CARDTRONICS INC
Form 424B4
December 11, 2007

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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-145929

PROSPECTUS

Cardtronics, Inc.

12,000,000 Shares
Common Stock

This is the initial public offering of Cardtronics, Inc. common stock. We are offering 12,000,000 shares of our common stock. No public market currently exists for our common stock.

Our common stock has been approved for listing on The Nasdaq Global Market under the symbol CATM.

Investing in our common stock involves risk. See Risk Factors beginning on page 15.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$ 10.00	$ 120,000,000
Underwriting discounts and commissions	$ 0.70	$ 8,400,000
Proceeds, before expenses, to the Company	$ 9.30	$ 111,600,000

Certain stockholders have granted the underwriters a 30-day option to purchase up to an aggregate of 1,800,000 additional shares of our common stock to cover over-allotments.

The underwriters expect to deliver the shares on or about December 14, 2007.

Deutsche Bank Securities **William Blair & Company** **Banc of America Securities LLC**

JPMorgan **Piper Jaffray** **RBC Capital Markets**

The date of this prospectus is December 10, 2007.

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Dealer Prospectus Delivery Obligation

Through and including January 4, 2008 (25 days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in the offering, may be required to deliver a prospectus. This is in addition to the dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

About this Prospectus

You should rely only on the information contained in this prospectus or to which we have referred you, including any free writing prospectus that we file with the SEC relating to this offering. We have not authorized any other person to provide you with different information. We are only offering to sell, and only seeking offers to buy, the common stock in jurisdictions where offers and sales are permitted.

The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary sets forth the material terms of the offering, but does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully before making an investment decision, especially the risks of investing in our common stock discussed under Risk Factors. The terms we, us, our, the Company, and Cardtronics refer to Cardtronics, Inc. and its subsidiaries, unless the context otherwise requires. We refer to automated teller machines as ATMs throughout this prospectus. Pro forma financial and non-financial information contained in this prospectus gives effect to our acquisition of the financial services business of 7-Eleven, Inc. (7-Eleven), which we refer to as the 7-Eleven ATM Transaction, including the related financing transactions, as if they had occurred prior to the period for which such information is given. Such pro forma information is presented for illustrative purposes only and is not necessarily indicative of what our actual results would have been nor is it necessarily indicative of what our results will be in future periods. All financial and non-financial information presented for periods subsequent to July 20, 2007, the effective date of the 7-Eleven ATM Transaction, includes the effects of such acquisition and the related financing transactions on an actual rather than a pro forma basis.

Our Business

Cardtronics, Inc. operates the world s largest network of ATMs. Our network currently includes over 31,500 ATMs, principally in national and regional merchant locations throughout the United States, the United Kingdom, and Mexico. Approximately 19,600 of the ATMs we operate are Company-owned and 11,900 are merchant-owned. Our high-traffic retail locations and national footprint make us an attractive partner for regional and national financial institutions that are seeking to increase their market penetration. Over 9,500 of our Company-owned ATMs are under contract with well-known banks to place their logos on those machines and provide surcharge-free access to their customers, making us the largest non-bank owner and operator of bank-branded ATMs in the United States. We also operate the Allpoint network, which sells surcharge-free access to financial institutions that lack a significant ATM network. We believe that Allpoint is the largest surcharge-free network of ATMs in the United States based on the number of participating ATMs.

Our Company-owned ATMs, which represent over 62% of our ATM portfolio, are deployed with leading retail merchants under long-term contracts with initial terms generally of five to seven years. These merchant customers operate high consumer traffic locations, such as convenience stores, supermarkets, membership warehouses, drug stores, shopping malls, and airports. Based on our revenues, 7-Eleven, BP Amoco, Chevron, Costco, CVS Pharmacy, Duane Reade, ExxonMobil, Hess Corporation, Rite Aid, Sunoco, Target, Walgreens, and Winn-Dixie are our largest merchant customers in the United States; Alfred Jones, Martin McColl (formerly TM Retail), McDonald s, The Noble Organisation, Odeon Cinemas, Spar, Tates, and Vue Cinemas are our largest merchant customers in the United Kingdom; and Cadena Comercial OXXO S.A. de C.V. (OXXO) and Farmacia Guadalajara S.A. de C.V. (Fragua) are our largest merchant customers in Mexico.

As operator of the world s largest network of ATMs, we believe we are well-positioned to increase the size of our network through both internal growth and through acquisitions. On July 20, 2007, we purchased substantially all of the assets of the financial services business of 7-Eleven, which included 5,500 ATMs located in 7-Eleven stores across the United States. Approximately 2,000 of the acquired ATMs are advanced-functionality financial services kiosks branded as Vcomtm units. We also entered into a placement agreement that gives us the exclusive right, subject to certain conditions, to operate all of the ATMs and Vcomtm units in existing and future 7-Eleven store locations in the United States for the next 10 years.

Our revenue is recurring in nature and is primarily derived from ATM surcharge fees, which are paid by cardholders, and interchange fees, which are fees paid by the cardholder s financial institution for the use of the applicable electronic funds transfer (EFT) network that transmits data between the ATM and the cardholder s financial institution. We generate additional revenue by branding our ATMs with signage from banks and other financial institutions, resulting in surcharge-free access and added convenience for their customers and increased usage of our ATMs. Our branding arrangements include relationships with leading national financial institutions, including Citibank, HSBC, JPMorgan Chase, and Sovereign Bank. We also generate revenue by collecting fees from financial institutions that participate in the Allpoint surcharge-free network.

For the year ended December 31, 2006 and the nine months ended September 30, 2007, we processed over 192.1 million and 155.1 million withdrawal transactions, respectively, on a pro forma basis, which resulted in approximately $16.4 billion and $14.1 billion, respectively, in cash disbursements. Excluding the pro forma effects of the 7-Eleven ATM Transaction, we processed over 125.1 million and 113.9 million withdrawal transactions, respectively, resulting in approximately $10.7 billion and $8.9 billion, respectively, in cash disbursements. In addition, for the year ended December 31, 2006 and the nine months ended September 30, 2007, we processed over 72.3 million and 67.3 million, respectively, of other ATM transactions on a pro forma basis, which included balance inquiries, fund transfers, and other non-withdrawal transactions. Excluding the pro forma effects of the 7-Eleven ATM Transaction, we processed over 47.7 million and 52.2 million, respectively, of other ATM transactions.

For the year ended December 31, 2006 and the nine months ended September 30, 2007, we generated pro forma revenues of $457.3 million and $349.9 million, respectively, which included approximately $18.0 million and $4.2 million in revenues associated with past upfront payments received by 7-Eleven in connection with the development and provision of certain advanced-functionality services through the Vcom[tm] units. Such payments, which we refer to as placement fees, related to arrangements that ended prior to our acquisition of the financial services business of 7-Eleven, and thus will not continue in the future. While we believe we will continue to earn some placement fee revenues related to the acquired financial services business of 7-Eleven, we expect those amounts to be substantially less than those earned historically. Excluding these fees, our pro forma revenues for these periods would have totaled $439.3 million and $345.7 million, respectively, which reflect the transaction growth experienced on our network. Excluding the pro forma effects of the 7-Eleven ATM Transaction, we generated revenues of $293.6 million and $262.3 million, respectively, for the year ended December 31, 2006 and nine months ended September 30, 2007.

Our recent transaction and revenue growth have primarily been driven by investments that we have made in certain strategic growth initiatives and we expect these initiatives will continue to drive revenue growth and margin improvement. However, such investments have negatively affected our current year operating profits and related margins. For example, we have significantly increased the number of Company-owned ATMs in our United Kingdom and Mexico operations during the past year. While such deployments have resulted in an increase in revenues, they have negatively impacted our operating margins, as transactions for many of those machines have yet to reach the higher consistent recurring transaction levels seen in our more mature ATMs. Additionally, we have recently increased our investment in sales and marketing personnel to take advantage of what we believe are opportunities to capture additional market share in our existing markets and to provide enhanced service offerings to financial institutions. We have also incurred additional costs to develop our in-house transaction processing capabilities to better serve our clients and maximize our revenue opportunities. Additional costs were also necessary to meet the triple data security encryption standard (Triple-DES) adopted by the EFT networks. Finally, we recorded $5.3 million in impairment charges during the nine months ended September 30, 2007, $5.1 million of which related to our merchant contract with Target, which we acquired in 2004, as the anticipated

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future cash flows are not expected to be sufficient to cover the carrying value of the related intangible asset. We have been in discussions with this merchant customer regarding additional services that could be offered under the existing contract to increase the number of transactions conducted on, and cash flows generated by, the underlying ATMs. For additional discussion of this impairment, see Management s Discussion and Analysis of Financial Condition and Results of Operations Three and Nine Months Ended September 30, 2007 and 2006 Amortization Expense.

All these expenditures have adversely impacted our pro forma operating income, which totaled $27.5 million and $11.1 million for the year ended December 31, 2006 and nine months ended September 30, 2007, respectively (excluding the upfront placement fees associated with the acquired financial services business of 7-Eleven that are not expected to continue in the future). Excluding the pro forma effects of the 7-Eleven ATM Transaction, our operating income totaled $20.1 million and $5.9 million for the year ended December 31, 2006 and nine months ended September 30, 2007, respectively. Furthermore, on a historical basis, we generated net losses of $0.5 million and $19.7 million for the year ended December 31, 2006 and nine months ended September 30, 2007, respectively.

Our Strengths

Leading Market Position. We operate the world s largest network of ATMs. Our network currently includes over 31,500 ATMs located throughout the United States, the United Kingdom, and Mexico. We are also the largest non-bank owner and operator of bank-branded ATMs in the United States and operate the Allpoint network, which we believe is the largest surcharge-free network of ATMs in the United States based on the number of participating ATMs. Our size and diversity of products and services give us significant economies of scale and the ability to provide attractive and efficient solutions to national and regional financial institutions and retailers.

Network of Leading Retail Merchants Under Multi-Year Contracts. We have developed significant relationships with national and regional merchants within the United States, the United Kingdom, and Mexico. These merchants typically operate high-traffic locations, which we have found to result in increased ATM activity and profitability. Our contracts with our merchant customers are typically multi-year arrangements with initial terms of five to seven years. As of September 30, 2007, our contracts with our top 10 merchant customers had a weighted average remaining life based on revenues of 8 years, including the ten-year placement agreement that we entered into with 7-Eleven in July 2007. These long-term relationships can provide opportunities to deploy additional ATMs in new locations. We believe our merchant customers value our high level of service, our 24-hour per day monitoring and accessibility, and that our U.S. ATMs are on-line and able to serve customers an average of 98.5% of the time.

Recurring and Stable Revenue and Operating Cash Flow. The long-term contracts that we enter into with our merchant customers provide us with access to customer traffic and relatively stable, recurring revenue. Additionally, our branding arrangements and surcharge-free initiatives provide us with additional revenue under long-term contracts that is generally not based on the number of transactions per ATM. On a pro forma basis for the nine months ended September 30, 2007, we derived approximately 95% of our total revenues from recurring ATM transaction and branding fees. Our recurring and stable revenue base, relatively low and predictable maintenance capital expenditure requirements, and minimal working capital requirements allow us to generate operating cash flows to service our indebtedness as well as invest in future growth initiatives.

Low-Cost Provider. We believe the size of our network combined with our operating infrastructure allows us to be among the low-cost providers in our industry. We believe our operating costs per ATM are significantly lower than the operating costs incurred by bank ATM operators. Our scale provides us with a competitive advantage both in operating our ATM fleet and completing acquisitions of additional ATM portfolios as well as the potential to offer cost effective outsourcing services to financial institutions.

Technological Expertise. We have developed, and are continuing to develop, significant new technological capabilities that could enhance the services we are able to provide ATM users, financial institutions, and our merchant customers. Our in-house transaction processing capability, which had been rolled out to approximately 10,000 of our ATMs as of October 31, 2007, will allow us to control ATM screen flow, enabling us to provide customized branding and messaging opportunities as ATM transactions are processed. In addition, our advanced-functionality ATMs are capable of performing check cashing, deposit taking at off-premise ATMs, which are ATMs not located in a bank branch, using electronic imaging, bill payments, and other kiosk-based financial services. The depth and breadth of our technical expertise gives us a competitive advantage in capitalizing on an ATM service model which has and will continue to evolve.

Proven Ability to Grow through Acquisitions and International Expansion. Since April 2001, we have acquired 14 networks of ATMs and one operator of a surcharge-free ATM network, increasing the number of ATMs we operate from approximately 4,100 to over 31,500 as of September 30, 2007. The majority of these acquisitions have been ATM portfolio or asset acquisitions, although we have also completed business acquisitions such as the 7-Eleven ATM Transaction. We believe the risks of integration associated with our ATM portfolio acquisition growth are reduced because we do not typically assume significant numbers of employees nor import new operating systems in connection with our acquisitions. Additionally, as a result of our relatively lower cost of operations and significant experience in ATM management, in many cases we have improved the operating cash flow of our acquired networks of ATMs and achieved high returns on capital for such transactions. We have also successfully expanded our business into the United Kingdom and Mexico. For the nine months ended September 30, 2007, our international operations contributed approximately 14% and 18% of our total revenues and operating income, respectively, on a pro forma basis. We believe that our proven ability to grow through acquisitions and international expansion positions us to take advantage of additional growth opportunities.

Experienced Management Team. Our management team has significant financial services and payment processing-related experience and has developed extensive relationships and a leadership position in the industry, including directorships on several industry association boards. We believe this expertise helps us to attract new merchant customers and provides us with increased acquisition and bank branding opportunities. Our management team currently owns approximately 24% of our outstanding common stock on a fully diluted basis and is expected to own approximately 15% after the completion of this offering.

Our Market Opportunity

As the world s leading operator of ATMs, we believe there are significant opportunities to grow our business.

Merchant Network Opportunities. Many of our existing national and regional retail merchant customers do not have ATMs in all of their retail locations and are adding new locations as they grow their businesses. Although we are not the exclusive provider of ATMs to a majority of these merchant customers, and thus may experience competition for the right to deploy additional ATMs in these new locations, we believe that we are well positioned to capitalize on these growth opportunities as we are often the primary ATM solutions provider for these merchants. In addition to these existing merchant customer opportunities, we have also targeted over 100 national or regional retailers who operate thousands of retail locations and are not currently customers.

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Bank Branding and Outsourcing Opportunities. We believe that by branding our Company-owned ATMs with the logos of banks and other financial institutions, those institutions can interact with their customers more frequently, increase brand awareness, and provide additional services, including surcharge-free access to cash, at a lower cost than traditional marketing and distribution channels. Additionally, we are in the process of completing an initiative that will allow us to control the flow and content of information on the ATM screen, which we expect will enable us to offer customized branding solutions to financial institutions, including one-to-one marketing and advertising services on the ATM screen. We believe that our relatively lower cost of operations and significant experience in ATM management provide us with future revenue opportunities as banks and other financial institutions look to outsource certain ATM management functions to simplify operations and lower their costs.

Surcharge-Free Network Opportunities. The Allpoint network, which we believe is the largest surcharge-free network in the United States based on the number of participating ATMs, allows us to profitably participate in the portion of the ATM market not already served by our surcharge-based business model. Future growth opportunities exist for us in the surcharge-free ATM market as smaller financial institutions continue to look for cost-effective ways to offer convenient, surcharge-free ATM access to their customers, such as access through the Allpoint network.

Advanced-Functionality Opportunities. Approximately 75% of all ATM transactions in the United States are cash withdrawals, with the remainder representing other basic banking functions such as balance inquiries, transfers, and deposits. We believe opportunities exist for us as the operator of the world s largest network of ATMs to provide advanced-functionality services, such as check cashing, off-premise deposit taking using electronic imaging, money transfer, and bill payment. We are currently offering these advanced-functionality services through the 2,000 Vcom^{tm} units acquired as part of the 7-Eleven ATM Transaction. Pursuing advanced-functionality opportunities involve associated risks and costs as more fully described in Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations. We are currently incurring, and expect to continue to incur, operating losses from the acquired Vcom^{tm} operations. For the period from the acquisition date (July 20, 2007) through September 30, 2007, we incurred a $2.1 million loss associated with the acquired Vcom^{tm} operations. If our cumulative losses exceed $10.0 million, including $1.5 million in contract termination costs, we currently intend to terminate the Vcom^{tm} services and utilize the existing Vcom^{tm} units to provide traditional ATM services. While we are not currently pursuing advanced functionality outside of our V-com units, we may pursue other advanced-functionality opportunities as described under Our Strategy below notwithstanding our determination as to V-com services.

International Opportunities. International markets are experiencing an increase in off-premise ATMs as consumers seek convenient access to cash. We believe that significant growth opportunities continue to exist in those international markets where cash is the predominant form of payment utilized by consumers and where off-premise ATM penetration is still relatively low.

Our Strategy

Our strategy is to enhance our position as the leading owner and operator of ATMs in the United States, to become a significant service provider to financial institutions, and to expand our network further into select international markets. In order to execute this strategy we will endeavor to:

Increase Penetration and ATM Count with Leading Merchants. We have two principal opportunities to increase the number of ATM sites with our existing merchants: first, by deploying ATMs in our merchants existing locations that currently do not have, but where traffic volumes justify installing, an ATM; and second, as our merchants open new locations, by installing ATMs in those locations. We believe our expertise, national footprint, strong record of customer service with leading merchants, and our significant scale position us to successfully market to, and enter into long-term contracts with, additional leading national and regional merchants.

Capitalize on Existing Opportunities to Become a Significant Service Provider to Financial Institutions. We believe we are strongly positioned to work with financial institutions to fulfill many of their ATM requirements. Our ATM services offered to financial institutions include branding our ATMs with their logos and providing surcharge-free access to their customers, managing their off-premise ATM networks on an outsourced basis, or buying their off-premise ATMs in combination with branding arrangements. In addition, the development of our in-house processing capability will provide us with the ability to control the content of the information appearing on the screens of our ATMs, which should in turn serve to increase the types of products and services that we will be able to offer to financial institutions.

Capitalize on Surcharge-Free Network Opportunities. We plan to continue to pursue opportunities with respect to our surcharge-free networks, where financial institutions pay us to allow surcharge-free access to our ATM network for their customers on a non-exclusive basis. We believe this arrangement will enable us to increase transaction counts and profitability on our existing machines. Additionally, we plan to expand our Allpoint surcharge-free network to the United Kingdom and Mexico in the future.

Develop and Provide Selected Advanced-Functionality Services. ATMs have and continue to evolve in terms of service offerings. Certain advanced ATM models are capable of providing check cashing, off-premise deposit taking services using electronic imaging, money transfer, and bill payment services. Our Vcom™ units are capable of providing many of these services. Irrespective of our ultimate decision on the continued operation of our Vcom™ units as described above, we believe the advanced functionality offered by our Vcom™ units and other machines we or others may develop, provides additional growth opportunities as retailers and financial institutions seek to provide additional convenient self-service financial services to their customers.

Pursue International Growth Opportunities. We have recently invested significant amounts in the infrastructure of our United Kingdom and Mexico operations, and we plan to continue to increase the number of our Company-owned ATMs in these markets through machines deployed with our existing customer base as well as through the addition of new merchant customers. Additionally, we plan to expand our operations into selected international markets where we believe we can leverage our operational expertise and scale advantages. In particular, we are targeting high growth emerging markets where cash is the predominant form of payment and where off-premise ATM penetration is relatively low, such as Central and Eastern Europe, China, India and Brazil.

Risk Factors

While we have summarized our above strengths, market opportunity, and strategy, there are numerous risks and uncertainties unique to our business and industry which may prevent us from capitalizing on our strengths and market opportunities, or from successfully executing our strategy. Examples of these risks include the following:

- We have recently seen a decline in the average number of merchant-owned ATMs that we operate in the United States of 14.1% in 2006 and 4.2% during the nine months ended September 30, 2007.

- The U.S. has seen a shift in consumer payment trends since the late 1990 s, with more customers now opting for electronic forms of payment (e.g., credit cards and debit cards)

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for their in-store purchases over traditional paper-based forms of payment (e.g., cash and checks).

We have incurred substantial losses in the past and may continue to incur losses in the future.

We currently expect to incur operating losses associated with providing advanced-functionality services through our Vcom™ units within the first 12-18 months subsequent to the 7-Eleven ATM Transaction.

We derive a substantial portion of our revenues from ATMs placed with a small number of merchants, with 7-Eleven comprising 35.8% of our pro forma revenues for the year ended December 31, 2006.

We have a substantial amount of indebtedness. As of September 30, 2007, we had outstanding indebtedness of approximately $408.9 million, which represents approximately 95.9% of our total capitalization of $426.4 million.

For a more complete description of the risks associated with an investment in us, you should read and carefully consider the matters described under Risk Factors. These risks could materially and adversely impact our business, financial condition, operating results, and cash flows, which could cause the trading price of our common stock to decline and could result in partial or total loss of your investment.

Our Executive Offices

Our principal executive offices are located at 3110 Hayes Road, Suite 300, Houston, Texas 77082, and our telephone number is (281) 596-9988. Our website address is *www.cardtronics.com*. Information contained on our website is not part of this prospectus.

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THE OFFERING

Common stock offered	12,000,000 shares
Total offering	12,000,000 shares
Common stock outstanding after the offering	38,566,207 shares (31.1% of which are the shares being offered in this offering)
Use of proceeds	Our net proceeds from this offering, after deducting underwriting discounts and commissions and estimated offering expenses, will be approximately $110.1 million. We intend to use the net proceeds we receive from this offering to pay down indebtedness outstanding under our credit facility. See Use of Proceeds. We will not receive any of the proceeds from the sale of shares of our common stock by certain stockholders if the underwriters exercise their over-allotment option. See Principal Stockholders.
Dividend policy	We do not expect to pay any dividends on our common stock for the foreseeable future.
Nasdaq Global Market symbol	CATM
Risk Factors	See Risk Factors beginning on page 15 of this prospectus for a discussion of factors that you should carefully consider before deciding to invest in shares of our common stock.

Unless specifically indicated otherwise or unless the context otherwise requires, the information in this prospectus gives effect to (1) the conversion of all Series B Convertible Preferred Stock into common stock, which includes the effect of an additional share issuance to TA Associates Inc. (TA Associates) concurrent with the closing of this offering, and a stock split in the form of a stock dividend of our common stock immediately prior to the closing of the offering, all as described in more detail in Certain Relationships and Related Party Transactions ; and (2) no exercise of the underwriters over-allotment option. See Certain Relationships and Related Party Transactions Preferred Stock Private Placement with TA Associates and Description of Capital Stock.

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The number of shares of common stock that will be outstanding after the offering is based on the number of shares outstanding as of September 30, 2007. This number does not include:

- 4,990,489 shares of common stock that will be issuable upon the exercise of stock options outstanding under the 2001 Stock Incentive Plan subsequent to the offering;
- an aggregate of 40,082 shares of common stock reserved for future issuance under our 2001 Stock Incentive Plan; and
- any shares of common stock reserved for future issuance under our 2007 Stock Incentive Plan, which was approved in August 2007.

Affiliates of Banc of America Securities LLC and J.P. Morgan Securities Inc. are lenders under our revolving credit facility and will receive a portion of the proceeds of this offering, which will be used to repay in full the amount outstanding under the revolving credit facility. See Use of Proceeds and Underwriting. These underwriters, through their affiliates, may be deemed to receive financial benefits as a result of the consummation of this offering beyond the benefits customarily received by underwriters in similar offerings.

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SUMMARY HISTORICAL CONSOLIDATED AND PRO FORMA FINANCIAL AND OPERATING DATA

The summary consolidated balance sheet data for Cardtronics as of December 31, 2005 and 2006 and the summary consolidated statements of operations and cash flows data for Cardtronics for the years ended December 31, 2004, 2005, and 2006 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated balance sheet data for Cardtronics as of September 30, 2007 and the summary consolidated statements of operations data for Cardtronics for the nine months ended September 30, 2006 and 2007 have been derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. The unaudited interim period financial information, in the opinion of management, includes all adjustments, which are normal and recurring in nature, necessary for a fair presentation for the periods shown. Our unaudited interim period financial information includes the results of the acquired financial services business of 7-Eleven subsequent to the acquisition date of July 20, 2007. Results for the nine months ended September 30, 2007 are not necessarily indicative of the results to be expected for the full year.

The summary unaudited pro forma condensed consolidated statements of operations data for the year ended December 31, 2006 and the nine months ended September 30, 2007 have been derived from the unaudited pro forma condensed consolidated financial statements included elsewhere in this prospectus. The summary unaudited pro forma condensed consolidated statements of operations have been prepared to give effect to the 7-Eleven ATM Transaction and the related financing transactions as if each had occurred on January 1, 2006.

The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable. The unaudited pro forma financial information is provided for informational purposes only. The summary unaudited pro forma condensed consolidated financial data do not purport to represent what our results of operations or financial position actually would have been if the 7-Eleven ATM Transaction or the related financing transactions had occurred on the dates indicated, nor do such data purport to project the results of operations for any future period.

The summary consolidated and pro forma condensed consolidated financial and operating data should be read in conjunction with Selected Historical Consolidated Financial and Operating Data, Unaudited Pro Forma Condensed Consolidated Financial Statements, Management s Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements and related notes appearing elsewhere in this prospectus.

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Cardtronics, Inc.

	Years Ended December 31, 2004	Years Ended December 31, 2005	Years Ended December 31, 2006	Pro Forma Year Ended December 31, 2006	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Pro Forma Nine Months Ended September 3(2007
onsolidated tatements of perations Data:	(in thousands, except share, per share, and per withdrawal transaction statistics)						
evenues:							
TM operating revenues	$ 182,711	$ 258,979	$ 280,985	$ 416,961	$ 209,542	$ 251,854	$ 331,167
com^{tm} operating evenues (1)				27,686		685	8,882
TM product sales and her revenues	10,204	9,986	12,620	12,620	9,218	9,805	9,805
otal revenues	192,915	268,965	293,605	457,267	218,760	262,344	349,854
ost of revenues:							
ost of ATM operating evenues (exclusive of epreciation, accretion, nd amortization, shown eparately below)(2)(3)(4)	143,504	199,767	209,850	309,433	157,225	191,046	249,891
ost of Vcom^{tm} operating evenues				16,309		2,644	11,770
ost of ATM product ales and other revenues	8,703	9,681	11,443	11,443	8,142	9,196	9,196
otal cost of revenues	152,207	209,448	221,293	337,185	165,367	202,886	270,857
ross profit	40,708	59,517	72,312	120,082	53,393	59,458	78,997
perating expenses:							
elling, general, and dministrative xpenses (5)(6)	13,571	17,865	21,667	27,580	15,709	20,985	23,422
epreciation and ccretion expense	6,785	12,951	18,595	23,702	14,072	18,541	21,357
mortization expense (7)	5,508	8,980	11,983	23,297	9,610	14,062	18,903
otal operating expenses	25,864	39,796	52,245	74,579	39,391	53,588	63,682
ncome from operations	14,844	19,721	20,067	45,503	14,002	5,870	15,315
ther (income) expense:							
nterest expense, net (8)	5,235	22,426	25,072	39,333	18,769	21,592	29,172
ther (9)	228	983	(4,986)	(4,986)	(868)	751	751

otal other expense	5,463	23,409	20,086	34,347	17,901	22,343	29,923
ncome (loss) before ncome taxes	9,381	(3,688)	(19)	11,156	(3,899)	(16,473)	(14,608
ncome tax provision benefit)	3,576	(1,270)	512	4,658	(1,217)	3,212	3,212
et income (loss)	5,805	(2,418)	(531)	6,498	(2,682)	(19,685)	(17,820
referred stock dividends nd accretion expense	2,312	1,395	265	265	199	200	200
et income (loss) vailable to common ockholders	$ 3,493	$ (3,813)	$ (796)	$ 6,233	$ (2,881)	$ (19,885)	$ (18,020
et income (loss) per ommon share asic	$ 1.56	$ (2.16)	$ (0.46)	$ 3.56	$ (1.64)	$ (11.28)	$ (10.23
iluted	$ 1.47	$ (2.16)	$ (0.46)	$ 2.17	$ (1.64)	$ (11.28)	$ (10.23
Veighted average shares utstanding asic	2,238,801	1,766,419	1,749,328	1,749,328	1,752,442	1,762,200	1,762,200
iluted	2,372,204	1,766,419	1,749,328	2,872,271	1,752,442	1,762,200	1,762,200

	Years Ended December 31, 2004	2005	2006	Pro Forma Year Ended December 31, 2006	Nine Months Ended September 30, 2006	2007	Pro I Nine I En Septen 20
share and per (10):							
e (loss) per hare:							
	$ 0.20	$ (0.27)	$ (0.06)	$ 0.45	$ (0.21)	$ (1.41)	$
	$ 0.18	$ (0.27)	$ (0.06)	$ 0.27	$ (0.21)	$ (1.41)	$
average shares g:							
	17,904,297	14,126,530	13,989,849	13,989,849	14,014,753	14,092,794	14,(
	18,971,157	14,126,530	13,989,849	22,970,328	14,014,753	14,092,794	14,(
ted Statements ows Data:							
s from activities	$ 20,466	$ 33,227	$ 25,446		$ 16,867	$ 35,189	
s from investing	$ (118,926)	$ (139,960)	$ (35,973)		$ (25,933)	$ (179,469)	
s from activities	$ 94,318	$ 107,214	$ 11,192		$ 7,773	$ 147,693	
ancial Data d):							
11)	$ 26,909	$ 40,669	$ 55,631	$ 97,488	$ 38,552	$ 37,722	$
penditures (12):							
ce capital es	$ 2,354	$ 1,680	$ 2,384	$ 9,599	$ 1,910	$ 5,740	$
pital es	17,393	30,246	33,707	45,818	24,111	39,598	
al expenditures	$ 19,747	$ 31,926	$ 36,091	$ 55,417	$ 26,021	$ 45,338	$
Data d):							
umber of ATMs(13)	17,936	26,164	25,778	31,301	25,913	27,149	
actions (in	111,577	156,851	172,808	264,431	128,539	166,183	2

drawal s (in		86,821		118,960		125,078		192,107		93,756		113,934	
awal :													
ating revenues	$	2.10	$	2.18	$	2.25	$	2.17	$	2.23	$	2.21	$
ating gross lusive of on, accretion, zation)[4][14]	$	0.45	$	0.50	$	0.57	$	0.56	$	0.56	$	0.53	$
ating gross gin (exclusive ation, accretion, zation)[4]		21.4%		22.9%		25.3%		25.8%		25.0%		24.1%	

	As of December 31,		As of September 30, 2007	
	2005	**2006**	**Actual**	**As Adjusted[15]**
		(in thousands)		
Consolidated Balance Sheet Data:				
Cash and cash equivalents	$ 1,699	$ 2,718	$ 6,118	$ 10,618
Total assets	343,751	367,756	562,201	566,701
Total long-term debt and capital lease obligations, including current portion	247,624	252,895	408,910	303,310
Preferred stock[16]	76,329	76,594	76,794	
Total stockholders equity (deficit)	(49,084)	(37,168)	(59,329)	127,565

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(1) Includes upfront placement fee revenues of $18.7 million and $4.8 million for the pro forma year ended December 31, 2006 and the pro forma nine months ended September 30, 2007, respectively, received by 7-Eleven related to the acquired Vcom[tm] operations, of which $18.0 million and $4.2 million, respectively, relate to arrangements that ended prior to our acquisition and thus, are not expected to continue in the future.

