CARDTRONICS INC
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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 Vcom™ 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 Vcom™ units in existing and future 7-Eleven store locations in the United States for the next 10 years.

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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 Vcomtm 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

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.

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^{tm} 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.

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.

Cardtronics, Inc.

	Years Ended December 31, 2004	2005	2006	Pro Forma Year Ended December 31, 2006	Nine Months Ended September 30, 2006	2007	Pro Forma Nine Months Ended September 30, 2007
Consolidated Statements of Operations Data:	(in thousands, except share, per share, and per withdrawal transaction statistics)						
Revenues:							
ATM operating revenues	$ 182,711	$ 258,979	$ 280,985	$ 416,961	$ 209,542	$ 251,854	$ 331,167
Vcom^{tm} operating revenues [1]				27,686		685	8,882
ATM product sales and other revenues	10,204	9,986	12,620	12,620	9,218	9,805	9,805
Total revenues	192,915	268,965	293,605	457,267	218,760	262,344	349,854
Cost of revenues:							
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization, shown separately below)[2][3][4]	143,504	199,767	209,850	309,433	157,225	191,046	249,891
Cost of Vcom^{tm} operating revenues				16,309		2,644	11,770
Cost of ATM product sales and other revenues	8,703	9,681	11,443	11,443	8,142	9,196	9,196
Total cost of revenues	152,207	209,448	221,293	337,185	165,367	202,886	270,857
Gross profit	40,708	59,517	72,312	120,082	53,393	59,458	78,997
Operating expenses:							
Selling, general, and administrative expenses [5][6]	13,571	17,865	21,667	27,580	15,709	20,985	23,422
Depreciation and accretion expense	6,785	12,951	18,595	23,702	14,072	18,541	21,357
Amortization expense [7]	5,508	8,980	11,983	23,297	9,610	14,062	18,903
Total operating expenses	25,864	39,796	52,245	74,579	39,391	53,588	63,682
Income from operations	14,844	19,721	20,067	45,503	14,002	5,870	15,315
Other (income) expense:							

Interest expense, net [8]	5,235	22,426	25,072	39,333	18,769	21,592	29,172
Other [9]	228	983	(4,986)	(4,986)	(868)	751	751
Total other expense	5,463	23,409	20,086	34,347	17,901	22,343	29,923

4. Property, Plant and Equipment

	September 30, 2016	December 31, 2015
	($000's omitted)	
Land	$21	$ 21
Buildings	10,414	10,343
Machinery, equipment and tooling	15,642	14,934
Construction in progress	64	57
	26,141	25,355
Less accumulated depreciation and amortization	(16,200)	(15,600)
Total property, plant and equipment	$9,941	$ 9,755

Property, plant and equipment includes land and facilities in Elma and Franklinville, New York. As of September 30, 2016 and December 31, 2015, accumulated depreciation on the building amounted to approximately $3,418,000 and $3,258,000, respectively.

Depreciation and amortization expense amounted to $198,000 and $185,000 for the three month periods ended September 30, 2016 and 2015, respectively, and amounted to $610,000 and $525,000 for the nine month periods ended September 30, 2016 and 2015, respectively. The Company believes that it maintains property and casualty insurance in amounts adequate for the risk and nature of its assets and operations and which are generally customary in its industry.

As of September 30, 2016, there is approximately $64,000 ($57,000 – 2015) of construction in progress included in property, plant and equipment all of which is related to capital projects at the Advanced Technology Group. See Note 7, Commitments and Contingencies, for more information on anticipated capital expenditures.

SERVOTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Long-Term Debt

	September 30, 2016	December 31, 2015
	($000's omitted)	
Term loan payable to a financial institution; Interest rate option of bank prime or Libor plus 1.4% (1.92% as of September 30, 2016); monthly principal payments of $21,833 through 2021 with a balloon payment of $786,000 due December 1, 2021	$ 2,162	$ 2,358
Term loan payable to a financial institution; Interest rate option of bank prime or Libor plus 1.4% (1.92% as of September 30, 2016); monthly principal payments of $23,810 through 2021	1,500	1,714
	3,662	4,072
Less current portion	(548)	(548)
	$ 3,114	$ 3,524

The Company has a $2,000,000 line of credit on which there was no balance outstanding at September 30, 2016 and December 31, 2015.

