the positions of Vice President, Chief Financial Officer and Treasurer with Mosler, Inc. For a period of five years prior to joining Mosler,

Mr. McGee held various positions with the material handlings systems division of Western Atlas, Inc. (formerly known as Litton Industries), including Controller, Chief Financial Officer, Vice President of Operations, Vice President of Sales, and President and Chief Operating Officer of a divisional subsidiary.

Table of Contents

Mr. Bruce V. Rauner. Mr. Rauner, 49, has been a director of the Company since March 2004. Mr. Rauner has been a director of Coinmach and a member of the board of managers of Holdings since March 2003 and a director of CLC since July 1995. He previously was a director of Coinmach from November 1995 to November 1996 and a director of TCC from January 1995 to November 1995. Mr. Rauner has been a Principal and General Partner with GTCR since 1984, where he is responsible for originating and making new investments, monitoring portfolio companies and recruiting and training associates. Mr. Rauner serves as a member of the board of directors of a number of private companies.

Mr. John R. Scheessele. Mr. Scheessele, 58, has been a director of the Company, CLC and Coinmach since November 2004. Mr. Scheessele is a founding member of T C Graham Associates, LLC and has served as its Vice President, Secretary and Treasurer since June 2001. Prior to T C Graham Associates, LLC, Mr. Scheessele acted as a restructuring consultant for financial institutions relating to their investments in private and public companies. From May 1998 to January 1999, Mr. Scheessele was President and Chief Operating Officer of Acutus Gladwin, a private supplier of caster maintenance to the steel industry. From February 1997 to April 1998, Mr. Scheessele was Chairman, President and Chief Executive Officer of WHX and its wholly owned subsidiary, Wheeling Pittsburgh Steel Company. From January 1996 to February 1997, Mr. Scheessele was President and Chief Executive Officer of the SKD Group, a private manufacturer of automotive parts.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE **FOR** THE ELECTION OF MESSRS. KERRIGAN, CHAPMAN, DONNINI, KELLY, MCGEE, RAUNER AND SCHEESSELE AS DIRECTORS.