(2) Includes expense reductions of $7.5 million and $4.4 million for the pro forma year ended December 31, 2006 and pro forma nine months ended September 30, 2007, respectively. These amounts reflect the pro forma purchase accounting adjustments made with respect to certain unfavorable leases and an unfavorable contract assumed in connection with the 7-Eleven ATM Transaction. Although these adjustments will serve to reduce our future expense recorded for the cost of ATM operating revenues, we will still be required to pay the higher rates stipulated in the assumed leases and contract for the remaining terms of such agreements, the substantial majority of which expire in 2009.

(3) Includes $0.9 million of inventory adjustments for the year ended December 31, 2006 (both on a historical and pro forma basis), the majority of which related to our Triple-DES upgrade efforts. Also includes $1.7 million of costs incurred related to our efforts to convert our ATM portfolio over to our in-house transaction processing switch and $0.5 million of inventory cost adjustments related to our Triple-DES upgrade efforts for the nine months ended September 30, 2007 (both on a historical and pro forma basis).

(4) Excludes effects of depreciation, accretion, and amortization expense of $11.4 million, $20.6 million, and $29.2 million for the years ended December 31, 2004, 2005, and 2006, respectively, $45.6 million for the pro forma year ended December 31, 2006, $22.6 million and $31.3 million for the nine month periods ended September 30, 2006 and 2007, respectively, and $39.0 million for the pro forma nine month period ended September 30, 2007.

(5) Includes non-cash stock-based compensation totaling $1.0 million, $2.2 million, and $0.8 million in 2004, 2005 and 2006, respectively, $0.6 million for the nine months ended September 30, 2006, $0.7 million for the nine months ended September 30, 2007, and $0.8 million and $0.7 million for the pro forma year ended December 31, 2006 and the pro forma nine months ended September 30, 2007, respectively, related to options granted to certain employees and a restricted stock grant made to our Chief Executive Officer in 2003. Additionally, the 2004 results include a bonus of $1.8 million paid to our Chief Executive Officer related to the tax liability associated with such restricted stock grant. See Note 3 to our consolidated financial statements.

(6) Includes the write-off in 2004 of approximately $1.8 million in costs associated with our decision to not pursue a financing transaction to completion.

(7) Includes pre-tax impairment charges of $1.2 million and $2.8 million in 2005 and 2006, respectively, and $2.8 million and $5.3 million for the nine months ended September 30, 2006 and 2007, respectively, and the pro forma year ended December 31, 2006 and the pro forma nine months ended September 30, 2007, respectively.

(8) Includes the write-off of $5.0 million and $0.5 million of deferred financing costs in 2005 and 2006, respectively, and $0.5 million for the nine months ended September 30, 2006 as a result of (i) amendments to our existing credit facility and the repayment of our existing term loans in August 2005 and (ii) certain modifications made to our revolving credit facility in February 2006.

(9) The Other line item in 2004 and 2005 primarily consists of losses on the sale or disposal of assets. Other in 2006 (both on a historical and pro forma basis) reflects the recognition of approximately $4.8 million in other

income primarily related to settlement proceeds received from Winn-Dixie Stores, Inc. (Winn-Dixie), one of our merchant customers, as part of that company s successful emergence from bankruptcy, a $1.1 million contract termination payment received from one of our customers, and a $0.5 million payment received from one of our customers related to the sale of a number of its stores to another party, which were partially offset by $1.6 million of losses on the sale or disposal of fixed assets during the year. Finally, Other for the nine months ended September 30, 2007 (both on a historical and pro forma basis) includes $1.5 million of losses on the disposal of fixed assets, which were partially offset by $0.6 million of gains related to the sale of the Winn-Dixie equity securities, which we received from Winn-Dixie in 2006 as a part of its bankruptcy settlement.

(10) Gives effect to the anticipated stock split of our common stock in connection with the offering. The stock split reflected in the above pro forma net income (loss) per common share amounts reflects (i) the conversion mechanics applicable to the Series B Convertible Preferred Stock held by TA Associates, as described in Certain Relationships and Related Party Transactions, (ii) the conversion of the remaining Series B Convertible Preferred Stock into an equal number of common shares, and (iii) a resulting 7.9973 to 1 stock split for all common shares, which will be effected immediately prior to the closing of the offering.

(11) EBITDA represents net income before interest expense, income tax expense, and depreciation, accretion and amortization expense. This term, as we define it, may not be comparable to similarly titled measures employed by other companies and is not a measure of performance calculated in accordance with accounting principles generally accepted in the United States, or GAAP. EBITDA should not be considered in isolation or as a substitute for operating income, net income, cash flows from operating, investing, and financing activities or other income or cash flow statement data prepared in accordance with GAAP.

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We believe EBITDA is useful to an equity investor in evaluating our operating performance because:

it is used by investors to measure a company s operating performance without regard to items such as interest expense, depreciation, accretion, and amortization, which can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired; and

it helps investors to more meaningfully evaluate and compare the results of our operations from period to period by removing the impact of our capital structure and asset base from our operating results.

Our management uses EBITDA:

as a measure of operating performance because it assists them in comparing our performance on a consistent basis as it removes the impact of our capital structure and asset base from our operating results;

as a measure for planning and forecasting overall expectations and for evaluating actual results against such expectations;

to assess compliance with financial ratios and covenants included in our credit agreement;

in communications with lenders concerning our financial performance; and

as a performance measure by which our management is evaluated and compensated.

Management compensates for the limitations of EBITDA as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures, and incorporating this knowledge into management s decision-making process.

The following table provides a reconciliation of EBITDA to net income (loss), its most directly comparable GAAP financial measure, for each of the periods presented:

	Years Ended December 31,			**Pro Forma Year Ended December 31,**	**Nine Months Ended September 30,**		**Pro Forma Nine Months Ended September 30,**
	2004	**2005**	**2006**	**2006**	**2006**	**2007**	**2007**
				(in thousands)			
Net income (loss)	$ 5,805	$ (2,418)	$ (531)	$ 6,498	$ (2,682)	$ (19,685)	$ (17,820)
Interest expense	5,235	22,426	25,072	39,333	18,769	21,592	29,172
Income tax provision (benefit)	3,576	(1,270)	512	4,658	(1,217)	3,212	3,212
Depreciation, amortization, and accretion	12,293	21,931	30,578	46,999	23,682	32,603	40,260

EBITDA	$ 26,909	$ 40,669	$ 55,631	$ 97,488	$ 38,552	$ 37,722	$ 54,824

(12) Capital expenditure amounts for Cardtronics Mexico are reflected gross of any minority interest amounts. Additionally, the 2006 capital expenditure amount excludes our initial $1.0 million investment in Cardtronics Mexico.

(13) The historical 2007 average number of transacting ATMs for the nine months ended September 30, 2007 includes the ATMs acquired in the 7-Eleven ATM Transaction beginning from the acquisition date (July 20, 2007) and continuing through September 30, 2007. The historical 2006 average numbers of transacting ATMs for the year ended December 31, 2006 and nine months ended September 30, 2006 includes the ATMs of our Mexico operations beginning from the acquisition date (February 8, 2006) and continuing through December 31, 2006 and September 30, 2006, respectively.

(14) The inclusion in Cost of ATM operating revenues of the depreciation, accretion, and amortization expense referenced in Note 4 above would have reduced our ATM operating gross profit per withdrawal transaction by $0.13, $0.17, and $0.23 for the years ended December 31, 2004, 2005, and 2006, respectively, $0.24 for the pro forma year ended December 31, 2006, $0.24 and $0.27 for the nine month periods ended September 30, 2006 and 2007, respectively, and $0.25 for the pro forma nine month period ended September 30, 2007.

(15) The as adjusted balance sheet figures give effect to (1) our sale of 12,000,000 shares of our common stock in this offering, (2) the application of the estimated net proceeds from the offering as discussed under Use of Proceeds and (3) the conversion of all Series B Convertible Preferred Stock into common stock, which includes the effect of an additional share issuance to TA Associates concurrent with the closing of this offering and (4) a stock split in the form of a stock dividend of our common stock immediately prior to the closing of this offering. See Certain Relationships and Related Party Transactions.

(16) The amount reflected on our balance sheet is shown net of issuance costs of $1.4 million as of December 31, 2006 and $1.2 million as of September 30, 2007. The aggregate redemption price for the preferred stock was $78.0 million as of September 30, 2007.

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RISK FACTORS

You should carefully consider the following risk factors and all other information contained in this prospectus before purchasing our common stock. We believe that the risks and uncertainties described below are the material risks and uncertainties facing us. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us.

If any of the following risks occur, our business, financial condition or results of operations could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you may lose some or all of your investment.

Risks Related to Our Business

We depend on ATM transaction fees for substantially all of our revenues, and our revenues would be reduced by a decline in the usage of our ATMs or a decline in the number of ATMs that we operate.

Transaction fees charged to cardholders and their financial institutions for transactions processed on our ATMs, including surcharge and interchange transaction fees, have historically accounted for most of our revenues. We expect that revenues from ATM transaction fees, including fees we receive through our bank and network branding surcharge-free offerings, will continue to account for a substantial majority of our revenues for the foreseeable future. Consequently, our future operating results will depend on (i) the continued market acceptance of our services in our target markets, (ii) maintaining the level of transaction fees we receive, (iii) our ability to install, acquire, operate and retain more ATMs, (iv) continued usage of our ATMs by cardholders, and (v) our ability to continue to expand our surcharge-free offerings. Additionally, it is possible that alternative technologies to our ATM services will be developed and implemented. If such alternatives are successful, we will likely experience a decline in the usage of our ATMs. Moreover, surcharge fees are set by negotiation between us and our merchant partners and could change over time. Further, growth in surcharge-free ATM networks and widespread consumer bias toward such networks could adversely affect our revenues, even though we maintain our own surcharge-free offerings.

We have also recently seen a decline in the average number of ATMs that we operate in the United States. Such decline, which totaled approximately 6.3% in 2006 and 2.0% during the nine months ended September 30, 2007, exclusive of ATMs acquired in the 7-Eleven ATM Transaction, is primarily due to customer losses experienced in our merchant-owned ATM business, offset somewhat by new Company-owned ATM locations that were deployed during the year. The decline in ATMs on the merchant-owned side of the business of 14.1% in 2006 and 4.2% during the nine months ended September 30, 2007 was due to (i) an internal initiative launched by us to identify and eliminate certain underperforming accounts, and (ii) increased competition from local and regional independent ATM service organizations.

We cannot assure you that our ATM transaction fees will not decline in the future. Accordingly, a decline in usage of our ATMs by ATM cardholders or in the levels of fees received by us in connection with such usage, or a decline in the number of ATMs that we operate, would have a negative impact on our revenues and would limit our future growth.

The proliferation of payment options other than cash in the United States, including credit cards, debit cards, and stored-value cards, could result in a reduced need for cash in the marketplace and a resulting decline in the usage of our ATMs.

The U.S. has seen a shift in consumer payment trends since the late 1990 s, with more customers now opting for electronic forms of payment (e.g., credit cards and debit cards) for

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their in-store purchases over traditional paper-based forms of payment (e.g., cash and checks). Additionally, certain merchants are now offering free cash back at the point-of-sale for customers that utilize debit cards for their purchases, thus providing an additional incentive for consumers to use such cards. According to the *Study of Consumer Payment Preferences* for 2005/2006, as prepared by Dove Consulting and the American Bankers Association, paper-based forms of payment declined from approximately 57% of all in-store payments made in 1999 to 44% in 2005. While most of the increase in electronic forms of payment during this period came at the expense of traditional checks, the use of cash to fund in-store payments declined from 39% in 1999 to 33% in 2001. Although the use of cash has been relatively stable since that date (remaining at roughly 33% of all in-store payments through 2005), continued growth in electronic payment methods (most notably debit cards and stored-value cards) could result in a reduced need for cash in the marketplace and a resulting decline in the usage of our ATMs.

We have incurred substantial losses in the past and may continue to incur losses in the future. The conversion of our Series B Convertible Preferred Stock in connection with this offering will contribute to additional losses.

We have incurred net losses in three of the past five years, and have incurred a net loss of $19.7 million for the nine months ended September 30, 2007. As of September 30, 2007, we had an accumulated deficit of $23.0 million. There can be no guarantee that we will achieve profitability. If we achieve profitability, given the competitive and evolving nature of the industry in which we operate, we may not be able to sustain or increase such profitability on a quarterly or annual basis. In connection with the conversion of our Series B Convertible Preferred Stock into common stock concurrent with the closing of this offering, TA Associates will receive additional shares of common stock with a total value of approximately $35.1 million. These incremental shares result in an adjustment to the stock split ratio that will be applied to all existing stockholders. As a result of this conversion, we will recognize for accounting purposes a one-time, non-cash reduction in net income available to common stockholders in this amount during the reporting period in which this offering is completed.

Interchange fees, which comprise a substantial portion of our ATM transaction revenues, may be lowered at the discretion of the various EFT networks through which our ATM transactions are routed, thus reducing our future revenues.

Interchange fees, which represented approximately 26.2% and 27.4% of our total pro forma ATM operating revenues for the year ended December 31, 2006 and the nine months ended September 30, 2007, respectively, are set by the various EFT networks through which our ATM transactions are routed. Accordingly, if such networks decided to lower the interchange rates paid to us for ATM transactions routed through their networks, our future ATM transaction revenues would decline.

We derive a substantial portion of our revenue from ATMs placed with a small number of merchants. If one or more of our top merchants were to cease doing business with us, or to substantially reduce its dealings with us, our revenues could decline.

For the year ended December 31, 2006 and the nine months ended September 30, 2007, we derived approximately 46.0% and 44.5%, respectively, of our total pro forma revenues from ATMs placed at the locations of our five largest merchants. Of this amount, 7-Eleven represents the single largest merchant customer in our portfolio, comprising approximately 35.8% and 33.6% of our total pro forma revenues for the year ended December 31, 2006 and nine months ended September 30, 2007, respectively. In addition to 7-Eleven, our next four largest merchant customers are CVS, Walgreens, Target, and ExxonMobil, and they collectively

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generated approximately 10.2% and 12.0% of our total pro forma revenues for the year ended December 31, 2006 and nine months ended September 30, 2007, respectively. Accordingly, a significant percentage of our future revenues and operating income will be dependent upon the successful continuation of our relationship with 7-Eleven and these other four merchants.

The loss of any of our largest merchants, or a decision by any one of them to reduce the number of our ATMs placed in their locations, would decrease our revenues. These merchants may elect not to renew their contracts when they expire. As noted above, our top five merchants (based on our total revenues) are 7-Eleven, CVS, Walgreens, Target, and ExxonMobil, and the expiration dates of our contracts with these merchants are July 20, 2017; September 21, 2011; December 31, 2013; January 31, 2012; and December 31, 2013, respectively. Even if such contracts are renewed, the renewal terms may be less favorable to us than the current contracts. If any of our five largest merchants fails to renew its contract upon expiration, or if the renewal terms with any of them are less favorable to us than under our current contracts, it could result in a decline in our revenues and gross profits.

We rely on EFT network providers, transaction processors, and maintenance providers; if they fail or no longer agree to provide their services, we could suffer a temporary loss of transaction revenues or the permanent loss of any merchant contract affected by such disruption.

We rely on EFT network providers and have agreements with transaction processors and maintenance providers and have more than one such provider in each of these key areas. These providers enable us to provide card authorization, data capture, settlement, and ATM maintenance services to the merchants we serve. Typically, these agreements are for periods of up to two or three years each. If we improperly manage the renewal or replacement of any expiring vendor contract, or if our multiple providers in any one key area failed to provide the services for which we have contracted and disruption of service to our merchants occurs, our relationship with those merchants could suffer. Further, if such disruption of service is significant, the affected merchants may seek to terminate their agreements with us.

If we, our transaction processors, our EFT networks or other service providers experience system failures, the ATM products and services we provide could be delayed or interrupted, which would harm our business.

Our ability to provide reliable service largely depends on the efficient and uninterrupted operations of our in-house transaction processing switch, third-party transaction processors, telecommunications network systems, and other service providers. Accordingly, any significant interruptions could severely harm our business and reputation and result in a loss of revenue. Additionally, if any such interruption is caused by us, especially in those situations in which we serve as the primary transaction processor, such interruption could result in the loss of the affected merchants or damage our relationships with such merchants. Our systems and operations and those of our transaction processors and our EFT network and other service providers could be exposed to damage or interruption from fire, natural disaster, unlawful acts, terrorist attacks, power loss, telecommunications failure, unauthorized entry, and computer viruses. We cannot be certain that any measures we and our service providers have taken to prevent system failures will be successful or that we will not experience service interruptions.

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If not done properly, the transitioning of our ATMs from third-party processors to our own in-house transaction processing switch could lead to service interruptions and/or the inaccurate settlement of funds between the various parties to our ATM transactions, which would harm our business and our relationships with our merchants.

We are currently transitioning the processing of transactions conducted on our ATMs from third-party processors to our own in-house transaction processing switch, and we expect to have a substantial number of our domestic Company-owned and merchant-owned ATMs converted over to that switch by the end of 2007. We currently have very limited experience in ATM transaction processing and have just recently hired additional personnel with experience in running an ATM transaction processing operation, including personnel we hired in connection with the 7-Eleven ATM Transaction. Because this is a relatively new business for us, there is an increased risk that our processing conversion efforts will not be successful, thus resulting in service interruptions for our merchants. Furthermore, if not performed properly, the processing of transactions conducted on our ATMs could result in the inaccurate settlement of funds between the various parties to those transactions and expose us to increased liability.

Security breaches could harm our business by compromising customer information and disrupting our ATM transaction processing services and damage our relationships with our merchant customers and expose us to liability.

As part of our ATM transaction processing services, we electronically process, store, and transmit sensitive cardholder information utilizing our ATMs. Unauthorized access to our computer systems could result in the theft or publication of such information or the deletion or modification of sensitive records, and could cause interruptions in our operations. While such security risks are mitigated by the use of encryption techniques, any inability to prevent security breaches could damage our relationships with our merchant customers and expose us to liability.

Computer viruses could harm our business by disrupting our ATM transaction processing services, causing non-compliance with network rules and damaging our relationships with our merchant customers.

Computer viruses could infiltrate our systems, thus disrupting our delivery of services and making our applications unavailable. Although we utilize industry standard anti-virus software and intrusion detection solutions for all of our key applications, any inability to prevent computer viruses could damage our relationships with our merchant customers and cause us to be in non-compliance with applicable network rules and regulations.

Operational failures in our ATM transaction processing facilities could harm our business and our relationships with our merchant customers.

An operational failure in our ATM transaction processing facilities could harm our business and damage our relationships with our merchant customers. Damage or destruction that interrupts our ATM processing services could damage our relationships with our merchant customers and could cause us to incur substantial additional expense to repair or replace damaged equipment. We have installed back-up systems and procedures to prevent or react to such disruptions. However, a prolonged interruption of our services or network that extends for more than several hours (i.e., where our backup systems are not able to recover) could result in data loss or a reduction in revenues as our ATMs would be unable to process transactions. In addition, a significant interruption of service could have a negative impact on our reputation and could cause our present and potential merchant customers to choose alternative ATM service providers.

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Errors or omissions in the settlement of merchant funds could damage our relationships with our merchant customers and expose us to liability.

We are responsible for maintaining accurate bank account information for our merchant customers and accurate settlements of funds into these accounts based on the underlying transaction activity. This process relies on accurate and authorized maintenance of electronic records. Although we have certain controls in place to help ensure the safety and accuracy of our records, errors or unauthorized changes to these records could result in the erroneous or fraudulent movement of funds, thus damaging our relationships with our merchant customers and exposing us to liability.

We rely on third parties to provide us with the cash we require to operate many of our ATMs. If these third parties were unable or unwilling to provide us with the necessary cash to operate our ATMs, we would need to locate alternative sources of cash to operate our ATMs or we would not be able to operate our business.

In the U.S., we have historically relied on agreements with Bank of America, N.A. (Bank of America) and Palm Desert National Bank (PDNB) to provide us with the cash that we use in approximately 11,600 of our domestic ATMs where cash is not provided by the merchant (vault cash). In July 2007, we entered into a separate vault cash agreement with Wells Fargo, N. A. (Wells Fargo) to supply us with the cash that we use in the 5,500 ATMs and Vcom™ units acquired in the 7-Eleven ATM Transaction. As of September 30, 2007, the balance of cash held in our domestic ATMs was approximately $740.6 million, 50.8% of which was supplied by Bank of America and 48.5% by Wells Fargo.

Under our agreements with Bank of America, Wells Fargo, and PDNB, we pay a fee for our usage of this cash based on the total amount of vault cash that we are using at any given time. At all times during this process, legal and equitable title to the cash is held by the cash providers, and we have no access or right to the cash. Each provider has the right to demand the return of all or any portion of its cash at any time upon the occurrence of certain events beyond our control, including certain bankruptcy events of us or our subsidiaries, or a breach of the terms of our cash provider agreements. Our current agreements with Bank of America and Wells Fargo expire in October 2008 and July 2009, respectively. However, Bank of America can terminate its agreement with us upon 360 days prior written notice, and Wells Fargo can terminate its agreement with us upon 180 days prior written notice.

We rely on an agreement with Alliance & Leicester Commercial Bank (ALCB) to provide us with all of the cash that we use in approximately 1,740 of our U.K. ATMs where cash is not provided by the merchant. The balance of cash held in our U.K. ATMs as of September 30, 2007 was approximately $140.4 million. Under the agreement with ALCB, we pay a fee for our usage of this cash based on the total amount of vault cash that we are using at any time. At all times during this process, legal and equitable title of the cash is held by ALCB, and we have no access or right to the cash. Our current agreement with ALCB, which expires on January 1, 2009, contains certain provisions, which, if triggered, may allow ALCB to terminate their agreement with us and demand the return of its cash upon 180 days prior written notice.

In Mexico, our current ATM cash is provided by Bansi, S.A. Institución de Banca Multiple (Bansi), a regional bank in Mexico and a minority interest owner in Cardtronics Mexico. We currently have an agreement with Bansi to supply us with cash of up to $10.0 million U.S. that expires on March 31, 2008. As of September 30, 2007, the balance of cash held in our ATMs in Mexico was approximately $6.3 million.

If our cash providers were to demand return of their cash or terminate their arrangements with us and remove their cash from our ATMs, or if they were to fail to provide us with cash as and when we need it for our ATM operations, our ability to operate these ATMs would be

jeopardized, and we would need to locate alternative sources of cash in order to operate these ATMs.

Changes in interest rates could increase our operating costs by increasing interest expense under our credit facilities and our vault cash rental costs.

Interest on our outstanding indebtedness under our revolving credit facilities is based on floating interest rates, and our vault cash rental expense is based on market rates of interest. As a result, our interest expense and cash management costs are sensitive to changes in interest rates. Vault cash is the cash we use in our machines in cases where cash is not provided by the merchant. We pay rental fees on the average amount of vault cash outstanding in our ATMs under floating rate formulas based on the London Interbank Offered Rate (LIBOR) for Bank of America and PDNB in the U.S. and ALCB in the U.K., and based on the federal funds effective rate for Wells Fargo in the U.S. Additionally, in Mexico, we pay a monthly rental fee to our vault cash provider under a formula based on the Mexican Interbank Rate (TIIE). As of September 30, 2007, the balances of cash held in our domestic, U.K., and Mexico ATMs were $740.6 million, $140.4 million, and $6.3 million, respectively. Recent increases in interest rates in the U.S., the U.K., and Mexico have resulted in increases in our interest expense under our credit facility as well as our vault cash rental expense. Although we currently hedge a significant portion of our vault cash interest rate risk related to our domestic operations through December 31, 2010, including a portion of the vault cash associated with the 7-Eleven ATM Transaction, we may not be able to enter into similar arrangements for similar amounts in the future. Furthermore, we have not currently entered into any derivative financial instruments to hedge our variable interest rate exposure in the U.K. or Mexico. Any significant future increases in interest rates could have a negative impact on our earnings and cash flow by increasing our operating costs and expenses. See Management s Discussion and Analysis of Financial Condition and Results of Operations Disclosure about Market Risk; Interest Rate Risk.

We maintain a significant amount of cash within our Company-owned ATMs, which is subject to potential loss due to theft or other events, including natural disasters.

As of September 30, 2007, there was approximately $887.3 million in vault cash held in our domestic and international ATMs. Although legal and equitable title to such cash is held by the cash providers, any loss of such cash from our ATMs through theft or other means is typically our responsibility (other than thefts resulting from the use of fraudulent debit or credit cards, which are typically the responsibility of the issuing financial institutions). While we maintain insurance to cover a significant portion of any losses that may be sustained by us as a result of such events, we are still required to fund a portion of such losses through the payment of the related deductible amounts under our insurance policies. Furthermore, although thefts and losses suffered by our ATMs have been relatively minor and infrequent in the past, any increase in the frequency and/or amounts of such thefts and losses could negatively impact our operating results as a result of higher deductible payments and increased insurance premiums. Additionally, any damage sustained to our merchant customers store locations in connection with any ATM-related thefts, if extensive and frequent enough in nature, could negatively impact our relationships with such merchants and impair our ability to deploy additional ATMs in those locations (or new locations) with those merchants in the future.

The ATM industry is highly competitive and such competition may increase, which may adversely affect our profit margins.

The ATM business is and can be expected to remain highly competitive. While our principal competition comes from national and regional financial institutions, we also compete with other independent ATM companies in the United States and the United Kingdom. Several

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of our competitors, namely national financial institutions, are larger, more established, and have greater financial and other resources than we do. Our competitors could prevent us from obtaining or maintaining desirable locations for our ATMs, cause us to reduce the surcharge revenue generated by transactions at our ATMs, or cause us to pay higher merchant fees, thereby reducing our profits. In addition to our current competitors, additional competitors may enter the market. We can offer no assurance that we will be able to compete effectively against these current and future competitors. Increased competition could result in transaction fee reductions, reduced gross margins and loss of market share.

In the United Kingdom, we face competition from several companies with operations larger than our own. Many of these competitors have financial and other resources substantially greater than our U.K. subsidiary.

The election of our merchant customers to not participate in our surcharge-free network offerings could impact the networks effectiveness, which would negatively impact our financial results.

Financial institutions that are members of our Allpoint and MasterCard® surcharge-free networks pay a fee in exchange for allowing their cardholders to use selected Cardtronics owned and/or managed ATMs on a surcharge-free basis. The success of these networks is dependent upon the participation by our merchant customers in such networks. In the event a significant number of our merchants elect not to participate in such networks, the benefits and effectiveness of the networks would be diminished, thus potentially causing some of the participating financial institutions to not renew their agreements with us, and thereby negatively impacting our financial results.

We may be unable to integrate our recent and future acquisitions in an efficient manner and inefficiencies would increase our cost of operations and reduce our profitability.

Our acquisitions involve certain inherent risks to our business, including the following:

- the operations, technology, and personnel of any acquired companies may be difficult to integrate;

- the allocation of management resources to consummate these transactions may disrupt our day-to-day business; and

- acquired networks may not achieve anticipated revenues, earnings or cash flow. Such a shortfall could require us to write down the carrying value of the intangible assets associated with any acquired company, which would adversely affect our reported earnings.

Since April 2001, we have acquired 14 ATM networks and one surcharge-free ATM network. Prior to our E*TRADE Access acquisition in June 2004, we had acquired only the assets of deployed ATM networks, rather than businesses and their related infrastructure. We currently anticipate that our future acquisitions will likely reflect a mix of asset acquisitions and acquisitions of businesses, with each acquisition having its own set of unique characteristics. To the extent that we elect to acquire an existing company or the operations, technology, and personnel of another ATM provider, we may assume some or all of the liabilities associated with the acquired company and face new and added challenges integrating such acquisition into our operations.

The 7-Eleven ATM Transaction involves certain inherent risks to our business. Most notably, our existing management, information systems, and resources may be strained due to the size of the 7-Eleven ATM Transaction. Accordingly, we will need to continue to invest in and improve our financial and managerial controls, reporting systems, and procedures as we look to integrate

the acquired 7-Eleven ATM operations. We will also need to hire, train, supervise, and manage new employees. We may be unsuccessful in those efforts, thus hindering our ability to effectively manage the expansion of our operations resulting from this acquisition. Furthermore, the advanced-functionality services we provide through the Vcom^tm units may subject us or our service providers to additional requirements such as permit applications or regulatory filings. As a result, we may need to discontinue certain Vcom^tm operations in certain jurisdictions until such requirements have been fulfilled. Furthermore, if we are unsuccessful in integrating the 7-Eleven ATM Transaction, or if our integration efforts take longer than anticipated, we may not achieve the level of revenues, earnings or cash flows anticipated from such acquisition. If that were to occur, such shortfalls could require us to write down the carrying value of the tangible and intangible assets associated with the acquired operations, which would adversely impact our reported operating results.