The term loans and line of credit are secured by all personal property of the Company with the exception of certain equipment that was purchased from proceeds of government grants.

Certain lenders require the Company to comply with debt covenants as described in the specific loan documents, including a debt service ratio. At September 30, 2016 and December 31, 2015 the Company was in compliance with these covenants.

6. Shareholders' Equity

	($000's omitted except for share data)							
	Common Stock							
	Number of shares	Amount	**Capital in**	**Retained earnings**	ESOT	**Treasury stock**	**Accumulated other**	**Total shareholders'**

	issued		**excess of par value**				**comprehensive loss**	**equity**
Balance at December 31, 2015	2,614,506	$ 523	$ 14,092	$ 13,395	$ (863)	$ (1,702)	$ (3)	$ 25,442
Net income	-	-	-	1,628	-	-	-	1,628
Purchase of treasury shares	-	-	-	-	-	(197)	-	(197)
Cash dividend	-	-	-	(380)	-	-	-	(380)
Stock based compensation, net of tax benefit	-	-	54	-	-	334	-	388
Balance at September 30, 2016	2,614,506	$ 523	$ 14,146	$ 14,643	$ (863)	$ (1,565)	$ (3)	$ 26,881

The Company’s Board of Directors authorized the purchase of up to 450,000 shares of its common stock in the open market or in privately negotiated transactions. As of September 30, 2016, the Company has purchased 337,609 shares and there remain 112,391 shares available to purchase under this program. There were 5,639 shares purchased by the Company during the nine month period ended September 30, 2016.

On April 18, 2013, the Company issued 165,000 shares of restricted stock to Executive Officers of the Company under the Company’s 2012 Long-Term Incentive Plan that was approved by the shareholders at the 2012 Annual Meeting of Shareholders. This plan authorizes the issuance of up to 300,000 shares. The restricted share awards vest over four year periods between January 2014 and January 2017 and have voting rights and accrue dividends prior to vesting. The aggregate amount of expense to the Company, measured based on grant date fair value is expected to be $1,336,500 and will be recognized over the four year requisite service period.

SERVOTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On April 11, 2016, the Company issued 51,000 shares of restricted stock to Executive Officers and certain key management of the Company under the Company's 2012 Long-Term Incentive Plan. The restricted share awards have varying vesting periods between January 2017 and January 2018; however, these shares have voting rights and accrue dividends prior to vesting. The aggregate amount of expense to the Company, measured based on grant date fair value is expected to be approximately $406,000 and will be recognized over the requisite service period.

Included in the nine months ended September 30, 2016 and 2015 is approximately $386,000 and $271,000, respectively, of compensation expense related to the restricted share awards.

On January 1, 2016, 41,250 shares of restricted stock vested of which 17,335 shares were withheld and repurchased by the Company for approximately $145,000 to satisfy statutory minimum withholding tax requirements for those participants who elected this option as permitted under the Company's 2012 Long-Term Incentive Plan.

On March 14, 2016, the Company announced that its Board of Directors declared a $0.15 per share cash dividend. The dividend was subsequently paid on May 16, 2016 to shareholders of record on April 11, 2016 and was approximately $380,000 in the aggregate. These dividends do not represent that the Company will pay dividends on a regular or scheduled basis. The amount is recorded as a reduction to retained earnings on the accompanying consolidated balance sheet.

Earnings Per Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding during the period. The weighted average number of common shares outstanding does not include any potentially dilutive securities or any unvested restricted shares of common stock. These unvested restricted shares, although classified as issued and outstanding, are considered forfeitable until the restrictions lapse and will not be included in the basic EPS calculation until the shares are vested. Diluted earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding during the period plus the number of shares of common stock that would be issued assuming all contingently issuable shares having a dilutive effect on the earnings per share that were outstanding for the period. Incremental shares from assumed conversions are calculated as the number of shares that would be issued, net of the number of shares that could be purchased in the marketplace with the cash received upon stock option exercise. The dilutive effect of unvested restricted stock is determined using the treasury stock method.