Any inability on our part to manage effectively our past or future growth could limit our ability to successfully grow the revenue and profitability of our business.

Our international operations involve special risks and may not be successful, which would result in a reduction of our gross profits.

On a pro forma basis as of December 31, 2006 and on a historical basis as of September 30, 2007, approximately 5.6% and 9.2% of our ATMs were located in the U.K. and Mexico, respectively. Those ATMs contributed 12.8% and 16.9% of our pro forma gross profits (exclusive of depreciation, accretion, and amortization) for the year ended December 31, 2006 and the nine months ended September 30, 2007, respectively, and 13.0% and 17.6% of our pro forma gross profits (inclusive of depreciation, accretion, and amortization) for the year ended December 31, 2006 and the nine months ended September 30, 2007, respectively. We expect to continue to expand in the U.K. and Mexico and potentially into other countries as opportunities arise.

Our international operations are subject to certain inherent risks, including:

- exposure to currency fluctuations, including the risk that our future reported operating results could be negatively impacted by unfavorable movements in the functional currencies of our international operations relative to the United States dollar, which represents our consolidated reporting currency;

- difficulties in complying with the different laws and regulations in each country and jurisdiction in which we operate, including unique labor and reporting laws;

- unexpected changes in laws, regulations, and policies of foreign governments or other regulatory bodies, including changes that could potentially disallow surcharging or that could result in a reduction in the amount of interchange fees received per transaction;

- difficulties in staffing and managing foreign operations, including hiring and retaining skilled workers in those countries in which we operate; and

- potentially adverse tax consequences, including restrictions on the repatriation of foreign earnings.

Any of these factors could reduce the profitability and revenues derived from our international operations and international expansion.

Our proposed expansion efforts into new international markets involve unique risks and may not be successful.

We currently plan to expand our operations internationally with a focus on high growth emerging markets, such as Central and Eastern Europe, China, India and Brazil. Because the off-premise ATM industry is relatively undeveloped in these emerging markets, we may not be

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successful in these expansion efforts. In particular, many of these markets do not currently employ or support an off-premise ATM surcharging model, meaning that we would have to rely on interchange fees as our primary source of revenue. While we have had some success in deploying non-surcharging ATMs in selected markets (most notably in the United Kingdom), such a model requires significant transaction volumes to make it economically feasible to purchase and deploy ATMs. Furthermore, most of the ATMs in these markets are owned and operated by financial institutions, thus increasing the risk that cardholders would be unwilling to utilize an off-premise ATM with an unfamiliar brand. Finally, the regulatory environments in many of these markets are evolving and unpredictable, thus increasing the risk that a particular deployment model chosen at inception may not be economically viable in the future.

We operate in a changing and unpredictable regulatory environment. If we are subject to new legislation regarding the operation of our ATMs, we could be required to make substantial expenditures to comply with that legislation, which may reduce our net income and our profit margins.

With its initial roots in the banking industry, the U.S. ATM industry has always been regulated, if not by individual states, then by the rules and regulations of the federal Electronic Funds Transfer Act, which establishes the rights, liabilities, and responsibilities of participants in EFT systems. The vast majority of states have few, if any, licensing requirements. However, legislation related to the U.S. ATM industry is periodically proposed at the state and local level. To date, no such legislation has been enacted that materially adversely affects our business.

In the United Kingdom, the ATM industry is largely self-regulating. Most ATMs are part of the LINK network and must operate under the network rules set forth by LINK, including complying with rules regarding required signage and screen messages. Additionally, legislation is proposed from time-to-time at the national level, though nothing to date has been enacted that materially affects our business.

Finally, the ATM industry in Mexico has been historically operated by financial institutions. The Central Bank of Mexico (Banco de Mexico) supervises and regulates ATM operations of both financial institutions and non-bank ATM deployers. Although, Banco de Mexico s regulations permit surcharge fees to be charged in ATM transactions, it has not issued specific regulations for the provision of ATM services. In addition, in order for an non-bank ATM deployer to provide ATM services in Mexico, the deployer must be affiliated with Promoción y Operación S.A. de C.V. (PROSA-RED), a credit card and debit card proprietary network that transmits information and settles ATM transactions between its participants. As only financial institutions are allowed to be participants of PROSA-RED, Cardtronics Mexico entered into a joint venture with Bansi, who is a member of PROSA-RED. As a financial institution, Bansi and all entities in which it participates, including Cardtronics Mexico, are regulated by the Ministry of Finance and Public Credit *(* Secretaria de Hacienda y Crédito Público) and supervised by the Banking and Securities Commission (Comisión Nacional Bancaria y de Valores). Additionally, Cardtronics Mexico is subject to the provisions of the Ley del Banco de Mexico (Law of Banco de Mexico), the Ley de Instituciones de Crédito (Mexican Banking Law), and the Ley para la Transparencia y Ordenamiento de los Servicios Financieros (Law for the Transparency and Organization of Financial Services).

We will continue to monitor all such legislation and attempt, to the extent possible, to prevent the passage of such laws that we believe are needlessly burdensome or unnecessary. If regulatory legislation is passed in any of the jurisdictions in which we operate, we could be required to make substantial expenditures which would reduce our net income.

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The passing of legislation banning or limiting surcharge fees would severely impact our revenue.

Despite the nationwide acceptance of surcharge fees at ATMs, a few consumer activists (most notably in California) have from time to time attempted to impose local bans on surcharge fees. Even in the few instances where these efforts have passed the local governing body (such as with an ordinance adopted by the city of Santa Monica, California), federal courts have overturned these local laws on federal preemption grounds. However, those efforts may resurface and, should the federal courts abandon their adherence to the federal preemption doctrine, those efforts could receive more favorable consideration than in the past. Any successful legislation banning or limiting surcharge fees could result in a substantial loss of revenues and significantly curtail our ability to continue our operations as currently configured.

In the United Kingdom, the Treasury Select Committee of the House of Commons published a report regarding surcharges in the ATM industry in March 2005. This committee was formed to investigate public concerns regarding the ATM industry, including (1) adequacy of disclosure to ATM customers regarding surcharges, (2) whether ATM providers should be required to provide free services in low-income areas and (3) whether to limit the level of surcharges. While the committee made numerous recommendations to Parliament regarding the ATM industry, including that ATMs should be subject to the Banking Code (a voluntary code of practice adopted by all financial institutions in the U.K.), the U.K. government did not accept the committee s recommendations. Despite the rejection of the committee s recommendations, the U.K. government did sponsor an ATM task force to look at social exclusion in relation to ATM services. As a result of the task force s findings, approximately 600 additional free-to-use ATMs will be installed in low income areas throughout the U.K. during 2007. While this is less than a two percent increase in free-to-use ATMs through the U.K., there is no certainty that other similar proposals will not be made and accepted in the future. If the legislature or another body with regulatory authority in the U.K. were to impose limits on the level of surcharges for ATM transactions, our revenue from operations in the U.K. would be negatively impacted.

In Mexico, surcharging for off-premise ATMs was legalized in late 2003, but was not formally implemented until July 2005. As such, the charging of fees to consumers to utilize off-premise ATMs is a relatively new experience in Mexico. Accordingly, it is too soon to predict whether public concerns over surcharging will surface in Mexico. However, if such concerns were to be raised, and if the applicable legislative or regulatory bodies in Mexico decided to impose limits on the level of surcharges for ATM transactions, our revenue from operations in Mexico would be negatively impacted.

The passing of legislation requiring modifications to be made to ATMs could severely impact our cash flows.

Under a current ruling of the U.S. District Court, it was determined that the United States currencies (as currently designed) violate the Rehabilitation Act, as the paper currencies issued by the U.S. are identical in size and color, regardless of denomination. Under the ruling, the U.S. Treasury Department has been ordered to develop ways in which to differentiate paper currency such that an individual who is visually-impaired would be able to distinguish between the different denominations. While it is still uncertain at this time what the outcome of the appeals process will be, in the event the current ruling is not overturned, participants in the ATM industry (including us) could be forced to incur significant costs to upgrade current machines hardware and software components. If required, such capital expenditures could limit our free cash such that we do not have enough cash available for the execution of our growth strategy, research and development costs, or other purposes.

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The passing of anti-money laundering legislation could cause us to lose certain merchant accounts and reduce our revenues.

Recent concerns by the U.S. federal government regarding the use of ATMs to launder money could lead to the imposition of additional regulations on our sponsoring financial institutions and our merchant customers regarding the source of cash loaded into their ATMs. In particular, such regulations could result in the incurrence of additional costs by individual merchants who load their own cash, thereby making their ATMs less profitable. Accordingly, some individual merchants may decide to discontinue their ATM operations, thus reducing the number of merchant-owned accounts that we currently manage. If such a reduction were to occur, we would see a corresponding decrease in our revenues.

A substantial portion of our future revenues and operating profits will be generated by the new 7-Eleven merchant relationship. Accordingly, if 7-Eleven s financial condition deteriorates in the future and it is required to close some or all of its store locations, or if our ATM placement agreement with 7-Eleven expires or is terminated, our future financial results would be significantly impaired.

7-Eleven is now the single largest merchant customer in our portfolio, representing 35.8% and 33.6% of our total pro forma revenues for the year ended December 31, 2006 and nine months ended September 30, 2007, respectively. Accordingly, a significant percentage of our future revenues and operating income will be dependent upon the successful continuation of our relationship with 7-Eleven. If 7-Eleven s financial condition were to deteriorate in the future and, as a result, it was required to close a significant number of its domestic store locations, our financial results would be significantly impacted. Additionally, while the underlying ATM placement agreement with 7-Eleven has an initial term of 10 years, we may not be successful in renewing such agreement with 7-Eleven upon the end of that initial term, or such renewal may occur with terms and conditions that are not as favorable to us as those contained in the current agreement. Finally, the ATM placement agreement executed with 7-Eleven contains certain terms and conditions that, if we fail to meet such terms and conditions, gives 7-Eleven the right to terminate the placement agreement or our exclusive right to provide certain services.

In connection with the 7-Eleven ATM Transaction, we acquired advanced-functionality Vcom^tm machines with significant potential for providing new services. Failure to achieve market acceptance among users could lead to continued losses from the Vcom^tm Services, which could adversely affect our operating results.

In the 7-Eleven ATM Transaction, we acquired approximately 5,500 ATM machines, including 2,000 advanced-functionality Vcom^tm machines. Advanced-functionality includes check cashing, money transfer, and bill payment services (collectively, the Vcom^tm Services), as well as off-premise deposit services using electronic imaging. Additional growth opportunities that we believe to be associated with the acquisition of Vcom^tm machines, including possible services expansion of our existing ATMs, may be impaired if we cannot achieve market acceptance among users or if we cannot implement the right mix of services and locations or adopt effective targeted marketing strategies.

We have estimated that the Vcom^tm Services generated an operating profit of $11.4 million for the year ended December 31, 2006 and an operating loss of $3.6 million for the nine months ended September 30, 2007. However, excluding the upfront placement fees, which may not continue in the future, the Vcom^tm Services generated operating losses of $6.6 million and $7.8 million for the year ended December 31, 2006 and for the nine months ended September 30, 2007, respectively. For the period from the acquisition (July 20, 2007) through September 30, 2007, the Vcom^tm Services generated an operating loss of $2.1 million. By continuing to provide the Vcom^{tm} Services, we currently expect that we may incur up to $10.0 million operating losses associated with such services for the first 12-18 months subsequent to the 7-Eleven ATM Transaction. We plan to continue to operate the Vcom^{tm} units and restructure the Vcom^{tm} operations to improve the financial results of the acquired Vcom^{tm} operations; however, we may be unsuccessful in this effort. In the event we are not able to improve the operating results and we incur cumulative losses of $10.0 million associated with providing the Vcom^{tm} Services, our current intent is to terminate the Vcom^{tm} Services and utilize the Vcom^{tm} machines solely to provide traditional ATM services. However, even if we are unsuccessful in improving its operating results, we may decide not to exit this business immediately but rather extend the period of time it takes to restructure the acquired Vcom^{tm} operations, thus potentially resulting in losses of greater than $10.0 million. The future losses associated with the acquired Vcom^{tm} operations could be significantly higher than those currently estimated, which would negatively impact our future operating results and financial condition. Even if we decide to terminate the provision of Vcom^{tm} Services, our operating income may not improve because our estimate of historical losses was based on a review of the expenses of the financial services business of 7-Eleven Inc., which required us to allocate the expenses not directly associated with the provision of Vcom^{tm} Services. In addition, in the event we decide to terminate the Vcom^{tm} Services, we may be required to pay up to $1.5 million of contract termination payments, and may incur additional costs and expenses, which could negatively impact our future operating results and financial condition. Finally, to the extent we pursue future advanced functionality services independent of our Vcom efforts as indicated in Prospectus Summary Our Strategy, we can provide no assurance that such efforts will be profitable.

Material weaknesses previously identified in our internal control over financial reporting by our independent registered public accounting firm could result in a material misstatement to our financial statements as well as result in our inability to file periodic reports within the time periods required by federal securities laws, which could have a material adverse effect on our business and stock price.

We are required to design, implement, and maintain effective controls over financial reporting. In connection with the preparation of our consolidated financial statements as of and for the years ended December 31, 2006 and 2005, our independent registered public accounting firm identified certain control deficiencies, which represent material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company s annual or interim financial statements will not be prevented or detected on a timely basis. Specifically, our independent registered public accounting firm identified material weaknesses regarding our ability to account for complex or unusual transactions, including (1) deferred financing cost adjustments related to our debt modifications and refinancings, and (2) modifications to our asset retirement obligations. These material weaknesses resulted in, or contributed to, adjustments to our financial statements and, in certain cases, restatement of prior financial statements. While we have taken action to remediate the identified weaknesses, including the hiring of additional personnel with the requisite accounting skills and expertise, we cannot provide assurance that the measures we have taken or any future measures will adequately remediate the material weaknesses identified by our independent registered public accounting firm. Failure to implement new or improved controls, or any difficulties encountered in the implementation of such controls, could result in a material misstatement in our annual or interim consolidated financial statements that would not be prevented or detected. Such material misstatement could require us to restate our financial statements or otherwise cause investors to lose confidence in our reported financial information.

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We are required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which will require annual management assessments and a report by our independent registered public accounting firm on the effectiveness of our internal control over financial reporting. We must complete our Section 404 annual management report and include the report beginning in our 2007 Annual Report on Form 10-K, which will be filed in early 2008. Additionally, our independent registered public accounting firm must complete its attestation report, which must be included beginning in our 2008 Annual Report on Form 10-K, which will be filed in early 2009. As described above, our independent registered public accounting firm has identified material weaknesses in our internal control over financial reporting, and we or it may discover additional material weaknesses or deficiencies, which we may not be able to remediate in time to meet our deadline for compliance with Section 404. Testing and maintaining internal controls may divert our management s attention from other matters that are important to our business. We may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 or our independent registered public accounting firm may not issue a favorable assessment. We cannot be certain as to the timing of completion of our evaluation, testing, and remediation actions or their effect on our operations. If either we are unable to conclude that we have effective internal control over financial reporting or our independent registered public accounting firm is unable to provide us with an unqualified report, investors could lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

Failure to remediate any identified material weaknesses could cause us to not meet our reporting obligations. The rules of the Securities and Exchange Commission (SEC) require that we file periodic reports containing our financial statements within a specified time following the completion of quarterly and annual fiscal periods. Any failure by us to timely file our periodic reports with the SEC may result in a number of adverse consequences that could materially and adversely impact our business, including, without limitation, potential action by the SEC against us, possible defaults under our debt arrangements, shareholder lawsuits, delisting of our stock from The Nasdaq Global Market, and general damage to our reputation.

Our operating results have fluctuated historically and could continue to fluctuate in the future, which could affect our ability to maintain our current market position or expand.

Our operating results have fluctuated in the past and may continue to fluctuate in the future as a result of a variety of factors, many of which are beyond our control, including the following:

- changes in general economic conditions and specific market conditions in the ATM and financial services industries;
- changes in payment trends and offerings in the markets in which we operate;
- competition from other companies providing the same or similar services that we offer;
- the timing and magnitude of operating expenses, capital expenditures, and expenses related to the expansion of sales, marketing, and operations, including as a result of acquisitions, if any;
- the timing and magnitude of any impairment charges that may materialize over time relating to our goodwill, intangible assets or long-lived assets;
- changes in the general level of interest rates in the markets in which we operate;
- changes in regulatory requirements associated with the ATM and financial services industries;

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- changes in the mix of our current services; and
- changes in the financial condition and credit risk of our customers.

Any of the foregoing factors could have a material adverse effect on our business, results of operations, and financial condition. Although we have experienced growth in revenues in recent quarters, this growth rate is not necessarily indicative of future operating results. A relatively large portion of our expenses are fixed in the short-term, particularly with respect to personnel expenses, depreciation and amortization expenses, and interest expense. Therefore, our results of operations are particularly sensitive to fluctuations in revenues. As such, comparisons to prior periods should not be relied upon as indications of our future performance.

If our goodwill or other intangible assets become impaired, we may be required to record a significant charge to earnings.

We have a large amount of goodwill and other intangible assets and are required to perform periodic assessments for any possible impairment for accounting purposes. At September 30, 2007, we had goodwill and other intangible assets of $371.2 million, or approximately 66% of our total assets. We evaluate periodically the recoverability and the amortization period of our intangible assets under GAAP. Some factors that we consider to be important in assessing whether or not impairment exists include the performance of the related assets relative to the expected historical or projected future operating results, significant changes in the manner of our use of the assets or the strategy for our overall business, and significant negative industry or economic trends. These factors, assumptions, and changes in them could result in an impairment of our goodwill and other intangible assets. We may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, resulting in an impact on our results of operations, the effect of which could be material. For example, in the quarter ended September 30, 2007 we recorded approximately $5.1 million of impairment charges related to our merchant contract with Target, which we acquired in 2004. Other impairment charges in the future may also adversely affect our results of operations.

We have a substantial amount of indebtedness, which may adversely affect our cash flow and our ability to operate our business, remain in compliance with debt covenants and make payments on our indebtedness.

As of September 30, 2007, we had outstanding indebtedness of approximately $408.9 million, which represents approximately 95.9% of our total capitalization of $426.4 million.

Our substantial indebtedness could have important consequences to you. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including financial and other restrictive covenants, could result in an event of default under the indentures governing our senior subordinated notes and the agreements governing our other indebtedness;
- require us to dedicate a substantial portion of our cash flow to pay principal and interest on our debt, which will reduce the funds available for working capital, capital expenditures, acquisitions, and other general corporate purposes;
- limit our flexibility in planning for and reacting to changes in our business and in the industry in which we operate;

- make us more vulnerable to adverse changes in general economic, industry and competitive conditions, and adverse changes in government regulation;
- limit our ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our growth strategy, research and development costs, or other purposes; and
- place us at a disadvantage compared to our competitors who have less debt.

Any of the above listed factors could materially and adversely affect our business and results of operations. If we do not have sufficient earnings to service our debt, we may be required to refinance all or part of our existing debt, sell assets, borrow more money or sell securities, none of which we can guarantee we will be able to do.

The terms of our credit agreement and the indentures governing our senior subordinated notes may restrict our current and future operations, particularly our ability to respond to changes in our business or to take certain actions.

Our credit agreement and the indentures governing our senior subordinated notes include a number of covenants that, among other items, restrict our ability to:

- sell or transfer property or assets;
- pay dividends on or redeem or repurchase stock;
- merge into or consolidate with any third party;
- create, incur, assume or guarantee additional indebtedness;
- create certain liens;
- make investments;
- engage in transactions with affiliates;
- issue or sell preferred stock of restricted subsidiaries; and
- enter into sale and leaseback transactions.

In addition, we are required by our credit agreement to maintain specified financial ratios and limit the amount of capital expenditures incurred in any given 12-month period. As a result of these ratios and limits, we are limited in the manner in which we conduct our business and may be unable to engage in favorable business activities or finance future operations or capital needs. Accordingly, these restrictions may limit our ability to successfully operate our business and prevent us from fulfilling our debt obligations. A failure to comply with the covenants or financial ratios could result in an event of default. In the event of a default under our credit agreement, the lenders could exercise a number of remedies, some of which could result in an event of default under the indentures governing the senior subordinated notes. An acceleration of indebtedness under our credit agreement would also likely result in an event of default under the terms of any other financing arrangement we have outstanding at the time. If any or all of our debt were to be accelerated, there can be no assurance that our assets would be sufficient to repay any such indebtedness in full. If we are unable to repay outstanding borrowings under our bank credit facility when due the lenders will have the right to proceed against the collateral securing such indebtedness. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Financing Facilities for an additional discussion of our financing instruments.

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Risks Related to the Offering

There is no existing market for our common stock, and an active trading market may not develop.

There has not been a public market for our common stock. We cannot predict the extent to which investor interest in us will lead to the development of an active trading market on The Nasdaq Global Market or otherwise or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy. The initial public offering price for the shares will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell shares of our common stock at prices equal to or greater than the price paid by you in this offering.

We do not intend to pay, and we are currently prohibited from paying, dividends on our common stock and, consequently, your only opportunity to achieve a return on your investment is if the price of our stock appreciates.

We do not plan to declare dividends on shares of our common stock in the foreseeable future. Additionally, we are currently prohibited from making any cash dividends pursuant to the terms of our credit facility. Consequently, your only opportunity to achieve a return on your investment in us will be if the market price of our common stock appreciates, which may not occur, and you sell your shares at a profit. There is no guarantee that the price of our common stock that will prevail in the market after this offering will ever exceed the price that you pay.

Future sales of our common stock in the public market could lower our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us.

We may sell additional shares of common stock in subsequent public offerings. We may also issue additional shares of common stock or convertible securities. After the completion of this offering, we will have 38,566,207 outstanding shares of common stock. This number includes 12,000,000 shares that we are selling in this offering, which may be resold immediately in the public market. The remaining 26,566,207 shares, or 68.9% of our total outstanding shares, are restricted from immediate resale under the federal securities laws and a substantial portion of them are subject to the lock-up agreements between our current stockholders and the underwriters described in Underwriting, but may be sold into the market in the near future.

All of our existing stockholders are parties to an investors agreement with us. Under that agreement, certain of these stockholders will have the right, after the expiration of the lock-up period of 180 days from the effective date of this registration statement, to require us to effect the registration of their shares. In addition, if we propose to register, or are required to register following the exercise of registration rights, any of our shares of common stock under the Securities Act, all the stockholders who are parties to the investors agreement will be entitled to include their shares of common stock in that registration.

We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of shares of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices of our common stock.

You will suffer immediate and substantial dilution.

The initial public offering price per share is substantially higher than the pro forma net tangible book value per share immediately after the offering. As a result, you will pay a price per share that substantially exceeds the book value of our assets after subtracting our liabilities. At the initial public offering price of $10.00, you will incur immediate and substantial dilution in the amount of $17.23 per share. We also have outstanding stock options to purchase shares of our common stock at a weighted average exercise price of $6.99 per share. To the extent these options are exercised, you will experience further dilution. Investors who purchase common stock in this offering will have purchased 31.1% of the shares outstanding immediately after the offering, but will have paid 58.4% of the total consideration for our shares. See Dilution for more information.

Your ability to influence corporate matters may be limited because a small number of stockholders beneficially own a substantial amount of our common stock.

CapStreet II, L.P. and CapStreet Parallel II, L.P. (together with The CapStreet Group LLC, The CapStreet Group) and TA Associates are our largest equity stockholders. After giving effect to this offering, assuming no exercise by the underwriters of their over-allotment option, affiliates of The CapStreet Group will beneficially own approximately 9,096,567 shares, or 22.1%, of our common stock, and affiliates of TA Associates will beneficially own approximately 12,171,472 shares, or 29.5%, of our common stock. The percentage and number of shares owned by each of these stockholders after giving effect to this offering will vary based upon the initial public offering price. As a result of their ownership interests, these investors will be in a position to exert significant influence over the outcome of matters requiring a stockholder vote, including the election of directors, the entering into of mergers, sales of substantially all of our assets and other extraordinary transactions, and amendments to our certificate of incorporation or bylaws. In addition, this concentration of ownership may have the effect of preventing, discouraging or deferring a change of control, which could depress the market price of our common stock. See Certain Relationships and Related Party Transactions and Principal Stockholders.

Certain of our directors may have conflicts of interest because they are affiliated with significant stockholders. The resolution of these conflicts of interest may not be in our or your best interests.

Following the closing of this offering, certain of our directors may have conflicts of interest because of their affiliation with significant stockholders. Fred Lummis is associated with The CapStreet Group and Mike Wilson is associated with TA Associates. This may create conflicts of interest because Fred Lummis has responsibilities to The CapStreet Group and its owners and Mike Wilson has responsibilities to TA Associates and its owners. Their duties to The CapStreet Group and TA Associates may conflict with their duties as directors of our company regarding business dealings between these investor groups and us and other matters. The resolution of these conflicts may not always be in our or your best interests. For example, The CapStreet Group and TA Associates are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. The CapStreet Group and TA Associates may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. There is no formal mechanism among The CapStreet Group, TA Associates, and Cardtronics for handling potential conflicts of interest. See Certain Relationships and Related Party Transactions and Principal Stockholders.

Affiliates of certain of our underwriters are lenders under our revolving credit facility. Because proceeds of this offering will be used to repay borrowings under that facility, those underwriters have interests in this offering beyond customary underwriting discounts and commissions.

Affiliates of Banc of America Securities LLC and J.P. Morgan Securities Inc. are lenders under our revolving credit facility and will receive a portion of the proceeds of this offering, which will be used to repay in full the amount outstanding under the revolving credit facility. See Use of Proceeds and Underwriting. These underwriters, through their affiliates, may be deemed to receive financial benefits as a result of the consummation of this offering beyond the benefits customarily received by underwriters in similar offerings.

Anti-takeover provisions in our third amended and restated certificate of incorporation, our amended and restated bylaws, and Delaware law could discourage a change of control that our stockholders may favor, which could negatively affect our stock price.

Provisions in our third amended and restated certificate of incorporation and our amended and restated bylaws and applicable provisions of the Delaware General Corporation Law may make it more difficult and expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our stockholders. These provisions could discourage potential takeover attempts and could adversely affect the market price of our common stock. Our third amended and restated certificate of incorporation and our amended and restated bylaws, which will be in effect at the time this offering is consummated, and the Delaware General Corporation Law will:

- authorize the issuance of blank check preferred stock that could be issued by our board of directors to thwart a takeover attempt;

- classify the board of directors into staggered, three-year terms, which may lengthen the time required by a third party to gain control of our board of directors;

- discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of two years after the person becomes an interested stockholder, unless such a transaction has met certain fair market value requirements;

- prohibit cumulative voting in the election of directors, which would otherwise allow holders of less than a majority of stock to elect some directors;

- require super-majority voting to effect amendments to certain provisions of our certificate of incorporation or bylaws, including those provisions concerning the composition of the board of directors and the taking of action by stockholders by written consent;

- limit who may call special meetings of both the board of directors and stockholders;

- prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders;

- establish advance notice requirements for nominating candidates for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholders meetings; and

- require that vacancies on the board of directors, including newly-created directorships, be filled only by a majority vote of directors then in office.

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INDUSTRY AND MARKET DATA

In this prospectus, we rely on and refer to information and statistics regarding economic trends and conditions and other data pertaining to the ATM industry. We have obtained this data from our own research, surveys and studies conducted by third parties such as Dove Consulting Group, Inc., industry or other publications, such as *ATM&Debit News,* the *U.K. Payment Statistics* publication from APACS, and other publicly available sources. We believe that our sources of information and estimates are reliable and accurate, but we have not independently verified them. Our statements about the ATM industry in general, the number and type of ATMs in various markets, and the size and operations of our competitors in this prospectus are based on our management s belief, this statistical data, internal studies, and our knowledge of industry trends.

INTELLECTUAL PROPERTY

We own or have rights to various trademarks, copyrights and trade names used in our business, including the following: CARDTRONICS (registered with the U.S. Patent & Trademark Office registration no. 1.970.030); bankmachine (registered under the Trade Marks Act of 1994 of Great Britain and Northern Ireland trademark registration no. 2350262); ALLPOINT (registered with the U.S. Patent & Trademark Office registration no. 2.940.550); and VCOM (registered with the U.S. Patent & Trademark Office registration no. 2.598.789). This prospectus also includes trademarks, service marks, and trade names of other companies.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. We may, in some cases, use words such as project, believe, anticipate, plan, expect, estimate, intend, should, would, could, v words that convey uncertainty of future events or outcomes to identify these forward-looking statements. Forward-looking statements in this prospectus may include statements about:

- our financial outlook and the financial outlook of the ATM industry;
- our ability to compete successfully with our competitors;
- our use of our proceeds from this offering;
- our cash needs;
- implementation of our corporate strategy;
- our financial performance;
- our ability to expand our bank branding and surcharge-free service offerings;
- our ability to provide new ATM solutions to financial institutions;
- our ability to pursue and successfully integrate acquisitions;
- our ability to implement new services on the recently-acquired advanced-functionality Vcom^{tm} units;
- our ability to strengthen existing customer relationships and reach new customers;

our ability to expand internationally; and

our ability to meet the service levels required by our service level agreements with our customers.

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There are a number of important factors that could cause actual results to differ materially from the results anticipated by these forward-looking statements. These important factors include those that we discuss in this prospectus under the caption Risk Factors. You should read these factors and the other cautionary statements made in this prospectus as being applicable to all related forward-looking statements wherever they appear in this prospectus. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, except as required by law, whether as a result of new information, future events or otherwise.

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USE OF PROCEEDS

We are offering 12,000,000 shares of our common stock. Certain stockholders have also granted the underwriters an option to purchase up to an aggregate of 1,800,000 additional shares of our common stock to cover over-allotments. We will not receive any of the proceeds from the sale of shares by these certain stockholders if the over-allotment option is exercised.

We estimate that our net proceeds from the sale of the shares of common stock by us will be approximately $110.1 million, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds from this offering to repay amounts outstanding under our existing revolving credit facility, which may be drawn down again in the future. That facility, which consists of a $175.0 million revolving line of credit, matures in May 2012 and bears interest at a variable rate based upon LIBOR or prime rate, at our option. As of December 10, 2007, we had approximately $115.6 million in borrowings under the facility, and we had $51.9 million available for additional borrowings. The weighted average interest rate on these borrowings was approximately 7.9%. Of the outstanding borrowings under the facility, approximately $45.0 million was used to help fund the acquisition of the financial services business of 7-Eleven on July 20, 2007 and the balance was primarily drawn to fund working capital and capital expenditure needs. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Financing Facilities Revolving Credit Facility for additional information regarding our credit facility.

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DIVIDEND POLICY

We do not expect to pay dividends on our common stock for the foreseeable future. Instead, we anticipate that all of our earnings in the foreseeable future will be used for the operation and growth of our business. Our ability to pay dividends to holders of our common stock is currently prohibited by the terms of our credit facility. Any future determination to pay dividends on our common stock is subject to the discretion of our board of directors and will depend upon various factors, including our financial position, results of operations, liquidity requirements, restrictions that may be imposed by applicable law and our contracts, including our credit facility and the indentures governing our senior subordinated notes, and other factors deemed relevant by our board of directors. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Financing Facilities for additional information on the restrictions and covenants in our credit facility and indentures.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of September 30, 2007:

on an actual basis; and

on an as adjusted basis giving effect to (1) our sale of 12,000,000 shares of our common stock in this offering, (2) the application of the estimated net proceeds from the offering as discussed under Use of Proceeds, (3) the conversion of our Series B Convertible Preferred Stock into shares of our common stock in connection with the offering, and (4) a 7.9973 to 1 stock split of our common stock that will occur immediately prior to the closing of the offering.

You should read this table together with the Use of Proceeds, Unaudited Pro Forma Condensed Consolidated Financial Statements, Management s Discussion and Analysis of Financial Condition and Results of Operations, Description of Capital Stock, and our consolidated financial statements included elsewhere in this prospectus.

	As of September 30, 2007	
	Actual (Unaudited)	**As Adjusted (Unaudited)**
	(in thousands, except share and per share data)	
Cash and cash equivalents	$ 6,118	$ 10,618
Debt (including current maturities):		
Revolving credit facility [1][2]	$ 105,600	$
Long-term notes payable and capital lease obligations	7,351	7,351
$100.0 million 91/4% senior subordinated notes due 2013 Series B issued in 2007, net of $2.9 million discount	97,073	97,073
$200.0 million 91/4% senior subordinated notes due 2013 issued in 2005, net of $1.1 million discount	198,886	198,886
Total debt	408,910	303,310
Series B redeemable convertible preferred stock [3]	76,794	
Stockholders equity (deficit):		
Common stock, par value $0.0001 per share, 5,000,000 shares authorized actual and 125,000,000 shares authorized as adjusted; 2,394,509 shares issued actual and 43,602,680 shares issued as adjusted; and 1,764,735 shares outstanding actual and 38,566,207 shares outstanding as adjusted [3]		4
Subscriptions receivable (at face value)	(324)	(324)
Additional paid-in capital	3,625	190,515
Accumulated other comprehensive income, net	8,577	8,577
Accumulated deficit	(22,986)	(22,986)
Treasury stock, at cost, 629,774 shares actual and 5,036,473 shares as adjusted	(48,221)	(48,221)
Total stockholders equity (deficit)	(59,329)	127,565

Total capitalization	$ 426,375	$ 430,875

(1) Actual amount outstanding as of December 10, 2007 totaled approximately $115.6 million.

(2) As adjusted amount excludes approximately $7.5 million in outstanding letters of credit that were issued in connection with the 7-Eleven ATM Transaction. As of September 30, 2007, we would have been able to borrow approximately $61.9 million in additional funds based on the covenants contained in our revolving credit facility, as amended.

(3) Consists of Series B Convertible Preferred Stock, par value $0.0001 per share. As of September 30, 2007, there were 1,500,000 shares of Preferred Stock authorized, of which 929,789 shares of Series B Convertible Preferred Stock were issued and outstanding. The as adjusted amount assumes the conversion of all Series B Convertible Preferred Stock into shares of common stock and a stock split in the form of a stock dividend of our common stock immediately prior to the closing of the offering. See Certain Relationships and Related Party Transactions Preferred Stock Private Placement with TA Associates and Description of Capital Stock.

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DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the net tangible book value per share of our common stock after this offering. We calculate net tangible book value per share by dividing our net tangible book value, which equals total assets less goodwill, net other intangible assets and total liabilities, by the number of common shares outstanding. The pro forma net tangible book value of our common stock as of September 30, 2007, after giving effect to the impact of the conversion of our Series B Convertible Preferred Stock into common stock and the 7.9973 to 1 estimated stock split for our common shares, which will be effected immediately prior to the closing of the offering, was approximately $(388.9) million, or $(14.63) per share, based upon 26,566,207 shares outstanding. After giving effect to the sale of 12,000,000 shares of common stock by us in this offering at the initial public offering price of $10.00 per share, and after deducting the estimated underwriting discounts and commissions and offering expenses payable by us, our pro forma net tangible book value as of September 30, 2007 would have been $(278.8) million, or $(7.23) per share. This represents an immediate increase in net tangible book value of $7.40 per share to existing stockholders and an immediate dilution in net tangible book value of $17.23 per share to investors purchasing shares in this offering. The following table illustrates this per share dilution:

Initial public offering price per share		$ 10.00
Net tangible book value per share as of September 30, 2007	(13.31)	
Decrease attributable to conversion of Series B Convertible Preferred Stock	(1.32)	
Increase attributable to new public investors	7.40	
Pro forma net tangible book value per share after this offering		(7.23)
Dilution of net tangible book value per share to new investors		$ 17.23

The following table summarizes, on the same pro forma basis set forth above as of September 30, 2007, the total number of shares of common stock owned by existing stockholders and to be owned by new investors, the total consideration paid, and the average price per share paid by our existing stockholders and to be paid by new investors in this offering, calculated before deduction of estimated underwriting discounts and commissions.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	per Share
Existing stockholders	26,566,207	68.9%	$ 85,368,503	41.6%	$ 3.21
New investors	12,000,000	31.1%	120,000,000	58.4%	$ 10.00
Total	38,566,207	100.0%	$ 205,368,503	100.0%	

The tables above do not reflect the issuance of an additional 4,990,489 shares of common stock issuable upon the exercise of stock options that will be outstanding, but unexercised, after the offering. Exercise of the options with an exercise price of less than the initial public offering price will result in additional dilution of net tangible book value per share to new investors.

If the underwriters exercise their over-allotment option in full, the number of shares held by new investors will increase to 13,800,000 shares, or 35.8% of the total number of shares of common stock outstanding after this offering.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

The following selected historical consolidated financial and operating data should be read together with Unaudited Pro Forma Condensed Consolidated Financial Statements, Management s Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements and related notes included elsewhere in this prospectus. The selected consolidated balance sheet data as of December 31, 2005 and 2006 and the selected consolidated statements of operations data for the years ended December 31, 2004, 2005, and 2006 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The balance sheet data as of December 31, 2003 and 2004, and the statements of operations data for the year ended December 31, 2003 have been derived from our audited financial statements, while the balance sheet data as of December 31, 2002 and the statements of operations data for the year ended December 31, 2002 have been derived from our unaudited financial statements, none of which are included in this prospectus. The selected consolidated balance sheet data as of September 30, 2007, and the selected consolidated statements of operations data for the nine months ended September 30, 2006 and 2007 have been derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. The unaudited balance sheet data as of September 30, 2006 has been derived from our unaudited interim condensed consolidated financial statements for such period, which are not included in this prospectus. The unaudited interim period financial information, in the opinion of management, includes all adjustments, which are normal and recurring in nature, necessary for a fair presentation for the periods shown. Results for the nine months ended September 30, 2007 are not necessarily indicative of the results to be expected for the full year. Historical results are not necessarily indicative of the results to be expected in the future.

	Years Ended December 31,					Nine Months Ended September 30,	
	2002	2003	2004	2005	2006	2006	2007
						(Unaudited)	
	(in thousands, except share and per share amounts, ratios, and number of ATMs)						
Consolidated Statements of Operations Data:							
Revenues:							
ATM operating revenues	$ 59,183	$ 101,950	$ 182,711	$ 258,979	$ 280,985	$ 209,542	$ 251,854
Vcom^{tm} operating revenues							685
ATM product sales and other revenues	9,603	8,493	10,204	9,986	12,620	9,218	9,805
Total revenues	68,786	110,443	192,915	268,965	293,605	218,760	262,344
Cost of revenues:							
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization, shown separately below) (1)	49,134	80,286	143,504	199,767	209,850	157,225	191,046
Cost of Vcom^{tm} operating revenues							2,644

Cost of ATM product sales and other revenues	8,984	7,903	8,703	9,681	11,443	8,142	9,196
Total cost of revenues	58,118	88,189	152,207	209,448	221,293	165,367	202,886
Gross profit	10,668	22,254	40,708	59,517	72,312	53,393	59,458
Operating expenses:							
Selling, general, and administrative expenses (2)(3)	6,142	7,229	13,571	17,865	21,667	15,709	20,985
Depreciation and accretion expense	1,650	3,632	6,785	12,951	18,595	14,072	18,541
Amortization expense (4)	1,641	3,842	5,508	8,980	11,983	9,610	14,062
Total operating expenses	9,433	14,703	25,864	39,796	52,245	39,391	53,588
Income from operations	1,235	7,551	14,844	19,721	20,067	14,002	5,870

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	Years Ended December 31,					Nine Months Ended September 30,	
	2002	2003	2004	2005	2006	2006	2007
						(Unaudited)	
	(in thousands, except share and per share amounts, ratios, and number of ATMs)						
her expense:							
erest expense [5]	1,039	2,157	5,235	22,426	25,072	18,769	21,59
nority interest in osidiary			19	15	(225)	(128)	(28
her [6]	58	106	209	968	(4,761)	(740)	1,03
tal other expense	1,097	2,263	5,463	23,409	20,086	17,901	22,34
ome (loss) fore income taxes	138	5,288	9,381	(3,688)	(19)	(3,899)	(16,47
ome tax ovision (benefit)	111	1,955	3,576	(1,270)	512	(1,217)	3,21
ome (loss) fore cumulative ect of change in counting nciple	27	3,333	5,805	(2,418)	(531)	(2,682)	(19,68
mulative effect change in counting nciple for asset rement igations, net of ated income tax nefit of $80 [7]		134					
t income (loss)	27	3,199	5,805	(2,418)	(531)	(2,682)	(19,68
eferred stock idends and cretion expense	1,880	2,089	2,312	1,395	265	199	20
t income (loss) ailable to mmon ckholders	$ (1,853)	$ 1,110	$ 3,493	$ (3,813)	$ (796)	$ (2,881)	$ (19,88
t income (loss) common share:							
sic	$ (0.92)	$ 0.53	$ 1.56	$ (2.16)	$ (0.46)	$ (1.64)	$ (11.2

uted	$ (0.92)	$ 0.51	$ 1.47	$ (2.16)	$ (0.46)	$ (1.64)	$ (11.2
eighted average ares outstanding:							
sic	2,019,346	2,078,555	2,238,801	1,766,419	1,749,328	1,752,442	1,762,20
uted	2,019,346	2,171,824	2,372,204	1,766,419	1,749,328	1,752,442	1,762,20
o forma share and r share data(8):							
t income (loss) r common share:							
sic	$ (0.11)	$ 0.07	$ 0.20	$ (0.27)	$ (0.06)	$ (0.21)	$ (1.4
uted	$ (0.11)	$ 0.06	$ 0.18	$ (0.27)	$ (0.06)	$ (0.21)	$ (1.4
eighted average ares outstanding:							
sic	16,149,256	16,622,766	17,904,297	14,126,530	13,989,849	14,014,753	14,092,79
uted	16,149,256	17,368,664	18,971,157	14,126,530	13,989,849	14,014,753	14,092,79

	Years Ended December 31,					Nine Months Ended September 30,	
	2002	2003	2004	2005	2006	2006	2007
	(in thousands, except ratios and numbers of ATMs)						
Other Financial Data (unaudited):							
Ratio of earnings to fixed charges (9)		1.3x	1.5x				
Cash flows from operating activities	$ 4,491	$ 21,629	$ 20,466	$ 33,227	$ 25,446	$ 16,867	$ 35,189
Cash flows from investing activities	(15,023)	(29,663)	(118,926)	(139,960)	(35,973)	(25,933)	(179,469)
Cash flows from financing activities	10,741	10,404	94,318	107,214	11,192	7,773	147,693
Operating Data (unaudited):							
Total number of ATMs (at period end)	8,298	12,021	24,581	26,208	25,259	25,709	31,586
Total transactions	36,212	64,605	111,577	158,851	172,808	128,539	166,183
Total withdrawal transactions	28,955	49,859	86,821	118,960	125,078	93,756	113,934

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	As of December 31,					As of September 30,	
	2002	2003	2004	2005	2006	2006	2007
						(Unaudited)	
	(in thousands)						
Consolidated Balance Sheet Data:							
Cash and cash equivalents	$ 3,184	$ 5,554	$ 1,412	$ 1,699	$ 2,718	$ 475	$ 6,118
Total assets	34,843	65,295	197,667	343,751	367,756	354,914	562,201
Total long-term debt, including current portion	18,475	31,371	128,541	247,624	252,895	252,995	408,910
Preferred stock (10)	19,233	21,322	23,634	76,329	76,594	76,528	76,794
Total stockholders deficit	(9,024)	(6,329)	(340)	(49,084)	(37,168)	(44,887)	(59,329)

(1) Excludes depreciation, accretion, and amortization expense of $3.1 million, $6.8 million, $11.4 million, $20.6 million, and $29.2 million for the years ended December 31, 2002, 2003, 2004, 2005, and 2006, respectively, and $22.6 million and $31.3 million for the nine month periods ended September 30, 2006 and 2007, respectively.

(2) Includes non-cash stock-based compensation totaling $1.6 million, $1.0 million, $2.2 million, and $0.8 million in 2003, 2004, 2005, and 2006, respectively, as well as $0.6 million for the nine months ended September 30, 2006 and $0.7 million for the nine months ended September 30, 2007, related to options granted to certain employees and a restricted stock grant made to our Chief Executive Officer in 2003. Additionally, the 2004 results include a bonus of $1.8 million paid to our Chief Executive Officer related to the tax liability associated with such grant. No stock-based compensation was recorded in 2002. See Note 3 to our consolidated financial statements.

(3) Includes the write-off in 2004 of approximately $1.8 million in costs associated with our decision to not pursue a financing transaction to completion.

(4) Includes pre-tax impairment charges of $1.2 million and $2.8 million in 2005 and 2006, respectively, as well as $2.8 million and $5.3 million for the nine months ended September 30, 2006 and 2007, respectively.

(5) Includes the write-off of $5.0 million and $0.5 million of deferred financing costs in 2005 and 2006, respectively, as a result of (i) amendments to our existing credit facility and the repayment of our existing term loans in August 2005, and (ii) certain modifications made to our revolving credit facility in February 2006.

(6) The Other line item in 2002, 2003, 2004, and 2005 primarily consists of losses on the sale or disposal of assets. Other in 2006 reflects the recognition of approximately $4.8 million in other income primarily related to settlement proceeds received from Winn-Dixie Stores, Inc. (Winn-Dixie), one of our merchant customers, as part of its emergence from bankruptcy, a $1.1 million contract termination payment received from one of our customers, and a $0.5 million payment received from one of our customers related to the sale of a number of its stores to another party, which were partially offset by $1.6 million of losses on the sale or disposal of fixed

assets. Other for the nine months ended September 30, 2007 includes $1.5 million of losses on the disposal of fixed assets during the period, which were partially offset by $0.6 million of gains related to the sale of the Winn-Dixie equity securities, which we received from Winn-Dixie in 2006 as a part of its bankruptcy settlement.

(7) Reflects the effect of our adoption of Statement of Financial Accounting Standards (SFAS) No. 143, *Accounting for Asset Retirement Obligations*. See Note 1(m) to our consolidated financial statements.

(8) Gives effect to the anticipated stock split of our common stock in connection with the offering. The stock split reflected in the above pro forma net income (loss) per common share amounts reflects (i) the conversion mechanics applicable to the Series B Convertible Preferred Stock held by TA Associates, as described in Certain Relationships and Related Party Transactions, (ii) the conversion of the remaining Series B Convertible Preferred Stock into an equal number of common shares, and (iii) a resulting 7.9973 to 1 stock split for all common shares, which will be effected immediately prior to the closing of the offering.

(9) For purposes of determining the ratio of earnings to fixed charges, earnings are defined as our income from operations before income taxes, plus fixed charges. Fixed charges consist of interest expense on all indebtedness, amortization of debt issuance costs and the interest portion of lease payments. Earnings were insufficient to cover fixed charges by approximately $2.7 million for the year ended December 31, 2002, $5.4 million for the year ended December 31, 2005, and $0.2 million for the year ended December 31, 2006. Earnings were insufficient to cover fixed charges by approximately $4.0 million and $16.8 million for the nine months ended September 30, 2006 and 2007, respectively.

(10) The amount reflected on our balance sheet is shown net of issuance costs of $1.4 million as of December 31, 2006, and $1.2 million as of September 30, 2007. The aggregate redemption price for the preferred stock was $78.0 million as of September 30, 2007.

Supplemental Selected Quarterly Financial Information (Unaudited)

Financial information by quarter is summarized below for each of the three quarters in the nine month period ended September 30, 2007 and each of the four quarters in the years ended December 31, 2006 and 2005.

	Quarters Ended				
	March 31	June 30	September 30	December 31	Total
	(in thousands, except per share amounts)				
2007					
Total revenues	$ 74,518	$ 77,239	$ 110,587	N/A	$ 262,344
Gross profit (exclusive of depreciation, accretion, and amortization)(1)	16,985	17,607	24,866	N/A	59,458
Net loss(2)	(3,387)	(5,615)	(10,683)	N/A	(19,685)
Net loss available to common stockholders(2)	(3,454)	(5,681)	(10,750)	N/A	(19,885)
Net loss per common share(2):					
Basic	$ (1.97)	$ (3.22)	$ (6.09)	N/A	$ (11.28)
Diluted	$ (1.97)	$ (3.22)	$ (6.09)	N/A	$ (11.28)
Pro forma net loss per common share(3):					
Basic	$ (0.25)	$ (0.40)	$ (0.76)	N/A	$ (1.41)
Diluted	$ (0.25)	$ (0.40)	$ (0.76)	N/A	$ (1.41)
2006					
Total revenues	$ 69,141	$ 73,254	$ 76,365	$ 74,845	$ 293,605
Gross profit (exclusive of depreciation, accretion, and amortization)(4)	16,043	18,370	18,980	18,919	72,312
Net income (loss)(5)	(3,124)	769	(327)	2,151	(531)
Net income (loss) available to common stockholders(5)	(3,190)	703	(394)	2,085	(796)
Net income (loss) per common share(5):					
Basic	$ (1.83)	$ 0.40	$ (0.22)	$ 1.20	$ (0.46)
Diluted	$ (1.83)	$ 0.24	$ (0.22)	$ 0.73	$ (0.46)
Pro forma net income (loss) per common share(3):					
Basic	$ (0.23)	$ 0.05	$ (0.03)	$ 0.15	$ (0.06)
Diluted	$ (0.23)	$ 0.03	$ (0.03)	$ 0.09	$ (0.06)
2005					
Total revenues	$ 58,264	$ 68,520	$ 71,734	$ 69,777	$ 268,295
Gross profit (exclusive of depreciation, accretion, and amortization)(6)	11,857	15,707	15,949	16,004	59,517
Net income (loss)(7)	569	1,446	(2,864)	(1,569)	(2,418)

Net income (loss) available to common stockholders[7]		(627)		1,380		(2,881)		(1,685)		(3,813)
Net income (loss) per common share[7]:										
Basic	$	(0.29)	$	0.81	$	(1.69)	$	(0.99)	$	(2.16)
Diluted	$	(0.29)	$	0.50	$	(1.69)	$	(0.99)	$	(2.16)
Pro forma net income (loss) per common share[3]:										
Basic	$	(0.04)	$	0.10	$	(0.21)	$	(0.12)	$	(0.27)
Diluted	$	(0.04)	$	0.06	$	(0.21)	$	(0.12)	$	(0.27)

(1) Excludes \$8.5 million, \$7.1 million, and \$15.7 million of depreciation, accretion, and amortization for the quarters ended March 31, 2007, June 30, 2007, and September 30, 2007, respectively.

(2) Includes pre-tax impairment charges of \$0.1 million for the quarter ended March 31, 2007 and \$5.2 million for the quarter ended September 30, 2007 related to certain contract-based intangible assets.

(3) Gives effect to the anticipated stock split of our common stock in connection with the offering. The stock split reflected in the above pro forma net income (loss) per common share amounts reflects (i) the conversion mechanics applicable to the Series B Convertible Preferred Stock held by TA Associates, as described in Certain Relationships and Related Party Transactions, (ii) the conversion of the remaining Series B Convertible Preferred Stock into an equal number of common shares, and (iii) a resulting 7.9973 to 1 stock split for all common shares, which will be effected immediately prior to the closing of the offering.

(4) Excludes \$8.9 million, \$6.6 million, \$7.1 million, and \$6.6 million of depreciation, accretion, and amortization for the quarters ended March 31, 2006, June 30, 2006, September 30, 2006, and December 31, 2006, respectively.

(5) Includes pre-tax impairment charge of \$2.8 million for the quarter ended March 31, 2006 related to certain contract-based intangible assets. Also includes \$4.8 million in other income for the quarter ended December 31, 2006 primarily related to settlement proceeds received from Winn-Dixie, one of our merchant customers, as part of its emergence from bankruptcy.

(6) Excludes \$3.6 million, \$4.7 million, \$5.0 million, and \$7.3 million of depreciation, accretion, and amortization for the quarters ended March 31, 2005, June 30, 2005, September 30, 2005, and December 31, 2005, respectively.

(7) Includes write-off of deferred financing costs of \$0.2 million for the quarter ended June 30, 2005 and \$4.8 million for the quarter ended September 30, 2005.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited pro forma condensed consolidated financial statements give effect to the 7-Eleven ATM Transaction and the related financing transactions.

On July 20, 2007, we purchased substantially all of the assets of the financial services business of 7-Eleven (the 7-Eleven Financial Services Business) for approximately $138.0 million in cash. That amount included a $2.0 million payment for estimated acquired working capital and approximately $1.0 million in other related closing costs. Subsequent to September 30, 2007, the working capital payment was reduced to $1.3 million based on actual working capital amounts outstanding as of the acquisition date, thus reducing the Company s overall cost of the acquisition to $137.3 million. Our receivable related to the working capital adjustment is currently reflected in our purchase price allocation as an additional current asset. The acquisition was funded by the sale of $100.0 million 91/4% senior subordinated notes due 2013 Series B and borrowings under our revolving credit facility, which we amended prior to the acquisition. The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2006 and nine months ended September 30, 2007, give effect to the 7-Eleven ATM Transaction and the related financing transactions as if they occurred on January 1, 2006. No unaudited pro forma condensed consolidated balance sheet has been presented as the effects of the above transactions have been fully reflected in our September 30, 2007 condensed consolidated balance sheet included elsewhere in this prospectus.

The 7-Eleven ATM Transaction has been accounted for using the purchase method of accounting and, accordingly, the tangible and intangible assets acquired and liabilities assumed in such transaction were recorded at their estimated fair values as of the related acquisition date. The purchase price allocation reflected in the accompanying pro forma condensed consolidated financial statements is considered to be preliminary. The final purchase price allocation will be dependent upon, among other things, obtaining the final valuations for the acquired assets and assumed liabilities, which we expect to have completed within one year of closing. As such, the total estimated purchase price, as outlined in Note 2 to the unaudited pro forma condensed consolidated financial statements, has been allocated to the assets acquired and the liabilities assumed based on preliminary estimates of their fair values. This includes, among other things, estimations of the value of the acquired ATMs and Vcom™ units, which may ultimately differ significantly from the amounts shown herein. Any adjustments that result from the final valuation process for all of the acquired assets and assumed liabilities will change the purchase price allocation reflected herein, and thus would change the unaudited pro forma condensed consolidated financial statements reflected in this prospectus, and in particular, the depreciation and amortization expense amounts associated with the acquired assets.

We acquired substantially all of the assets of the 7-Eleven Financial Services Business, which operates approximately 3,500 ATMs that allow customers to carry out traditional ATM services and approximately 2,000 Vcom™ advanced-functionality machines that, in addition to traditional ATM services, provide Vcom™ Services.

Historically, 7-Eleven has received upfront placement fees from third-party service providers to help fund the development and implementation efforts surrounding the Vcom™ Services, which have been recognized as revenues in the accompanying historical financial statements of the 7-Eleven Financial Services Business. Although we may attempt to execute similar payment arrangements with the same (or new) service providers in the future, there is no guarantee that we will be successful in doing so. Accordingly, such upfront placement fees may not occur in the future, or may occur at lower levels than those realized historically. Reference is made to Note 1 in the notes to the unaudited pro forma condensed consolidated financial statements for additional information regarding the amount of upfront placement fees that have been recognized in the historical financial statements of the 7-Eleven Financial Services Business.

We currently expect to incur operating losses associated with the Vcom^{tm} Services portion of the acquired 7-Eleven ATM portfolio within the first 12-18 months subsequent to the acquisition date. While we plan to continue to operate the Vcom^{tm} units and restructure the Vcom^{tm} Services to improve the underlying financial results of that portion of the acquired business, we may be unsuccessful in this effort. In the event we are not able to improve the financial results of the acquired Vcom^{tm} operations, and we incur cumulative losses of $10.0 million associated with providing the Vcom^{tm} Services, including $1.5 million in contract termination costs, our current intent is to terminate the Vcom^{tm} Services and utilize the Vcom^{tm} machines solely to provide traditional ATM services. See Risk Factors Risks Related to Our Business In connection with the 7-Eleven ATM Transaction, we acquired advanced-functionality Vcom^{tm} machines with significant potential for providing new services. Failure to achieve market acceptance among users could lead to continued losses from the Vcom^{tm} Services, which could adversely affect our operating results.

The unaudited pro forma condensed consolidated statements of operations presented below are based on the assumptions and adjustments described in the accompanying notes. These unaudited pro forma condensed consolidated statements of operations are presented for illustrative purposes only and are not necessarily indicative of what our results of operations would have been had the 7-Eleven ATM Transaction and the related financing transactions been consummated on the dates indicated, nor are they necessarily indicative of what our results of operations will be in future periods. The unaudited pro forma condensed consolidated statements of operations do not contain any adjustments to reflect anticipated changes in operating costs or synergies anticipated as a result of the 7-Eleven ATM Transaction. Operating results for the nine months ended September 30, 2007 are not indicative of the results that may be expected for the year ending December 31, 2007. The unaudited pro forma condensed consolidated statements of operations, and accompanying notes thereto, should be read in conjunction with the historical audited and unaudited financial statements, and accompanying notes thereto, of Cardtronics and the 7-Eleven Financial Services Business, all of which are included elsewhere in this prospectus.

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CARDTRONICS, INC.

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006
(in thousands)**

	Cardtronics Historical	7-Eleven Financial Services Business (See Note 1)	Pro Forma Adjustments	Notes	Pro Forma
Revenues:					
ATM operating revenues	$ 280,985	$ 135,976	$		$ 416,961
Vcom^{tm} operating revenues		27,686			27,686
ATM product sales and other revenues	12,620				12,620
Total revenues	293,605	163,662			457,267
Cost of revenues:					
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization, shown separately below. See Note 7.)	209,850	107,547	(7,964)	2	309,433
Cost of Vcom^{tm} operating revenues		16,309			16,309
Cost of ATM product sales and other revenues	11,443				11,443
Total cost of revenues	221,293	123,856	(7,964)		337,185
Gross profit	72,312	39,806	7,964		120,082
Operating expenses:					
Selling, general, and administrative expenses	21,667	5,913			27,580
Depreciation and accretion expense	18,595	12,649	(7,542)	4	23,702
Amortization expense	11,983	3,171	8,143	4	23,297
Total operating expenses	52,245	21,733	601		74,579
Income from operations	20,067	18,073	7,363		45,503
Interest expense, net	25,072	520	13,741	3	39,333
Other income, net	(4,986)				(4,986)
Income (loss) before income taxes	(19)	17,553	(6,378)		11,156
Income tax provision (benefit)	512	6,776	(2,630)	5	4,658
Net income (loss)	(531)	10,777	(3,748)		6,498
Preferred stock accretion expense	265				265
Net income (loss) available to common stockholders	$ (796)	$ 10,777	$ (3,748)		$ 6,233

Net income (loss) per common share:				
Basic	$	(0.46)	$	3.56
Diluted	$	(0.46)	$	2.17
Weighted average shares outstanding:				
Basic		1,749,328		1,749,328
Diluted		1,749,328		2,872,271
Pro forma share and per share data (see Note 6):				
Net income (loss) per common share:				
Basic	$	(0.06)	$	0.45
Diluted	$	(0.06)	$	0.27
Weighted average shares outstanding:				
Basic		13,989,849		13,989,849
Diluted		13,989,849		22,970,328

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

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CARDTRONICS, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007
(in thousands)

	Cardtronics Historical	7-Eleven Financial Services Business (See Note 1)	Pro Forma Adjustments	Notes	Pro Forma
Revenues:					
ATM operating revenues	$ 251,854	$ 79,313	$		$ 331,167
Vcom^{tm} operating revenues	685	8,197			8,882
ATM product sales and other revenues	9,805				9,805
Total revenues	262,344	87,510			349,854
Cost of revenues:					
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization, shown separately below. See Note 7.)	191,046	63,234	(4,389)	2	249,891
Cost of Vcom^{tm} operating revenues	2,644	9,126			11,770
Cost of ATM product sales and other revenues	9,196				9,196
Total cost of revenues	202,886	72,360	(4,389)		270,857
Gross profit	59,458	15,150	4,389		78,997
Operating expenses:					
Selling, general, and administrative expenses	20,985	2,437			23,422
Depreciation and accretion expense	18,541	9,739	(6,923)	4	21,357
Amortization expense	14,062	346	4,495	4	18,903
Total operating expenses	53,588	12,522	(2,428)		63,682
Income from operations	5,870	2,628	6,817		15,315
Interest expense, net	21,592	100	7,480	3	29,172
Other expense, net	751				751
Income (loss) before income taxes	(16,473)	2,528	(663)		(14,608)
Income tax provision (benefit)	3,212	976	(976)	5	3,212
Net income (loss)	(19,685)	1,552	313		(17,820)
Preferred stock accretion expense	200				200
	$ (19,885)	$ 1,552	$ 313		$ (18,020)

Net income (loss) available to common stockholders		
Net income (loss) per common share:		
Basic	$ (11.28)	$ (10.23)
Diluted	$ (11.28)	$ (10.23)
Weighted average shares outstanding:		
Basic	1,762,200	1,762,200
Diluted	1,762,200	1,762,200
Pro forma share and per share date (see Note 6):		
Net income (loss) per common share:		
Basic	$ (1.41)	$ (1.28)
Diluted	$ (1.41)	$ (1.28)
Weighted average shares outstanding:		
Basic	14,092,794	14,092,794
Diluted	14,092,794	14,092,794

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

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CARDTRONICS, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) The unaudited pro forma condensed consolidated financial statements combine the historical results of Cardtronics and the 7-Eleven Financial Services Business, and assume, for purposes of the pro forma condensed consolidated statements of operations, that the 7-Eleven ATM Transaction and the related financing transactions all occurred on January 1, 2006.