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SERVOTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Three Months Ended		**Nine Months Ended**	
	September 30,		**September 30,**	
	2016	2015	2016	2015
	($000's omitted except per share data)			
Net income	$ 366	$ 744	$ 1,628	$ 4,136
Weighted average common shares outstanding (basic)	2,219	2,179	2,203	2,179
Incremental shares from assumed conversions of stock options	-	-	-	-
Unvested restricted stock	92	82	92	82
Weighted average common Shares outstanding (diluted)	2,311	2,261	2,295	2,261
Basic				
Net income per share	$ 0.17	$ 0.34	$ 0.74	$ 1.90
Diluted				
Net income per share	$ 0.16	$ 0.33	$ 0.71	$ 1.83

7. Commitments and Contingencies

Litigation. The Company has pending litigation relative to leases of certain equipment and real property with a former related party, Aero, Inc. Aero, Inc. is suing Servotronics, Inc. and its wholly owned subsidiary and has alleged damages in the amount of $3,000,000. The Company has filed a response to the Aero, Inc. lawsuit and has also filed a counter-claim in the amount of $3,191,000. The Company considers the risk of loss remote, and is unable to reasonably or accurately estimate the likelihood and amount of any liability or benefit that may be realized as a result of this litigation. Accordingly, no gain or loss has been recognized in the accompanying financial statements related to this litigation.

Final Arbitration Award. As previously disclosed in filings with the Securities and Exchange Commission ("SEC"), in the first quarter of 2015 the Company paid a former Executive Officer of the Company (the "Former Employee") an arbitration award in connection with the termination of the Former Employee's employment agreement. The Company is also expected to pay post employment health related benefits for the Former Employee, of which approximately $471,000 has been accrued as of September 30, 2016 and is reflected as Accrued Arbitration Award Liability in the accompanying balance sheet.

Agreement with respect to Insurance Claim. As previously disclosed, the Company received $4,500,000 in the first quarter of 2015 from the carrier related to the Company's claim for insurance for damages the Company suffered in

connection with the above arbitration proceeding. The insurance carrier also paid under the policy partial attorney fees incurred by the Company in defense of the arbitration. The Company recorded the benefit from this agreement during the first quarter of 2015.

Facility Expansion. As previously disclosed, the Company has commenced a multi-year investment plan designed to consolidate the operations of the CPG. The five year plan included the construction of an approximate 28,000 square foot addition, capital improvements to the existing plant, the reconfiguration of its production process within the expanded facility, and the addition of new state of the art knife-making equipment. The Company broke ground in the second quarter of 2014 and is now manufacturing in the newly constructed facility. The cost of the project is approximately $4,000,000 over a five year period of which approximately $3,432,000 was completed as of September 30, 2016 and is included in property, plant and equipment.

SERVOTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company’s CPG was awarded certain incentives from the County of Cattaraugus Industrial Development Agency (CCIDA) in connection with the expansion of the Company’s CPG facility in Franklinville, New York and other proposed capital expenditures. The incentives include certain real property tax and sales tax abatements in connection with the proposed project. The Company’s CPG entered into customary lease and leaseback arrangements with the CCIDA to facilitate the various tax incentives.

The Company’s CPG has also been awarded a $300,000 grant from Cattaraugus County, New York. The grant can be used towards new manufacturing equipment in connection with the proposed expansion project. As part of the terms of the Grant Contract with Cattaraugus County, the Company’s CPG has agreed to maintain certain employment levels for a period of five years from the date of the agreement, March 13, 2014. If the employment levels are not maintained, the Company will be required to repay the grant proceeds on a prorated basis. As of September 30, 2016, the Company has maintained the required employment levels. The Company’s CPG was also awarded a $416,000 New York State Community Development Block Grant from the Office of Community Renewal to be used towards the purchase of equipment. As of December 31, 2015, the Company had received the grants in full and recorded them as a reduction to the carrying value of the asset.

8. Litigation

Except as set forth in Note 7, Commitments and Contingencies, there are no other legal proceedings currently pending by or against the Company other than ordinary routine litigation incidental to the business which is not expected to have a material adverse effect on the business or earnings of the Company.

9. Business Segments

The Company operates in two business segments, Advanced Technology Group (“ATG”) and Consumer Products Group (“CPG”). The Company’s reportable segments are strategic business units that offer different products and services. The segments are composed of separate corporations and are managed separately. Operations in ATG primarily involve the design, manufacture, and marketing of servo-control components (i.e., torque motors, control valves, actuators, etc.) for government, commercial and industrial applications. CPG’s operations involve the design, manufacture and marketing of a variety of cutlery products for use by consumers and government agencies. The Company derives its primary sales revenue from domestic customers, although a portion of finished products are for foreign end use.

As of September 30, 2016, the Company had identifiable assets of approximately $36,130,000 ($34,374,000 – December 31, 2015) of which approximately $24,211,000 ($22,789,000 – December 31, 2015) was for ATG and approximately $11,919,000 ($11,585,000 – December 31, 2015) was for CPG.

SERVOTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Information regarding the Company's operations in these segments is summarized as follows ($000's omitted):

	ATG **Nine Months**		CPG **Nine Months**		Consolidated **Nine Months**	
	September 30,		**September 30,**		**September 30,**	
	2016	2015	2016	2015	2016	2015
Revenues from unaffiliated customers	$23,023	$21,067	$5,685	$6,055	$28,708	$27,122
Cost of goods sold, exclusive of depreciation and amortization	(16,060)	(14,917)	(4,828)	(5,378)	(20,888)	(20,295)
Selling, general and administrative	(3,477)	(3,367)	(1,338)	(1,196)	(4,815)	(4,563)
Depreciation and amortization	(412)	(364)	(198)	(161)	(610)	(525)
Interest expense	(32)	(30)	(22)	(23)	(54)	(53)
Arbitration award expense	-	(50)	-	-	-	(50)
Insurance proceeds - arbitration	-	4,500	-	-	-	4,500
Other income, net	19	130	-	1	19	131
Income (loss) before income tax provision (benefit)	3,061	6,969	(701)	(702)	2,360	6,267
Income tax provision (benefit)	949	2,370	(217)	(239)	732	2,131
Net income (loss)	$2,112	$4,599	$(484)	$(463)	$1,628	$4,136
Capital expenditures	$613	$782	$173	$603	$786	$1,385

	ATG **Three Months**		CPG **Three Months**		Consolidated **Three Months**	
	September 30,		**September 30,**		**September 30,**	
	2016	2015	2016	2015	2016	2015
Revenues from unaffiliated customers	$7,658	$7,513	$1,807	$2,196	$9,465	$9,709
Cost of goods sold, exclusive of depreciation and amortization	(5,418)	(5,060)	(1,625)	(1,833)	(7,043)	(6,893)
Selling, general and administrative	(1,240)	(1,050)	(418)	(436)	(1,658)	(1,486)
Depreciation and amortization	(137)	(124)	(61)	(61)	(198)	(185)
Interest expense	(11)	(10)	(7)	(8)	(18)	(18)
Other income, net	9	1	-	-	9	1
Income (loss) before income tax provision (benefit)	861	1,270	(304)	(142)	557	1,128
Income tax provision (benefit)	289	432	(98)	(48)	191	384
Net income (loss)	$572	$838	$(206)	$(94)	$366	$744
Capital expenditures	$70	$407	$15	$341	$85	$748

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SERVOTRONICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Other Income

Components of other income include interest income on cash and cash equivalents, and other amounts not directly related to the sale of the Company's products. Other income is immaterial in relationship to the consolidated financial statements.