As discussed elsewhere in this prospectus, on July 20, 2007, we acquired substantially all of the assets associated with the 7-Eleven Financial Services Business, including approximately 3,500 ATMs that allow customers to carry out traditional ATM services and approximately 2,000 advanced-functionality Vcom™ machines that offer traditional ATM services, as well as some or all of the Vcom™ Services.

Historically, 7-Eleven has received upfront placement fees from third-party service providers to help fund the development and implementation efforts surrounding the Vcom™ Services, which have been recognized as revenues in the accompanying historical financial statements of the 7-Eleven Financial Services Business. However, it is uncertain as to whether such payments will occur in the future, or, if they do, whether such payments will occur at levels consistent with those seen in the past. During the year ended December 31, 2006 and the nine months ended September 30, 2007, the 7-Eleven Financial Services Business recognized approximately $18.7 million and $4.8 million, respectively, in revenues associated with such upfront placement fees, approximately $18.0 million and $4.2 million of which are related to arrangements that ended prior to our acquisition of the 7-Eleven Financial Services Business, and thus will not continue in the future. While we believe we will continue to earn some placement fee revenues related to the acquired 7-Eleven Financial Services Business, we expect those amounts to be substantially less than those earned historically. The exclusion of such fees (which were directly attributable to providing the Vcom™ Services) would have resulted in lower operating results for the 7-Eleven Financial Services Business.

Excluding the majority of the upfront placement fees, the Vcom™ Services have historically generated operating losses, including, based upon our analysis, $6.6 million and $7.8 million for the year ended December 31, 2006 and the nine months ended September 30, 2007, respectively. For the period from the acquisition (July 20, 2007) through September 30, 2007, the Vcom™ Services generated an operating loss of $2.1 million. Despite these losses, we plan to continue to operate the Vcom™ units and restructure the Vcom™ Services to improve the underlying financial results of that portion of the acquired business. By continuing to provide the Vcom™ Services for the 12-18 months following the acquisition, we currently expect that we may incur up to $10.0 million in operating losses, including $1.5 million in contract termination costs. In the event we are unsuccessful in our efforts and our cumulative losses (including termination costs) reach $10.0 million, our current intent is to terminate the Vcom™ Services and utilize the existing Vcom™ machines to provide traditional ATM services. If we terminate the Vcom™ Services, we believe that the financial results of the acquired 7-Eleven Financial Services Business could improve considerably.

(2) The reported amounts reflect the financing of and the preliminary allocation of the purchase price for the 7-Eleven ATM Transaction. Such acquisition was financed primarily through the issuance and sale of $100.0 million 91/4% senior subordinated notes due 2013 Series B (the Series B Notes), and additional borrowings under our amended

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CARDTRONICS, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

revolving credit facility. Our estimate of the total purchase price is summarized as follows (in thousands):

Total cash consideration	$ 135,000
Working capital adjustment and other related closing costs	2,980
Total estimated purchase price of acquisition	$ 137,980

The total purchase price has been allocated on a preliminary basis as follows (in thousands):

Current assets	$ 13,549
Property and equipment	22,428
Intangible assets:	
Customer contracts and relationships	78,000
Goodwill	62,367
Current liabilities	(19,167)
Other non-current liabilities	(19,197)
Total purchase price of acquisition	$ 137,980

The preliminary allocation of the purchase price is pending completion of certain items, including the finalization of our valuation efforts for the tangible and intangible assets acquired. As such, there may be material changes to the initial allocation reflected above as those remaining items are finalized. Furthermore, the current allocations reflected above include $7.8 million and $11.7 million of additional other current liabilities and other long-term liabilities, respectively, related to certain unfavorable equipment leases and an operating contract assumed as part of the 7-Eleven ATM Transaction. The pro forma statements of operations include expense reductions of $8.0 million and $6.0 million for the pro forma year ended December 31, 2006 and pro forma nine months ended September 30, 2007 associated with the amortization of these liabilities to reduce the corresponding ATM operating expense amounts to fair value. Although these adjustments will serve to reduce the Company s future expenses recorded for the cost of ATM operating revenues, the Company will still be required to pay the higher rates stipulated in the assumed leases and contract for the remaining terms of such agreements, the substantial majority of which expire in 2009. Such adjustments are considered to be preliminary and thus, may change materially once the valuation of the acquired assets and assumed liabilities is finalized, and the final purchase price allocation is completed.

(3) The reported amounts reflect the issuance and sale of the Series B Notes and additional borrowings under our amended credit facility, which were utilized to fund the 7-Eleven ATM Transaction. The unaudited pro forma condensed consolidated statements of operations assume such debt was issued or borrowed on January 1, 2006.

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CARDTRONICS, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The debt capitalization structure assumed to be outstanding for all periods presented in the above pro forma financial statements is as follows (in thousands):

$200.0 million 91/4% senior subordinated notes due 2013 issued in August 2005, net of the related discount	$ 198,851
$100.0 million 91/4% senior subordinated notes due 2013 Series B issued in July 2007, net of the related discount	97,000
Revolving credit facility (including additional borrowings to fund the 7-Eleven ATM Transaction)	102,954
Other long-term and current debt obligations, including capital lease obligations	6,881
Total pro forma debt	$ 405,686

For purposes of computing the interest expense amounts associated with the above debt structure, a weighted-average rate of 9.03% has been utilized. Assuming an increase of 25 basis points in the floating borrowing rate under our revolving credit facility, pro forma interest expense would have increased by $257,000 for the year ended December 31, 2006 and $193,000 for the nine months ended September 30, 2007.

CARDTRONICS, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following reconciliation provides additional details behind the pro forma interest expense adjustment reflected in the accompanying unaudited pro forma condensed consolidated statement of operations for the periods presented (in thousands):

	Year Ended December 31, 2006	Nine Months Ended September 30, 2007
Interest expense associated with the senior subordinated notes issued in August 2005 ($198.9 million at an effective interest rate of 9.4%)	$ 18,620	$ 13,965
Interest expense associated with the Series B Notes issued in July 2007 ($97.0 million at an effective interest rate of 9.5%)	9,250	6,937
Interest expense associated with the pro forma revolving credit facility balance ($103.0 million at an effective interest rate of 7.8%)	8,030	6,023
Interest expense associated with other indebtedness, including acquired capital lease obligations	651	452
Amortization of deferred financing costs associated with the Series B Notes issued in July 2007 and amended revolving credit facility ($1.7 million and $0.4 million amortized on a straight-line basis over 6 years and 5 years, respectively)	353	265
Amortization of discount associated with the Series B Notes issued in July 2007	500	375
Amortization of deferred financing costs associated with the senior subordinated notes issued in August 2005 and revolving credit facility	1,929	1,155
Pro forma interest expense	39,333	29,172
Elimination of the historical interest expense of Cardtronics, Inc. and the 7-Eleven Financial Services Business	(25,592)	(21,692)
Pro forma interest expense adjustment	$ 13,741	$ 7,480

Future maturities of our pro forma long-term debt and capital lease obligations are as follows (in thousands):

	2007	2008	2009	2010	2011	Thereafter	Total
Long-term debt and capital lease obligations	$ 968	$ 1,454	$ 1,692	$ 1,327	$ 1,189	$ 403,205	$ 409,835

(4) The reported amounts reflect the adjustments to the historical depreciation and amortization expense resulting from the effects of the preliminary purchase price allocations associated with the 7-Eleven ATM Transaction. Such amounts are, therefore, subject to change, and may change materially once the valuation of the acquired assets and assumed liabilities is finalized and the final purchase price allocation is completed. The acquired tangible assets were assumed to have a weighted-average remaining useful life of approximately 5.0 years and are being depreciated on a straight-line basis over such period of time. The acquired intangible customer contract/relationship is estimated to have a ten year life and is being amortized over such period on a straight-line basis, consistent with our past practice. The

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CARDTRONICS, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

reported amounts also reflect the depreciation and accretion amounts related to our estimated asset retirement obligations associated with the acquired ATMs and Vcom^{tm} units.

(5) For the year ended December 31, 2006, the adjustment to income taxes reflects the statutory rates of 37.1% for our U.S. operations (including the acquired 7-Eleven Financial Services Business), 30.0% for our U.K. operations, and 0.0% for our Mexico operations. For the nine months ended September 30, 2007, the adjustment to income taxes reflects rates of 0.0% for our U.S. and Mexico operations and 30.0% for our U.K. operations. During the nine months ended September 30, 2007, we determined that a valuation allowance of approximately $3.4 million should be established for our net deferred tax asset amounts in the U.S. based on our forecasted domestic pre-tax book loss for the remainder of 2007 and as a result of the additional losses expected to be incurred as a result of the 7-Eleven ATM Transaction. For our Mexico operations, all current and deferred tax benefits accruing to such operations have been fully reserved for due to the uncertain future utilization of such benefits.

(6) The pro forma share and per share information gives effect to the anticipated stock split of our common stock in connection with the offering. The stock split reflected in the pro forma net income (loss) per share amounts reflects (i) the conversion mechanics applicable to the Series B Convertible Preferred Stock held by TA Associates, as described in Certain Relationships and Related Party Transactions, (ii) the conversion of the remaining Series B Convertible Preferred Stock into an equal number of common shares, and (iii) a resulting 7.9973 to 1 stock split for all common shares, which will be effected immediately prior to the closing of the offering.

(7) The Company presents Cost of ATM operating revenues and Gross profit within its consolidated financial statements exclusive of depreciation, accretion and amortization. For the pro forma year ended December 31, 2006 and the pro forma nine month period ended September 30, 2007, the total depreciation, accretion, and amortization excluded from cost of ATM operating revenues and gross profit is $45.6 million and $39.0 million, respectively. These amounts include the depreciation and accretion related to assets under capital leases.

(8) Our Series B Convertible Preferred Stock will convert into shares of our common stock immediately prior to our initial public offering. Of the 929,789 shares of Series B Convertible Stock outstanding as of September 30, 2007, 894,568 shares, which are held by TA Associates, will convert into 12,171,472 shares of common stock (on a split-adjusted basis) based on the $10.00 initial public offering price.

In connection with the above assumed conversion, the total amount of our outstanding common stock and Series B Convertible Preferred Stock prior to the initial public offering (on both a converted and split-adjusted basis) will remain the same. Accordingly, the incremental shares received by TA Associates in connection with the above assumed beneficial conversion will total approximately $35.1 million in value based on the $10.00 initial public offering price. Such amount will be reflected as a reduction of our net income (or an increase in our net loss) available to common shareholders immediately upon the conversion of TA Associates Series B Convertible Preferred Stock and the completion of our initial public offering.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that are based on management s current expectation, estimates, and projections about our business and operations. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of numerous factors, including those we discuss under Risk Factors and elsewhere in this prospectus. You should read the following discussion together with the financial statements and the related notes included elsewhere in this prospectus.

Our discussion and analysis includes the following:

Overview of Business

Recent Events

Impact of 7-Eleven ATM Transaction

Results of Operations

Liquidity and Capital Resources

Critical Accounting Polices and Estimates

New Accounting Pronouncements

Disclosure about Market Risk

We have also included a discussion of the recent 7-Eleven ATM Transaction and the related financing transactions in certain portions of the following discussion and analysis section in order to provide some detail on the impact such transactions are expected to have on our results of operations and liquidity and capital resource requirements. In some cases, certain unaudited pro forma financial and operational information has been presented herein as if the 7-Eleven ATM Transaction occurred on January 1, 2006. Such unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of what our actual financial or operational results would have been had the 7-Eleven ATM Transaction been consummated on such date. Such unaudited pro forma information should be read in conjunction with the historical audited and unaudited financial statements, and accompanying notes thereto, of Cardtronics and the 7-Eleven Financial Services Business, all of which are included elsewhere in this prospectus.

Overview of Business

As of September 30, 2007, we operated a network of approximately 31,500 ATMs operating in all 50 states and within the United Kingdom and Mexico. Our extensive ATM network is strengthened by multi-year contractual relationships with a wide variety of nationally and internationally-known merchants pursuant to which we operate ATMs in their locations. We deploy ATMs under two distinct arrangements with our merchant partners: Company-owned and merchant-owned.

Company-Owned. Under a Company-owned arrangement, we own or lease the ATM and are responsible for controlling substantially all aspects of its operation. These responsibilities include what we refer to as first line maintenance, such as replacing paper, clearing paper or bill jams, resetting the ATM, any telecommunications and power issues, or other maintenance activities that do not require a trained service technician. We are also responsible for what we refer to as second line maintenance, which includes more complex maintenance procedures that require trained service technicians and often involve replacing component parts. In addition to first and second line maintenance, we are responsible for arranging for cash, cash loading, supplies, telecommunications service, and all other services required for the operation of the ATM, other than electricity. We typically pay a fee, either periodically, on a per-transaction basis or a combination of both, to the merchant on whose premises the ATM is physically located. We operate a limited number of our Company-owned ATMs on a merchant-assisted basis. In these arrangements, we own the ATM and provide all transaction processing services, but the merchant generally is responsible for providing and loading cash for the ATM and performing first line maintenance.

Typically, we deploy ATMs under Company-owned arrangements for our national and regional merchant customers. Such customers include 7-Eleven, BP Amoco, Chevron, Costco, CVS Pharmacy, Duane Reade, ExxonMobil, Hess Corporation, Rite Aid, Sunoco, Target, Walgreens, and Winn-Dixie in the United States; Alfred Jones, Martin McColl, McDonald s, The Noble Organisation, Odeon Cinemas, Spar, Tates, and Vue Cinemas in the United Kingdom; and Fragua and OXXO in Mexico. Because Company-owned locations are controlled by us (i.e., we control the uptime of the machines), are usually located in major national retail chains, and are thus more likely candidates for additional sources of revenue such as bank branding, they generally offer higher transaction volumes and greater profitability, which we consider necessary to justify the upfront capital cost of installing Company-owned machines. As of September 30, 2007, we operated approximately 19,600 ATMs under Company-owned arrangements.

Merchant-Owned. Under a merchant-owned arrangement, the merchant owns the ATM and is responsible for its maintenance and the majority of the operating costs; however, we generally continue to provide all transaction processing services and, in some cases, retain responsibility for providing and loading cash. We typically enter into merchant-owned arrangements with our smaller, independent merchant customers. In situations where a merchant purchases an ATM from us, the merchant normally retains responsibility for providing cash for the ATM. Because the merchant bears more of the costs associated with operating ATMs under this arrangement, the merchant typically receives a higher fee on a per-transaction basis than is the case under a Company-owned arrangement. In merchant-owned arrangements under which we have assumed responsibility for providing and loading cash and/or second line maintenance, the merchant receives a smaller fee on a per-transaction basis than in the typical merchant-owned arrangement. As of September 30, 2007, we operated approximately 11,900 ATMs under merchant-owned arrangements. The 7-Eleven ATM Transaction did not add any merchant-owned ATMs to our portfolio.

In the future, we expect the percentage of our Company-owned and merchant-owned arrangements to continue to fluctuate in response to the mix of ATMs we add through internal growth and acquisitions. While we may continue to add merchant-owned ATMs to our network as a result of acquisitions and internal sales efforts, our focus for internal growth will remain on expanding the number of Company-owned ATMs in our network due to the higher margins typically earned and the additional revenue opportunities available to us under Company-owned arrangements.

In-House Transaction Processing. We are in the process of converting our ATMs from various third-party transaction processing companies to our own in-house transaction processing platform, thus providing us with the ability to control the processing of transactions conducted in our network of ATMs. We expect that this will provide us with the ability to control the content of the information appearing on the screens of our ATMs, which should in turn serve to increase the types of products and services that we will be able to offer to financial institutions. For example, with the ability to control screen flow, we expect to be able to offer customized branding solutions to financial institutions, including one-to-one marketing and advertising services at the point of transaction. Additionally, we expect that this move will provide us with future operational cost savings in terms of lower overall processing costs. We currently expect that it will cost us approximately $3.0 million to convert our current network

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of ATMs over to our in-house transaction processing switch, of which approximately $1.7 million has been incurred through September 30, 2007.

As our in-house transaction processing efforts are focused on controlling the flow and content of information on the ATM screen, we will continue to rely on third party service providers to handle the back-end connections to the electronic funds transfer (EFT) networks and various fund settlement and reconciliation processes for our Company-owned accounts. As of October 31, 2007, we had converted approximately 10,000 ATMs over to our in-house transaction processing switch, and we currently expect this initiative to be completed by December 31, 2008.

For a discussion of trends in the ATM industry, see The ATM Industry Recent Trends in the U.S. ATM Industry and The ATM Industry Developing Trends in the ATM Industry.

Components of Revenues, Cost of Revenues, and Expenses

Revenues

We derive our revenues primarily from providing ATM services and, to a lesser extent, from branding arrangements and sales of ATM equipment. We have historically classified revenues into two primary categories: ATM operating revenues and ATM product sales and other revenues. In reporting periods subsequent to the 7-Eleven ATM Transaction, we will have a separate revenue category for the advanced-functionality services provided through the acquired Vcom^{tm} units.

ATM Operating Revenues. We present revenues from ATM services and branding arrangements as ATM operating revenues in the accompanying consolidated statements of operations. These revenues include the fees we earn per transaction on our network, fees we generate from network and bank branding arrangements, and fees earned from providing certain maintenance services. Our revenues from ATM services have increased rapidly in recent years due to the acquisitions we completed since 2001, as well as through internal expansion of our existing and acquired ATM networks. Our ATM operating revenues primarily consist of the three following components: surcharge revenue, interchange revenue, and branding revenue.

> *Surcharge Revenue.* A surcharge fee represents a convenience fee paid by the cardholder for making a cash withdrawal from an ATM. Surcharge fees often vary by the type of arrangement under which we place our ATMs and can vary widely based on the location of the ATM and the nature of the contracts negotiated with our merchants. In the future, we expect that surcharge fees per surcharge-bearing transaction will vary depending upon negotiated surcharge fees at newly-deployed ATMs, the roll-out of additional branding arrangements, and future negotiations with existing merchant partners, as well as our ongoing efforts to improve profitability through improved pricing. For those ATMs that we own or operate on surcharge-free networks, we do not receive surcharge fees related to withdrawal transactions from cardholders who are participants of such networks, but rather we receive interchange and branding revenues (as discussed below). Surcharge fees in the United Kingdom are typically higher than the surcharge fees charged in the United States. In Mexico, surcharge fees are generally less than those charged in the United States.
>
> *Interchange Revenue.* An interchange fee is a fee paid by the cardholder s financial institution for the use of the applicable EFT network that transmits data between the ATM and the cardholder s financial institution. We typically receive a majority of the interchange fee paid by the cardholder s financial institution, with the remaining portion being retained by the EFT network. In the United States and Mexico, interchange fees are earned not only on cash withdrawal transactions but on any ATM transaction, including balance inquiries, transfers, and surcharge-free transactions. In the United Kingdom, interchange fees are earned on all ATM transactions other than surcharge-bearing cash

withdrawals. Interchange fees are set by the EFT networks and vary according to EFT network arrangements with financial institutions, as well as the type of transaction. Such fees are typically lower (except for in the U.K.) for balance inquiries and fund transfers and higher for withdrawals transactions.

Branding Revenue. We generate branding revenue in a variety of ways. Under a bank branding agreement, ATMs that are owned and operated by us are branded with the logo of and operated as if they were owned by the branding financial institution. Customers of the branding institution can use those machines without paying a surcharge, and, in exchange, the financial institution pays us a monthly per-machine fee for such branding. We believe that this type of branding arrangement will typically result in an increase in transaction levels at the branded ATMs, as existing customers continue to use the ATMs and new customers of the branding financial institution are attracted by the surcharge-free service. Additionally, although we forego the surcharge fee on ATM transactions by the branding institution s customers, we continue to earn interchange fees on those transactions along with the monthly branding fee, and typically enjoy an increase in surcharge-bearing transactions from users who are not customers of the branding institution as a result of having a bank brand on our ATMs. Overall, based on the above, we believe a branding arrangement can substantially increase the profitability of an ATM versus operating the same machine in an unbranded mode. Fees paid for branding an ATM vary widely within our industry, as well as within our own operations. We expect that this variance in branding fees will continue in the future. However, because our strategy is to set branding fees at levels sufficient to offset lost surcharge revenue, we do not expect any such variance to cause a decrease in our total revenues.

We also generate branding revenue from the ATMs we include in our nationwide surcharge-free Allpoint network, of which we are the owner and largest ATM deployer, as well as our recently instituted MasterCard® surcharge-free network. Network branding is an arrangement where a financial institution s customers are allowed to use most of our nationwide ATM network on a surcharge-free basis. In the case of the Allpoint surcharge-free network, each participating financial institution pays us a fixed fee per cardholder to participate in the network. Under the MasterCard® surcharge-free network, we receive a fee from MasterCard® for each surcharge-free withdrawal transaction conducted on our network. Although we forego surcharge revenues on those transactions, we do earn interchange revenues in addition to network branding revenues, which are meant to compensate us for the loss of surcharge revenues. We believe that many of these surcharge-free transactions are represent withdrawal transactions from cardholders who have not previously utilized the underlying ATMs, and these increased transaction counts often more than offset the foregone surcharge. Consequently, we believe that network branding arrangements can enable us to profitably operate in the significant portion of the ATM transaction market that does not involve a surcharge.

The 7-Eleven ATMs that we acquired currently participate in the CO-OP® network, the nation s largest surcharge-free network devoted exclusively to credit unions. Additionally, in June 2006, 7-Eleven entered into an arrangement with Financial Services Centers Cooperative, Inc. (FSCC), a cooperative service organization providing shared branching services for credit unions, to provide virtual branching services through its Vcom™ machines for members of the FSCC network.

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The following table sets forth information on our historical and pro forma surcharge, interchange, and branding revenues per withdrawal transaction for the periods indicated. The pro forma information presented below assumes the 7-Eleven ATM Transaction occurred effective January 1, 2006 but does not include any revenues and transactions associated with providing the Vcomtm advanced-functionality services for such periods.

	Year Ended December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006	Pro Forma Year Ended December 31, 2006	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Pro Forma Nine Months Ended September 30, 2007
Per withdrawal transaction[(1)]:							
Surcharge revenue [(2)]	$ 1.45	$ 1.52	$ 1.52	$ 1.39	$ 1.52	$ 1.40	$ 1.32
Interchange revenue [(3)]	0.60	0.56	0.55	0.57	0.55	0.57	0.59
Branding revenue [(4)]	0.02	0.06	0.13	0.18	0.12	0.20	0.21
Other revenue[(5)]	0.03	0.04	0.05	0.03	0.04	0.04	0.02
Total ATM operating revenues	$ 2.10	$ 2.18	$ 2.25	$ 2.17	$ 2.23	$ 2.21	$ 2.14

(1) Amounts calculated based on total withdrawal transactions, including surcharge withdrawal transactions and surcharge-free withdrawal transactions.

(2) Excluding surcharge-free withdrawal transactions, the per transaction amounts would have been $1.53, $1.70, and $1.80 for the years ended December 31, 2004, 2005 and 2006, respectively, $1.77 and $1.87 for the nine months ended September 30, 2006 and 2007, respectively, and $1.76 and $1.84 for the pro forma year ended December 31, 2006 and pro forma nine months ended September 30, 2007, respectively.

(3) Amounts calculated based on total interchange revenues earned on all transaction types, including withdrawals, balance inquiries, transfers, and surcharge-free transactions.

(4) Amounts include all bank and network branding revenues, the majority of which are not earned on a per transaction basis.

(5) Amounts include other miscellaneous ATM operating revenues.

The following table breaks down our total historical and pro forma ATM operating revenues into its various components for the years indicated:

Year Ended	Pro Forma Year Ended	Nine Months Ended	Nine Months Ended	Pro Forma Nine Months Ended

	December 31,			December 31,	September 30,	September 30,	September 30,
	2004	2005	2006	2006	2006	2007	2007
Surcharge revenues	68.9%	69.9%	67.5%	64.2%	68.1%	63.2%	61.7%
Interchange revenues	28.3	25.7	24.5	26.2	24.6	26.0	27.4
Branding revenues	1.3	2.6	6.0	8.3	5.3	9.2	9.7
Other revenues	1.5	1.8	2.0	1.3	2.0	1.6	1.2
Total ATM operating revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Vcom^{tm} Operating Revenues. The 7-Eleven ATM Transaction provided us with approximately 2,000 advanced-functionality financial self-service kiosks branded as Vcom^{tm} terminals that, in addition to standard ATM services, offer more sophisticated financial services, including check cashing, money transfer, and bill payment services (collectively, the Vcom^{tm} Services). We plan to continue to offer some of the Vcom^{tm} Services, but in doing so, expect to incur operating losses associated with that portion of the acquired business. See Impact of 7-Eleven ATM Transaction below for additional information on the expected impact of the Vcom^{tm} Services on our future operating results.

The substantial majority of the historic revenues from the Vcom^{tm} Services consist of upfront placement fees, which represent upfront payments from third-party service providers associated with providing certain of the advanced-functionality services. Most of these fees consist of payments received by 7-Eleven from a telecommunications provider. Such fees were amortized to revenues over the underlying contractual period, and there are no more significant payments due to us under these contracts. Therefore, in order for such placement fees to be received in the future, new contracts must be negotiated, but such negotiation is not assured. Accordingly, the percentage of Vcom^{tm} operating revenues related to placement fees are expected to be considerably lower in the future.

ATM Product Sales and Other Revenues. We present revenues from the sale of ATMs and other non-transaction based revenues as ATM product sales and other revenues in the accompanying consolidated statements of operations. These revenues consist primarily of sales of ATMs and related equipment to merchants operating under merchant-owned arrangements, as well as sales under our value-added reseller program with NCR. While we expect to continue to derive a portion of our revenues from direct sales of ATMs in the future, we expect that this source of revenue will not comprise a substantial portion of our total revenues in future periods.

Cost of Revenues

Our cost of revenues consists of those costs directly associated with ATM transactions completed on our ATM network. Such costs, which will also be incurred to handle transactions completed on the ATM and Vcom^{tm} units acquired as part of the 7-Eleven ATM Transaction, include:

Merchant Fees. We pay our merchants a fee that depends on a variety of factors, including the type of arrangement under which the ATM is placed and the number of transactions at that ATM. The merchant fees to be paid to 7-Eleven pursuant to the placement agreement executed upon the closing of the transaction are consistent with the types and amounts of fees that are paid to our other merchant customers.

Processing Fees. We pay fees to third-party vendors for processing transactions originated at our ATMs. These vendors, which include Star Systems, Fiserv, RBSLynk (Lynk , a subsidiary of The Royal Bank of Scotland Group), and Elan Financial Services, communicate with the cardholder s financial institution through EFT networks to gain transaction authorization and to settle transactions. As previously noted, we are in the process of converting most of our ATMs over to our own in-house processing switch, which should result in a slight reduction in our overall processing costs in the future. For the acquired 7-Eleven ATMs, Fiserv is currently under contract to provide the transaction processing services through 2009. For the Vcom^{tm} units, 7-Eleven utilizes its own in-house transaction processing switch, which we acquired as part of the 7-Eleven ATM Transaction, that is the same type of processing switch we utilize for our own in-house processing activities. Accordingly, we will continue to utilize this switch to process the transactions conducted on the acquired Vcom^{tm} units subsequent to the acquisition.

Cost of Cash. Cost of cash includes all costs associated with our provision of vault cash for our ATMs, including fees for the use of cash, armored courier services, insurance, cash reconciliation, and associated wire fees. We entered into a new cash provider agreement with Wells Fargo Bank to provide vault cash for the ATM and Vcom^{tm} units acquired from 7-Eleven. As the fees we pay under our contracts with our cash providers are based on market rates of interest, changes in interest rates could affect our cost of cash. However, we have entered into a number of interest rate swap transactions to hedge our exposure through 2010 on varying amounts of our current and anticipated outstanding domestic ATM cash balances, including the acquired 7-Eleven ATMs.

Communications. Under our Company-owned arrangements, we are generally responsible for expenses associated with providing telecommunications capabilities to the ATMs, allowing the ATMs to connect with the applicable EFT network.

Repairs and Maintenance. Depending on the type of arrangement with the merchant, we may be responsible for first and/or second line maintenance for the ATM. We typically use third parties with national operations to provide these services. Our primary maintenance vendors are Diebold, NCR, and Pendum. NCR will serve as the primary maintenance provider for the acquired 7-Eleven ATMs.

Direct Operations. These expenses consist of costs associated with managing our ATM network, including expenses for monitoring the ATMs, program managers, technicians, and customer service representatives.

Cost of Equipment Revenue. In connection with the sale of equipment to merchants and value added resellers, we incur costs associated with purchasing equipment from manufacturers, as well as delivery and installation expenses.

We define variable costs as those incurred on a per transaction basis. Processing fees and the majority of merchant fees fall under this category. Processing fees and merchant fees accounted for approximately 52.7% of our cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization) for the nine months ended September 30, 2007 (53.6% on a pro forma basis for the 7-Eleven ATM Transaction). Therefore, we estimate that approximately 47.3% (or 46.4% on a pro forma basis) of our cost of ATM operating revenues is generally fixed in nature, meaning that any significant decrease in transaction volumes would lead to a decrease in the profitability of our ATM service operations, unless there were an offsetting increase in per-transaction revenues or decrease in our fixed costs. The inclusion of depreciation, accretion, and amortization expense for ATMs and ATM-related assets in our cost of ATM operating revenues would have increased the percentage of our cost of ATM operating revenues that we consider fixed in nature by approximately 7.4% for the nine months ended September 30, 2007 (or 7.2% on a pro forma basis).

The profitability of any particular ATM location, and of our entire ATM services operation, is driven by a combination of surcharge, interchange, and branding revenues, as well as the level of our related costs. Accordingly, material changes in our average surcharge fee or average interchange fee may be offset by branding or other ancillary revenues, or by changes in our cost structure. Because a variance in our average surcharge fee or our average interchange fee is not necessarily indicative of a commensurate change in our profitability, you should consider these measures only in the context of our overall financial results.

Indirect Operating Expenses

Our indirect operating expenses include general and administrative expenses related to administration, salaries, benefits, advertising and marketing, depreciation of the ATMs we own, amortization of our acquired merchant contracts, and interest expense related to borrowings under our bank credit facility and our senior subordinated notes. We depreciate our capital equipment on a straight-line basis over the estimated life of such equipment and amortize the value of acquired merchant contracts over the estimated lives of such assets.

Recent Events

7-Eleven ATM Transaction. On July 20, 2007, we purchased substantially all of the assets of the financial services business of 7-Eleven for approximately $138.0 million in cash. Such amount included a $2.0 million payment for estimated acquired working capital and approximately $1.0 million in other related closing costs. Subsequent to

September 30, 2007, the working capital payment was reduced to $1.3 million based on the actual working capital amounts outstanding as of the acquisition date, thus reducing the Company s overall cost of the acquisition to $137.3 million. The 7-Eleven ATM Transaction included approximately 5,500 ATMs located in 7-Eleven stores throughout the United States, of which approximately 2,000 are advanced-functionality Vcom^tm terminals. In connection with the 7-Eleven ATM Transaction, we entered into a placement agreement that will provide us, subject to certain conditions, a ten-year exclusive right to operate all ATMs and Vcom^tm units in 7-Eleven locations throughout the United States, including any new stores opened or acquired by 7-Eleven.

The operating results of our United States segment now include the results of the traditional ATM operations of the acquired 7-Eleven Financial Services Business, including the traditional ATM activities conducted on the Vcom^tm units. Additionally, as a result of the distinctly different functionality provided by and expected economic results of the Vcom^tm Services, such operations have been identified as a separate reportable segment. Because of the significance of this acquisition, our operating results for the three and nine month periods ended September 30, 2007 and our future operating results will not be comparable to our historical results. In particular, we expect a number of our revenue and expense line items to increase substantially as a result of this acquisition. While we expect our revenues and gross profits to increase substantially as a result of the 7-Eleven ATM Transaction, such amounts will initially be substantially offset by higher operating expense amounts, including higher selling, general, and administrative expenses associated with running the combined operations. Additionally, depreciation, amortization, and accretion expense amounts will increase significantly as a result of the tangible and intangible assets recorded as part of the acquisition. Furthermore, because we financed the acquisition through the issuance of additional senior subordinated notes and borrowings under our amended revolving credit facility, our interest expense, including the amortization of the related deferred financing costs, will increase significantly.

Historically, the Vcom^tm Services have generated operating losses (excluding upfront placement fees, which are unlikely to recur at such levels in the future). We estimate that such losses totaled approximately $6.6 million and $7.8 million for the year ended December 31, 2006 and the nine months ended September 30, 2007, respectively. Despite these losses, we plan to continue to operate the Vcom^tm units and restructure the Vcom^tm Services to improve the underlying financial results of that portion of the acquired business. By continuing to provide the Vcom^tm Services for a period of 12-18 months following the acquisition, we currently expect that we may incur up to $10.0 million in operating losses, including potential contract termination costs. Subsequent to our acquisition on July 20, 2007 and through September 30, 2007, the Vcom^tm Services generated an operating loss of $2.1 million, a level consistent with our expectations at closing. In the event we are unsuccessful in our efforts and our cumulative losses reach $10.0 million (including termination costs which we currently estimate would be approximately $1.5 million), our current intent is to terminate the Vcom^tm Services and utilize the existing Vcom^tm machines to provide traditional ATM services. If we terminate the Vcom^tm Services, we believe that the financial results of the acquired 7-Eleven operations would improve considerably. However, until the Vcom^tm Services are successfully restructured or terminated, they are expected to have a continuing negative impact on our ongoing domestic operating results and related margins.

Financing Transactions. On July 20, 2007, we sold $100.0 million of 91/4% senior subordinated notes due 2013 Series B (the Series B Notes) pursuant to Rule 144A of the Securities Act of 1933 to help fund the 7-Eleven ATM Transaction. The form and terms of the Series B Notes are substantially the same as the form and terms of the $200.0 million senior subordinated notes issued in August 2005, except that (i) the notes issued in August 2005 have been registered with the Securities and Exchange Commission while the Series B Notes remain subject to transfer restrictions until we complete an exchange offer, and (ii) the Series B

Notes were issued with Original Issue Discount and have an effective yield of 9.54%. We agreed to file a registration statement with the SEC within 240 days of the issuance of the Series B Notes with respect to an offer to exchange each of the Series B Notes for a new issue of our debt securities registered under the Securities Act with terms identical to those of the Series B Notes (except for the provisions relating to the transfer restrictions and payment of additional interest) and to use reasonable best efforts to have the exchange offer become effective as soon as reasonably practicable after filing but in any event no later than 360 days after the initial issuance date of the Series B Notes. If we fail to satisfy our registration obligations, we will be required, under certain circumstances, to pay additional interest to the holders of the Series B Notes.

In July 2007, in conjunction with the 7-Eleven ATM Transaction, we amended our revolving credit facility to, among other things, (i) increase the maximum borrowing capacity under the revolver from $125.0 million to $175.0 million in order to partially finance the 7-Eleven ATM transaction and to provide additional financial flexibility, (ii) increase the amount of indebtedness (as defined in the Credit Agreement) to allow for the new issuance of the notes described above, (iii) extend the term of the Credit Agreement from May 2010 to May 2012, (iv) increase the amount of capital expenditures we can incur on a rolling 12-month basis from $60.0 million to a maximum of $75.0 million, and (v) amend certain restrictive covenants contained within the facility. This amendment, which was contingent upon the closing of the acquisition of the ATM business of 7-Eleven, became effective on July 20, 2007.

In May 2007, we amended our revolving credit facility to modify, among other items, (i) the interest rate spreads on outstanding borrowings and other pricing terms, and (ii) certain restrictive covenants contained within the facility. Such modification will allow for reduced interest expense in future periods, assuming a constant level of borrowing.

Merchant-Owned Account Attrition. In general, we have experienced nominal turnover among our customers with whom we enter into Company-owned arrangements and have been very successful in negotiating contract renewals with those customers. Conversely, we have historically experienced a higher turnover rate among our smaller merchant-owned customers, with our domestic merchant-owned account base declining by approximately 1,000 machines from September 30, 2006 to September 30, 2007. While part of this attrition was due to an internal initiative launched by us in 2006 to identify and either restructure or eliminate certain underperforming merchant-owned accounts, an additional driver of this attrition was local and regional independent ATM service organizations that are targeting our smaller merchant-owned accounts upon the termination of the merchant s contracts with us, or upon a change in the merchant s ownership, which can be a common occurrence. Accordingly, we launched an internal initiative to identify and retain those merchant-owned accounts where we believed it made economic sense to do so. Our retention efforts to date have been successful, as we have seen a decline in the attrition rates in the first nine months of 2007 compared to the same period in 2006. Specifically, our attrition rate during the nine months ended September 30, 2007 was approximately 500 ATMs compared to over 1,500 ATMs during 2006. However, we still cannot predict whether such efforts will continue to be successful in reducing the attrition rate. Furthermore, because of our efforts to eliminate certain underperforming accounts, we may continue to experience a downward trend in our merchant-owned account base for the foreseeable future. Finally, because the EFT networks have required that all ATMs be Triple-DES compliant by the end of 2007, it is likely that we will lose some additional merchant-owned accounts during the remainder of this year as some merchants with low transacting ATMs may decide to dispose of their ATMs rather than incur the costs to upgrade or replace their existing machines.

Intangible Asset Impairments. During the nine months ended September 30, 2007, we recorded approximately $5.3 million of impairment charges related to our intangible assets, of which $5.1 million relates to our merchant contract with Target, which was acquired in 2004.

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We have continued to monitor the ATM operations agreement with this particular merchant customer as the future cash flows associated with that contract may be insufficient to support the related unamortized intangible and tangible asset values. We have also been in discussions with this particular merchant customer regarding additional services that could be offered under the existing contract to increase the number of transactions conducted on, and cash flows generated by, the underlying ATMs. However, we were unable to make any progress in this regard during the quarter ended September 30, 2007, and, based on discussions that have been held with this merchant, have concluded that the likelihood of being able to provide such additional services has decreased considerably. Furthermore, average monthly transaction volumes associated with this particular contract have continued to decrease in 2007 when compared to the same period last year. Accordingly, we concluded that the above impairment charge was warranted as of September 30, 2007. The impairment charge recorded served to write-off the remaining unamortized intangible asset associated with this merchant.

We plan to continue to work with this merchant customer to offer the additional services noted above, which we believe could significantly increase the future cash flows earned under this contract. Absent our ability to do this, we will attempt to restructure the terms of the existing contract in an effort to improve the underlying cash flows associated with such contract.

Valuation Allowance. During the nine months ended September 30, 2007, we recorded a $3.4 million valuation allowance to reserve for the estimated net deferred tax asset balance associated with our domestic operations. Such adjustment was based, in part, on the expectation of increased pre-tax book losses through the remainder of 2007, primarily as a result of the additional interest expense associated with the 7-Eleven ATM Transaction, coupled with the anticipated losses associated with the acquired Vcom[tm] operations.

Impact of 7-Eleven ATM Transaction

As outlined above, on July 20, 2007, we purchased substantially all of the assets of the 7-Eleven Financial Services Business. Because of the significance of this acquisition, our historical operating results are not expected to be indicative of our future operating results. In particular, we expect a number of our revenue and expense line items to increase substantially upon the consummation of this acquisition. The following table reflects our historical operating results for selected income statement line items for the year ended December 31, 2006, and the same line items on a pro forma basis assuming the 7-Eleven ATM Transaction and the related financing transactions occurred effective January 1, 2006. Such pro forma amounts exclude the majority of the upfront placement fee revenues associated with the acquired Vcom[tm] operations in an effort to depict the potential on-going operating results of the acquired 7-Eleven ATM operations.

	Year Ended December 31, 2006	
	Actual	**Pro Forma (Unaudited)**
	(in thousands)	
Revenues	$ 293,605	$ 439,285(1)
Cost of revenues (exclusive of depreciation and amortization expense, shown separately below)	221,293	337,185
Selling, general and administrative expenses	21,667	27,580
Depreciation and amortization expense	30,578	46,999
Interest expense	25,072	39,333
Loss before income taxes	(19)	(6,826)(1)

(1) Excludes $18.0 million of upfront placement fees associated with the acquired Vcom[tm] operations.

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While our revenues and gross profits are expected to increase substantially as a result of the 7-Eleven ATM Transaction, such amounts will initially be substantially offset by higher operating expense amounts, including higher selling, general, and administrative expenses associated with running the combined operations. Additionally, we expect depreciation, amortization, and accretion expense amounts to increase significantly as a result of the tangible and intangible assets recorded as part of the acquisition. Furthermore, because we financed this acquisition with the issuance of our Series B Notes, along with borrowings under our amended revolving credit facility, we expect that our interest expense, including the amortization of the related deferred financing costs, will increase significantly.

Excluding the majority of the upfront placement fees, the Vcom™ Services have historically generated operating losses, including, based upon our analysis, $6.6 million and $7.8 million for the year ended December 31, 2006 and the nine months ended September 30, 2007, respectively. Despite these losses, we plan to continue to operate the Vcom™ units following the completion of the acquisition and restructure the Vcom™ Services to improve the underlying financial results of that portion of the acquired business. By continuing to provide the Vcom™ Services for the 12-18 months following the acquisition, we currently expect that we may incur up to $10.0 million in operating losses, including $1.5 million in contract termination costs. However, in the event we are unsuccessful in our efforts and our cumulative losses (including termination costs) reach $10.0 million, our current intent is to terminate the Vcom™ Services and utilize the existing Vcom™ machines to provide traditional ATM services. If we terminate the Vcom™ Services, we believe that the financial results of the acquired 7-Eleven Financial Services Business could considerably improve.

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Results of Operations

The following table sets forth our statement of operations information as a percentage of total revenues for the periods indicated. Figures may not add due to rounding.

	Years Ended December 31,			Nine Months Ended September 30,	
	2004	2005	2006	2006	2007
Revenues:					
ATM operating revenues	94.7%	96.3%	95.7%	95.8%	96.0%
Vcom^{tm} operating revenues					0.3
ATM product sales and other revenues	5.3	3.7	4.3	4.2	3.7
Total revenues	100.0	100.0	100.0	100.0	100.0
Cost of revenues:					
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization, shown separately below)(1)	74.4	74.3	71.5	71.9	72.8
Cost of Vcom^{tm} operating revenues					1.0
Cost of ATM product sales and other revenues	4.5	3.6	3.9	3.7	3.5
Total cost of revenues	78.9	77.9	75.4	75.6	77.3
Gross profit	21.1	22.1	24.6	24.4	22.7
Operating expenses:					
Selling, general, and administrative expenses	7.0	6.6	7.4	7.2	8.0
Depreciation and accretion expense	3.5	4.8	6.3	6.4	7.1
Amortization expense(2)	2.9	3.3	4.1	4.4	5.4
Total operating expenses	13.4	14.7	17.8	18.0	20.4
Income from operations	7.7	7.4	6.8	6.4	2.2
Other expense (income):					
Interest expense, net	2.7	8.4	8.5	8.6	8.2
Minority interest in subsidiary			(0.1)	(0.1)	(0.1)
Other, net	0.1	0.4	(1.6)	(0.3)	0.4
Total other expense	2.8	8.8	6.8	8.2	8.5
Income (loss) before income taxes	4.9	(1.4)		(1.8)	(6.3)
Income tax provision (benefit)	1.9	(0.5)	(0.2)	(0.6)	1.2
Net income (loss)	3.0%	(0.9)%	(0.2)%	(1.2)%	(7.5)%

(1) Excludes effects of depreciation, accretion, and amortization expense of $11.4 million, $20.6 million, and $29.2 million for the years ended December 31, 2004, 2005, and 2006, respectively, and $22.6 million and $31.3 million for the nine month periods ended September 30, 2006 and 2007, respectively. The inclusion of this depreciation, accretion, and amortization expense in Cost of ATM operating revenues would have increased our Cost of ATM operating revenues as a percentage of total revenues by 5.9%, 7.7%, and 9.9% for the years ended December 31, 2004, 2005, and 2006, respectively, and 10.3% and 12.0% for the nine month periods ended September 30, 2006 and 2007, respectively.

(2) Includes pretax impairment charges of $1.2 million and $2.8 million in 2005 and 2006, respectively, and $2.8 million and $5.3 million for the nine months ended September 30, 2006 and 2007, respectively.

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Key Operating Metrics

We rely on certain key measures to gauge our operating performance, including total withdrawal transactions, withdrawal transactions per ATM, gross profit, gross profit margin per withdrawal transaction, and gross profit per ATM. The following table sets forth these measures based on our historical results for the periods indicated and the same measures for the year ended December 31, 2006 and the nine months ended September 30, 2007 on a pro forma basis giving effect to the 7-Eleven ATM Transaction as if it had occurred on January 1, 2006:

	Year Ended December 31,			Pro Forma Year Ended December 31,	Nine Months Ended September 30,		Pro Forma Nine Months Ended September 30,
	2004	2005	2006	2006	2006	2007	2007
Average number of transacting ATMs	17,936	26,164	25,778	31,301	25,913	27,149	31,033
Total transactions (in thousands)	111,577	156,851	172,808	264,431	128,539	166,183	222,360
Monthly total transactions per ATM (1)	518	500	559	704	551	680	796
Total withdrawal transactions (in thousands)	86,821	118,960	125,078	192,107	93,756	113,934	155,100
Monthly withdrawal transactions per ATM	403	379	404	511	402	466	555
Per withdrawal transaction:							
ATM operating revenues	$ 2.10	$ 2.18	$ 2.25	$ 2.17	$ 2.23	$ 2.21	$ 2.14
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization) (2)	1.65	1.68	1.68	1.61	1.67	1.68	1.62
ATM operating gross profit (2)(3)(4)	$ 0.45	$ 0.50	$ 0.57	$ 0.56	$ 0.56	$ 0.53	$ 0.52
Per ATM per month:							
ATM operating revenues	$ 849	$ 825	$ 908	$ 1,110	$ 898	$ 1,031	$ 1,186
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization) (5)	667	636	678	825	674	782	895
ATM operating gross profit (3)(4)(5)	$ 182	$ 189	$ 230	$ 285	$ 224	$ 249	$ 291

ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization) (2)(4)	21.4%	22.9%	25.3%	25.8%	25.0%	24.1%	24.5%
ATM operating gross profit margin (inclusive of depreciation, accretion, and amortization) (6)	15.2%	14.9%	14.9%	14.9%	14.2%	11.7%	12.8%

(1) The historical 2007 average number of transacting ATMs for the nine months ended September 30, 2007 includes the ATMs acquired in the 7-Eleven ATM Transaction beginning from the acquisition date (July 20, 2007) and continuing through September 30, 2007. The historical 2006 average numbers of transacting ATMs for the year ended December 31, 2006 and nine months ended September 30, 2006 includes the ATMs of our Mexico operations beginning from the acquisition date (February 8, 2006) and continuing through December 31, 2006 and September 30, 2006, respectively.

(2) Excludes effects of depreciation, accretion, and amortization expense of $11.4 million, $20.6 million, and $29.2 million for the years ended December 31, 2004, 2005, and 2006, respectively, $45.6 million for the pro forma year ended December 31, 2006, $22.6 million and $31.3 million for the nine month periods ended September 30, 2006 and 2007, respectively, and $39.0 million for the pro forma nine month period ended September 30, 2007. The inclusion of this depreciation, accretion, and amortization expense in Cost of ATM operating revenues would have increased our Cost of ATM operating revenues per withdrawal transaction and decreased our ATM operating gross profit per withdrawal transaction by $0.13, $0.17, and $0.23 for the years ended December 31, 2004, 2005, and 2006, respectively, $0.24 for the pro forma year ended December 31, 2006, $0.24 and $0.27 for the nine month periods ended September 30, 2006 and 2007, respectively, and $0.25 for the pro forma nine month period ended September 30, 2007.

(3) ATM operating gross profit is a measure of profitability that uses only the revenues and expenses that are transaction-based. The revenues and expenses from ATM equipment sales, Vcom[tm] Services, and other ATM-related services are not included.

(4) The increase in ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization) in 2006 when compared to 2005 is due to the increases in revenues associated with the Company s bank and network branding initiatives, increased surcharge rates in selected merchant retail locations, and higher gross profit margins associated with our United Kingdom portfolio of ATMs (which was acquired in May 2005). The decrease in ATM operating gross profit margins in 2007 is primarily due to higher vault cash costs and costs incurred in connection with our Triple-DES upgrade and in-house processing conversion costs.

(5) The inclusion in Cost of ATM operating revenues of the depreciation, accretion, and amortization expensed referenced in Note 2 above would have increased our Cost of ATM operating revenues per ATM per month and decreased our ATM operating gross profit per ATM per month by $53, $66, and $94 for the years ended December 31, 2004, 2005, and 2006, respectively, $121 for the pro forma year ended December 31, 2006, $97 and $128 for the nine month periods ended September 30, 2006 and 2007, respectively, and $140 for the pro forma nine month period ended September 30, 2007.

(6) The decrease in ATM operating gross profit margin (inclusive of depreciation, accretion, and amortization) in 2007 when compared to 2006 is primarily due to higher depreciation and accretion expense associated with recent ATM deployments in the United Kingdom and Mexico, which have yet to achieve the higher consistent recurring transaction levels seen in our more mature ATMs, and the incremental amortization expense related to an intangible asset impairment recorded in the third quarter of 2007.

Three and Nine Months Ended September 30, 2007 and 2006

Revenues

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006 (in thousands)	2007	% Change	2006 (in thousands)	2007	% Change
ATM operating revenues	$ 72,887	$ 106,234	45.8%	$ 209,542	$ 251,854	20.2%
Vcom operating revenues		685	100.0%		685	100.0%
ATM product sales and other revenues	3,478	3,668	5.5%	9,218	9,805	6.4%
Total revenues	$ 76,365	$ 110,587	44.8%	$ 218,760	$ 262,344	19.9%

ATM operating revenues. For the three month period ended September 30, 2007, our ATM operating revenues increased 45.8% when compared with the same period in prior year. This increase was a result of approximately 55% growth in ATM operating revenues generated by our international operations, 50% growth in bank and networking branding revenues generated by our pre-existing domestic business (i.e., our domestic portfolio prior to the 7-Eleven ATM Transaction), and $29.4 million of incremental revenues as a result of our July 2007 acquisition of the ATM operations of the 7-Eleven Financial Services Business.

During the three months ended September 30, 2007, our United States segment experienced a $26.9 million, or 44.2%, increase in ATM operating revenues over the same period in prior year. This increase was primarily the result of the incremental revenues earned during the period as a result of our July 2007 acquisition of the ATM operations of the 7-Eleven Financial Services Business, which generated $26.4 million of surcharge and interchange revenues and $3.0 million of bank and network branding revenues during the third quarter. Additionally, bank and network branding revenues generated by our pre-existing domestic operations increased $2.3 million, or approximately 50%, when compared to the third quarter of 2006, as a result of additional branding agreements entered into with financial institutions during the past twelve months. The incremental ATM-related revenues resulting from the 7-Eleven ATM Transaction and additional branding agreements were partially offset by lower revenues from our pre-existing domestic operations, which experienced a year-over-year decline in surcharge, interchange, and other transaction-based revenues primarily as a result of the decrease in the number of transacting merchant-owned ATMs under contract by 1,000 ATMs from September 30, 2006 to September 30, 2007. The lower machine count resulted in a decline in ATM operating revenues from our merchant-owned ATM base by roughly

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$3.4 million, or 12.8%, compared to the same period in the prior year. In the future, we expect that revenues from the additional opportunities afforded to us as a result of the increase in our Company-owned machine count, which include bank and networking branding arrangements, will more than offset the decline in revenues resulting from the decreased number of merchant-owned machines.

During the three months ended September 30, 2007, our United Kingdom segment experienced a $5.4 million, or 46.5%, increase in ATM operating revenues over the same period in 2006. This increase primarily resulted from a 48% increase in the average number of transacting ATMs compared to the same period in 2006 due to the deployment of additional ATMs during the latter half of 2006 and first nine months of 2007. Also contributing to the increase were favorable foreign currency exchange rates during the period, which contributed to approximately 23% of the $5.4 million increase in ATM operating revenues from our United Kingdom segment over the same period in 2006. Our Mexico operations further contributed to the increase in ATM operating revenues for the three months ended September 30, 2007, as the surcharge and interchange amounts earned were approximately $1.0 million higher than the same period in 2006. This increase in revenues was the result of the additional ATM deployments in 2006 and 2007. We expect that the ATM operating revenues generated by our international operations will continue to increase, as we deploy additional ATMs in the United Kingdom and Mexico. Additionally, we anticipate that our future ATM operating revenues will increase as a result of the transaction ramping associated with our recently-deployed international ATMs, which typically take up to nine months to reach consistent monthly transaction levels.

For the nine month period ended September 30, 2007, our ATM operating revenues increased 20.2% when compared with the same period in prior year. This increase was a result of approximately 62% growth in ATM operating revenues generated by our international operations, 81% growth in bank and networking branding revenues generated by our pre-existing domestic business, and $29.4 million of incremental revenues as a result of our July 2007 acquisition of the ATM operations of the 7-Eleven Financial Services Business.

During the nine months ended September 30, 2007, our United States segment experienced a $24.0 million, or 13.7%, increase in ATM operating revenues over the same period in prior year. In addition to the $29.4 million of incremental surcharge, interchange, and branding revenues described above as a result of our acquisition of the ATM operations of the 7-Eleven Financial Services Business in July 2007, our pre-existing domestic operations generated a $9.0 million, or 81.3%, increase in bank and network branding revenues when compared to the same period in 2006. These incremental branding revenues were a result of additional branding agreements entered into with financial institutions during the past twelve months. As was the case during the three months ended September 30, 2007, the overall increase in ATM operating revenues from our pre-existing domestic operations for the nine months ended September 30, 2007 were partially offset by lower revenues associated with our merchant-owned operations as a result of the decrease in the number of transacting merchant-owned ATMs within the United States. For the nine months ended September 30, 2007, ATM operating revenues from our merchant-owned base declined roughly $9.4 million, or 11.6%, compared to the same period in prior year.

Also contributing to the increase in ATM operating revenues for the nine months ended September 30, 2007, were higher surcharge and interchange revenues from our United Kingdom operations, which increased $16.2 million, or 55.3%, primarily due to a 39.7% increase in the average number of transacting ATMs in 2007 when compared to the same period in 2006. Foreign currency exchange rates also favorably impacted the year-to-date revenues, contributing approximately 24% of the $16.2 million increase in ATM operating revenues from our United Kingdom operations. Our Mexico operations further contributed to the increase in ATM operating revenues, generating $2.1 million in additional revenues in 2007 compared to the same period in 2006.

Vcom^tm operating revenues. Vcom^tm operating revenues generated during the three and nine month periods ended September 30, 2007 were primarily attributable to check cashing fees earned by our Advanced Functionality segment during the period. We are currently working to restructure the Vcom^tm Services to improve the underlying financial results of that portion of the acquired business. In the event we are unsuccessful in our efforts and our cumulative losses, including potential termination costs, reach $10.0 million, our intent is to terminate the Vcom^tm Services.

ATM product sales and other revenues. ATM product sales and other revenues for the three and nine month periods ended September 30, 2007 increased approximately 5.5% and 6.4% when compared to the same period in 2006. Such increases were primarily due to higher year-over-year value-added reseller (VAR) program sales and additional sales of used equipment by our United States segment. These increases were partially offset by a decline in service call revenue during the periods, primarily the result of lower service calls related to Triple-DES upgrades during 2007 when compared to the same periods in 2006.

Cost of Revenues and Gross Margin

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2007	% Change	2006	2007	% Change
	(in thousands)			(in thousands)		
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization, shown separately below)[1]	$ 54,280	$ 79,966	47.3%	$ 157,225	$ 191,046	21.5%
Cost of Vcom operating revenues		2,644	100.0%		2,644	100.0%
Cost of ATM product sales and other revenues	3,105	3,111	0.2%	8,142	9,196	12.9%
Total cost of revenues (exclusive of depreciation, accretion, and amortization, shown separately below)[1]	$ 57,385	$ 85,721	49.4%	$ 165,367	$ 202,886	22.7%
ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization, shown separately below)[1]	25.5%	24.7%		25.0%	24.1%	
Vcom operating gross profit margin		(286.0)%			(286.0)%	
ATM product sales and other revenues gross profit	10.7%	15.2%		11.7%	6.2%	

margin				
Total gross profit margin (exclusive of depreciation, accretion, and amortization, shown separately below)(1)	24.9%	22.5%	24.4%	22.7%
ATM operating gross profit margin (inclusive of depreciation, accretion, and amortization)	15.8%	10.0%	14.2%	11.7%
Total gross profit margin (inclusive of depreciation, accretion, and amortization)	15.5%	8.3%	14.1%	10.7%

(1) Excludes depreciation, accretion, and amortization expense of $15.7 million and $7.1 million for the three month periods ended September 30, 2007 and 2006, respectively, and $31.3 million and $22.6 million for the nine month periods ended September 30, 2007 and 2006, respectively.

Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization, shown separately below). For the three month period ended September 30, 2007, the increase in the cost of ATM operating revenues was primarily driven by our United States segment, which experienced a $20.3 million, or 43.6%, increase in such costs from prior year levels. This increase was primarily the result of the incremental costs incurred during the period as a result of our July 2007 acquisition of the ATM operations of the 7-Eleven Financial Services Business, which incurred $21.4 million of incremental expenses during the three months ended September 30, 2007, including $10.9 million of merchant fees, $4.1 million in vault cash costs, and $2.3 million of maintenance costs. The $21.4 million of incremental expenses generated by the ATM operations of the acquired 7-Eleven Financial Services Business is net of $1.7 million of amortization expense related to the deferred liabilities recorded to value certain unfavorable operating leases and an operating contract assumed as a part of the 7-Eleven ATM Transaction. For additional details related to these deferred liabilities, see Note 2 to our unaudited interim condensed consolidated financial statements included elsewhere herein.