11. Subsequent Events

On November 8, 2016 the Company, through a wholly-owned subsidiary, entered into a contract to sell unused commercial real property in Franklinville, New York for approximately $180,000. It is anticipated the sale will be completed in the fourth quarter of fiscal 2016. Completion of the sale is subject to customary closing conditions. The Company estimates that the gain/loss on the sale will be immaterial to the consolidated financial statements.

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

During the nine months ended September 30, 2016 and 2015 approximately 9% and 11%, respectively, and 10% for the three months ended September 30, 2016 and 2015 of the Company's revenues were derived from contracts with agencies of the U.S. Government or their prime contractors and their subcontractors. The Company believes that government involvement in military operations overseas will continue to have an impact on the financial results in both the Advanced Technology and Consumer Products markets. While the Company is optimistic in relation to these potential opportunities, it recognizes that sales to the government are affected by defense budgets, the foreign policies of the U.S. and other nations, the level of military operations and other factors, and as such, it is difficult to predict the impact on future financial results.

The Company's commercial business is affected by such factors as uncertainties in today's global economy, global competition, the vitality and ability of the commercial aviation industry to purchase new aircraft, the effects and threats of terrorism, market demand and acceptance both for the Company's products and its customers' products which incorporate Company made components.

The ATG engages in business development efforts in its primary markets and is broadening its activities to include new domestic and foreign markets that are consistent with its core competencies. We believe our business remains

particularly well positioned in the strong commercial aircraft market driven by the replacement of older aircraft with more fuel efficient alternatives and the increasing demand for air travel in emerging markets. Although the ATG backlog continues to be strong, actual scheduled shipments may be delayed/changed as a function of the Company's customers' final delivery determinations based on changes in the global economy and other factors.

The CPG continues to diversify its revenue streams with a broader government focus and new commercial channels, including the addition of national retailers, international accounts, and a direct-to-consumer business line in response to recent and ongoing reductions in military spending. The CPG is also actively growing its custom manufacturing business to provide a wide range of metal and plastic fabrication services to a variety of consumer and industrial companies. New product development is focused on the commercialization of products with applications that span government and civilian requirements to maximize demand or that open up new lines of business entirely.

See also Note 9, Business Segments, for information concerning business segment operating results.

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Results of Operations

The following table compares the Company's consolidated statements of income data for the nine and three months ended September 30, 2016 and 2015 ($000's omitted):

	Nine Months Ended September 30,						2016 vs 2015		
	2016			**2015**			**Dollar**	**% Increase**	
	Dollars	% of Sales		Dollars	% of Sales		Change	(Decrease)	
Revenue:									
Advanced Technology	$23,023	80.2	%	$21,067	77.7	%	$1,956	9.3	%
Consumer Products	5,685	19.8	%	6,055	22.3	%	(370)	(6.1	%)
	28,708	100.0	%	27,122	100.0	%	1,586	5.8	%
Cost of goods sold, exclusive of depreciation and amortization	20,888	72.8	%	20,295	74.8	%	593	2.9	%
Selling, general and administrative	4,815	16.8	%	4,563	16.8	%	252	5.5	%
Depreciation and amortization	610	2.1	%	525	1.9	%	85	16.2	%
Arbitration award expense	-	-		50	0.2	%	(50)	(100.0	%)
Insurance proceeds – arbitration	-	-		(4,500)	(16.6	%)	4,500	(100.0	%)
Total costs and expenses	26,313	91.7	%	20,933	77.1	%	5,380	25.7	%
Operating income, net	2,395	8.3	%	6,189	22.9	%	(3,794)	(61.3	%)
Interest expense	54	0.2	%	53	0.2	%	1	1.9	%
Other income, net	(19)	(0.1	%)	(131)	(0.5	%)	112	85.5	%
Income tax provision	732	2.5	%	2,131	7.9	%	(1,399)	(65.6	%)
Net income	$1,628	5.7	%	$4,136	15.3	%	$(2,508)	(60.6	%)

	Three Months Ended September 30,						2016 vs 2015		
	2016			2015			Dollar	% Increase	
	Dollars	% of Sales		Dollars	% of Sales		Change	(Decrease)	
Revenue:									
Advanced Technology	$7,658	80.9	%	$7,513	77.4	%	$145	1.9	%
Consumer Products	1,807	19.1	%	2,196	22.6	%	(389)	(17.7	%)
	9,465	100.0	%	9,709	100.0	%	(244)	(2.5	%)
Cost of goods sold, exclusive of depreciation and amortization	7,043	74.4	%	6,893	71.0	%	150	2.2	%
Selling, general and administrative	1,658	17.5	%	1,486	15.3	%	172	11.6	%
Depreciation and amortization	198	2.1	%	185	1.9	%	13	7.0	%

Total costs and expenses	8,899	94.0	%	8,564	88.2	%	335	3.9	%
Operating income, net	566	6.0	%	1,145	11.8	%	(579)	(50.6	%)
Interest expense	18	0.2	%	18	0.2	%	-	-	
Other income, net	(9)	(0.1	%)	(1)	-		(8)	800.0	%
Income tax provision	191	2.0	%	384	4.0	%	(193)	(50.3	%)
Net income	$366	3.9	%	$744	7.6	%	$(378)	(50.8	%)

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Revenue

The Company's consolidated revenues from operations increased approximately $1,586,000 or 5.8% for the nine month period ended September 30, 2016 and decreased approximately $244,000 or 2.5% for the three month period ended September 30, 2016 when compared to the same periods in 2015. The increase in revenue is the result of increases in commercial shipments at ATG not fully offset by the decrease in commercial and government shipments at CPG.

Cost of Goods Sold

Cost of goods sold as a percentage of revenues decreased from 74.8% to 72.8% for the nine month period ended September 30, 2016 and increased from 71.0% to 74.4% for the three month period ended September 30, 2016 when compared to the same periods in 2015 due in part to the mix of product sold as well as the realization of implemented operational efficiencies attributed to increased production volumes for in-house and outsourced operations. Total employment levels grew from 297 employees at September 30, 2015 to 317 at September 30, 2016. The increase in employees is in response to an increase in production capacity requirements at ATG as evidenced by an increase of 23% in the value of purchase orders placed when comparing the nine months ended September 30, 2016 to the same period of 2015. The Company continues to pursue cost saving opportunities in material procurements and other operating efficiencies including capital investments and technical developments in updated and new equipment/machinery as well as investing in the development and training of its labor force.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses increased approximately $252,000 or 5.5% for the nine month period ended September 30, 2016 and increased approximately $172,000 or 11.6% for the three month period ended September 30, 2016 when compared to the same periods in 2015. Approximately 65% of SG&A expense relates to labor and labor related expense to support SG&A functions. Such expenses increased approximately $136,000 primarily due to an increase in salaries, wages and employee benefit costs for new and existing employees. Approximately 12% of SG&A expense is attributable to the sales and marketing of products including commissions and royalty expenses. These expenses increased approximately $122,000 as a result of additional media and catalog advertising and travel opportunities to promote new product development. Approximately 9% of SG&A expense is attributable to professional and legal services, such expenses decreased approximately $28,000 primarily due to a reduction in legal expenses associated with the previously disclosed arbitration proceedings with a Former Employee.

Depreciation and Amortization Expense

Depreciation and amortization increased approximately $85,000 or 16.2% for the nine month period ended September 30, 2016 and increased approximately $13,000 or 7.0% for the three month period ended September 30, 2016 when compared to the same periods in 2015 primarily due to the assets related to the CPG expansion and renovation being placed in service in late 2015. Depreciation expense fluctuates due to variable estimated useful lives of depreciable property (as identified in Note 2, Business Description and Summary of Significant Accounting Policies) as well as the amount and nature of capital expenditures in current and previous periods. It is anticipated that the Company's future capital expenditures and related depreciation and amortization expense will, at a minimum, follow the Company's requirements to support its manufacturing delivery commitments and to meet certain information technology related capital expenditure requirements. See also Note 7, Commitments and Contingencies, for more information on anticipated capital expenditures.