Also contributing to the increase in the cost of ATM operating revenues associated with our United States segment were (i) higher domestic vault cash costs associated with our pre-existing domestic operations, which increased $1.4 million, or 30.1%, compared to the same period in 2006 as a result of higher average per-transaction cash withdrawal amounts (which results in an increase in the level of vault cash balances necessary to support such transactions) and higher overall vault cash balances in our bank branded ATMs, and (ii) $0.6 million in incremental costs associated with our efforts to convert our ATMs over to our in-house transaction processing platform. Partially offsetting these increases were lower merchant fees associated with our pre-existing domestic operations, which decreased $3.6 million, or 13.2%, when compared to the same period in 2006. Of this $3.6 million decline, approximately $3.1 million was the result of the year-over-year decline in the number of domestic merchant-owned ATMs and related surcharge revenues.

Our international operations also contributed to the increase in the cost of ATM operating revenues for the three months ended September 30, 2007, with our United Kingdom and Mexico segments costs increasing $4.6 million and $0.8 million, respectively, over the same period in 2006. These increases were due to higher merchant payments and increased vault cash, processing, armored carrier, and communication costs, which resulted from the increased number of ATMs operating in the United Kingdom and Mexico during 2007 compared to the same period in 2006. Excluding vault cash costs and processing fees, the costs listed above are generally fixed in nature, meaning that an increase in transaction volumes typically leads to an increase in the profitability of the ATMs. As a result, while we anticipate that the cost of ATM operating revenues associated with our United Kingdom operations will continue to increase in the future as additional ATMs are deployed, we anticipate that such costs, as a percentage of revenues, will decrease as the number of transactions conducted on those ATMs rises. Additionally, the cost of ATM operating revenues from our United Kingdom operations increased as a result of foreign currency exchange rates during 2007, which contributed approximately 19% of the $4.6 million increase in this segment s cost of ATM operating revenues.

For the nine months ended September 30, 2007, the increase in the cost of ATM operating revenues was also primarily due to our United States segment, which experienced an $18.8 million, or 13.7%, increase in such costs from prior year levels. This increase was primarily the result of the $21.4 million of incremental costs described above incurred during the period as a result of our July 2007 acquisition of the ATM operations of 7-Eleven Financial

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Services Business. Also contributing to the increase were (i) higher domestic vault cash costs associated with our pre-existing domestic operations, which increased $3.7 million, or 26.6%, compared to the same period in 2006 as a result of the higher average per-transaction cash withdrawal amounts and higher overall vault cash balances in our bank branded ATMs, (ii) $1.7 million in incremental costs associated with our efforts to convert our ATMs to our in-house transaction processing platform, and (iii) $1.6 million of additional employee-related costs directly allocable to our operations incurred in 2007. Partially offsetting these increases in costs were lower merchant fees associated with our pre-existing domestic operations, which decreased $10.1 million, or 12.4%, when compared to the same period in 2006 due to the year-over-year decline in the number of domestic merchant-owned ATMs and domestic surcharge revenues. Approximately $8.3 million of the $10.1 million decrease in merchant commissions was the result of the year-over-year decline in the number of domestic merchant-owned ATMs and related surcharge revenues.

As was the case for the three months ended September 30, 2007, our international operations also contributed to the increase in the cost of ATM operating revenues for the nine months ended September 30, 2007, with our United Kingdom and Mexico segments costs increasing $13.2 million and $1.8 million, respectively, over the nine months ended September 30, 2006. As noted above, the increase from our United Kingdom and Mexico operations were due to the deployment of additional ATMs during the past year. Also contributing to the increase in the United Kingdom were higher per ATM withdrawal transactions and increases in the foreign currency exchange rates during 2007, which contributed approximately 21% of the total $13.2 million increase in the United Kingdom s cost of ATM operating revenues. Finally, the cost of ATM operating revenues from our United Kingdom operations for the nine months ended September 30, 2007 was negatively impacted by approximately $0.4 million in costs related to certain fraudulent credit card withdrawal transactions conducted on a number of our ATMs in that market. We incurred such losses as a result of the delay in certification associated with a change in our sponsoring bank. As we currently expect the certification process to be completed in January 2008 and have taken precautionary measures to prevent further loss in the interim, we do not anticipate similar losses in future periods.

ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization). For the three and nine months periods ended September 30, 2007, gross margin percentages (exclusive of depreciation, accretion, and amortization) related to our ATM operating activities decreased 0.8% and 0.9%, respectively, compared to the same periods in 2006. Such declines were primarily the result of $0.6 million and $1.7 million, respectively, in costs associated with our efforts to transition our domestic ATMs to our in-house transaction processing platform. While these costs are not expected to continue subsequent to the completion of our conversion efforts, we anticipate that our gross margin (exclusive of depreciation, accretion, and amortization) will continue to be negatively impacted by these costs for the balance of 2007 and the first half of 2008 as we convert the remainder of our Company-owned and merchant-owned ATMs to our processing platform. Our margins (exclusive of depreciation, accretion, and amortization) were further impacted by approximately $0.1 million and $0.5 million, respectively, in inventory reserves related to our Triple-DES upgrade efforts during the three and nine month periods ended September 30, 2007. While we may have additional adjustments throughout the remainder of 2007 as we complete our Triple-DES upgrade efforts, we do not anticipate similar adjustments in 2008. Finally, our gross margins (exclusive of depreciation, accretion, and amortization) for the nine month period ended September 30, 2007, were negatively impacted by the $0.4 million in costs related to the fraudulent credit card withdrawal transactions conducted on a number of our ATMs in the United Kingdom.

ATM operating gross profit margin (inclusive of depreciation, accretion, and amortization). For the three and nine month periods ended September 30, 2007, gross margin percentages

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(inclusive of depreciation, accretion, and amortization) related to our ATM operating activities decreased 5.8% and 2.5%, respectively, compared to the same periods in 2006. Such declines were the result of transition costs associated with our in-house processing operations, the inventory reserves related to our Triple-DES upgrade efforts, and, for the nine months ended September 30, 2007, the fraudulent credit card withdrawal transactions conducted on a number of our United Kingdom ATMs, each of which are discussed in further detail above. Also contributing to the declines in gross margins (inclusive of depreciation, accretion, and amortization) were (i) the higher depreciation and accretion expense associated with recent ATM deployments, primarily in the United Kingdom and Mexico, which have yet to achieve the higher consistent recurring transaction levels seen in our more mature ATMs, (ii) the incremental depreciation expense recorded as a result of our July 2007 acquisition of the 7-Eleven Financial Services Business, and (iii) the incremental amortization expense related to a significant intangible asset impairment recorded in the third quarter of 2007. See Depreciation and Accretion Expense and Amortization Expense below for additional discussions of the increases in depreciation and accretion expense and amortization expense, respectively, for the three and nine month periods ended September 30, 2007 and 2006.

Cost of Vcom^{tm} operating revenues. The costs of Vcom operating revenues generated during the three and nine month periods ended September 30, 2007 were primarily related to maintenance, processing, and the provision of vault cash related to the Vcom^{tm} Services provided by our Advanced Functionality segment. As noted above, we are currently working to restructure the Vcom^{tm} Services to improve the underlying financial results of that portion of the acquired business. In the event we are unsuccessful in our efforts and our cumulative losses reach $10.0 million, including potential termination costs, our intent is to terminate the Vcom^{tm} Services.

Cost of ATM product sales and other revenues. The cost of ATM product sales and other revenues for the three and nine month periods ended September 30, 2007, increased by approximately 0.2% and 12.9%, respectively, when compared to the same periods in 2006. Such increases were primarily due to higher year-over-year costs associated with equipment sold under our VAR program with NCR. These increases were partially offset by a decline in service call expense during the periods, primarily resulting from lower service calls related to Triple-DES upgrades during 2007 as compared to the same periods in 2006.

ATM product sales and other revenues gross profit margin. Our ATM product sales and other revenues gross margins were higher for the three month period ended September 30, 2007 when compared to the same period in 2006 as a result of increased equipment sales at greater profit margins during the period. For the nine month period ended September 30, 2007, ATM product sales and other revenues gross margins were lower than during the same period in 2006 primarily as a result of our Triple-DES upgrade efforts. Because all ATMs operating on the EFT networks are required to be Triple-DES compliant by the end of 2007, we have seen an increase in the number of ATM sales associated with the Triple-DES upgrade process. However, in certain circumstances, we have sold the machines at little or, in some cases, negative margins in exchange for a long-term renewal of the underlying ATM operating agreements. As a result, gross margins associated with our ATM product sales and other activities have been negatively impacted during the current year. We anticipate that these margins will improve in 2008 as all ATMs are required to be compliant with Triple-DES by the end of 2007.

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Selling, General, and Administrative Expenses (SG&A)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2007	% Change	2006	2007	% Change
	(in thousands)			(in thousands)		
Selling, general and administrative expenses, excluding stock-based compensation	$ 5,571	$ 7,324	31.5%	$ 15,109	$ 20,264	34.1%
Stock-based compensation	240	297	23.8%	600	721	20.2%
Total selling, general, and administrative expenses	$ 5,811	$ 7,621	31.1%	$ 15,709	$ 20,985	33.6%
Percentage of revenues:						
Selling, general, and administrative expenses	7.3%	6.6%		6.9%	7.7%	
Stock-based compensation	0.3%	0.3%		0.3%	0.3%	
Total selling, general, and administrative expenses	7.6%	6.9%		7.2%	8.0%	

Selling, general, and administrative expenses, excluding stock-based compensation. For the three month period ended September 30, 2007, our selling, general, and administrative expenses, excluding stock-based compensation, increased by $1.8 million, or 31.5%, when compared to the same period in 2006. Such increase was primarily attributable to our domestic operations, which experienced an increase of $1.2 million, or 25.6%, in costs during 2007. Such increase was primarily due to (i) $0.8 million of higher employee-related costs incurred to support our growth initiatives, primarily on the sales and marketing side of our business, (ii) $0.6 million of professional fees incurred during the three month period ended September 30, 2007 related to our Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) compliance efforts, and (iii) $0.4 million of higher costs as a result of our July 2007 acquisition of the ATM operations of the 7-Eleven Financial Services Business, the majority of which were employee-related. Finally, SG&A related to our United Kingdom operations increased $0.3 million for the three months ended September 30, 2007, primarily due to additional employee-related costs as a result of the hiring of additional personnel to support the growth of this segment s operations and changes in foreign currency exchange rates, which contributed to roughly 26% of our United Kingdom segment s total $0.3 million increase in SG&A expenses over the same period in the prior year.

For the nine month period ended September 30, 2007, SG&A expenses, excluding stock-based compensation, increased $5.2 million, or 34.1%, primarily due to costs associated with our operations in the United States, which experienced an increase of $3.8 million, or 29.5%, in 2007 when compared to the same period in 2006. This increase was primarily attributable to a $1.6 million increase in employee-related costs, primarily on the sales and marketing side of our business, $1.1 million of additional professional fees associated with our Sarbanes-Oxley compliance efforts, and $0.7 million in increased legal costs associated with our National Federation of the Blind and CGI, Inc. litigation settlements. Additionally, our United Kingdom and Mexico operations had higher SG&A expenses for the nine months ended September 30, 2007, primarily due to additional employee-related costs to support growth and, in the case of our United Kingdom operations, changes in foreign currency exchange rates.

While our SG&A costs are expected to continue to increase on an absolute basis as a result of our future growth initiatives and our acquisition of the 7-Eleven Financial Services Business, we expect that such costs will begin to decrease as a percentage of our total revenues throughout the remainder of 2007 and beyond.

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Depreciation and Accretion Expense

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2007	% Change	2006	2007	% Change
	(in thousands)			(in thousands)		
Depreciation expense	$ 4,583	$ 6,600	44.0%	$ 12,888	$ 17,710	37.4%
Accretion expense	631	361	(42.8)%	1,184	831	(29.8)%
Depreciation and accretion expense	$ 5,214	$ 6,961	33.5%	$ 14,072	$ 18,541	31.8%
Percentage of revenues:						
Depreciation expense	6.0%	6.0%		5.9%	6.8%	
Accretion expense	0.8%	0.3%		0.5%	0.3%	
Total depreciation and accretion	6.8%	6.3%		6.4%	7.1%	

Depreciation expense. For the three and nine month periods ended September 30, 2007, depreciation expense increased by 44.0% and 37.4%, respectively, when compared to the same periods in 2006. These increases were primarily driven by our United Kingdom operations, which recognized additional depreciation of $0.8 million and $1.8 million for the three and nine month periods ended September 30, 2007, respectively, primarily due to the deployment of additional ATMs under Company-owned arrangements. Additionally, for the three and nine month periods ended September 30, 2007, depreciation expense related to our domestic operations increased by $1.1 million and $2.8 million, primarily due to $1.1 million in depreciation related to the ATMs and Vcom™ units acquired as part of our July 2007 acquisition of the 7-Eleven Financial Services Business, offset partially by lower depreciation related to our pre-existing domestic operations.

Accretion expense. We account for our asset retirement obligations in accordance with SFAS No. 143, *Accounting for Asset Retirement Obligations*, which requires that we estimate the fair value of future retirement obligations associated with our ATMs, including the anticipated costs to deinstall, and in some cases refurbish, certain merchant locations. Accretion expense represents the increase of this liability from the original discounted net present value to the amount we ultimately expect to incur. The decrease in accretion expense for the three and nine month periods ended September 30, 2007 was the result of higher retirement obligation estimates in place during 2006.

In the future, we expect that our depreciation and accretion expense will grow to reflect the increase in the number of ATMs we own and deploy throughout our Company-owned portfolio. To that end, our depreciation and accretion expense amount is expected to increase substantially as a result of the recently completed 7-Eleven ATM Transaction.

Amortization Expense

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2007	% Change	2006	2007	% Change
	(in thousands)			(in thousands)		

Amortization expense	$ 2,263	$ 9,204	306.7%	$ 9,610	$ 14,062	46.3%
Percentage of revenues	3.0%	8.3%		4.4%	5.4%	

For the three months ended September 30, 2007, amortization expense, which is primarily comprised of amortization of intangible merchant contracts and relationships associated with our past acquisitions, increased by $6.9 million, or 306.7%, when compared to the same period in 2006. The increased amortization expense was primarily due to $5.2 million of impairment charges recorded during the three month period ended September 30, 2007. Of this amount, $5.1 million related to the unamortized intangible asset value associated with our merchant contract with Target, which we acquired in 2004. As previously disclosed, we have been in discussions with this particular merchant customer regarding additional services that could be offered under the existing contract to increase the number of transactions conducted on, and cash flows generated by, the underlying ATMs. However, we were unable to make any progress in this regard during the quarter ended September 30, 2007, and, based on discussions that have been held with this merchant, have concluded that the likelihood of being able to provide such additional services has decreased considerably. Furthermore, average monthly transaction volumes associated with this particular contract have continued to decrease in 2007 when compared to the same period last year. Accordingly, we concluded that the above impairment charge was warranted as of September 30, 2007. The impairment charge recorded served to write-off the remaining unamortized intangible asset associated with this merchant. We plan to continue to work with this merchant customer to offer the additional services noted above, which we believe could significantly increase the future cash flows earned under this contract. Absent our ability to do this, we will attempt to restructure the terms of the existing contract in an effort to improve the underlying cash flows associated with such contract.

Our acquisition of the 7-Eleven Financial Services Business further contributed to the increased amortization, as we recognized $1.6 million in incremental amortization expense during the three months ended September 30, 2007 associated with the intangible assets recorded as a part of our purchase price allocation. Excluding the asset impairments and incremental amortization expense recorded as a result of the 7-Eleven ATM Transaction, amortization expense for the three month period ended September 30, 2007 was relatively flat compared to the same period in 2006.

For the nine month period ended September 30, 2007, the $4.5 million increase in amortization expense was due to $5.3 million in impairment charges related to previously acquired merchant contracts ($5.1 million of which has been discussed above), and the $1.6 million in incremental amortization expense related to the 7-Eleven ATM Transaction. These amounts were partially offset by a $2.8 million impairment charge recorded during the first quarter of 2006 related to the BAS Communications, Inc. ATM portfolio. Excluding the impairments taken in 2007 and 2006 and the incremental amortization related to the intangible assets acquired in the 7-Eleven ATM Transaction, amortization expense for the nine month period ended September 30, 2007 was slightly higher than the same period in 2006, primarily as a result of increased amortization expense associated with our United Kingdom operations related to additional contract-based intangible assets, which are being amortized over the lives of the underlying contracts.

We expect that our future amortization expense amounts will be substantially higher than those historically reflected, as the $78.0 million of amortizable intangible assets acquired in the 7-Eleven ATM Transaction are amortized over the remaining terms of the underlying contracts at a rate of approximately $8.1 million per year.

Interest Expense, Net

	Three Months Ended September 30,			**Nine Months Ended September 30,**		
	2006	**2007**	**% Change**	**2006**	**2007**	**% Change**
	(in thousands)			**(in thousands)**		
Interest expense, net	$ 5,871	$ 8,545	45.5%	$ 17,193	$ 20,437	18.9%
Amortization and write-off of financing costs and bond discount	362	439	21.3%	1,576	1,155	(26.7)%
Total interest expense, net	$ 6,233	$ 8,984	44.1%	$ 18,769	$ 21,592	15.0%

Percentage of revenues	8.2%	8.1%	8.6%	8.2%

Interest expense, net. For the three and nine month periods ended September 30, 2007, interest expense, excluding the amortization and write-off of financing costs and bond discount, increased by 45.5% and 18.9%, respectively, when compared to the same periods in 2006. The majority of these increases were due to our issuance of the $100.0 million in Series B Notes in July 2007 to partially finance the 7-Eleven ATM Transaction. This issuance resulted in $1.8 million of additional interest expense for the three months ended September 30, 2007, excluding the amortization of the related discount and deferred financing costs. Further contributing to the year-over-year increases were higher average outstanding balances under our revolving credit facility during 2007 when compared to the same periods in 2006. Such incremental borrowings were utilized to fund the remaining portion of the acquisition costs associated with the 7-Eleven ATM Transaction as well as to fund certain working capital needs. Also contributing to the year-over-year increases in interest expense was the overall increase in the level of floating interest rates paid under our revolving credit facility.

In May 2007, we amended our revolving credit facility to, among other things, provide for a reduced spread on the interest rate charged on amounts outstanding under the facility and to increase the amount of capital expenditures that we can incur on an annual basis. Although the interest spread modification will serve to reduce slightly the amount of interest charged on amounts outstanding under the facility, we expect that our overall interest expense amounts will increase substantially for the remainder of the year over prior year levels. Such increase is expected due to (i) the issuance of the Series B Notes, which will result in an additional $9.3 million in interest expense on an annual basis, excluding the amortization of the related discount and deferred financing costs, (ii) the additional $43.0 million in borrowings made under our revolving credit facility in July 2007 to finance the remaining portion of the 7-Eleven ATM Transaction, and (iii) additional borrowings expected to be made under our revolving credit facility to help fund our anticipated capital expenditure needs during the remainder of the year. For additional information on our financing facilities and anticipated capital expenditure needs, see Liquidity and Capital Resources below.

Amortization and write-off of financing costs and bond discounts. For the three month period ended September 30, 2007, expenses related to the amortization and write-off of financing costs and bond discounts increased $0.1 million as a result of the additional financing costs incurred in connection with the Series B Notes and amendments made to our revolving credit facility in July 2007 as part of the 7-Eleven ATM Transaction. For the nine month period ended September 30, 2007, expenses related to the amortization and write-off of financing costs and bond discounts decreased $0.4 million compared to the same period in 2006, primarily due to the write-off of approximately $0.5 million of deferred financing costs in the first quarter of 2006 as a result of an amendment made to our bank credit facility in February 2006. This write-off was partially offset by the increased expenses associated with our July 2007 issuance of the Series B Notes and the July 2007 amendment to our revolving credit facility. No deferred financing costs were written off in 2007.

Other Expense (Income)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2007	% Change	2006	2007	% Change
	(in thousands)			(in thousands)		
Minority interest	$ (71)	$ (174)	145.1%	$ (128)	$ (286)	123.4%
Other expense (income)	(83)	678	(916.9)%	(740)	1,037	(240.1)%
Total other expense (income)	$ (154)	$ 504	(427.3)%	$ (868)	$ 751	(186.5)%

Percentage of revenues	(0.2)%	0.5%	(0.4)%	0.3%

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For the three and nine month periods ended September 30, 2007, total other expense consisted primarily of $0.6 million and $1.5 million, respectively, in losses on the disposal of fixed assets. Such losses were incurred in conjunction with the deinstallation and subsequent sale of used ATMs during the period. For the nine months ended September 30, 2007, such losses were partially offset by $0.6 million in gains on the sale of equity securities awarded to us pursuant to the bankruptcy plan of reorganization of Winn-Dixie Stores, Inc., one of our merchant customers. Total other income for the three and nine months ended September 30, 2006 consisted primarily of a $1.1 million contract termination payment received in May 2006 related to a portion of the installed ATM base that was deinstalled prior to the scheduled contract termination date and a $0.5 million payment received in August 2006 from one of our customers related to the sale of a number of its stores to another party. These payments were partially offset by losses associated with the disposal of ATMs during those periods.

Income Tax Provision (Benefit)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006	2007	% Change	2006	2007	% Change
	(In thousands)			(In thousands)		
Income tax provision (benefit)	$ (60)	$ 2,275	(3,891.7)%	$ (1,217)	$ 3,212	(363.9)%
Effective tax rate	15.5%	(27.1)%		31.2%	(19.5)%	

As indicated in the table above, our income tax provision increased by $2.3 million and $4.4 million for the three and nine month periods ended September 30, 2007, respectively, when compared to the same periods in 2006. The increases for the three and nine month periods were primarily driven by the establishment of valuation allowances of $2.5 million and $3.4 million, respectively. Such valuation allowances, which represent the total estimated net deferred tax asset balance associated with our domestic operations as of September 30, 2007, were established during 2007 due to uncertainties surrounding our ability to utilize the related tax benefits in future periods. Such decision was based, in part, on our forecasted domestic pre-tax book and tax loss figures through the remainder of 2007 from pre-existing operations and as a result of the additional interest expense associated with the 7-Eleven ATM Transaction and the anticipated losses associated with the acquired Vcom^{tm} operations. Under applicable accounting guidelines, three or more consecutive years of pre-tax book losses typically requires the establishment of a valuation allowance. Accordingly, given the estimated increase in pre-tax book losses resulting from the 7-Eleven ATM Transaction, we determined that such valuation allowance was warranted. Furthermore, we do not expect to record any additional domestic federal or state income tax benefits in our financial statements until it is more likely than not that such benefits will be utilized. Accordingly, as long as we continue to generate pre-tax book losses from our domestic operations, our future effective tax rates are expected to be lower than the statutory rate, on average, than in historical periods.

In addition to the income tax provisions discussed above, the Company recorded a $0.2 million deferred tax benefit during the three month period ended September 30, 2007 related to a reduction in the United Kingdom corporate statutory income tax rate from 30% to 28%. Such rate reduction, which will become effective in 2008, was formally enacted in July 2007.

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Years Ended December 31, 2006, December 31, 2005, and December 31, 2004

Revenues

	For the Years Ended December 31,				
	2004	2005	% Change 2004 to 2005	2006	% Change 2005 to 2006
	(in thousands, excluding percentages)				
ATM operating revenues	$ 182,711	$ 258,979	41.7%	$ 280,985	8.5%
ATM product sales and other revenues	10,204	9,986	(2.1)%	12,620	26.4%
Total revenues	$ 192,915	$ 268,965	39.4%	$ 293,605	9.2%

ATM operating revenues. The 8.5% increase in ATM operating revenues for the year ended December 31, 2006 was primarily attributable to revenues from our United Kingdom operations, which increased by $20.4 million, or 94.3%, from prior year levels. This increase was primarily due to the fact that results for the year ended December 31, 2005, only reflect eight months worth of operating results from the acquired Bank Machine operations. Also contributing to the United Kingdom increase were higher surcharge and interchange revenues resulting from the deployment of approximately 300 additional ATMs during the past year and higher per ATM withdrawal transactions, which increased 17.6% over prior year. Our domestic operations also contributed to the increase in ATM operating revenues in 2006 as higher bank and network branding revenues more than offset the declines in surcharge and interchange revenues that resulted from a decrease in the number of merchant-owned ATMs under contract.

For the year ended December 31, 2005, ATM operating revenues increased 41.7% over the year ended December 31, 2004, primarily due to higher ATM transaction volumes. Specifically, withdrawal transactions increased approximately 37.1% to 119.0 million transactions for the year ended December 31, 2005, from 86.8 million during the same period in 2004. This growth in transaction volume was driven largely by the E*TRADE Access ATM portfolio acquisition, which was only included in the 2004 results for the last six months of that year, as well as the three acquisitions consummated in 2005, including the Bank Machine acquisition in May 2005. Additionally, higher overall bank and network branding revenues contributed to the year-over-year increase.

ATM product sales and other revenues. ATM product sales and other revenues for 2006 increased approximately 26.4% from prior year levels. Such increase was primarily due to higher service call income resulting from Triple-DES security upgrades performed in the United States, higher year-over-year equipment and value-added reseller program sales, and higher non-transaction based fees associated with our domestic network branding program.

In 2005, ATM product sales and other revenues decreased approximately 2.1% when compared to 2004. This decrease was primarily due to lower overall sales of equipment under our VAR program as a result of a large sale in 2004 that did not repeat in 2005. However, such decrease was partially offset by higher ATM product sales to our merchant-owned customers and slightly higher ATM service revenues.

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Cost of Revenues and Gross Profit Margin

	For the Years Ended December 31,				
	2004	2005	% Change 2004 to 2005	2006	% Change 2005 to 2006
	(in thousands, excluding percentages)				
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization, shown separately below)[1]	$ 143,504	$ 199,767	39.2%	$ 209,850	5.0%
Cost of ATM product sales and other revenues	8,703	9,681	11.2%	11,443	18.2%
Total cost of revenues (exclusive of depreciation, accretion, and amortization, shown separately below)[1]	$ 152,207	$ 209,448	37.6%	$ 221,293	5.7%
ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization, shown separately below)[1]	21.4%	22.9%		25.3%	
ATM product sales and other revenues gross profit margin	14.7%	3.1%		9.3%	
Total gross profit margin (exclusive of depreciation, accretion, and amortization, shown separately below)[1]	21.1%	22.1%		24.6%	
ATM operating gross profit margin (inclusive of depreciation, accretion, and amortization)	15.2%	14.9%		14.9%	
Total gross profit margin (inclusive of depreciation, accretion, and amortization)	15.2%	14.5%		14.7%	

(1) Excludes depreciation, accretion, and amortization expense of $11.4 million, $20.6 million, and $29.2 million for the years ended December 31, 2004, 2005, and 2006, respectively.

Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization shown separately below). The slight increase in cost of ATM operating revenues for 2006 was driven by our United Kingdom operations, which experienced a $12.9 million, or 91.1%, increase in such costs from prior year levels. This increase was primarily due to the fact that the 2005 results reflect only eight months worth of operating results from the acquired Bank Machine operations, as previously noted. However, also contributing to the increase were higher merchant payments and increased ATM cash costs, which were a result of the aforementioned increased number of ATM merchant locations in the United Kingdom. In the United States, the cost of ATM operating revenues for 2006 declined by $3.4 million, or 1.8%, when compared to 2005. Such decline was primarily due to lower merchant fees, resulting from the aforementioned year-over-year decline in domestic surcharge revenues, which is a direct result of the lower number of merchant-owned accounts.

In 2005, the 39.2% increase in cost of ATM operating revenues over the prior year was primarily due to the higher overall cost of ATM operating revenues as a result of the E*TRADE Access ATM portfolio acquisition in June 2004 and, to a lesser extent, the three acquisitions consummated in 2005. Because the majority of the ATMs acquired in the E*TRADE Access ATM portfolio acquisition were merchant-owned machines, the related merchant fees are higher than those paid under Company-owned arrangements. Overall, merchant fees increased by approximately $31.8 million, or 39.3%, during 2005 when compared to 2004, of which approximately $30.0 million was related to our domestic operations. The other primary components of cost of ATM operating revenues maintenance fees, cost of cash, and armored courier fees also contributed to the domestic cost increases in 2005. Such costs increased by $19.1 million, or 48.1% in 2005 when compared to 2004, with such increase being driven primarily by an increase in our overall number of ATMs, as a result of the aforementioned acquisitions, and higher cash rental fees due to higher domestic interest rates.

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Total gross profit margin (exclusive of depreciation, accretion, and amortization, shown separately below). The total gross profit margin (exclusive of depreciation, accretion, and amortization) earned for 2006 was 24.6%, representing an 11.3% increase over the 22.1% gross profit margin (exclusive of depreciation, accretion, and amortization) earned in 2005. Such increase was primarily due to a greater percentage of our gross profit being generated by our United Kingdom operations, which typically earn higher overall ATM operating margins than our domestic ATM operations. Additionally, our year-to-date results in 2006 reflect a full year s worth of operating results from our United Kingdom operations compared to only eight months of operating results reflected in 2005. Furthermore, the year-over-year increase in bank and network branding revenues in the United States also contributed to the higher gross profit margin figure in 2006. Finally, our ATM product sales and other gross profit margins were higher year-over-year due to certain non-transaction based services that are now being provided as part of our network branding operations as well as higher equipment and VAR program sales.

Our total gross profit margin for 2005 totaled 22.1%, up slightly from the 21.1% level achieved during 2004. Such increase was primarily attributable to higher than normal operating costs incurred during the last six months of 2004 as we worked to transition the acquired E*TRADE Access ATM portfolio on to our existing operating platform. Additionally, the 2005 results benefited from the impact of the Bank Machine acquisition, as our United Kingdom operations generate, on average, higher overall gross margins than our operations in the United States.