Arbitration Award Expense

The Company incurred approximately $50,000 in additional interest in the first quarter of 2015 related to an arbitration award finalized on February 23, 2015, prior to payment of the award on March 6, 2015. The Company does not expect to have any further material expenditures related to the arbitration.

Insurance Proceeds - Arbitration

On February 20, 2015, the Company entered into an agreement with its insurance carrier pursuant to which the Company received $4,500,000 from the carrier related to the Company's claim for insurance for damages the Company suffered in connection with the previously discussed arbitration proceeding. The insurance carrier also paid under the policy partial attorney fees incurred by the Company in defense of the arbitration. The insurance proceeds were used to pay the majority of the arbitration award with the remainder being paid by the Company using cash on hand. See also Note 7, Commitments and Contingencies, for more information.

Interest Expense

Interest expense remained consistent for the nine and three month periods ended September 30, 2016 when compared to the same periods in 2015. See also Note 5, Long-Term Debt, for information on long-term debt.

Other Income

Components of other income include interest income on cash and cash equivalents and other amounts not directly related to the sale of the Company's products. Other income is immaterial in relationship to the consolidated financial statements.

Income Taxes

The Company's effective tax rate was approximately 31.0% and 34.0% for the nine month periods and approximately 34.2% and 34.0% for the three month periods ended September 30, 2016 and 2015, respectively. The effective tax rate

in both years reflects federal and state income taxes, permanent non-deductible expenditures and the federal tax credit for research and development expenditures.

Net Income

Net income for the nine month period ended September 30, 2016 decreased approximately $2,508,000 and decreased approximately $378,000 for the three month period ended September 30, 2016 when compared to the same periods in 2015. The nine month decrease is the result of the insurance settlement received on February 20, 2015 as discussed in Note 7, Commitments and Contingencies, offset by increases in revenues and operating profits in the respective periods. The Company primarily attributes the three month decrease in net income to the decrease in sales and profits at the CPG.

Liquidity and Capital Resources

The Company's primary liquidity and capital requirements relate to working capital needs; primarily inventory, accounts receivable and accounts payable as well as capital expenditures for property, plant and equipment and principal and interest payments on debt. At September 30, 2016, the Company had working capital of approximately $20,796,000 ($19,959,000 – December 31, 2015) of which approximately $2,867,000 ($3,268,000 – December 31, 2015) was comprised of cash and cash equivalents.

The Company generated approximately $1,372,000 in cash from operations during the nine months ended September 30, 2016. Cash was generated primarily through net income, timing differences in payments to vendors as well as other accrued items. The primary use of cash for the Company's operating activities for the nine months ended September 30, 2016 include working capital requirements, mainly timing differences on collections of accounts receivable, increases in inventory and other current assets. Cash generated and used in operations is consistent with sales volume, customer expectations and competitive pressures. The Company's primary use of cash in its financing and investing activities in the nine months ended September 30, 2016 included approximately $410,000 of current principal payments on long-term debt, approximately $380,000 for cash dividends paid on May 16, 2016 as well as approximately $197,000 for the purchase of treasury shares. The Company also expended approximately $786,000 for capital expenditures during the nine months ended September 30, 2016.

On December 1, 2014, the Company, entered into a Loan Agreement that provides for a $2,620,000 seven-year term loan (the "Term Loan") and $2,000,000 line of credit (the "Line of Credit"). The Line of Credit, which replaced the Company's previous $2,000,000 line of credit, was renewed on May 23, 2016 and is available until June 21, 2017, unless subsequently renewed. As of September 30, 2016, there were no draws on the line. The proceeds from the Term Loan were used to pay off the Industrial Development Revenue Bonds that were issued by a government agency in 1994 to finance the construction of the Company's headquarters/advanced technology facility and which matured on December 1, 2014. In addition, the Company's wholly-owned subsidiary, The Ontario Knife Company (OKC) also entered into a separate Loan Agreement with the Bank on December 1, 2014. The OKC Loan Agreement provides for a $2,000,000 seven-year term loan (the "OKC Term Loan"). The proceeds from the OKC Term Loan are being used to purchase equipment and expand/renovate the OKC facility in Franklinville, New York.

Borrowings under these Credit Facilities bear interest, at the Company's option, at the Bank's Prime Rate or LIBOR plus 1.4%. Principal installments are payable on the Term Loan and the OKC Term Loan through December 1, 2021 with a balloon payment of $786,000 at maturity of the Term Loan.

The Company believes its cash generating capability and financial condition, together with available credit facilities will be adequate to meet our operating, investing and financing needs.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company carried out an evaluation under the supervision and with the participation of its management, including the Company's Chief Executive Officer ("CEO") and Controller, who is functioning as the Company's Principal Financial Officer ("PFO"), of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of September 30, 2016. Based upon that evaluation, the CEO and PFO concluded that the Company's disclosure controls and procedures are effective to ensure that the information required to be disclosed by the Company in SEC reports under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company's management, including the CEO and PFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls

During the nine month period ended September 30, 2016, there were no changes in internal controls over financial reporting that have materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

Except as set forth in Note 7, Commitments and Contingencies, there are no other legal proceedings currently pending by or against the Company other than ordinary routing litigation incidental to the business which is not expected to have a material adverse effect on the business or earnings of the Company.

Item 1A. Risk Factors

The Company is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Company Purchases of Company's Equity Securities

2015 Periods	Total Number of Shares Purchased	Weighted Average Price $ Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that may yet be Purchased under the Plans or Programs (1)
January - March	20,074(2)	$8.25	2,739	115,291
April - June	-	-	-	115,291
July	-	-	-	115,291
August	-	-	-	115,291
September	2,900	$11.25	2,900	112,391
Total	22,974	$8.63	5,639	112,391

(1) The Company's Board of Directors authorized the purchase of up to 450,000 shares of its common stock in the open market or in privately negotiated transactions. As of September 30, 2016, the Company has purchased 337,609 shares and there remain 112,391 shares available to purchase under this program. There were 5,639 shares purchased by the Company during the nine month period ended September 30, 2016.

(2) Includes 17,335 shares withheld/purchased by the Company in January 2016 to satisfy statutory minimum withholding tax requirements for those participants who elected this option as permitted under the Company's 2012 Long-Term Incentive Plan.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
101	The following materials from Servotronics, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) consolidated balance sheets, (ii) consolidated statements of income, (iii) consolidated statements of comprehensive income, (iv) consolidated statements of cash flows and (v) the notes to the consolidated financial statements.

FORWARD-LOOKING STATEMENTS

In addition to historical information, certain sections of this Form 10-Q contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, such as those pertaining to the Company's capital resources and profitability, the timing and amount of payment obligation relating to the arbitration award and the Company's ability to pay these obligations. Forward-looking statements involve numerous risks and uncertainties. The Company derives a material portion of its revenues from contracts with

agencies of the U.S. Government or their prime contractors. The Company's business is performed under fixed price contracts and the following factors, among others discussed herein, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements: uncertainties in today's global economy and global competition, and difficulty in predicting defense appropriations, the vitality of the commercial aviation industry and its ability to purchase new aircraft, the willingness and ability of the Company's customers to fund long-term purchase programs, and market demand and acceptance both for the Company's products and its customers' products which incorporate Company-made components. The success of the Company also depends upon the trends of the economy, including interest rates, income tax laws, governmental regulation, legislation, population changes and those risk factors discussed elsewhere in this Form 10-Q. Readers are cautioned not to place undue reliance on forward-looking statements, which reflect management's analysis only as of the date hereof. The Company assumes no obligation to update forward-looking statements.

SIGNATURES

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

Date: November 11, 2016

SERVOTRONICS, INC.

By: /s/ Dr. Nicholas D. Trbovich, Chief Executive Officer
Dr. Nicholas D. Trbovich
Chief Executive Officer

By: /s/ Nancy T. Magnuson, Principal Financial Officer
Nancy T. Magnuson
Principal Financial Officer

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