Total gross profit margin (inclusive of depreciation, accretion, and amortization). The total gross profit margin (inclusive of depreciation, accretion, and amortization) earned for 2006 was 14.7%, representing a 1.4% increase in over the 14.5% total gross profit margin (inclusive of depreciation, accretion, and amortization) earned for 2005. Consistent with the increase in our total gross profit margin (exclusive of depreciation, accretion, and amortization) discussed above, this increase was primarily due to a greater percentage of our gross profits being generated by our United Kingdom operations, which typically have higher ATM operating gross profit margins, and the year-over-year increase in bank and network branding revenues from our domestic operations. These increases were partially offset by higher depreciation and accretion expense associated with the increased number of ATMs deployed by our United States and United Kingdom operations and additional amortization expense, primarily attributable to an impairment recorded in the first quarter of 2006 related to a previously-acquired ATM portfolio. See Depreciation and Accretion Expense and Amortization Expense below for additional discussions of the increases in depreciation and accretion expense and amortization expense, respectively, for the years ended December 31, 2006, 2005, and 2004.

Our total gross profit margin (inclusive of depreciation, accretion, and amortization) for 2005 totaled 14.5%, representing a 4.6% decline from the 15.2% total gross profit margin (inclusive of depreciation, accretion, and amortization) earned for 2004. This decline was primarily the result of the higher costs of ATM operating revenues in 2005, including higher merchant fees that resulted from the E*TRADE Access ATM portfolio acquisition in 2004 and higher maintenance fees, costs of cash, and armored courier fees attributable to an increase in our overall number of ATMs due to our acquisitions in 2004 and 2005. Also contributing to the decline in total gross profit margin (inclusive of depreciation, accretion, and amortization) during 2005 were the 90.9% increase in depreciation and accretion expense, which resulted primarily from the increase in the number of ATMs deployed under Company-owned arrangements in our United States and United Kingdom operations, and the 63.0% increase in amortization expense during 2005 compared to 2004, which resulted primarily from the additional amortization of intangible merchant contracts and relationships associated with our past acquisitions. See Depreciation and Accretion Expense and Amortization

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Expense below for additional discussions of the increases in depreciation and accretion expense and amortization expense, respectively, for the years ended December 31, 2006, 2005, and 2004.

Selling, General, and Administrative Expenses

	For The Years Ended December 31,				
	2004	2005	% Change 2004 to 2005	2006	% Change 2005 to 2006
	(in thousands, excluding percentages)				
Stock-based compensation	$ 956	$ 2,201	130.2%	$ 828	(62.4)%
Other selling, general, and administrative expenses	12,615	15,664	24.2%	20,839	33.0%
Total selling, general, and administrative expenses	$ 13,571	$ 17,865	31.6%	$ 21,667	21.3%
Percentages of revenues:					
Stock-based compensation	0.5%	0.8%		0.3%	
Other selling, general, and administrative expenses	6.5%	5.8%		7.1%	
Total selling, general, and administrative expenses	7.0%	6.6%		7.4%	

Other selling, general, and administrative expenses. For 2006, our selling, general, and administrative expenses, excluding stock-based compensation, increased by 33.0% when compared to the same period in 2005. Such increase was attributable to higher costs associated with our domestic operations, which increased $3.7 million, or 27.6%, primarily due to higher employee-related costs as well as higher accounting, legal, and professional fees resulting from our past growth. In the United Kingdom, SG&A costs increased $0.9 million when compared to the prior year due to the fact that the 2005 results included only eight months of operating results from Bank Machine. However, such increases were somewhat offset by certain cost savings measures that were implemented subsequent to the May 2005 acquisition date. Finally, our Mexico operations, which were acquired in February 2006, contributed approximately $0.6 million to the year-over-year variance.

For 2005, selling, general, and administrative expenses, excluding stock-based compensation, increased by 24.2% when compared to 2004. Such increase was primarily due to the hiring of additional employees in 2005 and higher overall professional fees, both of which were the result of our recent acquisitions and the additional ATM deployments made in 2005.

We expect that our SG&A expenses will increase in 2007 due to the anticipated hiring of additional personnel and the incurrence of additional costs to support our future growth initiatives and reporting and compliance obligations.

Stock-based compensation. Stock-based compensation for the year ended December 31, 2006, decreased by 62.4% when compared to the same period in 2005. Such decrease was primarily due to an additional $1.7 million in stock-based compensation recognized during the 2005 period related to the repurchase of shares underlying certain employee stock options in connection with our Series B preferred stock financing transaction. Additionally, during the year ended December 31, 2006, we adopted SFAS No. 123 (revised 2004), *Share-Based Payment,* *(SFAS No. 123R)*, which requires us to record the grant date fair value of stock-based compensation arrangements as compensation expense on a straight-line basis over the underlying service period of the related award. During 2006, we recognized approximately $0.6 million of stock-based compensation expense related to options granted during the year.

The 130.2% increase in stock-based compensation expense in 2005 compared to 2004 was primarily due to the aforementioned $1.7 million of additional expense recognized in 2005 in conjunction with the Series B Convertible Preferred Stock financing transaction. This $1.7 million was partially offset by otherwise lower stock-based compensation expense in 2005 as a result of the graded-basis vesting of the restricted stock grant made to our Chief Executive Officer in 2003. See Note 3 in the notes to our consolidated financial statements included elsewhere herein for additional information regarding our stock-based compensation, including our initial adoption of SFAS No. 123R.

Depreciation and Accretion Expense

	For the Years Ended December 31,				
			% Change 2004 to 2005		% Change 2005 to 2006
	2004	2005		2006	
	(in thousands, excluding percentages)				
Depreciation expense	$ 6,506	$ 11,949	83.7%	$ 18,323	53.3%
Accretion expense	279	1,002	259.1%	272	(72.9)%
Depreciation and accretion	$ 6,785	$ 12,951	90.9%	$ 18,595	43.6%
Percentage of Revenues:					
Depreciation expense	3.4%	4.4%		6.2%	
Accretion expense	0.1	0.4		0.1	
Total depreciation and accretion expense	3.5%	4.8%		6.3%	

Depreciation expense. The 53.3% increase in depreciation in 2006 was primarily comprised of a $4.1 million, or 41.1%, increase related to our United States operations and a $2.3 million, or 112.3%, increase in our United Kingdom operations. The increase in the United States was primarily due to the deployment of additional ATMs under Company-owned arrangements during the latter part of 2005 and throughout 2006, the majority of which were associated with our bank branding efforts. Additionally, the results for our U.S. operations reflected the acceleration of depreciation for certain ATMs that were deinstalled early as a result of contract terminations and certain ATMs that are expected to be replaced sooner than originally anticipated as part of our Triple-DES security upgrade process. The year-over-year increase in the United Kingdom was driven by the 300 additional ATM deployments and the fact that the 2005 results only reflect eight months worth of results from the acquired Bank Machine operations.

Depreciation expense increased by 83.7% for the year ended December 31, 2005 when compared to 2004. Such increase was primarily due to the incremental ATMs acquired through the E*TRADE Access transaction in June 2004, and, to a lesser extent, the incremental ATMs associated with the acquisitions consummated in 2005.

Accretion expense. As previously noted, we account for our asset retirement obligations in accordance with SFAS No. 143, *Accounting for Asset Retirement Obligations*. Accretion expense represents the increase of the estimated liability under SFAS No. 143 from the original discounted net present value to the amount we ultimately expect to incur. The $0.7 million decrease in accretion expense in 2006 when compared to 2005 and the $0.7 million increase in accretion expense in 2005 when compared to 2004 was primarily the result of $0.5 million of excess accretion expense that was erroneously recorded in 2005. This amount was subsequently reversed in 2006, at which time we determined that the impact of recording the $0.5 million out-of-period adjustment in 2006 (as opposed to reducing the reported 2005 accretion expense amount) was immaterial to both reporting periods pursuant to the provisions contained in SEC Staff Accounting Bulletin (SAB) No. 99, *Materiality*, and

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SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements.* In forming this opinion, we considered the nature of the adjustment (cash versus non-cash) and the relative size of the adjustment to certain financial statement line items, including revenues, gross profits, and pre-tax income (or loss) amounts for each period, including the interim periods contained within both years. Furthermore, we considered the impact of recording this adjustment in 2006 on our previously reported earnings and losses for such periods and concluded that such adjustment did not impact the trend of our previously reported earnings and losses.

Excluding the $0.5 million adjustment (discussed above), accretion expense in 2006 increased when compared to 2005, which primarily resulted from the 300 additional ATMs deployed in the United Kingdom. Furthermore, excluding the $0.5 million of additional accretion expense in 2005, accretion expense in 2005 increased when compared to 2004 as a result of the increase in our installed ATM base.

In the future, we expect that our depreciation and accretion expense will grow in proportion to the increase in the number of ATMs we own and deploy throughout our company-owned portfolio. See Liquidity and Capital Resources below for additional information on our capital expenditures program.

Amortization Expense

	For the Years Ended December 31,				
	2004	2005	% Change 2004 to 2005	2006	% Change 2005 to 2006
	(in thousands, excluding percentages)				
Amortization	$ 5,508	$ 8,980	63.0%	$ 11,983	33.4%
Percentages of revenues	2.9%	3.3%		4.1%	

As indicated in the table above, amortization expense, which is primarily comprised of amortization of intangible merchant contracts and relationships associated with our past acquisitions, increased by 33.4% for 2006 when compared to 2005. Such increase was primarily driven by a $2.8 million impairment charge recorded during the first quarter of 2006 related to the BAS Communications, Inc. (BASC) ATM portfolio, which resulted from a reduction in anticipated future cash flows resulting primarily from a higher than planned attrition rate associated with this acquired portfolio. Also contributing to the increase in 2006 was the fact that the 2005 amount only reflects eight months worth of amortization expense from the Bank Machine acquisition, and only seven and five months worth of amortization expense, respectively, related to the BASC and Neo Concepts, Inc. acquisitions.

For the year ended December 31, 2005, amortization expense increased by 63.0% for the year when compared to 2004. Such increase was primarily due to the incremental amortization expense associated with the merchant contracts and relationships acquired in the E*TRADE Access transaction in June 2004 and, to a lesser extent, the incremental merchant contracts and relationships acquired in 2005. Additionally, we recorded a $1.2 million impairment charge in 2005 related to certain previously acquired merchant contract/relationship intangible assets.

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Interest Expense, net

	For the Years Ended December 31,				
	2004	2005	% Change 2004 to 2005	2006	% Change 2005 to 2006
	(in thousands, excluding percentages)				
Interest expense, net	$ 4,155	$ 15,485	272.6%	$ 23,143	49.5%
Amortization and write-off of financing costs and bond discount	1,080	6,941	542.7%	1,929	(72.2)%
Total interest expense, net	$ 5,235	$ 22,426	328.4%	$ 25,072	11.8%
Percentages of revenues	2.7%	8.4%		8.5%	

Interest expense, net. As indicated in the table above, interest expense, excluding the amortization and write-off of financing costs and bond discount, increased by 49.5% in 2006 when compared to 2005. Such increase was due to (i) the additional borrowings made under our bank credit facilities in May 2005 to finance the Bank Machine acquisition, and (ii) the incremental interest expense associated with our $200.0 million senior subordinated notes offering completed in August 2005. Further contributing to the increase in interest expense in 2006 was the increase in the annual interest rate on the senior subordinated notes from 9.25% to 9.50% in June 2006, and from 9.50% to 9.75% in September 2006, before reverting back to the stated rate of 9.25% in October 2006 upon the successful completion of our exchange offer. Such increases occurred as a result of our inability to register our senior subordinated notes with the SEC and complete the related exchange offer within 300 days from their original issuance. We completed the exchange offer in October 2006. Finally, the increase in interest expense for 2006 was also impacted by an overall increase in the floating interest rates paid under our revolving credit facility.

For the year ended December 31, 2005, interest expense, excluding the amortization and write-off of financing costs and bond discount, increased 272.6% when compared to 2004. Such increase was primarily attributable to the additional borrowings made under our bank credit facilities in June 2004 and May 2005 to finance the E*TRADE Access ATM portfolio acquisition and the Bank Machine acquisition, respectively, and the incremental interest expense associated with our senior subordinated notes offering in August 2005. Additionally, higher overall short-term interest rates in 2005 contributed to the year-over-year increase.

Amortization and write-off of financing costs and bond discount. For 2006, the amortization and write-off of financing costs and bond discount decreased 72.2% when compared to 2005. The increased expenses for 2005 were due to the write-off of approximately $5.0 million of deferred financing costs as a result of amendments to our bank credit facility in May 2005 and the repayment of our term loans in August 2005. During 2006, we wrote-off approximately $0.5 million in deferred financing costs in connection with certain modifications made to our existing revolving credit facilities in February 2006. In 2004, we expensed approximately $0.1 million related to certain fees paid in connection with the amendment of our then existing bank credit facility.

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Other Expense (Income)

	For the Years Ended December 31,				
	2004	2005	% Change 2004 to 2005	2006	% Change 2005 to 2006
	(in thousands, excluding percentages)				
Minority interest	$ 19	$ 15	(21.1)%	$ (225)	(1,600.0)%
Other expense (income)	209	968	363.2%	(4,761)	(591.8)%
Total other expense (income)	$ 228	$ 983	331.1%	$ (4,986)	(607.2)%
Percentages of revenues	0.1%	0.4%		(1.7)%	

As indicated in the table above, we recorded approximately $4.8 million in other income for the period ended December 31, 2006, compared to $1.0 million of other expense in 2005. The income amount recognized in 2006 is primarily attributable to the recognition of $4.8 million ($3.0 million after-tax) in other income primarily related to settlement proceeds received from Winn-Dixie as part of that company s successful emergence from bankruptcy. Also contributing to the increase in 2006 was a $1.1 million contract termination payment that was received from one of our customers in May 2006 and a $0.5 million payment received in August 2006 from one of our customers related to the sale of a number of its stores to another party. As previously noted, we do not believe that the termination of these contracts will have a material adverse impact on our results of operations, financial condition or liquidity. The above amounts were partially offset by $1.6 million of losses related to the disposal of a number of ATMs. See Note 5 in the notes to our consolidated financial statements included elsewhere herein, for additional details of the Winn-Dixie bankruptcy settlement.

Income Tax Provision (Benefit)

	For the Years Ended December 31,				
	2004	2005	% Change 2004 to 2005	2006	% Change 2005 to 2006
	(in thousands, excluding percentages)				
Income tax provision (benefit)	$ 3,576	$ (1,270)	(135.5)%	$ 512	140.3%
Effective tax rate	38.1%	34.4%		(2,694.7)%	

As indicated in the table above, we had income tax expense of $0.5 million and $3.6 million in 2006 and 2004, respectively, and an income tax benefit of $1.3 million in 2005. In 2006, our effective tax rate was unusually high due to our consolidated breakeven results, certain non-deductible expenses, a contingent tax liability that was recorded in 2006 related to our United Kingdom operations, and the fact that we are providing a full valuation allowance on all tax benefits associated with our Mexico operations. In 2005, our effective tax rate was lower when compared to 2004 primarily due to a change in our effective state income tax rate in 2005 and the results of our United Kingdom operations, which are taxed at a lower statutory rate. As long as our consolidated financial results remain at or near breakeven levels, our effective tax rate will likely continue to vary considerably from quarter to quarter depending on the mix of pre-tax income and loss amounts generated in our domestic and foreign tax jurisdictions.

As of December 31, 2006, we had currently concluded that it is more likely than not that the deferred tax assets associated with our United States and United Kingdom operations were fully recoverable. Accordingly, no valuation allowance had been established for those operations. In Mexico, we had fully reserved for the net deferred tax assets associated with those operations due to their uncertain future utilization. During the nine months ended September 30, 2007, we recorded a $3.4 million valuation allowance to reserve for the estimated net deferred tax asset balance associated with our domestic operations. This allowance was established, in part, as a result of our expectation of increased pre-tax losses through the remainder of 2007. As a result of this allowance, we are fully reserved for the net deferred tax assets associated with our United States and Mexico operations. If our conclusion regarding the recoverability of the deferred tax assets in our United Kingdom operations changes, we may be required to record future charges, which could be significant, to establish a valuation allowance for such assets.

Liquidity and Capital Resources

Overview

As of December 31, 2006 and September 30, 2007, we had cash and cash equivalents on hand of approximately $2.7 million and $6.1 million, respectively, and outstanding long-term debt, notes payable, and capital lease obligations of approximately $252.9 million and $408.9 million, respectively.

We have historically funded our operations primarily through cash flows from operations, borrowings under our credit facilities, private placements of equity securities, and the sale of bonds. We have historically used cash to invest in additional operating ATMs, either through the acquisition of ATM networks or through internally-generated growth as well as to fund increases in working capital and to pay interest and principal amounts outstanding under our borrowings. Because we typically collect our cash on a daily basis and are not required to pay our merchants and vendors until 20 and 30 days, respectively, after the end of each calendar month, we are able to utilize the excess upfront cash flow to pay down borrowings made under our revolving credit facility and to fund our ongoing capital expenditure program. Accordingly, we will typically reflect a working capital deficit position and carry a very small cash balance on our books.

Operating Activities

Nine Months Ended September 30, 2007 and September 30, 2006

Net cash provided by operating activities totaled $35.0 million for the nine months ended September 30, 2007, compared to $16.9 million during the same period in 2006. The year-over-year increase was primarily attributable to the timing of changes in our working capital balances. Specifically, we settled approximately $15.1 million less on our outstanding payables and other liabilities during the nine months ended September 30, 2007 compared to the same period in 2006.

Years Ended December 31, 2006, December 31, 2005, and December 31, 2004

Net cash provided by operating activities was $25.4 million, $33.2 million, and $20.5 million for the years ended December 31, 2006, 2005, and 2004, respectively. The decrease in 2006 was primarily attributable to the payment of approximately $18.7 million in additional interest costs in 2006 related to our $200.0 million senior subordinated notes that were issued in August 2005, offset somewhat by the incremental operating cash flows generated by our United Kingdom operations as well as our domestic bank and network branding arrangements. The increase in 2005 was primarily attributable to the full-year effect of the E*TRADE Access ATM portfolio acquisition and, to a lesser extent, the acquisitions consummated in 2005. Additionally, incremental costs associated with the integration of the E*TRADE Access ATM portfolio and costs associated with our planned initial public offering during 2004 burdened our 2004 net cash provided by operating activities.

We believe that our cash on hand and our current bank credit facilities will be sufficient to meet our working capital requirements and contractual commitments for at least the next 12 months. We expect to fund our working capital needs from revenues generated from our operations and borrowings under our revolving credit facility, to the extent needed. However, although we believe that we have sufficient flexibility under our current revolving credit facility

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to pursue and finance our expansion plans, such facility does contain certain covenants, including a covenant that limits the ratio of outstanding senior debt to EBITDA (as defined in the facility), that could preclude us from drawing down the full amount currently available for borrowing under such facility. Accordingly, if we expand faster than planned, need to respond to competitive pressures, or acquire additional ATM networks, we may be required to seek additional sources of financing. Such sources may come through the sale of equity or debt securities. We cannot assure you that we will be able to raise additional funds on terms favorable to us or at all. If future financing sources are not available or are not available on acceptable terms, we may not be able to fund our future needs. This may prevent us from increasing our market share, capitalizing on new business opportunities, or remaining competitive in our industry.

Investing Activities

Nine Months Ended September 30, 2007 and September 30, 2006

Net cash used in investing activities totaled $179.5 million for the nine months ended September 30, 2007, compared to $25.9 million for the same period in 2006. The year-over-year increase was primarily driven by our acquisition of the 7-Eleven Financial Services Business in July 2007 for $138.0 million. Also contributing to the increase were additional ATM purchases, primarily in our United Kingdom and Mexico segments, offset slightly by the receipt of $4.0 million in proceeds from the sale of our Winn-Dixie equity securities during 2007. Finally, although not reflected in our 2007 statement of cash flows, we received the benefit of the disbursement of approximately $3.1 million of funds under three financing facilities entered into by our majority-owned Mexican subsidiary, Cardtronics Mexico, for the purchase of ATMs. Such funds are not reflected in our condensed consolidated statement of cash flows as they were not remitted by Cardtronics Mexico but rather were remitted directly to our vendors by the finance company.

Years Ended December 31, 2006, December 31, 2005, and December 31, 2004

Net cash used in investing activities totaled $36.0 million, $140.0 million, and $118.9 million for the years ended December 31, 2006, 2005, and 2004, respectively. The significant year-over-year decrease from 2005 to 2006 was driven by the $105.8 million in cash that was expended to fund the Bank Machine, BAS Communications Inc., and Neo Concepts, Inc. acquisitions during the first six months of 2005. During 2005 and 2004, a majority of the cash used in investing activities was utilized to fund the acquisition of a number of ATM portfolios and businesses, including the E*TRADE Access ATM portfolio in 2004 and the Bank Machine acquisition in 2005. Additionally, such cash was utilized to make capital expenditures related to those acquisitions, to install additional ATMs in connection with acquired merchant relationships, and to deploy ATMs in additional locations of merchants with which we had existing relationships. Total capital expenditures, including exclusive license payments and site acquisition costs, were $36.1 million, $31.9 million, and $19.7 million for the years ended December 31, 2006, 2005, and 2004, respectively.

Remainder of 2007

We currently anticipate that the majority of our capital expenditures for the foreseeable future will be driven by internal growth projects as opposed to acquisitions, including the purchasing of ATMs for existing as well as new ATM management agreements. However, we will continue to pursue selected acquisition opportunities that complement our existing ATM network, some of which could be material, such as the 7-Eleven ATM Transaction completed in July 2007. We currently expect that our capital expenditures for the remainder of 2007 will total approximately $20.0 million, the majority of which will be utilized to purchase additional ATMs for our Company-owned accounts and to upgrade our existing ATMs to comply with current

security encryption and audio guidelines. Such amount also includes the expected impact on our capital expenditure program from the recently acquired 7-Eleven operations. We expect such expenditures to be funded with cash generated from our operations, supplemented by borrowings under our revolving credit facility. To that end, we amended our revolving credit facility in July 2007 in connection with the 7-Eleven ATM Transaction such that the amount of capital expenditures we can incur on a rolling 12-month basis will increase to a maximum of $75.0 million by March 2008. This modification is expected to provide us with the ability to incur the level of capital expenditures that we currently deem necessary to support our ongoing operations and future growth initiatives.

As a result of the 7-Eleven ATM Transaction, we assumed responsibility for certain ATM operating lease contracts that will expire at various times during the next three years, the majority of which will expire in 2009. Accordingly, at that time, we will be required to renew such lease contracts, enter into new lease contracts, or purchase new or used ATMs to replace the leased equipment. If we decide to purchase ATMs and terminate the existing lease contracts at that time, we currently anticipate that we will incur between $13.0 and $16.0 million in related capital expenditures. Additionally, we posted $7.5 million in letters of credit related to these leases. See Financing Facilities Other borrowing facilities below.

Financing Activities

Nine Months Ended September 30, 2007 and September 30, 2006

Net cash provided by financing activities totaled $147.8 million for the nine months ended September 30, 2007, compared to $7.8 million during the same period in 2006. The increase in 2007 was due to the issuance of our $100.0 million of Series B Notes and the incremental borrowings under our revolving credit facility to fund the 7-Eleven ATM Transaction. Additionally, although not reflected in our 2007 statement of cash flows, we received the benefit of a disbursement of approximately $3.1 million of funds under three financing facilities entered into by our majority-owned Mexican subsidiary, Cardtronics Mexico. The $3.1 million is not reflected in our condensed consolidated statement of cash flows as the funds were not received by Cardtronics Mexico but rather were remitted directly to our vendors by the finance company. The remittance of such funds served to purchase ATMs.

Years Ended December 31, 2006, December 31, 2005, and December 31, 2004

Net cash provided by financing activities was $11.2 million for the year ended December 31, 2006, compared to net cash provided by financing activities of $107.2 million and $94.3 million for the years ended December 31, 2005 and 2004, respectively. In 2005 and 2004, the majority of our cash provided by financing activities resulted from issuances of additional long-term debt, offset somewhat in each period by our repayments of other long-term debt and capital leases. Such borrowings were primarily made in connection with the previously-discussed ATM portfolio acquisitions, including the Bank Machine acquisition in 2005 and the E*TRADE Access acquisition in 2004. Additionally, in 2005 we issued $75.0 million worth of Series B Convertible Preferred Stock to a new investor, TA Associates. The net proceeds from such offering were utilized to redeem our existing Series A preferred stock, including all accrued and unpaid dividends related thereto, and to redeem approximately 24% of our outstanding common stock and vested options.

Financing Facilities

As of September 30, 2007, we had approximately $408.9 million in outstanding long-term debt, notes payable, and capital lease obligations, which was comprised of (i) approximately $295.9 million (net of discount of $4.0 million) of 91/4% senior subordinated notes and 91/4% senior subordinated notes Series B, both of which are due August 2013, (ii) approximately

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$105.6 million in borrowings under our existing revolving credit facility, (iii) approximately $5.1 million in notes payable, and (iv) approximately $2.3 million in capital lease obligations.

Revolving credit facility

In February 2006, we amended our then existing revolving credit facility to remove and modify certain restrictive covenants contained within the facility and to reduce the maximum borrowing capacity from $150.0 million to $125.0 million. As a result of this amendment, we recorded a pre-tax charge of approximately $0.5 million associated with the write-off of previously deferred financing costs related to the facility. Additionally, we incurred approximately $0.1 million in fees associated with such amendment.

In May 2007, we further amended our revolving credit facility to modify, among other things, (i) the interest rate spreads on outstanding borrowings and other pricing terms and (ii) certain restrictive covenants contained within the facility. Such modification will allow for reduced interest expense in future periods, assuming a constant level of borrowings. Furthermore, the amendment increased the amount of capital expenditures we can incur on a rolling 12-month basis from $50.0 million to $60.0 million. As a result of these amendments, the primary restrictive covenants within the facility include (i) limitations on the amount of senior debt that we can have outstanding at any given point in time, (ii) the maintenance of a set ratio of earnings to fixed charges, as computed on a rolling 12-month basis, (iii) limitations on the amounts of restricted payments that can be made in any given year, and (iv) limitations on the amount of capital expenditures that we can incur on a rolling 12-month basis. Additionally, we are currently prohibited from making any cash dividends pursuant to the terms of the facility.

On July 20, 2007, in conjunction with the 7-Eleven ATM Transaction, we further amended our revolving credit facility to, among other things, (i) increase the maximum borrowing capacity under the revolver from $125.0 million to $175.0 million in order to partially finance the 7-Eleven ATM Transaction and to provide additional financial flexibility, (ii) increase the amount of indebtedness (as defined in the credit agreement) to allow for the issuance of our Series B Notes, (iii) extend the term of the credit agreement from May 2010 to May 2012, (iv) increase the amount of capital expenditures we can incur on a rolling 12-month basis from $60.0 million to a maximum of $75.0 million, and (v) amend certain restrictive covenants contained within the facility. In conjunction with this amendment, we borrowed approximately $43.0 million under the credit agreement to fund a portion of the 7-Eleven ATM Transaction. Additionally, we posted $7.5 million in letters of credit under the facility in favor of the lessors under the ATM equipment leases that we assumed in connection with the 7-Eleven ATM Transaction. These letters of credit further reduced our borrowing capacity under the facility. As of September 30, 2007, our available borrowing capacity under the amended facility, as determined under the earnings before interest, taxes, depreciation, and amortization (EBITDA) and interest expense covenants contained in the agreement, totaled approximately $61.9 million.

Borrowings under the revolving credit facility currently bear interest at the London Interbank Offered Rate (LIBOR) plus a spread, which was 2.5% as of September 30, 2007. Additionally, we pay a commitment fee of 0.3% per annum on the unused portion of the revolving credit facility. Substantially all of our assets, including the stock of our wholly-owned domestic subsidiaries and 66.0% of the stock of our foreign subsidiaries, are pledged to secure borrowings made under the revolving credit facility. Furthermore, each of our domestic subsidiaries has guaranteed our obligations under such facility. There are currently no restrictions on the ability of our wholly-owned subsidiaries to declare and pay dividends directly to us. As of September 30, 2007, we were in compliance with all applicable covenants and ratios in effect at that time under the facility.

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Senior subordinated notes

August 2005 Issuance. On August 12, 2005, we sold $200.0 million in senior subordinated notes. The notes, which are subordinate to borrowings made under the revolving credit facility but equal in right of payment to the notes issued in July 2007, mature in August 2013 and carry a 9.25% coupon with an effective yield of 9.375%. Interest under the notes is paid semi-annually in arrears on February 15th and August 15th of each year. The notes, which are guaranteed by our domestic subsidiaries, contain certain covenants that, among other things, limit our ability to incur additional indebtedness and make certain types of restricted payments, including dividends.

July 2007 Issuance. On July 20, 2007, we sold $100.0 million in senior subordinated notes Series B. The Series B Notes, which are subordinate to borrowings made under the revolving credit facility but equal in right of payment to the notes issued in August 2005, mature in August 2013 and carry a 9.25% coupon with an effective yield of 9.5%. Interest under the Series B Notes is paid semi-annually in arrears on February 15th and August 15th of each year. Net proceeds from the offering, totaled approximately $97.0 million. Proceeds from this issuance, along with cash on hand and additional borrowings under our revolving credit facility, were utilized to finance the 7-Eleven ATM Transaction.

In addition, pursuant to the registration rights agreement executed as part of this offering, we have agreed to file with the SEC a shelf registration statement on or prior to the later of 240 days after the closing of the offering or 60 days after such filing obligation arises and use their reasonable best efforts to cause the shelf registration statement to be declared effective by the SEC on or prior to the later of 360 days after the closing of the offering or 120 days after such obligation arises. If we fail to satisfy our registration obligations under the registration rights agreement, we will be required to pay additional interest to the holders of the Series B Notes under certain circumstances.

Covenants. The indentures governing the senior subordinated notes contain certain restrictive covenants, including (i) limitations on the amount of senior debt we can incur, (ii) limitations on the amount of restricted payments that can be made, and (iii) limitations on the creation or incurrence of liens on our assets.

Other borrowing facilities

In addi